TURBO-MECH
BERHAD
(Company No. 863263-D)

Annual Report 2015

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of TURBO-MECH BERHAD ("Company") will be held at Tiara Rini Ballroom, The Royale Bintang The Curve Hotel, 6 Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 20 May 2016 at 9.30 a.m. for the following purposes:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. ***(Note 6)***

2. To approve a final single-tier dividend of 5 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2015. **(Ordinary Resolution 1)**

3. To re-elect Mr Gan Kok Ten who retires in accordance with Article 63 of the Articles of Association of the Company. **(Ordinary Resolution 2)**

4. To re-elect Mr Tam Juat Hong who retires in accordance with Article 63 of the Articles of Association of the Company. **(Ordinary Resolution 3)**

5. To approve the payment of Directors' fees for the financial year ended 31 December 2015. **(Ordinary Resolution 4)**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

Special Business

To consider and, if thought fit, with or without any modification, to pass the following resolutions:

7. **Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965**

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the share capital of the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company (excluding treasury shares, if any) at the time of issue, subject to the Articles of Association of the Company and approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary."

   (Ordinary Resolution 6)

8. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

   "**THAT** subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with the Related Parties as stated in Section 2.3 of the Circular to Shareholders dated 28 April 2016 which are necessary for the day-to-day operations of the Company and its subsidiaries subject further to the following:-

   i. the Recurrent Transactions contemplated are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders of the Company; and

   ii. disclosure will be made in the Annual Report of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year on the type of Recurrent Transactions made, the names of the related parties involved in each type of Recurrent Transactions and their relationships with the Company.

AND THAT the approval is subject to annual renewal and shall only continue to be in force until:-

a. the conclusion of the next Annual General Meeting of the Company following the Seventh Annual General Meeting of the Company at which the Proposed Shareholders' Mandate will be tabled;

b. the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

c. revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earliest.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, shall deem fit."

(Ordinary Resolution 7)

DATE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the Seventh Annual General Meeting, a final single-tier dividend of 5 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2015 will be paid on 27 June 2016. The entitlement date for the said dividend shall be 6 June 2016.

A Depositor shall qualify for entitlement to the dividend only in respect of:

a. Shares transferred to the Depositor's securities account before 4.00 p.m. on 6 June 2016 in respect of transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Tai Yit Chan (MAICSA 7009143)
Chan Yoke Peng (MAICSA 7053966)

Company Secretaries

Selangor Darul Ehsan
Date: 28 April 2016

Notice of Annual General Meeting

NOTES:-

1. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy, failing which the appointment shall be invalid.

2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and paragraphs (a) and (b) of Section 149(1) of the Companies Act, 1965 shall not apply. There shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

4. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority shall be deposited at the Company's Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

5. In respect of deposited securities, only members whose names appear on the record of Depositors on 13 May 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend, speak and/or vote on his behalf.

6. **To receive the Audited Financial Statements**

   Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 ("the Act") does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

7. **Ordinary Resolution 6 - Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965**

   The Company had, during its Sixth Annual General Meeting ("AGM") held on 22 May 2015, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any shares pursuant to this mandate obtained.

   Ordinary Resolution 6 proposed under item 6 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital (excluding treasury shares, if any) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

   The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s), working capital and/or acquisitions.

8. **Ordinary Resolution 7 - Proposed Shareholders' Mandate**

   For further information on Resolution 7, please refer to the Circular to Shareholders dated 28 April 2016 accompanying the Company's Annual Report for the financial year ended 31 December 2015.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gan Kok Ten
Executive Chairman and Chief Financial Officer

Nasaruddin bin Mohamed Ali
Executive Director and Chief Executive Officer

Omar bin Mohamed Said
Non-Independent Non-Executive Director

Chan Bee Eie
Non-Independent Non-Executive Director

Dato' Ng Ah Hock @ Ng Soon Por
Independent Non-Executive Director

Azhar bin Mohamad
Senior Independent Non-Executive Director

Tam Juat Hong
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Dato' Ng Ah Hock @ Ng Soon Por

Member
Tam Juat Hong
Chan Bee Eie
Azhar bin Mohamad

REMUNERATION COMMITTEE

Chairperson
Chan Bee Eie

Member
Omar bin Mohamed Said
Dato' Ng Ah Hock @ Ng Soon Por

NOMINATION COMMITTEE

Chairman
Azhar bin Mohamad

Member
Dato' Ng Ah Hock @ Ng Soon Por
Chan Bee Eie
Tam Juat Hong

RISK MANAGEMENT COMMITTEE

Chairman
Gan Kok Ten

Member
Nasaruddin bin Mohamed Ali
Omar bin Mohamed Said
Dato' Ng Ah Hock @ Ng Soon Por
Tam Juat Hong

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Chan Yoke Peng (MAICSA 7053966)

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor Darul Ehsan.
Tel : (03) 7720 1188
Fax : (03) 7720 1111

HEAD OFFICE

39-5, Jalan PJU 1/41, Block D1, Dataran Prima,
47301 Petaling Jaya, Selangor Darul Ehsan.
Tel : (03) 7805 5592
Fax : (03) 7804 7801
E-mail : info@turbo-mech.com
Website : http://www.turbomech.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
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

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants
Level 23A, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, 50490 Kuala Lumpur.

