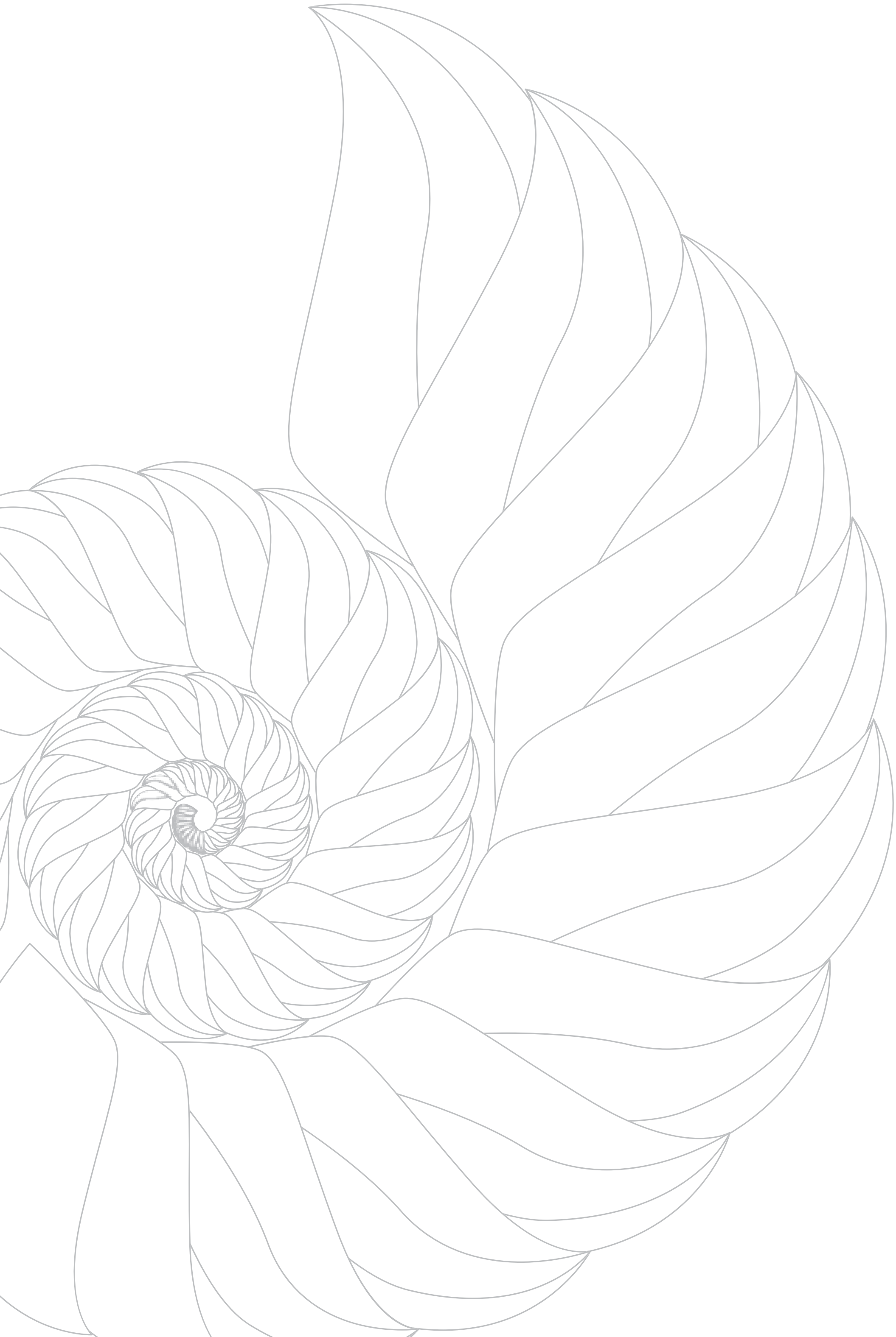
UZMA BERHAD ANNUAL REPORT 2016

UZMA




UZMA

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Board Of Directors

Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee
Independent Non-Executive Chairman

Dato' Kamarul Redzuan bin Muhamed
Managing Director / Chief Executive Officer

Dato' Dr. (H) Ab Wahab bin Haji Ibrahim
Independent Non-Executive Director

Dato' Hajjah Zurainah binti Musa
Independent Non-Executive Director

Datuk Abdullah bin Karim
Independent Non-Executive Director

Yahya bin Razali
Independent Non-Executive Director

Ikhlas bin Abdul Rahman
Independent Non-Executive Director

Dato' Che Nazahatuhisamudin bin Che Haron
Executive Director

Ahmad Yunus bin Abd Talib
Executive Director

Peter Angus Knowles
Executive Director

Audit Committee

Dato' Dr. (H) Ab Wahab bin Haji Ibrahim - *Chairman*
Independent Non-Executive Director

Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee - *Member*
Independent Non-Executive Chairman

Yahya bin Razali - *Member*
Independent Non-Executive Director

Datuk Abdullah bin Karim - *Member*
Independent Non-Executive Director

Nominating Committee

Datuk Abdullah bin Karim - *Chairman*
Independent Non-Executive Director

Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee - *Member*
Independent Non-Executive Chairman

Dato' Dr. (H) Ab Wahab bin Haji Ibrahim - *Member*
Independent Non-Executive Director

Yahya bin Razali - *Member*
Independent Non-Executive Director

Ikhlas bin Abdul Rahman - *Member*
Independent Non-Executive Director

Remuneration Committee

Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee - *Chairman*
Independent Non-Executive Chairman

Dato' Dr. (H) Ab Wahab bin Haji Ibrahim - *Member*
Independent Non-Executive Director

Dato' Kamarul Redzuan bin Muhamed - *Member*
Managing Director / Chief Executive Officer

SECRETARIES

Kang Shew Meng (MAICSA 0778565)
Seow Fei San (MAICSA 7009732)

REGISTERED OFFICE

802, 8th Floor, Block C, Kelana Square
17 Jalan SS7/ 26, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7803 1126 Fax : 03-7806 1387

AUDITORS

Crowe Horwath (AF 1018)
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-2788 9999 Fax : 03-2788 9998

STOCK EXCHANGE LISTING

Main Market - Bursa Malaysia Securities Berhad
Listed Since : 29th July 2008
Stock Name : UZMA Stock Code : 7250

CORPORATE OFFICE

Uzma Tower
No. 2, Jalan PJU 8/ 8A
Damansara Perdana
47820 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7611 4000 Fax : 03-7611 4100
Email : malaysia@uzmagroup.com
Website : www.uzmagroup.com

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd. (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/ 46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 8000 Fax : 03-7841 8151

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad (88103-W)
Ground & 1st Floor
No. 2, Jalan Murni 25/ 61
Taman Sri Muda, Seksyen 25
40400 Shah Alam
Selangor Darul Ehsan
Tel : 603-5121 9336 Fax : 603-5121 9373

AmBank (M) Berhad (8515-D)
Level 1 Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 603-2026 1014   Fax : 603-2026 6980

AmBank Islamic Berhad (295576-U)
Level 1 Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 603-2026 1014   Fax : 603-2026 6980

Citibank Berhad (297989-M)
Menara Citibank
No. 165, Jalan Ampang
50400 Kuala Lumpur
Tel: 03-2383 0000   Fax: 03-2383 6666

HSBC Amanah Malaysia Berhad (807705-X)
No. 2, Leboh Ampang
50100 Kuala Lumpur
Tel : 603-2165 9693   Fax : 603-2031 0942

Maybank Islamic Berhad (787435-M)
Menara Maybank
No. 100, Jalan Tun Perak,
50050 Kuala Lumpur
Tel: 03-2074 8946   Fax: 03-2715 9442

OCBC Al-Amin Bank Berhad (818444-T)
No. 60, Vista Magna, Jalan Prima Metro Prima Kepong
52100 KualaLumpur
Tel: 03-6252 2228   Fax: 03-6258 0888

RHB Islamic Bank Berhad (680329-V)
RHB Centre
No. 426, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-9281 3030   Fax: 03-9287 4173

RHB Bank Berhad (6171-M)
RHB Centre
No. 426, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-9281 3030   Fax: 03-9287 4173

Standard Chartered Bank Malaysia Berhad
(115793-P)
No. 36, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 603-2721 5501   Fax : 603-2142 9733

UZMA IN A SNAPSHOT

ESTABLISHED IN
2000

36
COUNTRIES

>1,000
CONSULTANTS

>800
EMPLOYEES

OVER **60**
INTERNATIONAL CLIENTS

PERFORMANCE **AT A GLANCE**

PROFIT AFTER TAX
290.55% INCREASE

FROM **RM44.121 MIL**
TO **RM11.297 MIL**

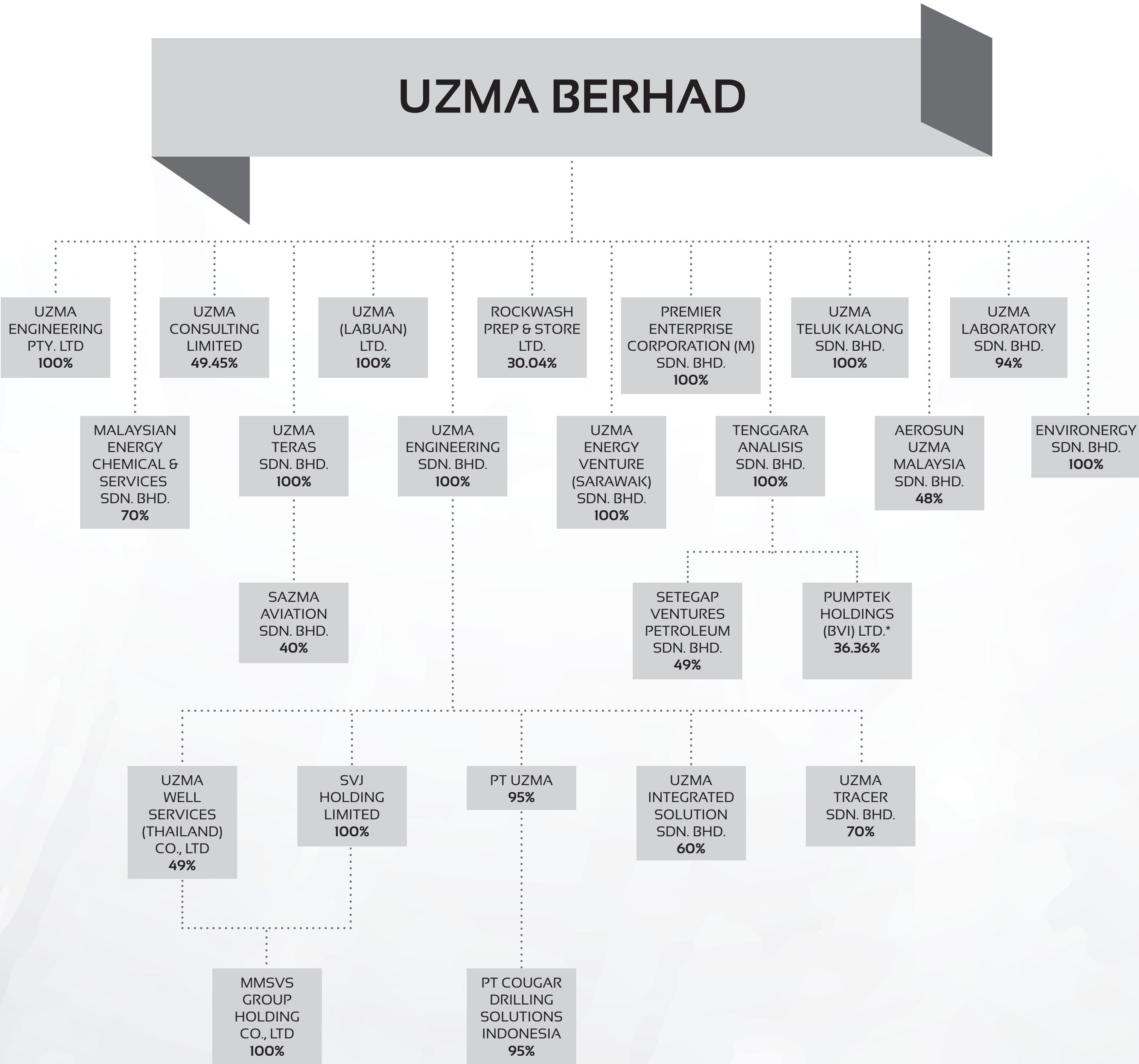
BASIC EARNINGS PER SHARE
615.34% INCREASE

FROM **RM1.89** TO **RM13.52**

REVENUE
7.78% DECREASE

FROM **RM510.772 MIL**
TO **RM471.050 MIL**

CORPORATE **STRUCTURE**



**This has been classified as other investment in financial reporting.*

THE **uzmaWAY**

Uzma is an integrated group of companies that provide cost effective solutions to the oil & gas industry at every step in the exploration, development and production value chain. We are driven by the aspiration to exceed our stakeholders' expectations. We shall deliver this aspiration by adopting a set of unifying corporate values, known as the **uzmaWAY**, which form the core pillars of the corporate identity and culture throughout our organization.

HEALTH & SAFETY

Uzma believes in providing a healthy, secure and safe working environment in all of our operations and activities regardless of where we are on the globe. Positive health and safety culture shall be inculcated into our organization. Our stakeholders and all their loved ones shall have peace of mind knowing that they are in good hands all the time.

PEOPLE

Uzma aspires to be the employer of choice and to be a catalyst for a balanced passion towards work and life. We recognize the diversity of our people and we respect our differences. We nurture leadership, teamwork and innovation in achieving our common goals. We develop personal and professional competency of our people. We shall stay humble and exude positive attributes in communicating with our stakeholders.

QUALITY

Uzma embraces pro-activity and cost effectiveness in planning, executing and continually improving our deliverables to exceed every expectation of our stakeholders. We ensure that our people are efficient and effective in executing their responsibilities. We possess the agility to quickly adapt to stakeholders' expectation and we strive to be the best in everything we do.

INTEGRITY

Uzma adopts the highest standards of personal and professional integrity in executing its business activities within the organization and external to the organization. We are committed to ethical business practices and good corporate governance in order to be an exemplary corporate citizen.

ENVIRONMENT

Uzma believes in co-existing with and preserving the environment. Our stakeholders can rest assured that we shall do our very best to make sure that we leave minimal footprints in every activity we do on this precious planet.

These core values shall be embraced, practiced and demonstrated by everybody in the organization. Realizing that we are only as strong as our weakest link, we shall make sure that our employees, partners, consultants and supply chain fully understand and voluntarily subscribe to the **uzmaWAY**.

CHAIRMAN'S **STATEMENT**

Alhamdulillah, looks like Uzma came out from the tough year 2016 stronger. Some of you might be questioning why I am of the view that the company appeared stronger with a reduced revenue of RM39.722 Mil compared to the previous year. Well, even with the decline in revenue, Uzma managed to increase its gross profit from RM116.159 Mil in 2015 to RM122.233 Mil in 2016. That's a jump of RM6.074 Mil. This doesn't look like an achievement by itself, but if you throw in the market conditions, the flailing performance of the competitors and the reduced revenue of the company, this number suddenly emerges as a triumph worth celebrating.

I know the force behind such an amazing performance, despite the industry situation and challenges, lies in the hard work of its people, efficient execution of its leadership, support of its supply chain and partners, and most importantly, the brilliant planning and direction of its captain. I take this opportunity to congratulate and thank all Uzmarians for a job well done in 2016.

Looking back throughout 2016, when the management of Uzma worked hard and smart to maneuver the uncertain waters, many of the best teams in the world could have lost sight of their core values and rushed to take the easy way out. We heard of many companies which had to resort to laying off their employees in 2016 and still, many more, lost that will to fight and had to exit the business altogether. The fact of the matter is, if an organization cannot manage its costs effectively, then there is very little hope of staying competitive, or even survive, in this industry climate. This is where, I think, Uzma has always excelled in – staying competitive in the midst of the turmoil and clients' changing requirements.

As PEOPLE is one of the most important core values promoted by the **uzmaWAY**, I could attest that letting go of our people shall be the very last resort which the company will consider in managing its costs and ensuring the survival of its operations. There is no easy way of aligning people, especially when our people come from different backgrounds and beliefs, from all generations – from the baby-boomers to the millennials. The vast differences of the people of Uzma only reaffirms the need for the organization to carefully run programs to get everybody to be aligned and to be moving in the same direction – the direction to being a successful international organization which could survive the test of time.

I am happy to know that in 2017, the management of Uzma has clearly set KPIs which include very clear and measurable indicators in introducing and living the **uzmaWAY**. If there is any program which could bring people together under one common core values, it has to be the **uzmaWAY**, as I see it as a very honest and inclusive sets of values, professional and personal attributes which could become a glue binding Uzmarians together as one aligned unit to face all the challenges in the industry.

While we remain sanguine about the 2017 prospects, I am entirely realistic regarding the complexity of the challenges that lie ahead and I am sitting here in my chairman's seat being grateful to be able to continue to have the peace of mind knowing that Uzma shall be in very good and capable hands.

Alhamdulillah for 2016 and looking forward for a stronger 2017.

Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee

Chairman of the Board

CEO REVIEW **OF OPERATIONS**

STILL A CHALLENGING YEAR

Coming out of 2015 when we missed our growth target, I remember having to worry about what could have happened in 2016. With such a challenging year in 2015, Uzma could've performed a lot worse. To the least, we could still claim that we grew in size, even though our revenue just grew 7.89% from 2014. Unfortunately, our gross profit only grew 4.96% and our PAT dropped 72.03% despite the 7.89% growth in revenue. Something was wrong somewhere. Or many things could have gone wrong everywhere in the company. With a worsening outlook of the industry, what could 2016 has in store for Uzma? As the captain of a ship persistently sailing into the rough sea, I knew what to do and where to start.

After tirelessly reviewing our situations with Uzma's leadership team, we ended up with a long list of to-do actions. Along with the leadership team, we put the situation into perspective, and meticulously analyzed each of the challenges and its reciprocal resolution plans and we embarked on a year-long quest to rise above all this turmoil.

IT'S IN THE EXECUTION

In reviewing our predicament at the offset of the organization's vision, we have collectively committed ourselves to be disciplined in executing all the needed actions in order to ensure Uzma will fare better in 2016 regardless of the external forces which we have very little control of. Let us review how we have fared in our plans and executions in 2016.

1. **Cost Management**

   We strongly believed that the top line number was hard to grow during this challenging year. Therefore we need to be more prudent with our cost and decided to tighten our belt. We have rolled out various initiatives including staff cost reduction, better financing strategy, improvement in collection and centralized supply chain. All in all we have achieved what we had targeted for but at the same time missed a few targets too.

2. **Operations Integration & Improvement**

   We had grown leaps and bounds over the years. Growing at the pace we had successfully done in the past, unfortunately, had caused some inefficiency that could be tolerated during good time. However, when things were getting tough we needed to increase our efficiency and to find ways to eliminate 'drag' in our growth trajectory. Some of the initiatives that we deployed in 2016 included setting up of new organization structure that shall not only promote integration, but also clearly define responsibilities and accountabilities. We had also, precisely identified problems in each divisions and solved them systematically, one case at a time. All those were executed while we were trying very hard to maintain a 'small company' mentality which we believe suited us best. We had also decided to expand our geographical reach by 'restarted' our effort in penetrating Indonesia market. We called it Indonesia 2.0.

3. **Project Implementation**

   In 2016, we have delivered Marsya, our own Mobile Water Injection Facility (WIF). This is a fast track project and our ability to deliver the project in such a short period of time is very commendable. To date Marsya had been operating with more than 95% uptime and it was completed with ZERO LTI. It took us more that 1.8 Million man hours to complete the construction of Marsya.

   In Q2 2016, we started our first Coiled Tubing Unit (CTU) project via our associate company Setegap Venture Petroleum Sdn. Bhd. (SVP). They are well on the road to be a key player in this service in Malaysia and the near region.

   Last year also confirmed our leadership in Plug & Abandonment (P&A) Services for Malaysia after we successfully completed five P&A wells – one onshore and four offshore. All of our Malaysia's P&A jobs were completed within budget and delivered under turnkey basis.

YOU WIN SOME, YOU LOSE SOME

Out of the various key actions we set out to effectively execute in 2016, we succeeded in more than 85% of what we set out to do.

Putting this into a better perspective and yardstick, Uzma's revenue shrunk to RM471.050 Mil compared to RM510.772 Mil in 2015. A drop of 7.78%. With such a challenging year in 2016, it could have been worse for Uzma, as has been demonstrated by all of our peers in the industry. However, our gross profit grew 5.23% to RM122.233 Mil, compared to RM116.159 Mil in 2015 and our profit after tax (PAT) increased more than 290.55% to RM44.121 Mil from its previous year's PAT of RM11.297 Mil.

In short, even though we have earned RM39.722 Mil less than in 2015, we have raked in a higher profit to the tune of RM32.824 Mil. This demonstrates the success of our collective execution in managing our costs, restructuring our operations and executing our projects. I would like to take this opportunity to thank all of the hardworking and honest people at Uzma for making this a reality.

Thank you for your continuing support. I promise you to work for a better in 2017.

Dato' Kamarul Redzuan bin Muhamed

Managing Director / Chief Executive Officer

BOARD OF **DIRECTORS**

ADDITIONAL INFORMATION ON THE BOARD OF DIRECTORS

- None of the Directors has any family relationship with each other and/ or major shareholder of the Company.
- None of the Directors has any conviction for offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
- With the exception of Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee, Dato' Dr. (H) Ab Wahab bin Haji Ibrahim, Encik Yahya bin Razali and Dato' Hajjah Zurainah binti Musa and Datuk Abdullah bin Karim, none of the Directors hold any directorship in other public companies.
- The Director's holdings in shares of the Company are disclosed in the Analysis of Shareholding section of the Annual Report.
- None of the Directors has any conflict of interest with the Company.

DIRECTORS' **PROFILE**

Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee

Malaysian, aged 55

Independent Non-Executive Chairman

Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee is our Independent Non-Executive Chairman. He was appointed to the Board on 21 May 2008 and currently is the Chairman of Remuneration Committee and a member of Audit Committee and Nominating Committee of Uzma Berhad.

Datuk Seri Syed Ali was awarded a Professional Diploma in Leadership and Management by the New Zealand Institute of Management in 2003. He ventured into corporate world in the early 1980s and held directorships in several private and public corporations involved in a diverse range of businesses. He is currently the director of Asia Media Group Berhad, Perbadanan Nasional Berhad, Bright Packaging Industry Berhad and Redtone International Berhad.

Datuk Seri Syed Ali was a member of Dewan Negara (Senate) of Malaysia from 2003 to 2009. Rendering service to society, he is also the Director of Perbadanan Nasional Berhad.

HE WAS APPOINTED TO THE BOARD ON 21 MAY 2008 AND CURRENTLY IS THE CHAIRMAN OF REMUNERATION COMMITTEE AND A MEMBER OF AUDIT COMMITTEE AND NOMINATING COMMITTEE OF UZMA BERHAD

Dato' Kamarul Redzuan bin Muhamed

Malaysian, aged 44

Managing Director / Chief Executive Officer

Dato' Kamarul Redzuan bin Muhamed has been the Chief Executive Officer of Uzma Berhad since its inception in 2000 and serves as its Managing Director. He was appointed to the Board on 21 May 2008 and a member of the Remuneration Committee of Uzma Berhad. A high achiever since his school days, Dato' Kamarul Redzuan is the product of the country's first 'American Top Universities (ATU)' programme. He attended Colorado School of Mines, a world-renowned producer of high quality talents in the petroleum industry and graduated in 1995 with a Bachelor's Degree in Petroleum Engineering.

Dato' Kamarul Redzuan is a hands-on CEO, having worked as a reservoir engineer on an integrated reservoir engineering study in the USA before returning to Malaysia. He began his local career as a Facilities Engineer in Esso Production Malaysia Inc. (EPMI) where he worked on a number of offshore projects. Gaining a good grounding in offshore engineering, he started to develop a network of exploration and production contacts in Malaysia. To further expand his horizon, he joined Sedco Forex, a leading International Drilling Contractor. Shifting to test his entrepreneurship skills, he later joined Smedvig Technologies Sdn. Bhd. ("Smedvig") as a Technical Representative. Turned out to be a natural entrepreneur, he helped to spur exciting growth in the organization, which landed him a fast-tracked promotion to become the Business Development Manager for the Asian Division. During his tenure, he built and maintained a good relationship with PETRONAS and other PSCs securing multi-million dollar contracts for Smedvig across the region.

In 1999, when Smedvig was acquired by Roxar Sdn. Bhd. ("Roxar"), he was instrumental in setting up its KL operations and later putting in a launch pad to become the regional office and hub for Roxar's activities in Asia Pacific. Armed with experiences from large multinationals like ExxonMobil, Smedvig and Roxar, he saw a dire need for a real Malaysian oil and gas companies to win market share from foreign companies that had dominated the space for too long. He left Roxar to set up Uzma in May 2000 to strike out on his own.

A fearless entrepreneur fuel-injected with enthusiasm, Dato' Kamarul Redzuan envisioned and executed rapid game-changing turnarounds to deliver phenomenal revenue growth rate and year-after-year success achieving business growth objectives. Dato' Kamarul Redzuan was named Malaysia's Most Promising Entrepreneur at the Asia Pacific Entrepreneurship Award 2009. Prime Minister, Dato' Seri Najib Tun Razak in his speech while launching the Government Transformation Programme (GTP) and Economic Transformation Programme (ETP) 2015 annual reports under the National Transformation Policy (NTP), introduced Uzma Berhad's Captain, Dato' Kamarul Redzuan as one of the individuals who has been successful in their transformation, without the government's support.

Today, Dato' Kamarul Redzuan still plays an active and vital role in strategizing, governing and ensuring effective execution of his key management team to put Uzma to greater heights.

Beyond Uzma, Dato' Kamarul Redzuan is an active member of Society of Petroleum Engineers (SPE), Research Advisory Council for University Technology PETRONAS (UTP), Industry Advisory Panel for Malaysia Petroleum Resources Corporation (MPRC) and Industry Advisory Panel for Asia Pacific University (APU) of Technology & Innovation. Dato' Kamarul Redzuan is currently pursuing a Master of Letters at Institute of the Malay World and Civilisation (ATMA), Universiti Kebangsaan Malaysia.

HE WAS APPOINTED TO THE BOARD ON 21 MAY 2008 AND A MEMBER OF THE REMUNERATION COMMITTEE OF UZMA BERHAD

DIRECTORS' **PROFILE**

Dato' Dr. (H) Ab Wahab bin Haji Ibrahim

Malaysian, aged 66

Independent Non-Executive Director

Dato' Dr. (H) Ab Wahab bin Haji Ibrahim is our Independent Non-Executive Director. He was appointed to our Board on 26 May 2011 and currently is the Chairman of Audit Committee and a member of Nominating Committee and Remuneration Committee of Uzma Berhad.

He is a Chartered Accountant and also a member of the Malaysian Institute of Accountants (MIA). He holds a Diploma and Advanced Diploma in Accounting from Universiti Teknologi MARA and his experience spans over 27 years in the area of finance and accounting. He began his career in the Corporate Finance Division at PETRONAS in 1978 and later assumed the role of Finance Manager for PETRONAS Gas Berhad (PGB), a subsidiary of PETRONAS. He was also appointed as Joint Company Secretary and was a member of the Management Committee for PGB.

Following the successful implementation of the listing of PETRONAS Gas Berhad, he was further reassigned as Head of the Finance and IT Division of OGP Technical Services Sdn. Bhd., another subsidiary of PETRONAS in 1996, a position he held until 2004. In 2007, he obtained his Master of Business Administration (Management Studies) from University of Rockhampton, USA and in the same year was honored with the Honorary Doctorate in Public Service by Irish International University, Ireland. He is currently an Independent Non-Executive Director on the board of Alam Maritime Resources Berhad. He also serves as the Chairman of Alam Maritim Resources Berhad Audit Committee.

HE WAS APPOINTED TO THE BOARD ON 26 MAY 2011 AND CURRENTLY IS THE CHAIRMAN OF AUDIT COMMITTEE AND A MEMBER OF NOMINATING AND REMUNERATION COMMITTEE OF UZMA BERHAD

Dato' Hajjah Zurainah binti Musa

Malaysian, aged 55

Independent Non-Executive Director

Dato' Hajjah Zurainah binti Musa is our Independent Non-Executive Director. She was appointed to our Board on 13 May 2015.

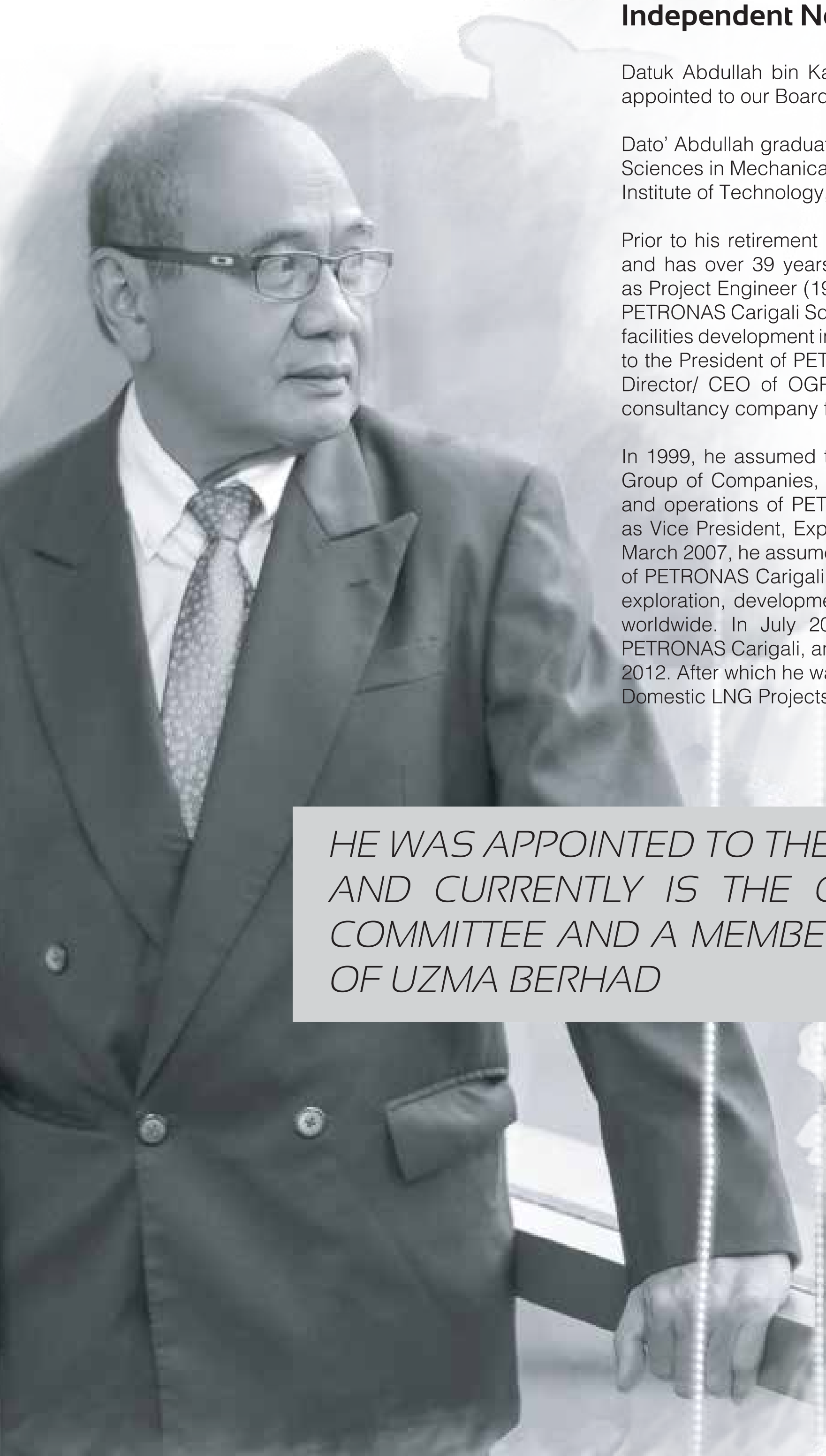
Dato' Hajjah Zurainah obtained her MBA from Berjaya University College of Hospitality, Diploma in Occupational Health and Safety from the University of New South Wales and Diploma in Secretarial Science from MARA Institute of Technology.

She started working in 1983 and was working in senior capacities for several organizations, both locally and internationally. She has more than 15 years of experience in the field of Human Resource Management and Development as well as Human Relationship Management and Strategic Thinking. Her experience includes inter-alia, the designing, developing, managing, organizing and conducting trainings of programs and courses as well as the provision of consulting services relating to the various aspects of human resource development and management for organizations in Malaysia, Australia, United States of America, Indonesia and the Middle East.

She is currently an Executive Director of Berjaya Corporation Berhad and Berjaya Times Square Sdn. Bhd. She also holds directorships on various subsidiaries of Berjaya Assets Berhad. She is also a Director of Tioman Island Resort Berhad.

SHE WAS APPOINTED TO THE BOARD ON 13 MAY 2015

DIRECTORS' **PROFILE**



Datuk Abdullah bin Karim

Malaysian, aged 64

Independent Non-Executive Director

Datuk Abdullah bin Karim is our Independent Non-Executive Director. He was appointed to our Board on 25 August 2016.

Dato' Abdullah graduated from University of Western Australia with a Bachelor of Sciences in Mechanical Engineering and Diploma in Gas Engineering from Illinois Institute of Technology, USA.

Prior to his retirement in June 2016, Datuk Abdullah joined PETRONAS in 1977 and has over 39 years experiences in the oil and gas industry, having served as Project Engineer (1981) and General Manager, Engineering Division (1991) in PETRONAS Carigali Sdn. Bhd. responsible for petroleum engineering, drilling and facilities development in new oil and gas fields. He became the Executive Assistant to the President of PETRONAS in 1994, after which he was appointed Managing Director/ CEO of OGP Technical Services Sdn. Bhd., a project management consultancy company from 1995 to 1999.

In 1999, he assumed the position of Managing Director/ CEO of Malaysia LNG Group of Companies, responsible for construction of MLNG 3 plant, marketing and operations of PETRONAS LNG Complex in Bintulu before his appointment as Vice President, Exploration & Production Business of PETRONAS in 2004. In March 2007, he assumed the position of Vice President PETRONAS and MD/ CEO of PETRONAS Carigali, a wholly owned subsidiary of PETRONAS involved in the exploration, development and production in Malaysia as well as in 23 countries worldwide. In July 2010, Datuk Abdullah was appointed as the President, PETRONAS Carigali, and VP/ CEO of PETRONAS Development & Production until 2012. After which he was appointed as the Vice President and Venture Director of Domestic LNG Projects until his retirement on 1 July 2016.

HE WAS APPOINTED TO THE BOARD ON 25 AUGUST 2016 AND CURRENTLY IS THE CHAIRMAN OF NOMINATING COMMITTEE AND A MEMBER OF THE AUDIT COMMITTEE OF UZMA BERHAD

Yahya bin Razali

Malaysian, aged 61

Independent Non-Executive Director

Yahya bin Razali is our Independent Non-Executive Director. He was appointed to the Board on 19 February 2014 and currently is the member of Audit Committee and Nominating Committee of Uzma Berhad.

Yahya obtained his Bachelor of Science (Finance) from Southern Illinois University and MBA from Berkeley, United States in 1982 and 1984 respectively. He worked with the Ministry of Culture, Youth and Sports of Malaysia from 1977 to 1979. In 1984, he joined the United State Leasing Corporation, San Francisco, United States as a Financial Analyst. In 1986, he worked as a Consultant with Alexander Proudfoot Productivity Consultant Pte Ltd in Singapore. He also held the position of Investment Manager and Executive Director for Selangor Foundation and Grand United Holdings Berhad respectively from 1988 to 1993. He was the Fund Manager cum Associate Director for Spectrum Asset Management Sdn. Bhd., a licensed fund management company. He is also a Certified Financial Planner.

He currently sits on the board of one (1) other public corporation, namely, Orion IXL Berhad.

HE WAS APPOINTED TO THE BOARD ON 19 FEBRUARY 2014 AND CURRENTLY IS THE MEMBER OF AUDIT COMMITTEE AND NOMINATING COMMITTEE OF UZMA BERHAD

DIRECTORS' **PROFILE**

Ikhlas bin Abdul Rahman

Malaysian, aged 60

Independent Non-Executive Director

Ikhlas bin Abdul Rahman is our Independent Non-Executive Director. He was appointed to the Board on 1 February 2017 and currently is a member of Nominating Committee of Uzma Berhad.

Ikhlas graduated from Loughborough University of Technology with a Bachelor of Technology in Production Engineering and Management and obtained the Cascelloid Award for Best Project Final Year.

He has over 36 years of experience in design engineering, HSE, operations, project management, planning, business development, management and marketing experience in the oil and gas industry.

He has held many positions in the PETRONAS organization from the Upstream to Downstream marketing. He has developed in-depth project management experiences especially in the field of small offshore field development and Floating Storage and Offloading/ Floating Production, Storage and Offloading ("FSO/ FPSO") projects. His recent experiences have primarily focus on managing business unit/portfolios both internationally and domestic.

HE WAS APPOINTED TO THE BOARD ON 1 FEBRUARY 2017 AND CURRENTLY IS A MEMBER OF NOMINATING COMMITTEE OF UZMA BERHAD

Dato' Che Nazahatuhisamudin bin Che Haron

Malaysian, aged 44

Executive Director

Dato' Che Nazahatuhisamudin bin Che Haron is our Executive Director. He was appointed to our Board on 21 May 2008.

Dato' Naza graduated from Valparaiso University, Indiana, USA in 1996 with a Bachelor of Science in Electrical Engineering. He started his career as a Development Engineer with Pernec Sdn. Bhd. and later Scopetel (M) Sdn. Bhd. as a Project Engineer gaining 4 years hands-on offshore engineering and project management experience where he also assisted in business development in this satellite communications company. In 1999, he joined AKK Management as its' General Manager where he helped build the company into a successful trading and water treatment company. During his tenure at AKK Management, he had concluded major contracts with various multinational companies and he had been instrumental in forming formal and exclusive relationships with major suppliers in the water treatment business.

In 2000, he joined Uzma Malaysia and was focused on opening up Uzma's Middle East office in the year 2003 and expanded the business in the Middle East before extending into North Africa. While in Qatar, he successfully built a relationship with major Oil and Gas and petrochemical companies and subsequently secured various long-term contracts with various companies in the region.

In 2007, he was entrusted to be Uzma's Sales and Operations Director, a role in which he can comfortably apply his excellent people and negotiating skills to its maximum. In addition to directing the Account Managers and managing the preparation of tenders and proposals, he spends a great deal of his time in engaging customers for business development and marketing. As the Executive Director and SVP Business Development of Uzma Berhad, Dato' Naza's mission is to fast-track Uzma to be one of the biggest service companies in Malaysia.

Dato' Naza currently sits on the board of directors and management team of Setegap Ventures Petroleum (SVP) Sdn. Bhd. as well as the board of directors at Malaysian Energy Chemical & Services Sdn. Bhd. (MECAS) and TransOcean Drilling Sdn. Bhd.

HE WAS APPOINTED TO THE BOARD ON 21 MAY 2008 AND IS CURRENTLY THE ***DEPUTY CEO AND EXECUTIVE VICE PRESIDENT OF SALES***

DIRECTORS' **PROFILE**

Ahmad Yunus bin Abdul Talib

Malaysian, aged 47

Executive Director

Ahmad Yunus bin Abd Talib is our Executive Director. He was appointed to our Board on 1 February 2017.

Yunus Talib graduated from University of Wisconsin-Madison, USA with a Bachelor of Sciences in Mechanical Engineering in 1993.

He has over 20 years of experience in the oil and gas industry and spent the first 13 years with ExxonMobil in various positions of increasing responsibility in the Operations Technical and Project Department.

Yunus joined Uzma in 2008 as General Manager for Production Optimization & Operation Services and later led the acquisition of Malaysian Energy Chemical & Services Sdn. Bhd. which he was then seconded as a Managing Director. Later, he served as the Project Delivery Manager for the Tanjong Baram Risk Services Contract (RSC) Project and in 2016 he was entrusted to lead the conversion of a drilling jack-up for Uzma's Water Injection Facilities Project as a Project Director. Currently he is managing Uzma Production Solutions which includes production optimization, chemicals, RSC, wireline, well testing, and water solutions.

*HE WAS APPOINTED TO THE BOARD ON 1 FEBRUARY 2017 AND CURRENTLY IS THE **EXECUTIVE VICE PRESIDENT OF PRODUCTION SOLUTIONS***

Peter Angus Knowles

British, aged 60

Executive Director

Peter Angus Knowles is our Executive Director. He was appointed to the Board on 21 May 2008.

A 'Scot' fondly known via his middle name within the industry, Angus graduated from RGIT University in Aberdeen, Scotland which is renowned as a higher learning institution for offshore engineering. After graduation in 1978 he worked for an offshore engineering company before joining Southeastern Drilling Company ("SEDCO"), as a graduate trainee in 1981. He worked on a number of international assignments in Korea, USA, Norway and the Middle East attaining the level of District Manager before SEDCO was acquired by Schlumberger in 1984. He subsequently worked in a number of senior engineer roles. In 1989 he joined Prodrill Ltd, an Aberdeen-based drilling consultancy, and was seconded as Senior Drilling Engineer to Petroleum Development Oman and to Shell and Conoco Phillips in the United Kingdom for a total of 4 years before being posted to Malaysia as Engineering Manager in 1992. He was subsequently promoted to Regional Manager. In 1996 Prodrill was acquired by Smedvig Inc., a leading Norwegian drilling company listed on the New York Stock Exchange. He was appointed Asian General Manager for their Smedvig Technologies division and led a period of major expansion.

He brings with him a total of 37 years hands-on international oilfield experience which earns him technical credibility and respect amongst customers throughout South East Asia and Australasia. He also has a proven track record in business development and project management providing a balance of technical understanding, entrepreneurial spirit, and commercial prudence. The continuing demand from oil companies for his performance improvement and risk management consultancy helps him to maintain his extensive client network and provides access to senior executives throughout the industry. In addition to his role as EVP, International Business, and EVP, Resource Solutions, Angus plays an important role in ensuring Safety is of the highest standard in Uzma, particularly in process safety.

HE WAS APPOINTED TO THE BOARD ON 21 MAY 2008 AND IS CURRENTLY THE ***EXECUTIVE VICE PRESIDENT OF RESOURCE SOLUTIONS AND MANAGING DIRECTOR OF UZMA CONSULTING LIMITED (THAILAND)***

PROFILE OF **KEY MANAGEMENT**

ADDITIONAL INFORMATION ON THE KEY MANAGEMENT

- None of the above personnel has any family relationship with any Director and/ as major shareholders of the Company except as disclosed above for Datin Rozita binti Mat Shah @ Hassan.
- None of the above personnel has any convictions for offenses in the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
- None of the above personnel has any conflict of interest with the Company.

Rizal bin Mohd Arifin

Malaysian, Male, aged 44

Year Joined : 2011

Chief Executive Officer - PEC

Rizal graduated from Marquette University, Milwaukee, Wisconsin in Business Administration. His excellent capabilities with more than 22 years of experience in Sales and Marketing have brought his previous company, ROXAR in securing big projects with PETRONAS including other national oil companies in South East Asia region and numerously awarded as Best Sales Manager of the Year by the company.

Rizal has a unique combination of two powerful traits: boldness and humility, which make him a great salesperson and a respectable leader. His previous role as Senior Vice President is instrumental in building Geosciences and Petroleum Engineering (GPE) capabilities as the backbone to UZMA's offerings to the local and international oil and gas industry. Two years after he joined UZMA in 2011, he received a CEO award for his exceptional performance and excellent deliverables for magnifying the department's success and its business growth. Rizal has successfully transformed GPE from a low-performing business unit to one of top performing, exceeding profit goals and driving change for 3 consecutive years.

Described as a Change Agent and Sales Growth Champion with proven track records and consistency in delivering mission-critical results, landed him an opportunity to be the Chief Executive Officer of PEC (a wholly-owned subsidiary of Uzma Berhad) to spearhead the business transformation. With his unique personality, experience, passion, dedication and people-oriented leadership style, the transformational process has already begun.

Mohd Shahrin bin Saad

Malaysian, Male, aged 44

Year Joined : 2016

Executive Vice President

Shahrin graduated with a degree in Chemical & Petroleum Refining Engineering from the Colorado School of Mines, Golden Colorado, USA in 1996. He has more than 20 years of oil and gas working experience in South East Asia and the Middle East of which giving him the extensive exposure in Open Hole Completions - Line hangers, Packers, External Casing Packers, Swell Packers and Cased Hole completions - TRSV and Cement Thru Applications. He also has the experience in Conventional Fishing and Thru Tubing Fishing and Well Intervention (Remedial and Stimulation product lines). He has in depth knowledge in all Baker Oil Tools product lines and understanding of Baker Hughes and Weatherford's general products and services. His last employment was with Weatherford Solution Sdn. Bhd. as the Global Business Director before joining UZMA in July 2016. Shahrin is also a member in the Executive Committee and Investment Committee for the Company.

PROFILE OF KEY MANAGEMENT

Datin Rozita binti Mat Shah @ Hassan

Malaysian, Female, aged 47

Year Joined : 2003

Senior Vice President, Corporate Services

Datin Rozita graduated with a Bachelor of Science in Chemical Engineering from Rensselaer Polytechnic Institute, New York in 1993. She worked for an American technology company before returning to Malaysia in 1994 where she joined EPMI as a Systems Engineer. She held various technical roles during her 6 years with EPMI during which she developed sound project management skills and became an accomplished Project Engineer. After a short stint as a Project Engineer with OGP Technical Services Sdn. Bhd., a PETRONAS subsidiary, she joined forces with her husband, Dato' Kamarul to set up UZMA.

Her initial role in UZMA Malaysia was to build the core consultancy business where she had successfully grown the business during her tenure. Her abilities were ideal for the consultancy business as she has strong formal technical qualifications and training, coupled with a natural ability to develop and maintain personal relationships. These skills, together with good business acumen, people skills and strong management techniques have won her respect from the staff, customers and consultants. She became the Operations Director, managing the back office functions for the whole business as well as performance improvement. The back office functions included logistics, human resources and information technology, as well as corporate social responsibility. Until the appointment of a Group Finance Manager, she also managed the company's accounting and finance. Currently as SVP of Corporate Services, Datin Rozita has an additional and demanding role to play as she is also in charge of three (3) separate departments: the Human Resources, Corporate Relations & Administration and Information Technology.

Maharon bin Jadid

Malaysian, Male, aged 64

Year Joined : 2016

Vice President of Technology Solutions

Maharon graduated with an honors degree in Chemical Engineering from the University of Malaya, Kuala Lumpur in 1976. Later, he was trained at the Shell Training Center in the Hague, Netherlands for four years in petroleum engineering till 1980. He has vast experiences in drilling, completion, production and operations. He also lectures and mentor in E&P subjects and a technical authority in well completion and well design. A subject matter expert in sand control, advisor in research for down-hole erosion. He has published over 10 SPE papers and presented in SPE forum and conferences. He is also an SPE member. He has 40 years of experience of extensive technical experience in the upstream in oil and gas industry with various companies including Shell and PETRONAS. He joined UZMA in April 2016 as the Vice President of Technology Solutions.

Bong Leong Sung

Malaysian, Male, aged 42

Year Joined : 2007

Chief Financial Officer and Chief Executive Officer of MMSVS Group Holding Co., Ltd.

Bong graduated with a degree in Accounting from the University of Malaya, Kuala Lumpur in 1999. He has vast experience in financial and corporate management having worked for Arthur Anderson, Ernst & Young, Kuala Lumpur City Securities Berhad, Alliance Investment Bank Berhad and the European Credit Investment Bank Ltd. He is currently a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA). He played a very important role during UZMA's pre-IPO days as the Corporate Finance Manager and was subsequently promoted to be the Chief Financial Officer of the company. He plays a vital role in ensuring Uzma's financial management complies with the highest of global standards. He currently manage the entirety of MMSVS Thailand.

MANAGEMENT DECISION & ANALYSIS

IT'S FROM THE TOP

The decision of Uzma's management to ensure cohesiveness within its Board of Directors to its corporate culture – known company-wide as the uzmaWAY – is a clear indication of how serious the organization is to align every stakeholders in the Company with a mission to grow the Company to become a serious player in the regional scene in the near future.

One of the highlights of the swift execution of the management of Uzma in strengthening the fabric of Uzma's management culture was the appointment of Datuk Abdullah Karim into the Board of Directors of Uzma Berhad. Datuk Abdullah, who was one of the key management in PETRONAS before he retired in 2016, has held various high profile leadership positions in PETRONAS including the President of PETRONAS Carigali and Vice President & Venture Director of LNG Projects. A man of high integrity and capability, Datuk Abdullah's 39 years of experience in the industry definitely will benefit Uzma in assisting the setting up of the organization's long term direction and ensure a better governance of the organization in whole.

As if having one very strong oil and gas personality to sit in the steering board of Uzma is not enough, the management has inducted another high performer from PETRONAS to join its Board of Directors – Mr. Ikhlas Abdul Rahman. Mr. Ikhlas carries with him 36 years of experience in the industry, managing both domestic and international business portfolios when he was attached to PETRONAS.

Even though the impact of the new faces of its Board of Directors would not be felt in its 2016 performance, the successful engagement of the two powerful oil and gas industry personalities into the steering forces of Uzma demonstrated the strategic thinking and swift execution of the management of Uzma.

Moving down the steering Board of Directors, Uzma has also executed a few actions to strengthen its leadership and top management with the appointment of a few industry veterans and high performers into its key leadership team. Internal promotions have also been widely executed to strengthen the Company's corporate culture and small-company mentality continuity. Restructuring of its Well Solutions Division is seen to be timely, for Uzma has been planning to immediately export its Well Solutions capabilities regionally to neighbouring countries, before embarking on the greater international scene in the not-so-distant future.

To efficiently open new doors to Uzma by venturing into strategic businesses and activities, Uzma's 100%-owned key subsidiary company, Premier Enterprise Corporation (PEC) Sdn. Bhd. PEC, which traditionally has been a trading vehicle of Uzma, has been strategically positioned and equipped to venture into other exciting business opportunities to further expand the horizon of Uzma so that the Company's sole dependency on its traditional upstream oil and gas activities could be streamlined and supported by other complementing business ventures.

Aggressive integration of Uzma's Hydraulic Workover operations in Thailand has been seamlessly executed in 2016. A trusted senior ranking executive has been assigned to helm the Thailand-based operation to ensure integration into the Uzma family at a faster pace.

Moving down the top management chain, a few other additions to the senior management team were also executed in 2016. Internal promotions within the Technology Division, Well Solutions and Business Development Division have helped to provide more focused leadership and mission continuity within these divisions. A new leadership in the newly created capability, Fluid and Fishing, has expanded Uzma's core competencies into a complementing capability supporting its current offerings in Well Solutions.

MANEUVERING THE 2016

Uzma started the 2016 with a steep increase in staff costs, which in 2015, grew 18% compared to 2014. The revelation posed a great concern to the management. At the center of the concern was the ratio of Staff Costs over Revenue, which had also increased in 2015. On a positive note for the clients, this stood to show that Uzma hired a lot of talents in 2015 to deliver high quality, safe and timely deliverables. However, the fact of the matter was, to remain competitive and sustainable, the main theme of executing the operations in 2016 needed to include serious cost management.

Fully aware of the rising staff and operational costs in 2015 which almost definitely would be escalated into 2016 and beyond, Uzma had embarked on company-wide quality improvement, productivity enhancement and cost optimization projects to effectively minimize the impact of the industry turmoil. Its Quality and Business Improvement (QBI) was tasked to look into ways to improve efficiency and productivity. Improvement projects following the Six Sigma approach have been employed, and improvements in several key processes have been implemented in 2016, specifically with the introduction of Procurement Integrated Management System (PrIMS) to manage all procurement processes.

With better productivity and more efficient system in procurement, Uzma's Supply Chain Management (SCM) team has been able to focus on aggressive cost negotiations with the supply chain. Their tireless effort has resulted in cost savings of the total procured materials and services for 2016.

On its operations front, Uzma realized that it needed to be more efficient in pursuing possible businesses and executing won contracts to deliver the highest standards of quality and safety. To achieve this, Uzma completely restructured the organization in early 2016, resulting in three main divisions spanning its exploration, drilling and production sectors of the industry. The restructuring has been meticulously planned and executed to synergize and seamlessly share strategic resources, technology and common strengths:

1. Uzma's "FIND" division which was previously referred to as "Geoscience and Petroleum Engineering Services" (GPE) has been appropriately renamed "Technology Solutions", and it comprises of study centers (Seismic Acquisition & Processing, Subsurface Studies), Tracer Reservoir Characterization, Laboratory, Sample Cuttings Preparation, Software Integrated Solutions and High Performance Computing Algorithm.

2. Uzma's "CONNECT" division which was previously known as "Drilling and Well Services" (DWS) has been

appropriately renamed “Well Solutions” and houses competencies like Drilling Project Management, Directional Drilling, Hydraulic Workover, Fluids and Rigless Marine System. Directional Drilling, which is headquartered in Jakarta, served as a strategic window for Uzma into the Indonesian market. Hydraulic Workover, with its Center of Technical Excellence based in Bangkok, served as a strategic window for Uzma to penetrate the Thailand’s and Myanmar’s markets.

3. Uzma’s biggest division, “PRODUCE” which was previously known as “Production Optimization and Operations Services” (POOS) has been renamed simply as “Production Solutions”. It is now comprising of the Low Pressure System – the uzmAPRES, Portable Water Injection – the uzmaPWIM, Well Testing Solution, Early Production System, Chemical Solutions, Production Equipment Supply, Wireline/ Slickline, Coiled Tubing & Pumping and Cementing Marsya, Malaysia’s first mobile Water Injection Facility (WIF) is also operated under Production Solutions.

Uzma’s strategic procurement arm, PEC, has been pushed to the fore-front to play an important role of also being the “incubator” for all of Uzma’s new ventures. With its wide array of trading and logistics connection, PEC has put its footing into niche HUC in 2016.

Spanning all the three sectors is Uzma’s Manpower Consultancy, which continued to be a contributor to Uzma’s growth, albeit at a very slow growth in 2016. The management realized that in this time of uncertainty, manpower consultancy would be one of the most affected division within the company. Hence, productivity and process improvement within this division has been sanctioned which resulted in a semi-automated Payment to Billing process.

The restructuring of Uzma’s three main divisions has showed signs of success, helping Uzma to be able to position itself better so that it could focus on clients operational and business needs through each of the divisions. This, in order to stay true to one of its key attributes promoted by the uzmaWAY – AGILITY.

Close to hearts and minds of Uzma’s management is the safety of its people. 2016 has not been a good year in that front, with one reported accident involving Uzma’s subcontractor. The accident happened just before Uzma ended its year, on Dec 1st 2016, involving an international contractor in its offshore Sarawak operations under Production Solutions. The case resulted in Lost Work Day Case (LWDC), contributing to LTI. After years and millions of man-hours with 0 LTI, Uzma was shaken by this incident. Even though it involved subcontractor’s crew, as a responsible contract holder and a company with integrity, Uzma took 100% ownership of the accident and has put in aggressive actions in its HSE programs and execution to ensure such accidents are prevented in the future. This has included a complete HSE restructuring which was initiated in the end of 2016.

With all the hardship in the uncertain industry in 2016, Uzma’s revenue dropped 7.78% down to RM471.05 Mil. However, its gross profit grew 5.23% to RM122.23 Mil, compared to RM116.16 Mil in 2015. Lower revenue giving higher profit clearly demonstrated that Uzma’s strategy, restructuring, productivity improvement efforts and planning in 2016 have been a resounding success. More importantly, as have been proven over and over again in the previous years, Uzma’s effective and efficient execution have always brought about exceptional results to the organization. This excellent executional effectiveness and efficiency has been further proven by the fact that in 2016, Uzma’s profit after tax (PAT) had increased 290.56% to RM44.121 Mil from its previous year’s PAT of RM11.30 Mil. In a simpler term to understand, Uzma has managed to earn RM32.82 Mil more in 2016 even though its income has dropped about RM39.722 Mil compared to 2015.

MOVING FOWARD INTO 2017

From the 2016 World Energy Outlook Report produced by the International Energy Agency (IEA), the spending on CAPEX in 2016 was reduced by 25% compared to its spending in 2015. The reserve replacement ratio, which is the amount added to an oil and gas company’s reserves divided by the amount it extracted, has seen a steep decline in 2015, with a ratio of only 32%. The 12-year average of replacement ratio has been about 163% from 2002 to 2014. However, put in the context of the gloomy industry in which the decline is caused by the lower demand, which in turn has significantly reduced exploration activities and CAPEX investment, we could predict that once the demand returns to a healthy state, oil and gas companies across the globe will be racing to replenish their reserves back to the replenishment ratio rate of about 163%. Jumping from 32% to 163% would see very heavy exploration, CAPEX investments and generally an overall increased in upstream activities. When that happens, Uzma needs to have all the resources, support system and capabilities to win and execute projects efficiently and effectively.

In making sure that Uzma will be in a good position to execute projects and deliver its wide array of core competencies, it needs to ensure that all of its internal organizational challenges are being identified, addressed and resolved. This is discussed in the Risk Management section of this report.

There have been several key initiatives planned for 2017 to ensure better performance and continuity of growth in the right direction. Some of the highlights worth mentioning are to ensure a healthy cash flow and reduced dependency in operational financing. One of the key challenge is, Uzma needs to improve its collection processes to minimize the time it takes to receive payments from its clients. To further strengthen its core values, Uzma plans to increase its effort in promoting innovation within the company. Already promoted via its uzmaWAY’s “PEOPLE” core value, the culture of innovation needs to be embedded deep into every staff. The management of Uzma, through its uzmaWAY inductions and deployment, need to make sure that this important attribute sticks to every staff in Uzma. Also in the plan, is to design future organizations and teams around the value and philosophy of innovation.

To address the Health, Safety and Environment (HSE) concerns, the department has been integrated and consolidated from its segmented structure in 2016 to become a one corporate-command unit. In 2017, all HSE staff and SHOs shall be integrated into the corporate HSE, giving the corporate HSE authority and visibility on all HSE activities and programs, while keeping a pool of shared resources available to be deployed to any needing operations regionally. The true ownership of HSE in daily execution and operations, however, shall be firmly delegated to everybody in the company with clear documented responsibilities.

With all the planned execution in 2017, the management of Uzma is positive that it will be able to steer the company into the right direction, ready to rise to the occasion at the instant when the industry needs it. Uzma realizes that 2017 will be another challenging year. The key, as always, lies in Uzma’s strategic planning and focused execution.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("**Board**") is committed to ensure the highest standards of corporate governance are practiced throughout Uzma Berhad Group of Companies ("**Uzma Group**" or "**Group**") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

Uzma Group's corporate governance structure has been developed and enhanced based on the principles and recommendations of best practices prescribed in the Malaysian Code on Corporate Governance 2012 ("**Code**").

In this Statement, the Board reports on the manner in which the Group has adopted and applied the principles and recommendations in the Code and the extent to which it has complied with the best practices of good governance as set out in the Code throughout the year under review.

(1) BOARD OF DIRECTORS

The Company is led by an experienced Board comprising members whose skills, expertise and experiences range from engineers, to entrepreneurs and accountants. This wide spectrum of skills and experience provide the strength that is required to lead the Group towards its objectives and enable the Group to rest in the firm control of an accountable and competent Board. The Board is responsible for the Group's overall strategies and objectives, its acquisition and divestment policies, financial policy and major capital expenditure projects and the consideration of significant financial matters. In carrying out its function, the Board is assisted by several Board Committees, namely, the Audit Committee, Nominating Committee and Remuneration Committee.

The Board operates within a robust set of governance as set out below:-

1.1 Board Charter and Code of Conduct and Ethics

The Board has formally adopted a Board Charter and reviewed it on 17 April 2017. The Board Charter sets out, among others, the roles and responsibilities of the Chairman, the Chief Executive Officer, the Board, each Board Committees and the Management. It also sets out the processes and procedures for convening Board meeting and guidelines for its Directors on disclosure of interest. Also included in the Board Charter is the Code of Conduct and Ethics of the Board which provide guidance for Directors regarding ethical and behavioural considerations and/ or actions as they address their duties and obligations during their appointment.

The Board Charter will be reviewed periodically and updated in accordance with the needs of the Company to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance.

The Board Charter is made available for reference in the Company's website at www.uzmagroup.com.

1.2 Composition of the Board

The Board has a balanced composition of ten (10) Directors consisting of four (4) Executive Directors and six (6) Independent Non-Executive Directors. The Board composition is in line with the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("**Listing Requirements**") that requires at least two (2) or one-third (1/3) of the Board members to be Independent Directors. The Board Chairman is an Independent Non-Executive Director.

The present size and composition of the Board is appropriate for the complexity and scale of operations of Uzma Group. As presently constituted, the Board is well balanced and has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively.

1.3 Functions and Responsibilities of the Board and Management

The Board assumes full responsibilities of the overall performance of the Group. In discharging their fiduciary responsibilities, the Board sets the business direction and overseeing the conduct of the Group based on the periodic performance of the Group reported by the Management in the quarterly financial results and has full access to all operational information together with the explanation provided by the Management.

The roles of the Independent Non-Executive Chairman and the Executive Directors are separate to ensure balance of power and authority, so that no individual has unfettered powers of decision.

Executive Directors are responsible to the Board for implementing operational and corporate decisions while the Non-Executive Directors are responsible for providing independent views, advice and judgment in consideration of the interests of shareholders at large in order to effectively check and balance the Board's decision making process.

The Chairman provides leadership at Board level, chairing the meetings of the Company and the Board, represents the Board to shareholders and together with the Board, reviews and approves the strategic objectives and policies of the Group.

Key matters reserved for the Board's approval include business plan, annual budget, dividend policy, business continuity plan, new issues of securities, business restructuring and disposal and acquisition of assets/ investments.

The Board Committees, namely Audit Committee, Nominating Committee and Remuneration Committee are entrusted with specific responsibilities to oversee the Group's affairs with authority to act on behalf of the Board and operate within their respective Terms of Reference. Although specific powers are delegated to the Board Committees, the Board Committees would report to the Board on matters considered and their recommendation thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Also, the Board is informed of the key issues and recommendation/ decision made by each Board Committees through the tabling of minutes of the Board Committees meetings at Board Meetings.

1.4 Board Meeting

The Board meets at least once in every quarter with additional meeting convened as and when necessary. All Directors are provided with agenda and the Board papers are circulated prior to Board meetings to ensure that the Directors can appreciate the issues. The Senior Management is invited to attend these meetings to explain and clarify matters being tabled. Matters requiring Board's decision during the intervals between the Board meetings are circulated and approved through circular resolutions.

The Board has a formal schedule of matters reserved at Board Meetings which includes, corporate plans, annual budgets, Management and Group's performance review, major investments and financial decisions, changes to the Management and control structure within the Group, including key policies and procedures and delegated authority limits.

The Board is supplied with information in a timely manner and appropriate quality to enable them to discharge their duties with regard to issues to be discussed. All resolutions are recorded and thereafter circulated to the Directors for comments before minutes of proceedings are finalized and confirmed. The Company Secretary organizes and attends all Board Meetings to ensure proper records of the proceedings.

During the year under review, five (5) Board of Directors' meetings were held for the financial year ended 31 December 2016 ("**Financial Year**"). The record of attendance of the Directors (save for Ikhlas bin Abdul Rahman and Ahmad Yunus bin Abd Talib, who were appointed on 1 February 2016) is as follows:-

NAME OF DIRECTOR	DIRECTORATE	ATTENDANCE
Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee	Independent Non-Executive Chairman	**3/5**
Dato' Kamarul Redzuan bin Muhamed	Managing Director/ Chief Executive Officer	**5/5**
Peter Angus Knowles	Executive Director	**4/5**
Dato' Che Nazahatuhisamudin bin Che Haron	Executive Director	**4/5**
Dato' Dr. (H) Ab Wahab bin Haji Ibrahim	Independent Non-Executive Director	**5/5**
Yahya bin Razali	Independent Non-Executive Director	**5/5**
Dato' Hajjah Zurainah binti Musa	Independent Non-Executive Director	**4/5**
Datuk Abdullah bin Karim *(Appointed on 25 August 2016)*	Independent Non-Executive Director	**1/1**

1.5 Access to Information and Advice

The Board has unrestricted access to timely and accurate information in furtherance of its duties.

Directors are given access to any information within the Company and have full access to the advice and services of the Company Secretary and are free to seek independent professional advice at the Company's expense, if necessary, to ensure effective functioning of the Board in discharging its various duties. Procedurally, when external advises are necessary, a Director who intends to seek such consultation or advice shall notify the Management of such request. Upon obtaining the Board Chairman's or Chief Operation Officer's approval, the Director shall acquire independent professional advice. All advices and opinions from the advisers shall be reported to the Board.

1.6 Qualified Company Secretary

The Board is ensure the Company supported by a qualified and competent Company Secretary. The Company Secretary is capable as official liason party to Uzma Group to communicate, prepare and submit on statutory returns with the Registrar of Companies within the prescribed timeframe in compliance with requirements under the Companies Act, 2016 ("**Act**"). The Company Secretary also play an advisory role to the Board and its Directors, particularly with regard to the Company's Constitution, Board policies and procedures, Directors' disclosure of interest in securities and compliances with regulatory requirements under the Act and the Listing Requirements.

The Company Secretary is also participating in the Board Meeting and giving general advice on company secretarial matters. The Company Secretaries also safeguard all statutory books and records of the Company and maintain the statutory registers of the Company. Company Secretaries also ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded.

1.7 Appointment and Re-election of Directors

In accordance with the Company's Constitution, all newly appointed Directors are subject to retirement and are entitled for re-election at the first annual general meeting after their appointment. At every subsequent annual general meeting, one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one third shall retire from office provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. An election of Directors shall take place every year. The election of each Director is voted on separately.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next Annual General Meeting and shall be eligible for re-election.

1.8 Directors' Training

The Directors recognize the importance and value of attending programs, seminars and forums in order to keep themselves abreast with the current developments of the industry as well as the new statutory and regulatory requirements. The training needs of each Director would be assessed and proposed by the individual Director.

During the Financial Year, the following Directors (save for Ikhlas bin Abdul Rahman and Ahmad Yunus bin Abd Talib, who were appointed on 1 February 2016) after assessing their own training needs, have attended the following programs, seminars and/ or conference:-

NAME OF DIRECTOR	TRAINING / SEMINARS / CONFERENCE ATTENDED
Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee	1. Suruhanjaya Syarikat Malaysia National Conference 2016 on Companies Bill 2015 2. SSM National Conference 2016 on Companies Bill 2015 – Prepare for Change, the Change is Now!
Dato' Kamarul Redzuan bin Muhamed	1. HPS Coaching & Mentoring Course, Cyberjaya *(12-14 January 2016)*
Peter Angus Knowles	1. Coaching & Mentoring Course *(12-13 January 2016)* 2. Day Taproot ® Training Course, Singapore *(21-22 March 2016)*
Dato' Che Nazahatuhisamudin bin Che Haron	1. Offshore Technology Conference 2016, Kuala Lumpur Convention Centre 2. Indonesian Petroleum Association Convention and Exhibition 2016 *(25-27 May 2016)*
Dato' Dr. (H) Ab Wahab bin Haji Ibrahim	1. Audit Committee Conference 2016- Setting The Right Tone *(29 March 2016)* 2. Alam Maritim Resources Berhad: Business Risk Assessment New Template Workshop *(5 May 2016)* 3. Qualified Risk Director Training 2016 - Series 3 (Risk Appetite, Tolerance and Board) *(29 August 2016)* 4. Qualified Risk Director Training 2016 - Series 6 (The Role of Boards in Fraud Risk Management) *(26 September 2016)* 5. Qualified Risk Director Training 2016 - Series 8 (Board Masterclass Leadership During Crisis) *(28 November 2016)* 6. Alam Maritim Resources Berhad: In-House Training On The Companies Act, 2016 *(2 December 2016)*
Yahya bin Razali	1. Sustainability Engagement Series For Directors/ Chief Executive Officer *(01 June 2016)*
Dato' Hajjah Zurainah binti Musa	1. BURSA Empowering Woman Series: For Senior Woman Leaders *(10 November 2016)* 2. Ring The Bell for Gender Equality *(11 March 2016)*
Datuk Abdullah bin Karim	1. Mandatory Accreditation Programme *(7-8 November 2016)*

The Board is regularly updated by the Company Secretary on the latest updates and major amendments made to the Listing Requirements, the Act and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

(2) BOARD COMMITTEES

In discharging its fiduciary duties, the Board has set up various committees.

2.1 Audit Committee

The role of the Audit Committee is to support the Board in overseeing the processes for production of the financial data, review the financial reports and the internal control of the Company. The composition of the Audit Committee is presented in the Audit Committee Report contained in this Annual Report whilst its Terms of Reference can be viewed on the Company's website at www.uzmagroup.com

2.2 Nominating Committee

The Nominating Committee comprises the following members:

(1) Datuk Abdullah bin Karim - *Chairman (appointed on 25 August 2016)*
(Independent Non-Executive Director)

(2) Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee - *Member*
(Independent Non-Executive Chairman)

(3) Encik Yahya bin Razali - *Member*
(Independent Non-Executive Director)

(4) Dato' Dr. (H) Ab Wahab bin Haji Ibrahim - *Member*
(Independent Non-Executive Director)

(5) Ikhlas bin Abdul Rahman - *Member (appointed on 1 February 2017)*
(Independent Non-Executive Director)

The functions of the Nominating Committee are:

(i) recommend the nomination of a person or persons for all directorships to be filled by the shareholders or the Board;

(ii) consider, in making its recommendations, candidates for directorships proposed by the Managing Director and, within the bounds of practicability, by any other Senior Executive or any Director or shareholder;

(iii) recommend to the Board, Directors to fill the seats on Board Committees;

(iv) identify, evaluate and recommend candidates for appointment as Company Secretary;

(v) assess annually the effectiveness of the Board as a whole, the Board Committees and the contribution/ performance of each existing individual Directors and thereafter, recommend its findings to the Board;

(vi) assess annually the terms of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with their Terms of reference and report its findings to the Board; and

(vii) review annually the Board composition having regard to mix of skills, independence, experience and other qualities, including core competencies which Directors should bring to the Board and thereafter, report its findings/ recommendation to the Board.

The Nominating Committee was set up by the Board to ensure that it has an appropriate balance, size and the required mix of skills, experience and core competencies to govern the organization towards achieving its intended goals and objectives. The Nominating Committee shall propose new candidates for the Board and assess Directors on an on-going basis.

The terms of reference of the Nominating Committee are accessible to the public on the Company website at www.uzmagroup.com.

The nomination and election process of Board members are as follows:-

- **Appointment of New Directors**

  The Board nomination process is to facilitate and provide a guide for the Nominating Committee to identify, evaluate, select and recommend to the Board the candidate to be appointed as a Director of the Company.

  The Board does not set specific criteria for the assessment and selection of Director candidate. However, the consideration would be taken on the need to meet the regulatory requirement such as the Act and Listing Requirements, the achievement in the candidate personal career, integrity, wisdom, independence of the candidate, ability to make independent and analytical inquiries, ability to work as team to support the Board, possession of the required skill, qualification and expertise that would add value to the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/ functions of the Board to select the suitable candidate.

  The Nominating Committee is responsible to recommend identified candidate to the Board to fill vacancy arises from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession to the Board in order to close the competency gap in the Board identified by the Nominating Committee. The potential candidate may be proposed by existing Director, senior management staff, shareholders or third party referrals.

Upon receipt of the proposal, the Nominating Committee is responsible to conduct an assessment and evaluation on the proposed candidate.

The assessment/ evaluation process may include, at the Nominating Committee's discretion, reviewing the candidate's resume, curriculum vitae and other biographical information, confirming the candidate's qualifications and conducting legal and other background searches as well as formal or informal interview at the Nominating Committee's discretion. The Nominating Committee would also assess the candidate's integrity, wisdom, independence, ability to make independent and analytical inquiries, ability to work as a team to support the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/ functions of the Board.

Upon completion of the assessment and evaluation of the proposed candidate, the Nominating Committee would make its recommendation to the Board. Based on the recommendation of the Nominating Committee, the Board would evaluate and decide on the appointment of the proposed candidate.

The Chairman of the Board would then make an invitation or offer to the proposed/ potential candidate to join the Board as a Director. With the acceptance of the offer/ invitation, the candidate would be appointed as Director of the Company.

There were three (3) new appointment since the last Annual General Meeting of the Company. Datuk Abdullah bin Karim was appointed to the Board during the Financial Year i.e. on 25 August 2016 whilst Ikhlas bin Abdul Rahman and Ahmad Yunus bin Abd Talib were appointed after the Financial Year, on 1 February 2017. The Nominating Committee had assisted the Board in reviewing the candidates' skill, knowledge, expertise and experience before recommending the candidates to the Board for decision.

The following gender diversity policy has been established by the Board:-

- During selection process, any list of proposed candidates to the Board shall consist of at least one woman candidate, wherever reasonably possible.
- The Nominating Committee is responsible in ensuring that gender diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes.
- The Company shall provide a suitable working environment that is free from harassment and discrimination in order to attract and retain women participation in the Board.
- The Board acknowledges the recommendation of the code on gender diversity. The Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Group has zero tolerance of workplace harassment, age, religious, ethnicity, race or gender discrimination.

The summary of the activities of the Nominating Committee during the Financial Year up to the date of issuance of this Annual Report comprising the following:-

(a) Reviewed of the Board's composition having regards to mix of skill and experience and other qualities of the Board;

(b) Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors;

(c) Discussed the Directors' retirement by rotation;

(d) Reviewed the new appointments to the Board; and

(e) Recommended appointments to the Board Committees.

- **Annual Assessment of Directors and Board Committees**

The Nominating Committee undertakes annual assessment to evaluate the performance of each individual Directors, the effectiveness of the Board and the Board Committees.

The effectiveness of the Board and Board Committees are assessed in the areas of board structure/ mix, decision making and boardroom participation and activities, meeting administration and conducts, skill and competencies and role and responsibilities whilst the performance of the individual Directors are assessed in the areas of contribution and interaction with peer, quality of the input of the Director, understanding of role, etc.

During the annual assessment exercise, the Directors are given a performance evaluation sheets for Individual Director Self/ Peer Evaluation and Board Evaluation to complete. In addition, Directors who are members of the Board Committees are given additional performance evaluation sheets for the respective Board Committees to complete. Sufficient time is given to the Directors to complete the forms and upon completion, the forms are submitted to the Chairman for tabling to the Nominating Committee for review in due course.

The Director who is subject to re-election and/ or re-appointment at next Annual General Meeting shall be assessed by the Nominating Committee before recommendation is made to the Board and shareholders for the re-election and/ or re-appointment. Appropriate assessment and recommendation by the Nominating Committee would be based on the yearly assessment conducted.

During the Financial Year, an annual assessment exercised had been carried out by the Nominating Committee. For good corporate governance, the Nominating Committee did not review its own effectiveness and the performances of the Nominating Committee members. Instead, such review was carried out by the Board as a whole with the members of the Nominating

Committee abstained from deliberation. In view that the Nominating Committee members are also members of the Remuneration Committee and the Audit Committee, the assessment of the effectiveness and performances of the Remuneration Committee and the Audit Committee were also carried out by the Board. All the results of the annual assessment on Board, the Board Committees and individual Directors for the Financial Year were satisfactory.

- **Assessment on Independence of Directors**

  Criteria have been set to assess the independence of candidate for Directors and existing Directors based on the guidelines set out in the Listing Requirements.

  On an annual basis, the Directors are required to confirm their independence by giving the Board a written confirmation of their independence.

  In addition, consideration would also be given to assess whether the Independent Directors are able to act independently of management and free from any business or other relationship.

- **Tenure of Independent Director**

  Recommendation 3.2 of the Code recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the Independent Director as a Non-Independent Director.

  Recommendation 3.3 of the Code also recommends that the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

  The Board does not have term limit for its Independent Directors and is of the view that the independence of the Independent Directors should not be determined solely or arbitrary by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years. The caliber, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his responsibilities in the best interest of the Company predominantly determines the ability of a Director to serve effectively as an Independent Director.

  The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgement on Board deliberations and decision making.

  The Independent Director of the Company who will served for a cumulative term of more than nine (9) years is Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee ("Datuk Seri Syed Ali").

  The Board has decided to retain Datuk Seri Syed Ali as Independent Director notwithstanding his service for a cumulative term of more than nine (9) year as Independent Director after assessment and recommendation by the Nominating Committee.

  Nevertheless, in line with the Recommendation 3.3 of the Code, the Board will seek approval from the shareholders of the Company at the forthcoming Annual General Meeting to support the Board's decision to retain Datuk Seri Syed Ali as Independent Director based on the following justifications:-

  - He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements and thus he would be able to bring an element of objectivity to the Board;

  - He has vast and diverse range of experiences and therefore would be able to provide constructive opinion, independent judgment and to act in the best interest of the Company and shareholders;

  - He has continued to exercise his independence and due care during his tenure of service; and

  - He has shown great integrity and independence, and had not entered into any related party transactions with the Group.

2.3 Remuneration Committee

The Remuneration Committee comprises the following members:-

(1) Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee - *Chairman*
(Independent Non-Executive Chairman)

(2) Dato' Dr. (H) Ab Wahab bin Haji Ibrahim - *Member*
(Independent Non-Executive Director)

(3) Dato' Kamarul Redzuan bin Muhamed - *Member*
(Managing Director / Chief Executive Officer)

The function of the Remuneration Committee is to recommend to the Board, the remuneration packages of Managing Director, Executive Directors and/ or other persons of the Group as the Remuneration Committee is designated to consider and get professional advice as and when necessary.

The number of Directors whose remuneration falls within the following bands is set out below (excluding Ikhlas bin Abdul Rahman and Ahmad Yunus bin Abd Talib, who were appointed after the Financial Year): -

RECEIVED FROM UZMA BERHAD	**Number of Directors**	
Range of Remuneration	**Executive**	**Non-Executive**
< RM50,000	-	-
RM50,001 – RM100,000	-	4
RM100,001 – RM150,000	-	1
RM200,001 – RM250,000	-	-
RM 1,000,000 - RM1,500,001	-	-
Total	**0**	**5**

RECEIVED ON GROUP BASIS	**Number of Directors**	
Range of Remuneration	**Executive**	**Non-Executive**
< RM50,000	-	-
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM200,001 – RM250,000	1	-
RM 1,000,000 - RM1,500,001	2	-
Total	**3**	**0**

The number of Directors whose remuneration falls within the following bands is set out below (excluding Ikhlas bin Abdul Rahman and Ahmad Yunus bin Abd Talib, who were appointed after the Financial Year): -

RECEIVED FROM UZMA BERHAD	**Executive**	**Non-Executive**
RM'000	-	-
Directors' Fee	-	388
Meeting Allowances	-	15
Salaries and Other Emoluments	-	-
Benefits-in-Kind	-	-

RECEIVED ON GROUP BASIS	**Executive**	**Non-Executive**
RM'000	-	-
Directors' Fee	-	-
Meeting Allowances	-	-
Salaries and Other Emoluments	2,517	-
Benefits-in-Kind	-	-

The remuneration policies and procedures are as follows:-

- **Remuneration of Executive Directors**

  The remuneration of the Executive Directors shall be reviewed and proposed by the Remuneration Committee for their consideration and recommendation to the Board for approval. The remuneration of the Executive Directors is structured to attract, retain and motivate them in order to run the Group successfully.

  On the recommendation of the Remuneration Committee, the Board reviews the remuneration of the Executive Directors whereby the respective Executive Directors does not participate in the discussions and decisions of their own remuneration.

- **Annual Bonus**

  The Executive Directors shall be entitled to participate in the Company's annual cash bonus. The amount of bonus shall be proposed by the RC for their consideration and recommendation to the Board for approval.

- **Other Benefits**

  Executive Directors shall also be entitled to other benefits provided to employee of the Company and other additional benefits if so proposed by the RC for their consideration and recommendation to the Board for approval.

- **Remuneration for Non-Executive Directors**

  The remuneration of Non-Executive Directors, which made up of Director fee, meeting allowance and other benefits, if any, is determined by the Board.

  The Directors' fee is determined by the Board and subject to the approval of the shareholders of the Company at general meeting.

  In addition to the above, the Directors may be remunerated by a fixed sum (for Non-Executive Director) or by a percentage of profits (for Executive Directors) or otherwise as may be determined by the Board for the performance of extra services or to make any special exertions in going or residing away from his usual place of business or residence for any purpose of the Company or giving special attention to the business of the Company. Such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the directors. Such remuneration would be proposed by the Remuneration Committee for their review, consideration and recommendation to the Board for decision.

(3) SHAREHOLDERS

The Company has implemented a shareholder communications policy to ensure effective communication with its shareholders and other stakeholders. Communication between the Company and its shareholders are done in the following manner:-

3.1 Relationship with Shareholders and Investors

The Board recognizes the value of good investor relation and the importance of disseminating information in a fair and equitable manner, the participation of shareholders and investors, both individual and institutional, at Annual General Meeting is encouraged. Such information is disseminated via the Company's annual reports, quarterly financial results and various prescribed announcements made to Bursa Securities from time to time in the Bursa Securities' website at www.bursamalaysia.com.

The Group also maintains a website at www.uzmagroup.com which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

Any enquiry regarding the Company and its group of companies may be conveyed to the following personnel:-

Mr. Bong Leong Sung (Chief Financial Officer)
Telephone number **:** 03-7611 4000
Fax number **:** 03-7611 4100
Email **:** malaysia@uzmagroup.com

3.2 General Meeting

The Annual General Meeting represents the principal forum for dialogue and interaction with all the shareholders of the Company and the Shareholders' right relating to general meeting is also published on the Company website at www.uzmagroup.com.

The Company values feedback from its shareholders and encourages them to actively participate in discussion and deliberations. During the annual and other general meetings, shareholders have direct access to Board members who are on hand to answer their questions, either on specific resolutions or on the Company generally. The Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed.

In line with latest amendments to the Listing Requirements, the Board will take the requisite steps to comply with the requirement for poll voting at the coming Annual General Meeting. Announcement will also be made on the detailed results showing the number of votes cast for and against each resolution. Summary of key matters will be published on the Company website.

(4) ACCOUNTABILITY & AUDIT

4.1 Financial Reporting

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance and prospects through the quarterly and annual financial statements to shareholders. The Board with the assistance of the Audit Committee has to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Board has reviewed and ensured that appropriate accounting policies have been used, consistently applied and supported by reasonable judgments and estimates.

4.2 Risk Management and Internal Control

The Board recognizes the importance of a sound system of internal control for the Group including risk assessment and acknowledges its ultimate responsibilities in maintaining the same. The Group has a system of risk management and internal control and the overview of the state of the Group's risk management and internal control is spelt out in the Statement on Risk Management and Internal Control as contained in this Annual Report.

4.3 Relationship with the Auditors

The Board has maintained a professional and transparent relationship with the Group's auditors, both external and internal. The Audit Committee seeks regular assurance on the effectiveness of the internal control systems through independent appraisal by the auditors in ensuring compliance with the applicable accounting standards in Malaysia. Liaison and unrestricted communication exists between the Audit Committee and the external auditors.

The Company has put in place the policies and procedures to assess the sustainability and independence of external auditors.

The external auditors would be re-appointed annually subject to annual evaluation by the Audit Committee. As part of the evaluation process, the Audit Committee will obtain feedback from the management team on the quality of the audit service of the external auditors. Audit partner in-charge of a public listed company should be rotated (within the audit firm) every five years to ensure independence of audit.

The Board, with the recommendations by the Audit Committee, will ensure that all quarterly announcements and annual reports present a balanced and understandable assessment of the Group's financial position and prospect.

The Board is also required by the Companies Act 2016 to prepare financial statements that give a true and fair view of the state of affairs, including the cash flows and results of the Group and of the Company for the financial year. A statement by the Board of its responsibilities for preparing the financial statements is set out on page 58 of this Annual Report.

4.4 Internal Control and Internal Audit Function

The Board acknowledges its responsibility for maintaining a sound system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines.

The Group outsourced its internal audit function to an external professional firm, as part of its effort in ensuring that the Group's system of internal control is adequate and effective.

The internal audit function adopts a risk-based approach and prepares its audit plans based on significant risks identified. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's existing internal control policies and procedures and provides recommendations, if any, for the improvement of the control policies and procedures. The results of the audit reviews are presented and discussed during the Audit Committee meetings. Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame. The action plans are reviewed and followed up by the internal audit function on a periodical basis to ensure the recommendations are effectively implemented.

Board acknowledges that risk management is an integral part of good governance. Risk is inherent in all business activities. It is however, not the Group's objective to eliminate risk totally but to provide structural means to identify, prioritize and manage the risks involved in all the Group's activities and to balance between the cost and benefits of managing and treating risks, and the anticipated returns that will be derived therefrom.

The Statement on Risk Management and Internal Control as contained in this Annual Report provides an overview of the state of internal controls within the Group. Further information on the internal audit function and its activities are set out on page 45 of this Annual Report.

(5) CORPORATE DISCLOSURE

To ensure timely and high quality disclosure, the Company has implemented a corporate disclosure policy to ensure accurate, clear, timely and complete disclosure of material information necessary for informed investing and take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information to avoid an individual or selective disclosure.

(6) RESPONSIBILITY STATEMENT BY DIRECTORS

The Directors are responsible for ensuring that the annual financial statements of the Company are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Bursa Malaysia Securities Berhad Main Market Listing Requirements. They are to ensure that the annual financial statements of the Company give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and the results and cash flows for the year then ended.

In preparing the financial statements, the Directors have:-

(i) adopted the appropriate accounting policies and applied them consistently;

(ii) made judgments and estimates that are reasonable and prudent;

(iii) ensure applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements; and

(iv) ensure the financial statements have been prepared on a going concern basis.

The Board is also responsible for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

(7) SUSTAINABILITY POLICY

The Board is committed to operate its business in accordance with environmental, social and economic responsibility. These include working within the law in order to be innovative and demonstrate initiative to meet the requirements of various stakeholders.

The Company strives to achieve sustainable long term balance between meeting its business goals and preserving the environment, its commitments with respect to sustainability are in the core areas of workplace, marketplace, community and environment.

The strategies to promote sustainability and its implementation can be found at the Company's website at www.uzmagroup.com.

(8) CORPORATE SOCIAL RESPONSIBILITIES ("CSR")

Corporate Social Responsibility has been a fundamental part of our organizational endeavour. As a conscientious organization aspiring to be an exemplary corporate citizen, we are committed to sustainable development and co-existence with the community and environment. We ensure zero harm to the people and the environment in all our undertakings and wherever we operate. We are aware of our obligation to deliver profits to enhance shareholder value and at the same time, make positive social contribution to the immediate communities where we operate as well as to the wider business community. CSR is undertaken at many levels including Group corporate office, regional and representative offices.

THE EDUCATION

On top of giving opportunities to university students to experience real life working environment and enhance their skills via our internship program, Uzma has also been a very active participant in the strategic development of the nation's tertiary education enhancement, specifically in the field related to Oil and Gas. Our CEO, Dato' Kamarul Redzuan bin Muhamed, sits in the Research Advisory Council for University Technology PETRONAS (UTP), a role which he has been actively involved with for a few years now.

Following the lead of the CEO, our Senior General Manager for Uzma Integrated Solutions (UIS), Mr. Mohd Asrul Abdul Aziz, has been a seasoned and active participant in the local varsities, having been UTP's external examiner for IT/ IS courses since 2009. He also doubles up as UTP's adjunct lecturer and a member of the Expert Panel Workshop (EPW) which looks into new courses development for both Bachelor's and Master's degree programs. Mr. Asrul is also a member of UNITEN's Industrial Advisory Panel since 2012.

Uzma sponsored more than 50 UTP students to the Offshore Technology Conferences (OTC) Asia 2016 in joint program with Malaysia Petroleum Resources Corporation (MPRC) by providing them an opportunity to learn, experience and observe technology that drives the industry's upstream operations. Uzma is proud to be able to contribute to the betterment of the nation's educational advancement.

THE ENVIRONMENT

Our philosophy exemplifies our commitment to "sustainable development and zero harm to the people and environment" in all our business undertakings areas in which we operate. Our Core Values, Health Safety and Environment ("HSE") Policy and various procedures on safety and business ethics serve as our guides in all our operations. To inculcate the 'Care for the Environment' values among our staff and the community at large and to use energy more effectively, we are actively and continuously reducing our carbon footprint by simply ensuring a reduction in the indiscriminate use of paper and also by ensuring that all employees work together to reduce wastage of electricity and water. We believe that by enforcing these values at the office place, these positive behaviours will also spill over into the daily lives of our employees and their families.

THE WORKPLACE

We recognize that as a knowledge and technology based company, our people are our greatest assets. Their safety and health is our prime concern and we adhere to the belief that a healthy body leads to a healthy mind and a balanced passion towards life and work leads to a healthy organization. With this in mind, our Uzma Recreational Committee (URC), a multi-functional arm of the Uzma Health, Safety & Environment (HSE) organization has been given the task of planning and executing health and safety programs and activities throughout the company. With Uzma monthly HSE corporate-wide meetings, the HSE department has ran health talks and safety awareness for employees performing their duties safely.

To ensure that mental health and personal integrity of our employees stay positive, Corporate Services and Human Resources department organized a few sessions of inspirational talks (ceramah), especially during Ramadhan. With personal and professional self-development at the heart of our people policy, Uzma Training department has ensured that continuous education focused on building employees competency and capability were effectively executed in 2016.

THE COMMUNITY

The Uzma Tower located in Empire Damansara is surrounded with immediate community comprising of commercial and residential stakeholders. Being a key member of the Joint Management Committee (JMC), Uzma has shared its health, safety, security and environmental care expertise with its neighbours and community, leading in positive processes and governance of the community and visitors to the area.

Outside from the immediate community we live in, Uzma has traditionally been a generous contributor to the underprivileged community. On top of ad-hoc contributions to several orphanages, Uzma also organized 'sahur' program at homeless shelter and sahur around Kuala Lumpur. Uzma generously gave out contributions to the underprivileged community and we do not see this practice will ever stop.

With strong patriotic urge to protect national marine archaeological heritage, Uzma collaborated with University Malaysia of Terengganu and Jabatan Warisan Negara to undertake preliminary research and fieldwork in accordance to the recognized disciplines and standards criteria. This initiatives promote the advancement for local archaeological research efforts and encourage widespread of archaeological education throughout society and public community.

(9) COMPLIANCE WITH THE CODE

The Board strives to ensure that the Company complies with the Principles and Best Practices of the Code. The Board will endeavor to improve and enhance the procedures from time to time.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board of Directors of Uzma Berhad ("**Board**") recognizes the importance of a sound risk management framework and internal control system to safeguard its shareholders' investments and the Group's assets.

The Board is pleased to provide Uzma Berhad Group's ("**Uzma Group**" or "**the Group**") Statement on Risk Management and Internal Control which outlines the nature and scope of risk management framework and internal control system of the Group (excluding jointly controlled companies) during the financial year ended 31 December 2016. This Statement has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges that it is ultimately responsible for the Group's risk management and internal control systems, and also to ensure the adequacy and effectiveness of these systems in the Group. In this respect, the responsibility of reviewing the adequacy and effectiveness of the internal control systems has been delegated to the Audit Committee, which empowered by its terms of reference, to seek the assurance of the adequacy and effectiveness of the internal control systems through reports it receives from the independent reviews conducted by the internal audit function and management.

However, as there are inherent limitations in any system of risk management and internal controls, such systems put into effect by the Management can only manage rather than eliminate all the risks that may impede the achievement of the Group's business objectives or goals. Therefore, the systems can only provide reasonable and not absolute assurance against material misstatement and loss.

RISK MANAGEMENT

The Heads of Departments within the Group are delegated with the responsibility to manage identified risks within defined parameters and standards. Periodic management meetings were held in which key risks relating to the Group's operations and business plans are deliberated. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

The abovementioned practices undertaken by the Management serves as the on-going process adopted by the Group to identify, evaluate and manage significant risks faced by the Group for the financial year under review and up to the date of approval of this Statement. The Board shall re-evaluate the effectiveness and adequacy of the existing risk management practices from time to time, and where appropriate, revise such practices accordingly.

INTERNAL AUDIT FUNCTION

The Board recognizes that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, the Board through the Audit Committee regularly receives and review reports on internal control from its internal audit function. The internal audit function did not perform internal audit review of the Group's joint arrangements as Uzma Group does not have full management control over these companies.

The internal audit function practiced by Uzma is a hybrid of internal QHSE audit by Uzma internal auditors team and externally sourced audit consultants. For internal Uzma QHSE auditors, audits shall be carried out against the requirements of ISO 9001 standards, prevailing legal regulations, Uzma's IMS requirements as well as the clients' QHSE requirements. Internal audit carried out by externally sourced consultants are mostly set against the prevailing legal requirements, the ISO 9001 standards and Uzma's IMS requirements. The internal QHSE audits reported their findings to the Head of QHSE who is also the Management Representative (MR) for Uzma (under the definition of the ISO 9001), while the external audit consultants report directly to the Audit Committee.

During the financial year ended 31 December 2016, audits were carried out in accordance to the internal audit plan that has been reviewed and approved by the Audit Committee. Observations from internal audits were presented to the Audit Committee together with Management's response and proposed action plans for its review. The action plans were then followed up during subsequent internal audits with implementation status reported to the Audit Committee. The costs incurred for the outsourced internal audit function for the financial year ended 31 December 2016 were **RM36,000.**

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements of the Group's internal controls systems are as follows:

- Promotion of INTEGRITY via the uzmaWAY, which is a set of corporate core values shared and embraced by all Uzmarians;
- An organization structure, which clearly defines the lines of responsibilities, proper segregation of duties, reporting and delegation of authority;
- Clear and well-defined Limit of Authority (LOA) spanning financial, technical and other appropriate review/ approval at strategic gates and phases of the processes;
- Relevant training and development programmes are in place to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively;
- Rigorous review of key information such as financial performance, management accounts and budgets by the Board;
- The Executive Directors are closely involved in the running of the business and operation of the Group and they report to the Board on significant changes in the business and external environment, which affect the operation of the Group at large;
- An annual Group budget is prepared by Management and tabled to the Board for approval. Continuous monitoring is carried out quarterly to measure actual performance against budget so as to identify significant variances arising and devise remedial action plans;
- Regular management meetings are held to discuss the Group's performance, business operation and management issues as well as formulate appropriate measures to address them; and
- The Group has established policies and procedures to support the Group's various business activities.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively in all material aspects.

The Board is of the view that the risk management and internal control system is satisfactory and no material internal control failures or any of the reported weaknesses have resulted in material losses or contingencies during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors has reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2016 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements 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, have reported to the Board that nothing has come to their attention that causes them to believe that the Statement, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues to be set out, nor is factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 13 March 2016.

AUDIT COMMITTEE **REPORT**

The Audit Committee of Uzma Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2016 ("**Financial Year**").

The primary objective of the audit committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Company and all its subsidiaries ("**Group**") and to ensure the adequacy and effectiveness of the Group's internal control measures.

1. COMPOSITION AND MEETINGS

The Audit Committee ("AC") is established by the Board of Directors ("Board") and comprises four (4) members, all of whom are Independent Non-Executive Directors. The Chairman of the AC is appointed by the Board and is an Independent Non-Executive Director. This meets the requirements of paragraph 15.09 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR").

The members of the AC and their attendance at meetings during the Financial Year are shown in the table below:-

NAME OF THE AC MEMBER	ATTENDANCE
Dato' Ab Wahab bin Haji Ibrahim - *Chairman* Independent Non-Executive Director	**5/5**
Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee - *Member* Independent Non-Executive Chairman	**3/5**
Yahya bin Razali - *Member* Independent Non-Executive Director	**5/5**
Datuk Abduallh bin Karim *(appointed on 25 August 2016)* - *Member* Independent Non-Executive Director	**1/1**

The Managing Director/ Chief Executive Officer and representatives from the Management attended the meetings by invitation for the purposes of briefing the AC on reports presented at the meeting and to clarify on issues that the AC may have with regard to the activities involving their areas of responsibilities.

The External Auditors and Internal Auditors were present at three (3) AC meetings held during the Financial Year.

Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board at Board meeting for information. The Company Secretary is the Secretary to the AC.

2. TERMS OF REFERENCE

The AC had discharged its function and carried out its duties as set out in its Terms of Reference. During the Financial Year, the Terms of Reference of the AC was enhanced to be in line with the changes to the MMLR on strengthening the role of the AC when reviewing financial statements.

The Terms of Reference of the AC is accessible through the Company's website at www.uzmagroup.com

3. WORK DONE BY THE AUDIT COMMITTEE DURING THE YEAR

The works were carried out by the Audit Committee during the Financial Year up to the date of issuance of this Annual Report comprising the following:-

(1) Reviewed the Company's quarterly financial report through discussions with Management before recommending to the Board's consideration and approval, focusing particularly on financial reporting issues, significant judgement made by management and unusual events and compliance with accounting standards and other legal requirements.

(2) Reviewed with the External Auditors:

(i) the audit planning memorandum, audit strategy and scope of work for the year;

(ii) the results of the annual audit and accounting issues arising from the audit, their audit report and management letter together with management's responses to the findings of the external auditors; and

(iii) the impact of any changes to the accounting standards, the impact and adoption of new accounting standards on the Company's financial statements.

(3) Reviewed the provision of non-audit services by the External Auditors, the performance of the External Auditors and evaluated their suitability and independence before making recommendations to the Board on their re-appointment and recommendation.

(4) Reviewed the annual audited financial statements of the Company prior to submission to the Board for consideration and approval. The review focused particularly on changes of accounting policy, significant matters highlighted including financial reporting issues, significant and unusual events/ transactions and how these matters are addressed and compliance with applicable approved accounting standards in Malaysia.

(5) Reviewed the related party transactions and any conflict of interest situation that may arise within the Group and to ensure that they are not more favourable to the related parties than those generally available to the public and complies with the MMLR.

(6) Reviewed the AC Report and Statement on Risk Management & Internal Control prior to submission to the Board for consideration and approval for inclusion in the annual report of the Company.

(7) Reported to the Board on matters discussed and addressed at the AC meetings.

(8) Reviewed with the Internal Auditor:-

(i) the annual internal audit plan for adequacy of scope and coverage on the activities of the Group. Audit areas were discussed and annual internal audit plan was approved for adoption; and

(ii) the internal audit reports presented by the Internal Auditor on their findings and recommendations with respect to system and control weaknesses and management's responses to these recommendations and actions taken to improve the system of internal control and procedures.

(9) Reviewed the status of compliance of the Company with the Malaysian Code of Corporate Governance 2012, which are within the scope and function of the AC, for the purposes of disclosure in the Statement of Corporate Governance pursuant to the requirement of paragraph 15.25 of MMLR.

4. INTERNAL AUDIT FUNCTION AND ITS ACTIVITIES

The internal audit function, which is outsourced to a professional services firm is an integral part of the assurance mechanism in ensuring the Group's system of internal control are adequate and effective. The Internal Auditors report directly to the AC and assist the AC to discharge its duties and responsibilities.

The Internal Auditor prepare and table the Internal Audit Plan for the consideration and approval of the AC. It conducts independent reviews of the key activities with the Group's operations based on the audit plan approved by the AC. The Internal Auditor reports to the AC twice yearly and provide the AC with independent views on the adequacy, integrity and effectiveness of the system of internal control after its reviews.

Prior to the presentation of report to the AC, comments from the Management are obtained and incorporated into the internal audit findings and reports. The review conducted by the Internal Auditor during the Financial Year are as follows:-

Uzma Enginering Sdn. Bhd.
- Procurement and Payment Process *(Project Oilfield Operations Services Division)*

Setegap Ventures Petroleum Sdn. Bhd.
- Procurement and Payment

The costs incurred in maintaining the outsourced the internal audit function for the financial year ended 31 December 2016 is RM36,000.

5. OTHER INFORMATION

The Nominating Committee had at its meeting held in April 2017 reviewed the term of office of the AC Members and assessed the performance of the AC and its Members through an annual Board Committee effectiveness assessment. The Nominating Committee is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance to with the AC's Terms of Reference. The result of the assessment was reported to the Board and the Board is in concurrence with the Nominating Committee with regard to the performance of the AC and its members.

OTHER COMPLIANCE **INFORMATION**

1. UTILIZATION OF PROCEEDS

RIGHTS ISSUE IN 2014

The Company issued 132,000,000 new ordinary shares at an issue price of RM0.75 per share on the basis of one right share for every one existing ordinary share held ("**Rights Issue**"). The Rights Issue was completed with the listing of and quotation of the Rights Shares on the Main Market of Bursa Securities on 21 July 2014. The total proceeds raised from the Rights Issue was RM99,000,000. The proceeds had been fully utilized in the first quarter of financial year ended 31 December 2016.

2. AUDIT AND NON-AUDIT FEES

The amount of audit fees incurred for statutory audit services rendered to the Group by the external auditors for the financial year ended 31 December 2016 amounted to RM253,826.88 of which RM60,000 was incurred by Uzma Berhad.

The amount of the non-audit fees incurred for services rendered to Uzma Berhad by the external auditors for the financial year ended 31 December 2016 amounted to RM6,000. The services were for the review of Statement of Risk Management and Internal Control. There were no non-audit fees incurred by the subsidiaries.

3. MATERIAL CONTRACTS

There is no material contract entered into by the Company or its subsidiaries involving Directors' and major shareholders' interest which was entered into since the end of the previous financial year and/ or still subsisting at the end of the financial year.

ANALYSIS OF **SHAREHOLDING**
AS AT 21 APRIL 2017

ISSUED SHARE CAPITAL : RM145,467,500 REPRESENTED BY 290,935,000 ORDINARY SHARES

CLASS OF SHARES : ORDINARY SHARES

VOTING RIGHTS ON A POLL : ONE VOTE PER SHAREHOLDER ON A SHOW OF HANDS OR ONE VOTE PER ORDINARY SHARE

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF HOLDING	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF ISSUED SHARES	% OF ISSUED SHARE CAPITAL
Less than 100	26	1.43	393	0.00
100 to 1,000	644	35.42	263,993	0.09
1,001 to 10,000	790	43.45	3,645,200	1.25
10,001 to 100,000	237	13.04	7,801,060	2.68
100,001 to less than 5% of issued shares	103	5.67	94,482,180	32.48
5% and above of issued shares	18	0.99	182,742,174	63.50
Total	**1,818**	**100.00**	**290,935,000**	**100.00**

THIRTY LARGEST SHAREHOLDERS
(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

NO	NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tenggiri Tuah Sdn. Bhd.	77,800,000	26.74
2.	Tenggiri Tuah Sdn. Bhd.	32,875,074	11.30
3.	Lembaga Tabung Haji	26,263,200	9.03
4.	Kumpulan Wang Persaraan (Diperbadankan)	16,364,700	5.62
5.	Maybank Securities Nominees (Asing) Sdn. Bhd. Maybank Kim Eng Securities PTE Ltd For Rotating Offshore Solutions PTE. Ltd.	10,000,000	3.44
6.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For Citibank New York (Norges Bank 9)	7,834,800	2.69
7.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Tenggiri Tuah Sdn. Bhd. (MY2711)	7,500,000	2.58
8.	Maybank Securities Nominess (Tempatan) Sdn. Bhd. Pledged Securities Account For Chua Sai Men	7,462,200	2.56

NO	NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
9.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (RHB INV)	4,789,800	1.65
10.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	4,562,200	1.57
11.	Citibank Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	4,214,400	1.45
12.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (F Templeton)	3,652,000	1.26
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt an For AIA Bhd.	3,331,600	1.15
14.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Chan Chee Beng (PBCL-000078)	3,035,100	1.15
15.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For RHB Capital Fund (200189)	2,603,800	0.89
16.	DB (MALAYSIA) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Dana Al-Ilham	2,571,900	0.88
17.	Tengku Ab Malek bin Tengku Mohamed	2,484,800	0.85
18.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	2,270,900	0.78
19.	Mohd Zulhaizan bin Mohd Noor	2,235,000	0.77
20.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd For RHB Growth and Income Focus Trust	2,203,200	0.76
21.	KENANGA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Che Nazahatuhisamudin	2,119,780	0.73
22.	Peter Angus Knowles	1,981,100	0.68
23.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (F. Temislamic)	1,793,700	0.62
24.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	1,755,700	0.60
25.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	1,753,900	0.60
26.	Malaysia Nominees (Tempatan) Sdn. Bhd. Great Eastern Life Assurance (Malaysia) Berhad (LBF)	1,516,500	0.52
27.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (KNGA SML CAP FD)	1,476,100	0.51
28.	Citigroup Nominees (Tempatan) Sdn. Bhd Employees Provident Fund Board (PHEIM)	1,422,700	0.49

ANALYSIS OF SHAREHOLDING AS AT 21 APRIL 2017

NO	NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
29.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (AFFIN AM B EQ)	1,420,900	0.49
30.	Cartabaan Nominees (Tempatan) Sdn. Bhd. RHB Trustees Berhad For Kaf Vision Fund	1,380,000	0.47
Total		**240,675,054**	**82.72**

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

AS AT 21 APRIL 2017

NAME	NO. OF SHARES HELD			
	DIRECT	%	INDIRECT	%
Tenggiri Tuah Sdn. Bhd.	118,175,074	40.62	-	-
Dato' Kamarul Redzuan bin Muhamed	-	-	118,175,074[(1)]	40.62
Datin Rozita binti Mat Shah @ Hassan	-	-	118,175,074[(1)]	40.62
Lembaga Tabung Haji	27,010,800	9.28	-	-
Employees Provident Fund Board	16,120,700	5.54		
Franklin Resources, Inc.	14,699,400	5.05	-	-
Kumpulan Wang Persaraan (Diperbadankan)	23,435,600	8.06	7,070,900[(2)]	2.43

Notes :
(1) Deemed interested by virtue of his interest pursuant to Section 8 of the Companies Act 2016 held through Tenggiri Tuah Sdn. Bhd.
(2) Shares held by Fund Manager

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

AS AT 21 APRIL 2017

NAME	NO. OF SHARES HELD			
	DIRECT	%	INDIRECT	%
Dato' Kamarul Redzuan bin Muhamed	-	-	118,175,074[(1)]	40.62
Datuk Seri Syed Ali bin Tan Sri Syed Abbas Alhabshee	111,450	0.04	-	-
Peter Angus Knowles	1,981,100	0.68	-	-
Dato' Che Nazahatuhisamudin bin Che Haron	2,419,780	0.83	-	-
Dato' Dr. (H) Ab Wahab bin Haji Ibrahim	-	-	-	-
Yahya bin Razali	-	-	-	-
Dato' Hajjah Zurainah binti Musa	-	-	-	-
Datuk Abdullah bin Karim	-	-	-	-
Ahmad Yunus bin Abd Talib	103,000	0.04	-	-
Ikhlas bin Abdul Rahman	-	-	-	-

Notes :
(1) Deemed interested by virtue of his interest pursuant to Section 8 of the Companies Act 2016 held through Tenggiri Tuah Sdn. Bhd.

LIST OF **PROPERTIES**

TITLE/ LOCATION	DESCRIPTION/ EXISTING USE	REGISTERED OWNER	AGE OF BUILDING (YEARS)	LAND/ BUILT-UP AREA	TENURE	NET BOOK VALUE AS AT 31.12.2016 (RM'000)	ORIGINAL COST (RM'000)
H.S. (D) 110395/ 110396 P.T. No. 549 & 550 Seksyen 92, Bandar Kuala Lumpur No. 68 and 70, Fraser Business Park, Jalan Metro Pudu 2, 55200 Kuala Lumpur	Two adjacent multi-storey building for use as office premises	Uzma Engineering Sdn. Bhd.	10 years	1,722 Sq.Ft/ 8,034 Sq.Ft per multi storey lot	Freehold	5,474	5,860
H.S. (D) 102228 P.T. No. 16042 Damansara, Selangor Darul Ehsan No. 29, Jalan Kartunis U1/ 47, Temasya Industrial Park, Section U1, Shah Alam, Selangor Darul Ehsan	Geological laboratory	Uzma Engineering Sdn. Bhd.	17 years	892 Sq.M. or 9601.49 Sq.Ft	Freehold	3,327	3,626
H.S. (D) 256295, P.T. No. 47371 in the Mukim of Sungai Buloh, District of Petaling, State of Selangor H-B1-01, H-02-01, H-03-01, H-03A-01, H-05-01, H-06-01, H-07-01, H-08-01, H-09-01,H-10-01, H-11-01, H-12-01, all situated at Blok Empire Pejabat, Empire Damansara, No. 2, Jalan PJU 8/ 8A, Damansara Perdana, PJU 8, Petaling Jaya, 47820 Selangor Darul Ehsan	12-Storey commercial building for use as office premises	Uzma Engineering Sdn. Bhd.	3 years	21,495.1 Sq.M. or 38,901 Sq.Ft	Leasehold 99 years	23,465	24,000

TITLE/ LOCATION	DESCRIPTION/ EXISTING USE	REGISTERED OWNER	AGE OF BUILDING (YEARS)	LAND/ BUILT-UP AREA	TENURE	NET BOOK VALUE AS AT 31.12.2016 (THB'000)	ORIGINAL COST (THB'000)
H-Cape Biz Sector @ On-Nut Sukhaphiban 2 Rd., Prawet, Prawet, Bangkok, Thailand.	Commercial Building 3 and half floor		2 Years		Freehold		
Room No 22 / 30		Uzma Consulting Ltd.		115.20 Sq.M. or 250.80 Sq.M.		2,304 6,744	2,304 6,932
Room No 22 / 31		Uzma Consulting Ltd.		115.20 Sq.M. or 250.80 Sq.M.		2,304 6,744	2,304 6,932
Room No 22 / 32		Uzma Consulting Ltd.		116.00 Sq.M. or 250.80 Sq.M.		2,320 6,728	2,320 6,916
Room No 22 / 33		Uzma Consulting Ltd.		158.00 Sq.M. or 250.80 Sq.M.		3,160 6,946	3,160 7,140

DIRECTORS' **REPORT**

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of its subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP (RM'000)	THE COMPANY (RM'000)
Profit after taxation for the financial year	44,121	4,384
Attributable to:-		
Owners of the Company	39,328	4,384
Non-controlling interests	4,793	-
Total	44,121	4,384

DIVIDENDS

No dividend has been paid since the end of previous financial year and the director do not recommend the payment of any dividend for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the authorized and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realized in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realize.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 44 to the financial statements. At the date of this report, there does not exist:-

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

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

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

DATUK SERI SYED ALI BIN TAN SRI SYED ABBAS ALHABSHEE
DATO' KAMARUL REDZUAN BIN MUHAMED
PETER ANGUS KNOWLES
DATO' CHE NAZAHATUHISAMUDIN BIN CHE HARON
DATO' DR. (H) AB WAHAB BIN HAJI IBRAHIM
YAHYA BIN RAZALI
DATO' HAJJAH ZURAINAH BINTI MUSA
DATUK ABDULLAH BIN KARIM *(APPOINTED ON 25.08.2016)*
IKHLAS BIN ABDUL RAHMAN *(APPOINTED ON 01.02.2017)*
AHMAD YUNUS BIN ABD TALIB *(APPOINTED ON 01.02.2017)*
DATIN ROZITA BINTI MAT SHAH @ HASSAN *(RETIRED ON 25.05.2016)*

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.1.2016	BOUGHT	SOLD	AT 31.12.2016
THE COMPANY *DIRECT INTERESTS IN THE COMPANY*				
DATO' KAMARUL REDZUAN BIN MUHAMED	85,974,874	-	(85,974,874)	-
DATUK SERI SYED ALI BIN TAN SRI SYED ABBAS ALHABSHEE	111,450	-	-	111,450
PETER ANGUS KNOWLES	3,650,000	-	(1,450,000)	2,200,000
DATO' CHE NAZAHATUHISAMUDIN BIN CHE HARON	2,419,780	-	-	2,419,780
DEEMED INTERESTS IN THE COMPANY				
DATO' KAMARUL REDZUAN BIN MUHAMED	36,700,200^	119,175,074	(36,700,200)	119,175,074*

Notes:-
^ - Deemed interested by virtue of his spouse, Datin Rozita Binti Mat Shah @ Hassan's interest.
* - Deemed interested by virtue of his interest pursuant to Section 6A of the Companies Act 1965 held through Tenggiri Tuah Sdn. Bhd..

By virtue of his interest in the Company, Dato' Kamarul Redzuan bin Muhamed is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 6A of the Companies Act 1965.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the 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.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING PERIOD

The significant events occuring after the reporting period are disclosed in Note 48 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 25 APRIL 2017

Dato' Kamarul Redzuan bin Muhamed

Dato' Che Nazahatuhisamudin bin Che Haron

STATEMENT BY **DIRECTORS**

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Dato' Kamarul Redzuan bin Muhamed and Dato' Che Nazahatuhisamudin bin Che Haron, being two of the directors of Uzma Berhad, state that, in the opinion of the directors, the financial statements set out on pages 19 to 136 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 50, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 25 APRIL 2017

Dato' Kamarul Redzuan bin Muhamed

Dato' Che Nazahatuhisamudin bin Che Haron

STATUTORY **DECLARATION**

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, Gan Shang Jye, being the officer primarily responsible for the financial management of Uzma Berhad, do solemnly and sincerely declare that the financial statements set out on pages 19 to 136 are, to the best of my knowledge and belief, 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 Gan Shang Jye,
at Kuala Lumpur in the Federal Territory on this

Before me

Lai Din (W-668)
Commissioner for Oaths

Gan Shang Jye

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UZMA BERHAD

(Incorporated in Malaysia) Company No : 769866 - V

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Uzma Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 10 and 16 to the financial statements relating to the Tanjong Baram's Small Field Risk Service Contract ("TB SFRSC") as follows:-

1) the total capital expenditure incurred since the inception of the TB SFRSC amounted to USD118,150,121 and is in excess of the amount approved by Petroliam Nasional Berhad ("PETRONAS") in its letter dated 30 November 2016 of USD110,860,000. Uzma Energy Venture (Sarawak) Sdn. Bhd. ("UEVS") and EQ Petroleum Developments Malaysia Sdn. Bhd. ("EQ") are in discussion with PETRONAS with respect to the excess of the capital reimbursable amount.

   The Group's share of the total capital expenditure incurred amounted to approximately USD 35,445,036 equivalent to RM159,006,000 as at 31 December 2016.

2) the Group recognized the Remuneration Fee of RM14,485,000 which shall be payable when there is Allocated Revenue in excess of unpaid Petroleum Costs, and is subject to the approval of PETRONAS.

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 financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UZMA BERHAD (CONT'D)
(Incorporated in Malaysia) Company No : 769866 - V

Key Audit Matters (CONT'D)

TB SFRSC capital expenditure impairment
Refer to Note 16 in the financial statements

Key Audit Matter	How our audit addressed the key audit matter
The amount receivables from PETRONAS in relation to the TB SFRSC at the end of the reporting period amounted to RM135,594,000 (2015 : RM151,478,000), total capital expenditure incurred less reimbursed amount. Despite PETRONAS through its letter dated 30 November 2016 approved the total capital expenditure at USD110,860,000, the Board of the Directors is of the opinion that the excess amounts incurred were valid expenses in relation to the TB SFRSC and that they should be reimbursed in accordance to the terms of the agreement of the TB SFRSC. The assessment of impairment of TB SFRSC is significant to our audit as it involves significant judgement and subsequent approval of PETRONAS.	Our procedures included, amongst others:- • Reviewed the TB SFRSC agreement; • Reviewed the claims submission to PETRONAS; • Reviewed correspondences between EQ, PETRONAS and the Group; • Made inquiries with management regarding the action plans to recover the excess capital expenditure incurred; and • Interviewed EQ, the joint operation partner on the excess capital expenditure incurred.

Goodwill impairment
Refer to Note 13 in the financial statements

Key Audit Matter	How our audit addressed the key audit matter
Goodwill balance as at 31 December 2016 amounted to RM61,368,000. Management is required to conduct annual impairment assessment on the goodwill. For this purpose, management has estimated the recoverable amount of the cash-generating unit in which the goodwill is attached to, using the value in use approach. This is derived from the present value of the future cash flows from the cash-generating unit. This assessment of goodwill impairment is significant to our audit as it is highly subjective, involves significant judgement and is based on assumptions that may be affected by future market and economic conditions.	Our procedures included, amongst others:- • Reviewed management's estimate of the recoverable amount and test of the cash flows forecast for their accuracy; • Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount; • Evaluated the appropriateness and reasonableness of the key assumptions by considering prior budget accuracy, comparison to recent performance and our understanding of the business, trend analysis, and historical results; • Performed sensitivity analysis over the key assumptions to understand the impact of changes over the valuation model; and • Reviewed the adequacy of the Group's disclosures.

Allowance for impairment of trade receivables
Refer to Note 15 in the financial statements

Key Audit Matter	How our audit addressed the key audit matter

The Group carried significant trade receivables and is exposed to credit risk, or the risk of counterparties defaulting.
 	
The assessment of the adequacy of the allowance for impairment losses involved judgement, which includes analysing historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms.
	Our procedures included, amongst others:-
	
	• Obtained an understanding of:-
	  • the Group's control over the trade receivables collection process;
	  • how the Group identifies and assesses the impairment of trade receivables; and
	  • how the Group makes the accounting estimates for impairment.
	• Reviewed the ageing analysis of trade receivables and testing the reliability thereof;
	• Reviewed subsequent cash collections for major trade receivables and overdue amounts;
	• Made inquiries of management regarding the action plans to recover overdue amounts;
	• Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection;
	• Examined other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.; and
	• Evaluating the reasonableness and adequacy of the allowance for impairment recognised.

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 express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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 auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 50 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realized and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Chin Kit Seong
Approval No: 03030/01/2019 J
Chartered Accountant

25 April 2017
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTE	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000) (Restated)	THE COMPANY 2016 (RM'000)	THE COMPANY 2015 (RM'000)
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	230,752	65,461
Investments in associates	6	4,754	4,479	4,154	4,154
Investment in a joint venture	7	54,200	51,613	-	-
Other investments	8	10,483	-	-	-
Property, plant and equipment	9	497,996	251,769	-	-
Development expenditure	10	-	-	-	-
Other receivables	16	93,534	131,147	-	-
Intangible asset	11	1,594	1,992	-	-
Deferred tax assets	12	112	112	-	-
Goodwill on consolidation	13	61,368	61,368	-	-
		724,041	**502,480**	**234,906**	**69,615**
CURRENT ASSETS					
Inventories	14	18,414	16,767	-	-
Trade receivables	15	204,471	161,321	-	-
Other receivables, deposits and prepayments	16	113,976	51,658	1,974	1,963
Amount owing by contract customers	17	3,246	4,515	-	-
Amount owing by subsidiaries	18	-	-	9,066	171,791
Amount owing by an associate	19	5,257	5,209	-	-
Short-term investments	20	51	50	36	35
Current tax assets		7,521	11,305	8	19
Fixed deposits with licensed banks	21	22,014	23,912	-	-
Cash and bank balances		53,602	45,404	50	292
		428,552	320,141	11,134	174,100
TOTAL ASSETS		**1,152,593**	**822,621**	**246,040**	**243,715**

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016 (CONT'D)

	NOTE	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000) (Restated)	THE COMPANY 2016 (RM'000)	THE COMPANY 2015 (RM'000)
EQUITY AND LIABILITIES					
EQUITY					
Share capital	22	145,468	145,468	145,468	145,468
Share premium	23	95,853	95,853	95,853	95,853
Merger deficit	24	(29,700)	(29,700)	-	-
Capital reserve	25	176	76	-	-
Foreign exchange translation reserve	26	39,540	32,863	-	-
Retained profits	27	150,820	111,592	4,600	216
Equity attributable to owners of the Company		402,157	356,152	245,921	241,537
Non-controlling interests	5	18,546	15,150	-	-
TOTAL EQUITY		**420,703**	**371,302**	**245,921**	**241,537**
NON-CURRENT LIABILITIES					
Deferred tax liabilities	12	7,928	7,471	-	-
Long-term borrowings	28	325,019	101,892	-	-
		332,947	109,363	-	-
CURRENT LIABILITIES					
Trade payables	29	120,436	81,190	-	-
Other payables and accruals	30	83,513	49,589	92	2,172
Amount owing to subsidiaries	18	-	-	27	6
Current tax liabilities		1,435	2,169	-	-
Short-term borrowings	31	169,243	191,277	-	-
Bank overdrafts	34	24,316	17,731	-	-
		398,943	341,956	119	2,178
TOTAL LIABILITIES		**731,890**	**451,319**	**119**	**2,178**
TOTAL EQUITY AND LIABILITIES		**1,152,593**	**822,621**	**246,040**	**243,715**
NET ASSETS PER ORDINARY SHARE (SEN)	35	**138**	**122**		

STATEMENTS OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000)	THE COMPANY 2016 (RM'000)	THE COMPANY 2015 (RM'000)
Revenue	36	471,050	510,772	3,580	7,370
Cost of sales		(348,817)	(394,613)	-	-
Gross profit		122,233	116,159	3,580	7,370
Other income		23,147	19,549	2,016	5
		145,380	135,708	5,596	7,375
Administrative expenses		(62,653)	(61,581)	(1,144)	(1,804)
Operating expenses		(21,971)	(49,641)	-	-
Finance costs		(14,799)	(8,547)	(10)	(113)
Share of results in associates, net of tax		275	325	-	-
Share of results in a joint venture, net of tax		4,304	6,421	-	-
Profit before taxation	37	50,536	22,685	4,442	5,458
Income tax expense	38	(6,415)	(11,388)	(58)	(79)
Profit after taxation		44,121	11,297	4,384	5,379
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss Foreign currency translation differences		6,765	31,463	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**50,886**	**42,760**	**4,384**	**5,379**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	NOTE	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000)	THE COMPANY 2016 (RM'000)	THE COMPANY 2015 (RM'000)
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		39,328	5,261	4,384	5,379
Non-controlling interests		4,793	6,036	-	-
		44,121	**11,297**	**4,384**	**5,379**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		46,005	36,548	4,384	5,379
Non-controlling interests		4,881	6,212	-	-
		50,886	**42,760**	**4,384**	**5,379**
EARNINGS PER SHARE					
- basic (sen)	39	13.52	1.89		
- diluted (sen)	39	13.52	1.89		

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	< ----	NON-DISTRIBUTABLE		---- >		DISTRIBUTABLE			
THE GROUP	SHARE CAPITAL (RM'000)	SHARE PREMIUM (RM'000)	MERGER DEFICIT (RM'000)	CAPITAL RESERVE (RM'000)	FOREIGN EXCHANGE TRANSLATION RESERVE (RM'000)	RETAINED PROFITS (RM'000)	ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)	NON-CONTROLLING INTERESTS (RM'000)	TOTAL EQUITY (RM'000)
Balance at 1.1.2015	**132,000**	**44,247**	**(29,700)**	**51**	**1,576**	**106,356**	**254,530**	**9,136**	**263,666**
Profit after taxation for the financial year	-	-	-	-	-	5,261	5,261	6,036	11,297
Other comprehensive income for the financial year, net of tax:									
- foreign currency translation differences	-	-	-	-	31,287	-	31,287	176	31,463
Total comprehensive income for the financial year	-	-	-	-	31,287	5,261	36,548	6,212	42,760
Contributions by and distributions to owners of the Company:									
- issuance of shares	13,468	51,995	-	-	-	-	65,463	-	65,463
- share issuance expenses	-	(389)	-	-	-	-	(389)	-	(389)
- dividend:									
- by the subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(198)	(198)
-transfer to capital reserve	-	-	-	25	-	(25)	-	-	-
Total transaction with owners	13,468	51,606	-	25	-	(25)	65,074	(198)	64,876
Balance at 31.12.2015	**145,468**	**95,853**	**(29,700)**	**76**	**32,863**	**111,592**	**356,152**	**15,150**	**371,302**

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	< ---- NON-DISTRIBUTABLE				---- >	DISTRIBUTABLE			
THE GROUP	SHARE CAPITAL (RM'000)	SHARE PREMIUM (RM'000)	MERGER DEFICIT (RM'000)	CAPITAL RESERVE (RM'000)	FOREIGN EXCHANGE TRANSLATION RESERVE (RM'000)	RETAINED PROFITS (RM'000)	ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)	NON-CONTROLLING INTERESTS (RM'000)	TOTAL EQUITY (RM'000)
Balance at 31.12.2015/ 1.1.2016	**145,468**	**95,853**	**(29,700)**	**76**	**32,863**	**111,592**	**356,152**	**15,150**	**371,302**
Profit after taxation/Total comprehensive income for the financial year	-	-	-	-	-	39,328	39,328	4,793	44,121
Other comprehensive income for the financial year, net of tax:									
- foreign currency translation differences	-	-	-	-	6,677	-	6,677	88	6,765
Total comprehensive income for the financial year	-	-	-	-	6,677	39,328	46,005	4,881	50,886
Contributions by and distributions to owners of the Company:									
- dividend:									
- by the subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(1,485)	(1,485)
- arising from bonus issue by a subsidiary	-	-	-	100	-	(100)	-	-	-
Total transaction with owners	-	-	-	100	-	(100)	-	(1,485)	(1,485)
Balance at 31.12.2016	**145,468**	**95,853**	**(29,700)**	**176**	**39,540**	**150,820**	**402,157**	**18,546**	**420,703**

		NON-DISTRIBUTABLE		DISTRIBUTABLE	
THE GROUP	Note	SHARE CAPITAL (RM'000)	SHARE PREMIUM (RM'000)	(ACCUMULATED LOSSES)/ RETAINED PROFITS (RM'000)	TOTAL EQUITY (RM'000)
Balance at 1.1.2015		**132,000**	**44,247**	**(5,163)**	**171,084**
Profit after taxation/ Total comprehensive income for the financial year		-	-	5,379	5,379
Contributions by and distribution to owners of the Company:					
- issuance of shares	23	13,468	51,995	-	65,463
- share issuance expenses		-	(389)	-	(389)
Total transactions with owners		13,468	51,606	-	65,074
Balance at 31.12.2015/ 1.1.2016		**145,468**	**95,853**	**216**	**241,537**
Profit after taxation/ Total comprehensive income for the financial year		-	-	4,384	4,384
Balance at 31.12.2016		**145,468**	**95,853**	**4,600**	**245,921**

STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		THE GROUP		THE COMPANY	
	NOTE	2016 (RM'000)	2015 (RM'000) (Restated)	2016 (RM'000)	2015 (RM'000)
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES					
Profit before taxation		50,536	22,685	4,442	5,458
Adjustments for:-					
Allowance for impairment losses on receivables		1,704	458	-	-
Amortization of intangible asset		398	399	-	-
Depreciation of property, plant and equipment		19,048	14,316	-	-
Interest expense		14,170	8,436	10	113
Inventories written off		1,146	227	-	-
Investment written off		-	46	-	-
Gain on disposal of property, plant and equipment		(2)	(5)	-	-
Property, plant and equipment written off		-	65	-	-
Share of profit, net of tax in:					
- joint ventures		(4,304)	(6,421)	-	-
- associate		(275)	(325)	-	-
Dividend income			-	(3,280)	(7,060)
Interest income		(1,408)	(11,273)	(17)	(5)
Net (gain)/ loss on foreign exchange					
- unrealized		(17,029)	33,583	-	-
Reversal of deferred liability		(3,263)	-	(2,000)	-
Operating profit/ (loss) before working capital changes		60,721	62,191	(845)	(1,494)
Increase in amount owing by contract customers		1,269	9,688	-	-
Increase in trade and other receivables		(66,216)	(8,901)	(12)	(1,945)
Increase/ (decrease) in trade and other payables		39,389	(20,926)	(90)	129
Increase in inventories		(2,793)	(3,494)	-	-
CASH FROM/ (FOR) OPERATIONS		32,370	38,558	(947)	(3,310)
Interest paid		(14,160)	(7,291)	-	-
Income tax paid		(2,965)	(16,177)	(47)	(95)
NET CASH FROM/ (FOR) OPERATING ACTIVITIES		**15,245**	**15,090**	**(994)**	**(3,405)**

	NOTE	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000) (Restated)	THE COMPANY 2016 (RM'000)	THE COMPANY 2015 (RM'000)
CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES					
Investment in:					
- an associate		-	(4,154)	-	(4,154)
- a joint venture		-	(30,068)	-	-
- other investment		(10,483)	-	-	-
Dividend received		859	-	3,150	-
Interest received		1,408	574	17	5
Proceeds from disposal of:					
- property, plant and equipment		9	487	-	-
Purchase of property, plant and equipment	40	(197,961)	(105,722)	-	-
Development expenditure incurred		-	(100,712)	-	-
Purchase of short-term investment		-	(2)	-	(2)
Withdrawal/ (placement) of deposits pledged with licensed banks		1,074	(8,053)	-	-
Advances to an associate		(48)	(2,199)	-	-
Advances to subsidiaries		-	-	(2,436)	(47,385)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		**(205,142)**	**(249,849)**	**731**	**(51,536)**

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	NOTE	2016 (RM'000)	2015 (RM'000) (Restated)	2016 (RM'000)	2015 (RM'000)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from/(repayment to) subsidiaries		-	-	21	(283)
Proceeds from issuance of shares		-	65,463	-	65,463
Share issuance expenses		-	(389)	-	(389)
Dividend paid		-	(9,979)	-	(9,979)
Dividend paid to minority shareholders by subsidiaries		(1,485)	(198)	-	-
Drawdown of term loans		294,573	86,058	-	-
Repayment of term loans		(18,473)	(17,734)	-	-
Repayment of lease and hire purchase obligations		(329)	(41)	-	-
Net (repayment)/ drawdown of bills payable		(84,177)	117,845	-	-
NET CASH FROM FINANCING ACTIVITIES		190,109	241,025	21	54,812
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		212	6,266	(242)	(129)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		32,301	23,080	292	421
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		577	2,955	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	41	**33,090**	**32,301**	**50**	**292**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office :
802, 8th Floor, Block C, Kelana Square,
17, Jalan SS7/ 26, 47301 Petaling Jaya,
Selangor Darul Ehsan.

Principal place of business :
Uzma Tower, No. 2, Jalan PJU8/ 8A,
Damansara Perdana, 47820 Petaling Jaya,
Selangor Darul Ehsan.

The financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors dated 25 April 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/ or interpretations (including the consequential amendments, if any) :-

MFRSs and/ or IC Interpretations (Including The Consequential Amendments)

MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101: Disclosure Initiative
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 : Agriculture - Bearer Plants
Amendments to MFRS 127: Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSS AND/ OR IC INTERPRETATIONS (INCLUDING THE CONSEQUENTIAL AMENDMENTS)	EFFECTIVE DATE
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

3. BASIC OF PREPARATION (CONT'D)

3.2 MFRSS AND/ OR IC INTERPRETATIONS (INCLUDING THE CONSEQUENTIAL AMENDMENTS) (CONT'D)

MFRSS AND/ OR IC INTERPRETATIONS (INCLUDING THE CONSEQUENTIAL AMENDMENTS)	EFFECTIVE DATE
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

* Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

The adoption of the above accounting standards and/ or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

(a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

(b) The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon their initial application. However, additional disclosure notes on the statements of cash flows may be required.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognizes tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognized, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Contract

Contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) Contract Revenue

Contract accounting requires that variation claims and incentive payments only be recognized as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognized accordingly.

(ii) Contract Costs

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

(e) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(f) Impairment of Trade and Other Receivables

An impairment loss is recognized when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(g) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(h) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/ or equity.

(i) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

4.2 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognized in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquision) are translated to RM the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity, attributed to the owners of the Company and non-controlling interests, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.2. FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

Goodwill and fair value adjustment arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of interest in associates and joint arrangements that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognized but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognized in profit or loss. When the Group disposes of only part of its investment in associates and joint arrangements that includes foreign operation while retaining significant influence and joint control, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

4.3 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations of Entities Under Common Control

The acquisitions resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combinations.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognized in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(b) Business Combinations of Entities Under Non-Common Control

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognized in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognized in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognized directly in equity of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognizes any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognized in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.4 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognized immediately in profit or loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognized and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognized as a gain in profit or loss.

In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognized in profit or loss.

4.6 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group and of the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investments in associates is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2016. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income,

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6. INVESTMENTS IN ASSOCIATES (CONT'D)

after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of the investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealized gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.7 JOINT ARRANGEMENTS

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operation and joint ventures.

(a) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement. The Group accounts for each of its interest in the joint operations the assets, liabilities, revenue and expenses (including its share of those held or incurred jointly with the other investors) in accordance with the applicable accounting standards.

(b) Joint Ventures

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to 31 December 2016. The Group's share of the post acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealized gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealized losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognized in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognized in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognized in profit or loss.

4.8 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

A financial instrument is recognized initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/ deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognized immediately in profit or loss.

Financial instruments recognized in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement are recognized in profit or loss. Dividend income from this category of financial assets is recognized in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment loss, with interest income recognized in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortized cost using the effective interest method, less any impairment loss. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realized within 12 months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.8.FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognized as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognized when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in equity is recognized in profit or loss.

A financial liability or a part of it is derecognized when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.9 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Freehold properties	2%
Leasehold properties	Over the lease period of 94 years
Leasehold improvement	5% - 20%
Operating equipment	10% - 33⅓%
Returnable shipping containers	10%
Furniture, fittings and renovation	20%
Motor vehicles	20%
Office equipment	20% - 33⅓%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognized in profit or loss.

4.10 DEVELOPMENT EXPENDITURE

Expenditure relating to development of assets including the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells.

The development expenditure is amortized over a contract period of 9 years when the assets are ready for use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

4.11 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorized at fair value through profit or loss investment in subsidiaries, investment in associate and joint venture), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognized in profit or loss and 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.

An impairment loss in respect of available-for-sale financial assets is recognized in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the fair value reserve. In addition, the cumulative loss recognized in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity instruments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognized in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognized in profit or loss and is measured as the difference between the financial 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.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognized. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognized in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognized revaluation surplus for the same asset. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11.IMPAIRMENT (CONT'D)

recognized to the extent of the carrying amount of the asset that would have been determined (net of amortization and depreciation) had no impairment loss been recognized. The reversal is recognized in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.12 LEASED ASSETS

(a) Finance Assets

A lease is recognized as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognized in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property and equipment.

(b) Operating Lease

All lease that do not transfer substantially to the group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognized on the statement of financial position of the Group.

Payments made under operating leases are recognized as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognized as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.13 INTANGIBLE ASSETS

An intangible asset shall be recognized if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. The Group assesses the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

The useful life of the intangible asset of the Group is 7 years.

4.14 INVENTORIES

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of raw materials comprises costs of purchase. Cost of finished goods includes direct materials, direct labour, and appropriate production overheads.

Net realizable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.15 AMOUNTS OWING BY/ TO CONTRACT CUSTOMERS

The amounts owing by/ to contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

4.16 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognized using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Current and deferred tax items are recognized in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognized net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.18 PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognized as interest expense in profit or loss.

4.19 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition and construction or production of a qualifying asset are capitalized as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalization of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognized in profit or loss as expenses in the period in which they incurred.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

4.20 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognized in profit or loss and included in the development cost,where appropriate in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognized in profit or loss and included in the development cost, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 RELATED PARTIES

A party is related to an entity (referred as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a) (i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

4.22 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Contract Income

Revenue on contracts is recognized on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognized to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

(b) Sale of Goods

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(c) Services

Revenue is recognized upon rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. The stage of completion is determined by reference to the proportion of costs incurred for work performed to date bear to the estimated total costs. In the event the outcome of the transaction could not be estimated reliably, revenue is recognized to the extent of the expenses incurred that are recoverable.

(d) Interest Income

Interest income is recognized on an accrual basis, using the effective interest method.

(e) Dividend Income

Dividend income from investment is recognized when the right to receive dividend payment is established.

(f) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

4.23 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.24 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

4.25 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4.26 FAIR VALUE MEASUREMENTS

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

	THE COMPANY	
	2016 (RM'000)	2015 (RM'000)
Unquoted shares in Malaysia, at cost:-		
At 1 January	64,786	64,786
Addition during the financial year	165,291	-
At 31 December	230,077	64,786
Unquoted shares outside Malaysia, at cost	675	675
	230,752	**65,461**

The details of the subsidiaries are as follows:-

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
		2016 %	2015 %	
DIRECT SUBSIDIARIES:-				
Uzma Engineering Sdn. Bhd. ("UESB")	Malaysia	100	100	Provision of geoscience and reservoir engineering, well services, project and operational services, and other specialized services within the oil and gas industry.
Uzma Consulting Limited # *	Thailand	49	49	Provision of subsurface software and consultancy for oil and gas industries.
Uzma Engineering Pty. Ltd. *	Australia	100	100	Provision of geoscience and reservoir engineering services, and management systems.
Uzma Teras Sdn. Bhd.	Malaysia	100	100	Provision of aviation engineering, support services and agency business of aircraft and machines. The Company had temporarily ceased operation.
Malaysian Energy Chemical & Services Sdn. Bhd.	Malaysia	70	70	Manufacturing, marketing, distribution and supply of oilfield chemicals, petrochemical and chemical products, equipment and services.
Tenggara Analisis Sdn. Bhd. ("TASB")	Malaysia	100	100	Investment holding.
Uzma Energy Venture (Sarawak) Sdn. Bhd.	Malaysia	100	100	Development and production in oilfield and related activities.
Premier Enterprise Corporation (M) Sdn. Bhd. ("PEC")	Malaysia	100	100	Trading of hardware, consumables and equipment for oil and gas industries.
Uzma (Labuan) Ltd. @	Labuan	100	100	Leasing business activities.
Uzma Teluk Kalong Sdn. Bhd.	Malaysia	100	100	Dormant.
Held by UESB:				
PT Uzma	Indonesia	95	95	Dormant.
Uzma Tracer Sdn. Bhd.	Malaysia	70	70	Provision for chemical tracer services for oil and gas sector.
Uzma Integrated Solution Sdn. Bhd.	Malaysia	60	60	Provision of geocomputing and geophysical software development, testing and maintenance services.
SVJ Holding Limited ("SVJ") ^	British Virgin Island	100	100	Investment holding.
Uzma Well Services (Thailand) Co., Ltd. ("UWS") # *	Thailand	49	49	Investment holding.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
		2016 %	2015 %	
Uzma Archaeological Reserch Sdn. Bhd. ("UARSB")	Malaysia	100	-	Dormant
Held by SVJ and UWS:				
MMSVS Group Holding Co., Ltd. *	Thailand	100	100	Investment holding and provides repair and maintenance petroleum exploration and production wells.

\# - Uzma Consulting Limited and Uzma Well Services (Thailand) Co., Ltd. are considered subsidiaries although the Company does not own more than 50% of its equity interest because the Company has the power to appoint and remove the majority of the Board of Directors and therefore control the Board.
* - These subsidiaries were audited by other firms of chartered accountants.
@ - This subsidiary was audited by member firms of Crowe Horwath International of which Crowe Horwath is a member.
^ - Not required to be audited under the laws of the country of incorporation.

(a) On 22 February 2016, the Company subscribed for additional 15,006,633 ordinary shares of RM1 each in the capital at par of a wholly-owned subsidiary, TASB for a total consideration of RM15,006,633 by capitalization of amount owing by TASB.

(b) On 22 February 2016, the Company subscribed for additional 150,283,719 ordinary shares of RM1 each in the capital at par of a wholly-owned subsidiary, UESB for a total consideration of RM150,283,719 by capitalization of amount owing by UESB.

(c) On 3 October 2016, UESB. acquired 100% equity interests in UARSB for a cash consideration of RM2. The acquisition has no significant effect on the financial results of the Group for the current financial year and the financial position of the Group as at the end of the current reporting period.

(d) On 10 March 2016, PT Uzma entered into the Conditional Shares Sale and Purchase Agreement to acquire 95% equity interest in PT Cougar Drilling Solutions Indonesia ("PTCDSI") for a total consideration of USD150,000 equivalent to RM672,900. The conditions precedent in the agreement were met on 12 April 2017. The initial accounting for the business combination is incomplete for disclosure purposes as the acquisition had been completed recently.

The non-controlling interests at the end of the reporting period comprised the following:-

	EFFECTIVE EQUITY INTEREST		THE GROUP	
	2016 %	2015 %	2016 (RM'000)	2015 (RM'000)
Malaysian Energy Chemical & Services Sdn. Bhd.	30	30	13,979	11,768
Uzma Integrated Solution Sdn. Bhd.	40	40	2,398	1,532
Uzma Consulting Limited	51	51	1,858	1,659
Other individually immaterial subsidiaries:-				
PT Uzma	5	5	(34)	(14)
Uzma Tracer Sdn. Bhd.	30	30	345	205
			18,546	**15,150**

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The summarized financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	MALAYSIAN ENERGY CHEMICAL & SERVICES SDN. BHD.	
	2016 (RM'000)	2015 (RM'000)
At 31 December		
Non-current assets	5,047	5,689
Current assets	65,134	48,916
Current liabilities	(23,851)	(15,379)
Net assets	**46,330**	**39,226**
Financial Year Ended 31 December		
Revenue	89,014	93,074
Profit for the financial year	11,605	13,878
Total comprehensive income	11,605	13,878
Total comprehensive income attributable to non-controlling interests	3,561	4,164
Dividends paid to non-controlling interests	1,350	-
Net cash flows from operating activities	9,129	9,200
Net cash flows from/ (for) investing activities	1,346	(6,489)
Net cash flows for financing activities	(5,487)	(7,564)

	UZMA INTERGRATED SOLUTION SDN. BHD.	
	2016 (RM'000)	2015 (RM'000)
At 31 December		
Non-current assets	303	256
Current assets	7,143	4,669
Non-current liabilities	(92)	(64)
Current liabilities	(1,360)	(1,031)
Net assets	5,994	3,830
Financial Year Ended 31 December		
Revenue	8,880	9,746
Profit for the financial year	2,164	3,292
Total comprehensive income	2,164	3,292
Total comprehensive income attributable to non-controlling interests	866	1,317
Net cash flows from operating activities	8,347	1,661
Net cash flows for investing activities	(9,016)	(217)
Net cash flows for financing activities	-	(493)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The summarized financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	UZMA CONSULTING LIMITED	
	2016 (RM'000)	2015 (RM'000)
At 31 December		
Non-current assets	7,016	7,047
Current assets	6,209	6,543
Non-current liabilities	(2,519)	(2,952)
Current liabilities	(7,025)	(7,347)
Net assets	**3,681**	**3,291**
Financial Year Ended 31 December		
Revenue	19,034	17,440
Profit for the financial year	476	518
Total comprehensive income	655	866
Total comprehensive income attributable to non-controlling interests	334	441
Dividends paid to non-controlling interests	135	198
Net cash flows from/ (for) operating activities	1,253	(1,041)
Net cash flows for investing activities	(1,069)	(1,775)
Net cash flows (for)/ from financing activities	(638)	3,461

6. INVESTMENTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Unquoted shares, at cost:				
- in Malaysia	200	200	-	-
- outside Malaysia	4,154	4,154	4,154	4,154
Share of post acquisition results	400	125	-	-
	4,754	**4,479**	**4,154**	**4,154**

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	EFFECTIVE EQUITY INTEREST 2016 %	2015 %	PRINCIPAL ACTIVITIES
Sazma Aviation Sdn. Bhd. *	Malaysia	40*	40#	Provision of professional aviation services, ground handling services, general merchant agent, carrier and air transportation.
Rockwash Prep And Store Limited ^	United Kingdom	30#	30#	Rock sample preparation, storage and support for oil and gas industry.

* - This associate was audited by other firms of chartered accountants.
^ - Not required to be audited under the laws of the country of incorporation.
# - The share of results in the associate is based on the unaudited financial statements.

The Group has not recognized losses relating to Sazma Aviation Sdn. Bhd., where its share of losses exceeded the Group's interest in this associate. The Group's cumulative share of unrecognized losses at the end of the reporting period amounted to RM2,526,000 (2015 : RM3,502,000). The Group has no obligation in respect of these losses.

6. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarized financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	SAZMA AVIATION SDN BHD	
	2016 (RM'000)	2015 (RM'000)
At 31 December		
Non-current assets	1,504	1,287
Current assets	10,303	9,007
Non-current liabilities	(12,795)	(13,033)
Current liabilities	(5,561)	(6,252)
	(6,549)	**(8,991)**
Financial Year Ended 31 December		
Revenue	28,815	34,775
Profit for the financial year	3,155	2,724
Total comprehensive income	3,155	2,724
Group's share of profit for the financial year	-	-
Group's share of total comprehensive income	-	-
Reconciliation of Net Assets to Carrying Amount		
Group's share of net assets above	(2,620)	(3,596)
Goodwill	94	94
Unrecognized losses	2,526	3,502
Carrying amount of the Group's interests in this associate	-	-

	ROCKWASH PREP AND STORE LIMITED	
	2016 (RM'000)	2015 (RM'000)
At 31 December		
Non-current assets	1,580	1,655
Current assets	2,151	2,588
Non-current liabilities	(174)	(197)
Current liabilities	(12)	(1,022)
	3,545	**3,024**
Financial Year Ended 31 December		
Revenue	4,433	7,542
Profit for the financial year	3	1,081
Total comprehensive income	3	1,081
Group's share of loss for the financial year	1	325
Group's share of total comprehensive expenses	1	325
Reconciliation of Net Assets to Carrying Amount		
Group's share of net assets above	1,183	908

	ROCKWASH PREP AND STORE LIMITED	
	2016 (RM'000)	2015 (RM'000)
Goodwill	3,571	3,571
Carrying amount of the Group's interests in this associate	**4,754**	**4,479**

7. INVESTMENT IN A JOINT VENTURE

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Unquoted shares, at cost:-		
At 1 January	37,568	7,500
Addition during the financial year	-	30,068
At 31 December	37,568	37,568
Share of post acquisition results	16,632	14,045
	54,200	**51,613**

The details of the joint venture are as follows:-

NAME OF JOINT VENTURE	PRINCIPAL PLACE OF BUSINESS	EFFECTIVE EQUITY INTEREST 2016 %	EFFECTIVE EQUITY INTEREST 2015 %	PRINCIPAL ACTIVITIES
Setegap Ventures Petroleum Sdn. Bhd.	Malaysia	49	49	Providing support services including consumables, parts and letting out of machineries and equipment used in the oil and gas industry.

The summarized financial information for each joint venture that is material to the Group is as follows:-

	SETEGAP VENTURES PETROLEUM SDN. BHD.	
	2016 (RM'000)	2015 (RM'000)
At 31 December		
Non-current assets	36,092	32,677
Current assets	63,646	60,892
Non-current liabilities	(10,800)	(14,628)
Current liabilities	(28,975)	(23,991)
	59,963	**54,950**
Financial Year Ended 31 December		
Revenue	63,295	84,693
Profit for the financial year	8,132	13,632
Total comprehensive income	8,132	13,632
Group's share of loss for the financial year	4,304	6,421
Group's share of total comprehensive expenses	4,304	6,421
Dividend received	1,717	2,456

7. INVESTMENTS IN JOINT VENTURE (CONT'D)

	SETEGAP VENTURES PETROLEUM SDN. BHD.	
	2016 (RM'000)	2015 (RM'000)
Reconciliation of Net Assets to Carrying Amount		
Group's share of net assets above	29,513	26,926
Goodwill on acquisition	24,687	24,687
Carrying amount of the Group's interests in this joint venture	**54,200**	**51,613**

8. OTHER INVESTMENTS

	THE GROUP	
	2016 (RM'000)	2015 (RM'000) (Restated)
Unquoted shares outside Malaysia	10,483	-

Investments in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

9. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	AT 1.1.2016 (RM'000)	ADDITIONS (RM'000)	DISPOSAL (RM'000)	RECLASSIFICATION (RM'000)	TRANSFER (RM'000)	DEPRECIATION CHARGE (RM'000)	EFFECT OF MOVEMENTS IN EXCHANGE RATE (RM'000)	AT 31.12.2016 (RM'000)
NET BOOK VALUE								
Freehold properties	13,385	-	-	-	-	(141)	223	13,467
Leasehold properties	23,722	5,973	-	-	-	(257)	-	29,438
Leasehold improvements	893	-	-	-	-	(185)	33	741
Operating equipment #	83,734	8,028	-	(9,125)	330,601	(13,095)	28,689	428,832
Returnable shipping containers	802	-	-	-	-	(99)	-	703
Furniture, fittings and renovation	8,138	29	(7)	(229)	-	(1,902)	60	6,089
Motor vehicles	5,620	-	-	-	-	(1,731)	107	3,996
Office equipment	5,715	1,201	-	-	-	(1,638)	65	5,343
Capital work-in-progress	109,760	219,188	-	9,354	(330,601)	-	1,686	9,387
	251,769	**234,419**	**(7)**	**-**	**-**	**(19,048)**	**30,863**	**497,996**

- The construction of the operating equipment commenced in 2015, was completed during the financial year. The amount of RM330,601,000 has been transferred from capital work-in-progress to operating equipment.

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP	AT 1.1.2015 (RM'000)	ADDITIONS (RM'000)	DISPOSALS (RM'000)	WRITTEN OFF (RM'000)	DEPRECIATION CHARGE (RM'000)	EFFECT OF MOVEMENTS IN EXCHANGE RATE (RM'000)	AT 31.12.2015 (RM'000)
NET BOOK VALUE							
Freehold properties	8,951	4,341	-	-	(98)	191	13,385
Leasehold properties	23,979	-	-	-	(257)	-	23,722
Leasehold improvement	1,002	-	(27)	-	(194)	112	893
Operating equipment	75,284	13,315	(426)	-	(8,906)	4,467	83,734
Returnable shipping container	796	109	(9)	-	(94)	-	802
Furniture, fittings and renovation	7,977	2,050	(2)	(59)	(1,911)	83	8,138
Motor vehicles	4,951	1,688	-	-	(1,491)	472	5,620
Office equipment	4,539	2,465	(18)	(6)	(1,365)	100	5,715
Capital work-in-progress	-	109,760	-	-	-	-	109,760
	127,479	**133,728**	**(482)**	**(65)**	**(14,316)**	**5,425**	**251,769**

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP	AT COST (RM'000)	ACCUMULATED DEPRECIATION (RM'000)	NET BOOK VALUE (RM'000)
AT 31.12.2016			
Freehold properties	14,246	(779)	13,467
Leasehold properties	29,973	(535)	29,438
Leasehold improvement	1,542	(801)	741
Operating equipment	490,259	(61,427)	428,832
Returnable shipping containers	956	(253)	703
Furniture, fittings and renovation	12,733	(6,644)	6,089
Motor vehicles	9,659	(5,663)	3,996
Office equipment	14,710	(9,367)	5,343
Capital work-in-progress	9,462	(75)	9,387
	583,540	**(85,544)**	**497,996**
AT 31.12.2015			
Freehold properties	14,018	(633)	13,385
Leasehold properties	24,000	(278)	23,722
Leasehold improvement	1,468	(575)	893
Operating equipment	129,510	(45,776)	83,734
Returnable shipping containers	956	(154)	802
Furniture, fittings and renovation	13,190	(5,052)	8,138
Motor vehicles	9,331	(3,711)	5,620
Office equipment	13,625	(7,910)	5,715
Capital work-in-progress	109,760	-	109,760
	315,858	**(64,089)**	**251,769**

The total net book value of the motor vehicles of the Group acquired under hire purchase terms at the end of the reporting period amounted to approximately RM1,098,000 (2015 : RM1,882,000).

The net book values of the property, plant and equipment at the end of the reporting period pledged as security for banking facilities granted to the Group are as follows:-

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Freehold properties	13,467	13,385
Leasehold properties	29,438	23,722
Operating equipment	381,469	28,084
	424,374	**65,191**

10. DEVELOPMENT EXPENDITURE

	THE GROUP	
	2016 (RM'000)	2015 (RM'000) (Restated)
At 1 January	-	31,058
Addition during the financial year	-	100,712
Effect of movements in exchange rate	-	19,708
Transfer to other receivables during the financial year (Note 16)	-	(151,478)
At 31 December	-	-

On 27 March 2014, Uzma Energy Venture (Sarawak) Sdn. Bhd. ("UEVS") and EQ Petroleum Developments Malaysia Sdn. Bhd. ("EQ") entered into a Small Field Risk Service Contract ("SFRSC") with Petroliam Nasional Berhad ("PETRONAS") for the development and production of hydrocarbon from the Tanjong Baram Field for a contract period of 9 years.

UEVS and EQ are in a joint operations arrangement whereby UEVS has a 30% interest in the Tanjong Baram's SFRSC ("TB SFRSC").

The development expenditure represents capital expenditure incurred for the TB SFRSC, which includes the construction, installation and completion of the infrastructure facilities such as platforms, pipelines and development wells. The total capital expenditure incurred since the inception of the TB SFRSC amounted to USD118,150,121 and is in excess of the amount approved by Petronas in its letter dated 30 November 2016 of USD110,860,000. UEVS and EQ are in discussion with PETRONAS with respect to the excess of the capital reimbursable amount.

The total capital expenditure incurred since the inception of the TB SFRSC amounted to USD118,150,121 and is in excess of the amount approved by PETRONAS in its letter dated 30 November 2016 of USD110,860,000. UEVS and EQ are in discussion with PETRONAS for the approval and reimbursement of the excess of approved capital reimbursable amount. The Board of Directors is of the opinion that the excess amounts incurred were valid expenses in relation to the development of the TB SFRSC and that they should be reimbursed in accordance with the terms of the agreement of the TB SFRSC.

The construction of the TB SFRSC was completed in the 2nd quarter of 2015. Therefore, the Group's share of the capital expenditure incurred, net of reimbursed amount amounted to approximately RM135,594,000 (2015 : RM151,478,000) has been included in "Other Receivables" as disclosed in Note 16 to the financial statements.

11. INTANGIBLE ASSET

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Customer base, at cost	2,789	2,789
Accumulated amortization	(1,195)	(797)
At 31 December	**1,594**	**1,992**
Amortization of intangible asset:-		
At 1 January	(797)	(398)
Amortization during the financial year	(398)	(399)
At 31 December	**(1,195)**	**(797)**

The customer base is the intangible asset identified arising from the acquisition of PEC.

The amortization charges are recognized in profit or loss under the "Other Operating Expenses" line item.

12. DEFERRED TAX ASSETS/ (LIABILITIES)

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
At 1 January	(7,359)	(4,197)
Recognized in profit or loss (Note 38)	(400)	(3,162)
Effect of movements in exchange rate	(57)	-
At 31 December	(7,816)	(7,359)
Presented as follows:-		
Deferred tax assets	112	112
Deferred tax liabilities	(7,928)	(7,471)
	(7,816)	(7,359)

The deferred tax assets and liabilities consist of the tax effects of the following items:-

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Deferred tax assets:-		
Allowance for impairment losses on receivables	212	18
Unutilized tax losses	1,223	-
Unabsorbed capital allowances	2,030	-
Provisions	112	112
	3,577	130
Deferred tax liabilities:-		
Accelerated capital allowances over depreciation	(8,294)	(7,251)
Others	(3,099)	(238)
	(11,393)	(7,489)
	(7,816)	(7,359)

At the end of the reporting period, the Group has tax losses of approximately RM5,700,000 (2015 : RM1,898,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets are recognized in respect of this item as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilized.

13. GOODWILL ON CONSOLIDATION

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Goodwill	61,368	61,368

The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

Services	51,095	51,095
Trading	10,273	10,273
	61,368	**61,368**

The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of these cash-generating units are determined using the value in use approach, and this is derived from the present value of the future cash flows from each cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	GROSS MARGIN		GROWTH RATE		DISCOUNT RATE	
	2016	2015	2016	2015	2016	2015
Services	35%	35%	10%	10%	13.2%	13.7%
Trading	14% - 17%	17% - 21%	5% - 10%	10%	9.7%	13.7%

(i) Budgeted gross margin	Based on past performance and the management's expectation of market development.
(ii) Growth rate	Based on the expected projection of the respective operating segments.
(iii) Discount rate (pre-tax)	Reflect specific risks relating to the relevant cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

The directors believe that no reasonable possible change in the above key assumptions applied that is likely to materially cause the respective cash-generating unit carrying amount to be exceeded its recoverable amount.

14. INVENTORIES

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Raw materials	5,503	5,887
Finished goods	10,692	8,320
Consumables	2,219	2,560
	18,414	16,767
Recognized in profit or loss		
Inventories recognized as cost of sales	**68,647**	**72,438**

None of the inventories is carried at net realizable value.

15. TRADE RECEIVABLES

	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000)
Trade receivables	93,842	125,497
Allowance for impairment losses:-		
At 1 January	(121)	(3,637)
Addition during the financial year	(1,704)	(75)
Write off during the financial year	-	3,591
Effect of movements in exchange rate	(8)	-
At 31 December	(1,833)	(121)
	92,009	125,376
Accrued billings	112,462	35,945
	204,471	**161,321**

In the previous financial year, included in the trade receivables of the Group at the end of the reporting period were the amount owing by related parties of RM1,082,000 and the amount owing by a joint venture amounting to RM387,000.

The Group's normal trade credit terms range from 30 to 90 days (2015 : 30 to 90) days.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000) (Restated)	THE COMPANY 2016 (RM'000)	THE COMPANY 2015 (RM'000)
Non-current Assets:-				
Amount receivable from PETRONAS in relation to TB SFRSC, the Group's share of:				
- capital expenditure	79,049	131,147	-	-
- remuneration fee	14,485	-	-	-
	93,534	**131,147 #**	-	-
Current Assets:-				
Amount receivable from PETRONAS in relation to TB SFRSC, the Group's share of:				
- operating expenditure	6,289	4,793	-	-
- capital expenditure	56,545	20,331 #	-	-
	62,834	25,124	-	-
Other receivables	32,451	11,341	166	145
Deposits	14,787	9,860	1,808	1,808
Prepayments	4,614	6,043	-	10
	114,686	52,368	1,974	1,963
Less: Allowance for impairment losses	(710)	(710)	-	-
	113,976	**51,658**	**1,974**	**1,963**
Allowance for impairment losses:-				
At 1 January	(710)	(327)	-	-
Addition during the financial year	-	(383)	-	-
At 31 December	**(710)**	**(710)**	**-**	**-**

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

- included in amount receivable from PETRONAS in the previous financial year was an amount of RM151,478,000 transferred from development expenditure, as disclosed in Note 10 to the financial statements.

(a) Below is the details of the amount receivable from PETRONAS in relation to the TB SFRSC:-

	THE GROUP			
	2016 (USD'000)	2016 (RM'000)	2015 (USD'000)	2015 (RM'000)
CAPITAL EXPENDITURE				
At 1 January	35,064	151,478	9,465	150,547
Addition during the financial year	381	1,580	25,599	101,642
	35,445	153,058	35,064	252,189
Reimbursement during the financial year	(5,219)	(21,632)	-	-
Other	-	(931)	-	-
Effect of movement in exchange rate	-	5,099	-	(100,711)
At 31 December	**30,226**	**135,594**	**35,064**	**151,478**
OPERATING EXPENDITURE				
At 1 January	1,116	4,793	-	-
Addition during the financial year	1,108	4,589	1,116	4,392
	2,224	9,382	1,116	4,392
Reimbursement during the financial year	(822)	(3,405)	-	-
Effect of movement in exchange rate	-	312	-	401
At 31 December	**1,402**	**6,289**	**1,116**	**4,793**
REMUNERATION FEE				
At 1 January	-	-	-	-
Addition during the financial year	3,229	14,485	-	-
At 31 December	**3,229**	**14,485**	-	-

(b) The entitlement of the remuneration fee is computed from the first hydrocarbon date for each individual field within the Tanjong Baram Field. During the financial year, the Group has recognised the remuneration fee of RM14,485,000 which shall be payable when there is Allocated Revenue in excess of unpaid Petroleum Costs, and is subject to the approval of PETRONAS.

(c) Included in other receivables of the Group is an amount of RM6,282,000 (2015 : RM1,769,000) represents advances given to PTCDSI. The amount owing is unsecured, interest-free, repayable on demand and to be settled in cash.

(d) Included in deposit of the Group is an amount of RM12,324,000 represents down payment for the acquisition of equipment.

(e) Included in deposit of the Group is an amount of RM672,900 (2015 : Nil) being deposit paid for the proposed acquisition of 95% equity interest in PTCDSI. As disclosed in Note 5 to the financial statements, the conditions precedent in the Conditional Shares Sale and Purchase Agreement were met on 12 April 2017.

(f) In the previous financial year, included in deposits of the Group was an amount of RM6,300,000 being deposit paid for the proposed acquisition of 36.36% equity interest in Pumptek Holdings (BVI) Ltd ("Pumptek"). The acquisition has been completed during the current financial year and is classified as other investment in Note 8 to the financial statements. Despite the Group holds 36.36% equity interest in Pumptek, the Group does not has significant influence in participation in the financial and operating policy decisions of Pumptek.

17. AMOUNT OWING BY CONTRACT CUSTOMERS

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Contract costs incurred to-date	13,863	8,813
Attributable profits	6,923	4,961
	20,786	13,774
Progress billings	(17,540)	(9,259)
	3,246	**4,515**

18. AMOUNTS OWING BY/ TO SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured and interest-free. The amounts owing represent advances and payments made on behalf. The amounts owing are repayable on demand and to be settled in cash.

19. AMOUNT OWING BY AN ASSOCIATE

The amount owing is non-trade in nature, unsecured and interest-free. The amount owing represents advances and payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

20. SHORT-TERM INVESTMENTS

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000) (Restated)	2016 (RM'000)	2015 (RM'000)
Quoted unit trusts in Malaysia:-				
At fair value	51	50	36	35

21. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits of RM18,210,000 (2015 : RM19,284,000) have been pledged to licensed banks as security for banking facilities granted to the Group.

The effective interest rates of the fixed deposits at the end of the reporting period ranged from from 1.20% to 3.30% (2015 : 0.90% to 3.45%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 (2015 : 1 to 12) months.

22. SHARE CAPITAL

	THE GROUP		THE COMPANY	
	2016 NUMBER OF SHARE ('000)	2015 NUMBER OF SHARE ('000)	2016 (RM'000)	2015 (RM'000)
ORDINARY SHARES OF RM0.50 EACH				
AUTHORIZED	500,000	500,000	250,000	250,000
ISSUED AND FULLY PAID-UP				
At 1 January	290,936	264,000	132,000	132,000
Issuance of new shares	-	26,936	13,468	13,468
At 31 December	**290,936**	**290,936**	**145,468**	**145,468**

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

23. SHARE PREMIUM

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs. The share premium reserve is not distributable by way of dividends and may be utilized in the manner set out in Section 60 (3) of the Companies Act 1965.

24. MERGER DEFICIT

The merger deficit relates to the difference between the nominal value of shares issued for the purchase of a subsidiary amounting to RM29,700,000 and the nominal value of the shares acquired of RM1,300,000.

25. CAPITAL RESERVE

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Statutory reserve	76	76
Other capital reserve	100	-
	176	**76**

The foreign subsidiary is required under the provisions of the Civil and Commercial Code of Thailand, to set aside as a statutory reserve of at least 5% of its net profit at each dividend declaration until the reserve reaches 10% of the authorized share capital.

Other capital reserve relate to the bonus issue by a subsidiary by capitalization of the subsidiary's retained profits account.

All the above reserves are not available for dividend declaration.

26. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and the Group's share of associate's and joint operation's foreign currency translation differences.

27. RETAINED PROFITS

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

28. LONG-TERM BORROWINGS

	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000)
Lease and hire purchase payables (Note 32)	5,970	1,521
Term loans (Note 33)	319,049	100,371
	325,019	**101,892**

29. TRADE PAYABLES

	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000)
Trade payables	38,370	27,864
Amount owing to related parties	4,111	6,858
Accrued costs	77,955	46,468
	120,436	**81,190**

The normal trade credit terms granted to the Group range from 7 to 120 (2015 : 7 to 120) days.

The amount owing to related parties is trade-in-nature and subject to normal trade credit terms ranging from 30 to 45 (2015 : 30 to 45) days.

30. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Other payables	70,595	32,720	16	60
Amount owing to related parties	809	-	-	-
Accruals	12,109	5,690	76	121
Deferred liability	-	11,179	-	1,991
	83,513	**49,589**	**92**	**2,172**

(a) Included in other payables is an amount of RM58,014,000 (2015 : RM26,819,000) in relation to the construction costs payable for the operating equipment.

(b) The deferred liability in the previous financial year represents contingent consideration ie deferred purchase consideration, for the acquisition of MMSVS and PEC. A total amount of RM7,916,000 was paid during the financial year and the remaining amount of RM3,263,000 has been reversed to profit or loss due to non-fulfilment of events after the acquisition date.

31. SHORT-TERM BORROWINGS

	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000)
Lease and hire purchase payables (Note 32)	828	343
Term loans (Note 33)	75,012	15,501
Revolving credit	75,517	173,493
Invoice financing	17,886	1,940
	169,243	**191,277**

31. SHORT-TERM BORROWINGS (CONT'D)

The average effective interest rates at the end of the reporting period for borrowings which bore interest at floating rates, were as follows:-

	THE GROUP	
	2016 %	2015 %
Revolving credit	3.30 – 5.49	2.60 - 5.71
Invoice financing	4.65 – 4.85	2.15 - 5.41

The revolving credit is secured by:-

(i) a corporate guarantee of the Company;

(ii) a first legal charge in favour of the Bank over the designated Escrow account; and

(iii) additional all monies legal charge or additional all monies Deed of Assignment and Power of Attorney over the leasehold properties of a subsidiary.

The invoice financing is secured by:-

(i) a corporate guarantee of the Company; and

(ii) a fixed deposit of RM2,794,488 of a subsidiary.

32. LEASE AND HIRE PURCHASE PAYABLES

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Future minimum lease and hire purchase payments:		
- not later than 1 year	901	439
- later than 1 year but not later than 5 years	3,197	1,652
- later than 5 years	4,814	58
	8,912	2,149
Less: Future finance charges	(2,114)	(285)
Present value of lease and hire purchase payables	6,798	1,864
Current (Note 31):		
- not later than 1 year	828	343
Non-current (Note 28):		
- later than 1 year but not later than 5 years	2,260	1,465
- later than 5 years	3,710	56
	5,970	1,521
	6,798	**1,864**

The lease and hire purchase payables of the Group bore effective interest rates ranging from 4.65% to 11.42% (2015 : 4.65% to 11.31%) per annum at the end of the reporting period.

33. TERM LOANS

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Term loans:		
- current	76,656	15,501
- non-current	321,438	100,371
	398,094	115,872
Less: Transaction costs	(4,033)	-
	394,061	**115,872**
Current (Note 31):		
Not later than 1 year	76,657	15,501
Less: Transaction costs	(1,645)	-
	75,012	**15,501**
Non-current (Note 28):		
Later than 1 year but not later than 2 years	79,351	13,850
Later than 2 years but not later than 5 years	229,055	71,846
Later than 5 years	13,031	14,675
	321,437	100,371
Less: Transaction costs	(2,388)	-
	319,049	100,371
Total	**394,061**	**115,872**

Details of the term loans are as follows:-

TERM LOAN	EFFECTIVE INTEREST RATE PER ANNUM		THE GROUP	
	2016 %	2015 %	2016 (RM'000)	2015 (RM'000) (Restated)
1	BLR – 1.70%	BLR – 1.70%	844	1,152
2	COF + 2.25%	COF + 2.25%	768	5,768
3	COF + 2.25%	COF + 2.25%	6,702	8,462
4	COF + 2.25%	COF + 2.25%	1,612	2,006
5	BLR – 2.40%	BLR – 2.40%	18,790	19,886
6	COF +1.25%	COF +1.25%	77,480	75,136
7	5.75%	5.75%	2,142	2,417
8	MLR + 0.5%	MLR + 0.5%	946	1,045
9	IcoF + 1.5%	-	175,262	-
10	COF + 2%	-	113,548	-
			398,094	**115,872**

33. TERM LOANS (CONT'D)

The term loans bore a weighted average effective interest rate of 4.08% (2015 : 3.61%) per annum at the end of the reporting period:-

The following is a summary of the security for the term loans:-

(a) Term loan 1 is secured by:-

(i) a first legal charge over the freehold properties of a subsidiary;

(ii) a fixed deposit of RM1,523,745 of a subsidiary; and

(iii) a corporate guarantee of RM26,426,598 of the Company.

(b) Term loans 2, 3 and 4 are secured by:-

(i) a first legal charge over the freehold properties of a subsidiary;

(ii) a first legal charge over the operating equipment of a subsidiary;

(iii) a fixed deposit of RM4,857,576 of a subsidiary; and

(iv) a corporate guarantee of RM90,000,000 of the Company.

(c) Term loan 5 is secured by:-

(i) a first legal charge over the leasehold buildings of a subsidiary; and

(ii) a corporate guarantee of RM21,600,000 of the Company.

(d) Term loan 6 is secured by:-

(i) corporate guarantee of RM5,000,000 and USD20,800,000 of the Company; and

(ii) a pledge or charge over unquoted shares of MMSVS.

(e) Term loans 7 and 8 are secured by:-

(i) a charge over freehold properties of a subsidiary;

(ii) a joint and several guarantee of one of the directors of the Company.

(f) Term loan 9 secured by:-

(i) a third and first legal charge over the operating equipment of a subsidiary, as disclosed in Note 8 to the financial statements;

(ii) against fresh assignment of future income as per Schedule A, C and D of contract;

(iii) assignment of insurance policy of a subsidiary; and

(iv) a corporate guarantee of RM241,400,000 of the Company.

(g) Term Loan 10 secured by:-

(i) corporate guarantee of USD32,410,000 of the Company:

(ii) a fixed deposit of USD477,809 of a subsidiary; and

(iii) an assignment and a fixed charge over receivables of a subsidiary.

34. BANK OVERDRAFTS

The bank overdrafts bore a weighted effective interest rate of of 7.75% (2015 : 8.02%) per annum at the end of the reporting period and are secured by:-

(i) the same manner as invoice financing in Note 31 to the financial statements; and

(ii) the same manner as term loans 2, 3, 4 and 5 in Note 33 to the financial statements.

35. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share is calculated based on the net assets value of approximately RM402,157,000 (2015 : RM356,152,000) divided by the number of ordinary shares at the end of the reporting period of 290,936,000 (2015 : 290,936,000) shares.

36. REVENUE

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Services rendered	366,396	397,590	-	-
Contract revenue	6,716	5,591	-	-
Sales of goods	97,540	107,591	-	-
Rental income	398	-	-	-
Dividend income	-	-	3,280	7,060
Management fee	-	-	300	310
	471,050	**510,772**	**3,580**	**7,370**

37. PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Profit before taxation is arrived at after charging/ (crediting):-				
Statutory audit fee:				
- for the financial year	274	323	58	58
- (over)/ underprovision in the previous financial year	(6)	2	-	-
Non-statutory audit fee	6	6	6	6
Allowance for impairment losses on receivables	1,704	458	-	-
Amortization of intangible asset	398	399	-	-
Depreciation of property, plant and equipment	19,048	14,316	-	-
Directors' fee	388	273	388	273
Directors' non-fee emoluments:				
- salaries, allowances and other benefits	2,291	3,478	15	17
- defined contribution benefit expenses	241	341	-	-
Interest expense:				
- bank overdrafts	1,588	876	-	-
- bank guarantee	750	625	-	-
- imputed interest on deferred liability	10	1,145	10	113
- invoice financing	209	185	-	-
- lease and hire purchase	465	224	-	-
- revolving credit	1,710	1,864	-	-
- term loans	9,438	3,517	-	-

37. PROFIT BEFORE TAXATION (CONT'D)

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Loss on foreign exchange:				
- realized	4,539	3,141	6	-
- unrealized	6,430	34,959	-	-
Property, plant and equipment written off	-	65	-	-
Inventories written off	1,146	227	-	-
Investment written off	-	46	-	-
Rental of premises	447	-	-	-
Rental of office	1,010	821	-	-
Rental of office equipment	244	543	-	-
Rental of forklift and cranes	257	238	-	-
Rental of warehouse	627	575	-	-
Staff costs:				
- salaries, wages, bonuses, allowances and other benefits	39,562	50,763	5	-
- defined contribution plan	3,427	3,663	-	-
Dividend income from subsidiaries	-	-	(3,280)	(7,060)
Dividend income from joint venture	(1,717)	(2,456)	-	-
Gain on foreign exchange:				
- realized	(4,781)	(10,268)	-	-
- unrealized	(23,459)	(1,376)	-	-
Gain on disposal of property, plant and equipment	(2)	(5)	-	-
Interest income on financial assets not at fair value through profit or loss:				
- bank	(588)	(424)	(1)	(5)
- intercompany	-	-	(15)	-
- imputed interest on trade receivables	(87)	(150)	-	-
- imputed interest on deferred liability	-	(10,699)	-	-
- others	(733)	-	-	-
Rental income	(1,051)	(52)	-	-
Reversal of deferred liability (Note 30 (b))	(3,263)	-	(2,000)	-
Share of results in associates, net of tax	(275)	(325)	-	-
Share of results in a joint venture, net of tax	(4,304)	(6,421)	-	-

38. INCOME TAX EXPENSE

	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000)	THE COMPANY 2016 (RM'000)	THE COMPANY 2015 (RM'000)
Income tax:				
- for the current financial year	5,012	7,956	62	78
- under/ (over)provision in the previous financial year	1,003	270	(4)	1
	6,015	8,226	58	79
Deferred tax (Note 12):				
- originating and recognition of temporary differences	3,411	2,326	-	-
- (over)/ underprovision in the previous financial year	(3,011)	836	-	-
	400	3,162	-	-
	6,415	**11,388**	**58**	**79**

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	THE GROUP 2016 (RM'000)	THE GROUP 2015 (RM'000)	THE COMPANY 2016 (RM'000)	THE COMPANY 2015 (RM'000)
Profit before taxation	50,536	22,685	4,442	5,458
Tax at the statutory tax rate of 24% (2015 : 25%)	12,129	5,671	1,066	1,365
Tax effects of:-				
Non-deductible expenses	20,595	14,135	264	474
Non-taxable gains	(15,119)	(2,692)	(1,268)	(1,761)
Tax incentive for cost on acquisition of a foreign owned company	(4,060)	(4,229)	-	-
Deferred tax assets not recognized during the financial year	911	1,066	-	-
Share of results in associates	(66)	(81)	-	-
Utilization of deferred tax assets not recognized	-	(1,739)	-	-
Share of results in a joint venture	(1,033)	(1,605)	-	-
Under/ (over)provision in the previous financial year:				
- current tax	1,003	270	(4)	1
- deferred tax	(3,011)	836	-	-
Differential in tax rates	-	(25)	-	-
Different tax rates in other countries	(4,686)	(84)	-	-
Other	(248)	(135)	-	-
Income tax expense for the financial year	**6,415**	**11,388**	**58**	**79**

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 : 25%) of the estimated assessable profit for the financial year.

39. EARNINGS PER SHARE

	THE GROUP	
	2016	2015
Profit attributable to owners of the Company (RM'000)	39,328	5,261
Weighted average number of ordinary shares in issued ('000):-		
Ordinary shares at 1 January	290,936	264,000
Effect of new ordinary shares issued during the financial year	-	4,969
Effect of private placement	-	9,344
Weighted average number of ordinary shares at 31 December ('000)	290,936	278,313
Basic earnings per share (sen)	**13.52**	**1.89**

There were no potential dilutive ordinary shares outstanding at the end of the reporting period. Therefore, the diluted earnings per share is equal to the basic earnings per share.

40. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP	
	2016 (RM'000)	2015 (RM'000) (Restated)
Cost of property, plant and equipment purchased	234,419	133,728
Amount financed through hire purchase	(5,263)	(1,187)
Other payables (Note 30)	(31,195)	(26,819)
Cash disbursed for purchase of property, plant and equipment	**197,961**	**105,722**

41. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise:-

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Fixed deposits with licensed banks (Note 21)	22,014	23,912	-	-
Cash and bank balances	53,602	45,404	50	292
Bank overdrafts (Note 34)	(24,316)	(17,731)	-	-
	51,300	51,585	50	292
Less: Fixed deposits pledged with licensed banks (Note 21)	(18,210)	(19,284)	-	-
	33,090	**32,301**	**50**	**292**

42. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include Executive Directors and Non-executive Directors of the Company and certain members of senior management of the Group and of the Company.

(a) The key management personnel compensation during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Directors of the Company				
Executive Directors:				
- salaries and other emoluments	2,517	3,802	-	-
Non-Executive Directors:				
- fee	388	273	388	273
- other emoluments	15	17	15	17
	2,920	**4,092**	**403**	**290**
Other key management personnel				
- salary and other emoluments	6,985	7,155	-	-

(b) Details of the number of directors of the Company and their respective remuneration bands are analyzed as follows:-

	THE COMPANY	
	2016 No. of Directors	2015 No. of Directors
Executive Directors		
- RM1,500,001 – RM2,000,000	-	1
- RM1,000,001 – RM1,500,000	2	1
- RM550,001 – RM600,000	-	1
- RM450,001 – RM500,000	-	1
- RM200,001 – RM250,000	1	-
Non-Executive Directors		
- RM100,001 – RM150,000	1	1
- RM50,001 – RM100,000	4	2
- Below RM50,000	-	1
	8	8

43. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Authorized and contracted for:				
- property, plant and equipment	7,100	193,156	-	4,201
Contracted but not provided for:				
- share of capital commitment of a joint venture	2,305	2,305	-	-
- property, plant and equipment	9,405	195,461	-	4,201

44. CONTINGENT LIABILITY

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Secured:- Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	**512,135**	**357,084**

45. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Chief Executive Officer as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organized into 3 main reportable segments as follows:-

(i) Services Segment - involved in the provision of geoscience and reservoir engineering, drilling, project and operations services, and other specialized services within the oil and gas industry.

(ii) Trading Segment - involved in manufacturing, marketing, distribution and supply of oilfield chemicals, petrochemical and chemical products, equipment and services.

(iii) Investment Holding

The Group Chief Executive Officer assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to operating reportable segments.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

BUSINESS SEGMENTS

THE GROUP	SERVICES (RM'000)	TRADING (RM'000)	INVESTMENT HOLDING (RM'000)	CONSOLIDATION ADJUSTMENTS (RM'000)	THE GROUP (RM'000)
2016					
REVENUE					
External revenue	367,257	103,793	-	-	471,050
Inter-segment revenue	12,163	5,055	300	(17,518)	-
Total revenue	**379,420**	**108,848**	**300**	**(17,518)**	**471,050**
RESULTS					
Segment profit before interest and taxation	45,779	17,775	4,135	(6,933)	60,756
Finance costs					(14,799)
Share of results in associates, net of tax					275

45. OPERATING SEGMENTS (CONT'D)

THE GROUP	SERVICES (RM'000)	TRADING (RM'000)	INVESTMENT HOLDING (RM'000)	CONSOLIDATION ADJUSTMENTS (RM'000)	THE GROUP (RM'000)
Share of results in a joint venture, net of tax					4,304
Consolidated profit before taxation					**50,536**
Segment profit before interest and taxation includes the followings:-					
Interest income	(977)	(340)	(91)	-	(1,408)
Interest expenses	14,148	-	22	-	14,170
Depreciation and amortization	18,498	850	98	-	19,446
Impairment on trade receivables	1,704	-	-	-	1,704
Inventories written down	1,146	-	-	-	1,146
Gain on disposal of property, plant and equipment	(2)	-	-	-	(2)
Net unrealized gain on foreign exchange	(16,851)	(223)	45	-	(17,029)
Share of results in associates, net of tax	-	-	275	-	275
Share of results in a joint venture, net of tax	-	-	4,304	-	4,304
ASSETS					
Segment assets	1,019,062	73,290	225,509	(231,855)	1,086,006
Unallocated assets					
- investments in associates					4,754
- investment in a joint venture					54,200
- deferred tax assets					112
- current tax assets					7,521
Consolidated total assets					**1,152,593**
Additions to non-current assets other than financial instruments and deferred tax assets are:-					
Property, plant and equipment	233,456	963	-	-	234,419
LIABILITIES					
Segment liabilities	(300,982)	(21,476)	(121)	911	(321,668)
Unallocated liabilities					
- deferred tax liabilities					(7,928)
- lease and hire purchase payables					(6,798)
- term loans					(394,061)
- current tax liabilities					(1,435)
Consolidated total liabilities					**(731,890)**
2015					
REVENUE					
External revenue	398,115	112,657	-	-	510,772

45. OPERATING SEGMENTS (CONT'D)

THE GROUP	SERVICES (RM'000)	TRADING (RM'000)	INVESTMENT HOLDING (RM'000)	CONSOLIDATION ADJUSTMENTS (RM'000)	THE GROUP (RM'000)
Inter-segment revenue	2,794	461	310	(3,565)	-
Total revenue	**400,909**	**113,118**	**310**	**(3,565)**	**510,772**
RESULTS					
Segment profit before interest and taxation	13,082	21,274	7,885	(17,755)	24,486
Finance costs	(9,642)	(53)	(1,198)	2,346	(8,547)
Share of results in associates, net of tax					325
Share of results in a joint venture, net of tax					6,421
Consolidated profit before taxation					**22,685**
Segment profit before interest and taxation includes the followings:-					
Interest income	(10,933)	173	167	(2,438)	(11,273)
Interest expenses	8,436	-	-	-	8,436
Depreciation and amortization	13,751	848	98	-	14,715
Inventories written down	227	-	-	-	227
Impairment on receivables	75	383	-	-	458
Gain on disposal of property, plant and equipment	-	(5)	-	-	(5)
Net unrealized loss on foreign exchange	34,772	(843)	(346)	-	33,583
ASSETS					
Segment assets	595,952	61,989	210,246	(113,075)	755,112
Unallocated assets					
- investments in associates					4,479
- investment in a joint venture					51,613
- deferred tax assets					112
- current tax assets					11,305
Consolidated total assets					**822,621**
Additions to non-current assets other than financial instruments and deferred tax assets are:-					
Property, plant and equipment	133,106	384	238	-	133,728
LIABILITIES					
Segment liabilities	(304,070)	(17,610)	(2,429)	166	(323,943)
Unallocated liabilities					
- deferred tax liabilities					(7,471)
- lease and hire purchase payables					(1,864)
- term loans					(115,872)
- current tax liabilities					(2,169)
Consolidated total liabilities					**(451,319)**

GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments (but including investments in associates and a joint venture) and deferred tax assets.

GROUP	REVENUE		NON-CURRENT ASSETS	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Malaysia	430,821	459,016	430,821	319,958
Thailand	40,189	51,670	40,189	51,372
Australia	40	86	40	3
	471,050	**510,772**	**471,050**	**371,333**

MAJOR CUSTOMERS

Revenue from a major customer, with revenue equal to or more than 10% of the Group's total revenue amounting to RM226,725,000 (2015 : RM325,895,000) arose from sales in the services segment.

46. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, associates, joint venture, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
(i) Subsidiaries				
Management fees	-	-	300	310
Dividend income	-	-	3,280	7,060
Advances from	-	-	166,229	2,201
Advances to	-	-	3,504	75,895
Purchases	-	-	21	-
Interest income	-	-	15	-
(ii) Joint ventures				
Dividend income	1,717	2,456	-	-
Management fee	204	-	-	-
Secondment income	523	532	-	-
Rental income	468	48	-	-
Purchase	963	37	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

47. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses in the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group.

The Group's investments in foreign subsidiaries whose reporting and operations in foreign currencies are United States Dollar and Thai Baht and Australian Dollar. The Group is exposed to foreign currency translation risk on the consolidation of these companies into Ringgit Malaysia. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk is as follows:-

THE GROUP	UNITED STATES DOLLAR (RM'000)	THAI BAHT (RM'000)	OTHERS (RM'000)	TOTAL (RM'000)
2016				
Financial Assets				
Long term receivables	93,533	-	-	93,533
Trade receivables	34,210	5,302	87	39,599
Other receivables and deposit	81,946	8,280	45	90,271
Amount owing by an associate	1,122	-	-	1,122
Fixed deposits with licensed banks	2,144	416	-	2,560
Cash and bank balances	23,677	6,089	172	29,938
	236,632	**20,087**	**304**	**257,023**
Financial Liabilities				
Trade payables	12,321	2,379	51	14,751
Other payables and accruals	61,386	2,821	35	64,242
Lease and hire purchase payables	-	123	-	123
Term loans	191,028	3,088	-	194,116
Revolving credit	24,377	-	-	24,377
	289,112	**8,411**	**86**	**297,609**
Net financial (liabilities)/ assets	(52,480)	11,676	218	(40,586)
Less: Net financial (liabilities)/ assets denominated in the respective entities functional currencies	-	(11,676)	(178)	(11,854)
Currency exposure	**(52,480)**	**-**	**40**	**(52,440)**

47. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(i) MARKET RISK (CONT'D)

(i) FOREIGN CURRENCY RISK (CONT'D)

THE GROUP	UNITED STATES DOLLAR (RM'000)	THAI BAHT (RM'000)	OTHERS (RM'000)	TOTAL (RM'000)
2015				
Financial Assets				
Trade receivables	36,508	12,727	1,462	50,697
Other receivables and deposit	1,081	2,237	42	3,360
Amount owing by an associate	1,073	-	-	1,073
Fixed deposits with licensed banks	2,147	628	-	2,775
Cash and bank balances	20,775	5,347	1,368	27,490
	61,584	**20,939**	**2,872**	**85,395**
Financial Liabilities				
Trade payables	23,727	3,884	145	27,756
Other payables and accruals	27,416	2,418	60	29,894
Lease and hire purchase payables	-	148	-	148
Term loans	75,136	3,462	-	78,598
Revolving credit	139,817	-	-	139,817
Invoice financing	1,334	-	-	1,334
	267,430	**9,912**	**205**	**277,547**
Net financial (liabilities)/ assets	(205,846)	11,027	2,667	(192,152)
Less: Net financial (liabilities)/ assets denominated in the respective entities functional currencies	45	(11,027)	(282)	(11,264)
Currency Exposure	**(205,801)**	**-**	**2,385**	**(203,416)**

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Effects on Profit After Taxation/ Other Comprehensive Income				
United States Dollar:				
- strengthened by 10%	(3,883)	(15,435)	-	-
- weakened by 10%	3,883	15,435	-	-

47. FINANCIAL INSTRUMENTS (CONT'D)
(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)
(i) MARKET RISK (CONT'D)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings are carried at amortized cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 33 and 35 to the financial statements.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Effects on Profit After Taxation/ Other Comprehensive Income				
Increase of 100 basis points (bp)	(2,331)	(984)	-	-
Decrease of 100 bp	2,331	984	-	-

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in market prices of money market unit trust funds. Equity price risk is monitored closely and managed to an acceptable level.

Equity Price Risk Sensitivity Analysis

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances), the Group minimizes credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes on allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by two (2) customers which constituted approximately 48% of its trade receivables (including related parties) as at the end of the reporting period.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Yemen	111	187	-	-
Thailand	8,026	12,727	-	-
Malaysia	83,765	110,345	-	-
Other	107	2,117	-	-
	92,009	**125,376**	-	-

Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

Ageing Analysis

The ageing analysis of trade receivables (including amount owing by related parties) is as follows:-

THE GROUP	GROSS AMOUNT (RM'000)	INDIVIDUAL IMPAIRMENT (RM'000)	COLLECTIVE IMPAIRMENT (RM'000)	CARRYING VALUE (RM'000)
2016				
Not past due	61,869	-	-	61,869
Past due:				
- less than 3 months	15,993	-	-	15,993
- 3 to 6 months	3,678	-	-	3,678
- over 6 months	12,302	(1,833)	-	10,469
	93,842	**(1,833)**	**-**	**92,009**

THE GROUP	GROSS AMOUNT (RM'000)	INDIVIDUAL IMPAIRMENT (RM'000)	COLLECTIVE IMPAIRMENT (RM'000)	CARRYING VALUE (RM'000)
2015				
Not past due	66,292	-	-	66,292
Past due:				
- less than 3 months	32,072	-	-	32,072
- 3 to 6 months	12,750	-	-	12,750
- over 6 months	14,383	(121)	-	14,262
	125,497	**(121)**	**-**	**125,376**

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

47. FINANCIAL INSTRUMENTS (CONT'D)
(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)
(iii) LIQUIDITY RISK (CONT'D)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT (RM'000)	CONTRACTUAL UNDISCOUNTED CASH FLOWS (RM'000)	WITHIN 1 YEAR (RM'000)	1 – 5 YEARS (RM'000)	OVER 5 YEARS (RM'000)
2016						
Non-derivative Financial Liabilities						
Lease and hire purchase payables	5.15	6,798	8,912	901	3,197	4,814
Revolving credit	4.69	75,517	77,039	77,039	-	-
Invoice financing	4.83	17,886	17,886	17,886	-	-
Term loans	4.08	394,061	433,330	91,090	327,499	14,741
Trade payables	-	42,481	42,481	42,481	-	-
Other payables and accruals	-	83,513	83,513	83,513	-	-
Bank overdrafts	7.75	24,316	24,316	24,316	-	-
		644,572	**687,477**	**337,226**	**330,696**	**19,555**

THE GROUP	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT (RM'000)	CONTRACTUAL UNDISCOUNTED CASH FLOWS (RM'000)	WITHIN 1 YEAR (RM'000)	1 – 5 YEARS (RM'000)	OVER 5 YEARS (RM'000)
2015						
Non-derivative Financial Liabilities						
Lease and hire purchase payables	5.89	1,864	2,149	439	1,652	58
Revolving credit	3.27	173,493	173,493	173,493	-	-
Invoice financing	3.11	1,940	1,940	1,940	-	-
Term loans	3.61	115,872	123,008	19,198	86,064	17,746
Trade payables	-	34,722	34,722	34,722	-	-
Other payables and accruals	-	49,589	49,589	49,589	-	-
Bank overdrafts	8.02	17,731	17,731	17,731	-	-
		395,211	**402,632**	**297,112**	**87,716**	**17,804**

THE COMPANY	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT (RM'000)	CONTRACTUAL UNDISCOUNTED CASH FLOWS (RM'000)	WITHIN 1 YEAR (RM'000)	1 – 5 YEARS (RM'000)	OVER 5 YEARS (RM'000)
2016						
Non-derivative Financial Liabilities						
Other payables and accruals	-	92	92	92	-	-
Amount owing to a subsidiary	-	27	27	27	-	-
		119	**119**	**119**	**-**	**-**

THE COMPANY	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT (RM'000)	CONTRACTUAL UNDISCOUNTED CASH FLOWS (RM'000)	WITHIN 1 YEAR (RM'000)	1 – 5 YEARS (RM'000)	OVER 5 YEARS (RM'000)
2015						
Non-derivative Financial Liabilities						
Other payables and accruals	-	2,172	2,172	2,172	-	-
Amount owing to a subsidiary	-	6	6	6	-	-
		2,178	**2,178**	**2,178**	**-**	**-**

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximize shareholders' value. To achieve this objective, the Group may make adjustment to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	THE GROUP	
	2016 (RM'000)	2015 (RM'000)
Lease and hire purchase payables (Note 32)	6,798	1,864
Term loans (Note 33)	394,061	115,872
Revolving credit (Note 31)	75,517	173,493
Invoice financing (Note 31)	17,886	1,940
Bank overdrafts (Note 35)	24,316	17,731
	518,578	310,900
Less: Fixed deposits with licensed banks (Note 21)	(22,014)	(23,912)
Less: Cash and bank balances	(53,602)	(45,404)
Net debt	442,962	**241,584**
Total equity	**420,703**	**371,302**
Debt-to-equity ratio	**1.05**	**0.65**

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) more than 25% of the issued and paid-up share capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

47. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015)(RM'000)	2016 (RM'000)	2015 (RM'000)
Financial Assets				
Available-for-sale Financial Asset				
Other investments	10,483	-	-	-
Loans and Receivables Financial Assets				
Long-term receivables (Note16)	93,534	131,147	-	-
Trade receivables (Note 15)	92,009	125,376	-	-
Other receivables and deposits (Note 16)	109,362	45,615	1,974	1,953
Amount owing by subsidiaries (Note 18)	-	-	9,066	171,791
Amount owing by an associate (Note 19)	5,257	5,209	-	-
Fixed deposits with licensed banks (Note 21)	22,014	23,912	-	-
Cash and bank balances	53,602	45,404	50	292
	375,778	**376,663**	**11,090**	**174,036**
Fair Value through Profit or Loss: Held-for-trading				
Short-term investments (Note 20)	51	50	36	35
Financial Liabilities				
Other Financial Liabilities				
Lease and hire purchase payables (Note 32)	6,798	1,864	-	-
Term loans (Note 33)	394,061	115,872	-	-
Revolving credit (Note 31)	75,517	173,493	-	-
Invoice financing (Note 31)	17,886	1,940	-	-
Trade payables (Note 29)	42,481	34,722	-	-
Other payables and accruals (Note 30)	83,513	49,589	92	2,172
Amount owing to subsidiaries (Note 18)	-	-	27	6
Bank overdrafts (Note 34)	24,316	17,731	-	-
	644,572	**395,211**	**119**	**2,178**

(d) Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

47. FINANCIAL INSTRUMENTS (CONT'D)

(d) FAIR VALUE INFORMATION (CONT'D)

THE GROUP	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE			FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE			TOTAL FAIR	CARRYING
	LEVEL 1 (RM'000)	LEVEL 2 (RM'000)	LEVEL 3 (RM'000)	LEVEL 1 (RM'000)	LEVEL 2 (RM'000)	LEVEL 3 (RM'000)	VALUE (RM'000)	AMOUNT (RM'000)
2016								
Financial Assets								
Short-term investments:								
- quoted investments	51	-	-	-	-	-	51	51
Financial Liabilities								
Term loans	-	-	-	-	394,061	-	394,061	394,061
Lease and hire purchase payables	-	-	-	-	6,798	-	6,798	6,798
2015								
Financial Assets								
Short-term investments:								
- quoted investments	50	-	-	-	-	-	50	50
Financial Liabilities								
Term loans	-	-	-	-	115,872	-	115,872	115,872
Lease and hire purchase payables	-	-	-	-	1,864	-	1,864	1,864

THE COMPANY	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE			FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE			TOTAL FAIR	CARRYING
	LEVEL 1 (RM'000)	LEVEL 2 (RM'000)	LEVEL 3 (RM'000)	LEVEL 1 (RM'000)	LEVEL 2 (RM'000)	LEVEL 3 (RM'000)	VALUE (RM'000)	AMOUNT (RM'000)
2016								
Financial Assets								
Short-term investments:								
- quoted investments	36	-	-	-	-	-	36	36
2015								
Financial Assets								
Short-term investments:								
- quoted investments	35	-	-	-	-	-	35	35

47. FINANCIAL INSTRUMENTS (CONT'D)
(d) FAIR VALUE INFORMATION (CONT'D)

Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

(a) The fair values of quoted investments are measured at their quoted closing bid prices at the end of the reporting period.

(b) The fair values of lease and hire purchase payables and term loans are determined by discounting the relevant cash flow using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	THE GROUP	
	2016 %	2015 %
Lease and hire purchase payables	5.15	5.89
Term loans	4.08	3.61

(c) The interest rate used to discount estimated cash flows, where applicable, is as follows:-

	THE GROUP	
	2016 %	2015 %
Trade receivables		6.00

(ii) In regard to financial instruments carried at fair value, there were no transfer between level 1 and level 2 during the financial year.

48. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The details of the significant events occuring after the reporting period:

(a) As announced on 6 February 2017, UESB was awarded by PETRONAS Carigali Sdn Bhd with an Umbrella Contract for the Provision of Electric Wireline Logging (EWL). The contract will be for a duration of 3 years, commencing from 1 December 2016 to 30 December 2019, with two extension options of 1 year each for Cased Hole Logging Services across the Pan Malaysia area.

(b) As announced on 16 February 2017, UESB was awarded by LUNDIN Malaysia B.V. with a contract for the Provision of Hydraulic Workover Unit ("HWU Services") and services. The contract will be for a duration of 9 months for HWU services for the client's operations at the Bertam field, on the coast of Peninsular Malaysia.

(c) The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

(i) Removal of the authorized share capital;

(ii) Ordinary shares will cease to have par value; and

(iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

49. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

	THE GROUP	
	As Restated RM'000	As Previously Reported RM'000
Consolidated Statement of Financial Position (Extract):-		
Non-current Assets		
Other investments	-	11
Development expenditure	-	151,478
Other receivables	131,147	-
Current Assets		
Other receivables, deposits and prepayments	51,658	31,327
Short-term investments	50	39
Consolidated Statement of Cash Flows (Extract):-		
Net cash from operating activities	15,090	41,909
Net cash for investing activities	(249,849)	(276,668)

50. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED

The breakdown of the retained profits/ (accumulated losses) of the Group and of the Company as at the end of the reporting period into realized and unrealized profits/ (losses) are presented in a accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No.1, Determination of Realized and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2016 (RM'000)	2015 (RM'000)	2016 (RM'000)	2015 (RM'000)
Total retained profits:				
- realized	195,451	173,428	4,600	216
- unrealized	(23,913)	(40,942)	-	-
	171,538	132,486	4,600	216
Total share of retained profits of associates:				
- realized	400	125	-	-
Total share of retained profits of a joint venture:				
- realized	18,004	15,417	-	-
- unrealized	(1,372)	(1,372)	-	-
	188,570	146,656	4,600	216
Less: Consolidation adjustments	(37,750)	(35,064)	-	-
At 31 December	**150,820**	**111,592**	**4,600**	**216**

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