SOLICITOR

Azman Davidson & Co.
Suite 13.03, 13th Floor, Menara Tan & Tan,
207 Jalan Tun Razak, 50400 Kuala Lumpur.
Tel : (03) 2164 0200
Fax : (03) 2164 0280

PRINCIPAL BANKER

Citibank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector : Trading/Service Sector
Stock Name : Turbo
Stock Code : 5167

CORPORATE STRUCTURE

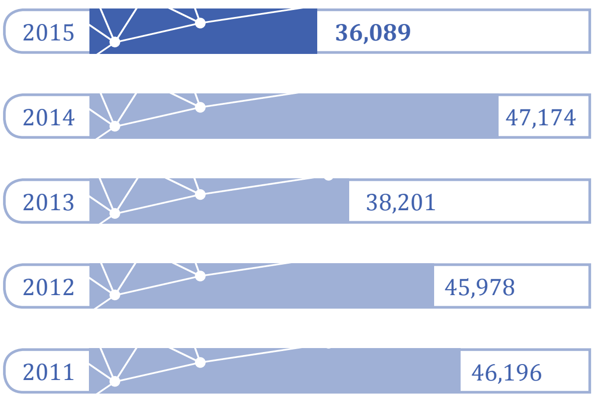
TURBO-MECH BERHAD

- 100% Turbo-Mech Asia Pte. Ltd.
  - 100% Rotodyne Phils. Inc.
  - 100% PT Turbo-Mech Indonesia
  - 100% TMA Offshore Pte. Ltd.
  - 75% Scallop (S) Pte. Ltd.
  - 49% Turbo-Mech (Thailand) Co. Ltd.
  - 20% Rotodyne Sendirian Berhad
- 42.5% Bayu Purnama Sdn. Bhd.
  - 100% Bayu Manufacturing Sdn. Bhd.
  - 100% Bayu SME Sdn. Bhd.

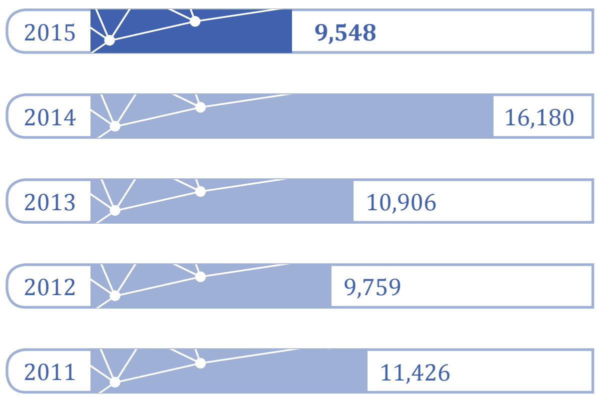
FINANCIAL HIGHLIGHTS

	FY 2015 RM	FY 2014 RM	FY 2013 RM	FY 2012 RM	FY 2011 RM
Revenue	**36,088,790**	47,174,270	38,201,521	45,978,605	46,196,620
Profit before tax	**9,548,173**	16,180,743	10,906,873	9,759,411	11,426,417
Profit for the year attributable to owners of the parent	**8,382,607**	14,273,697	9,821,617	8,374,007	10,123,597
Earnings per shares attributable to owners of the parent (sen per share)	**7.76**	13.21	9.09	7.75	9.37

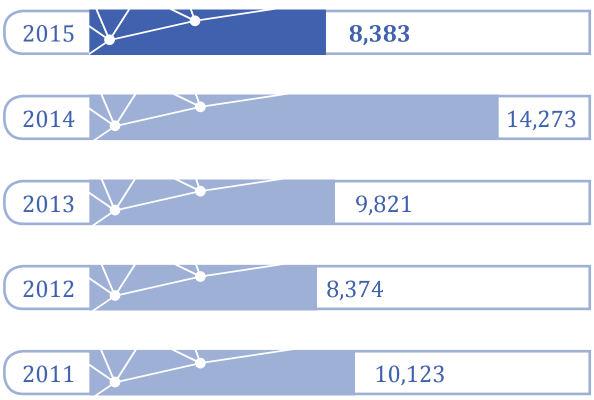
Revenue (RM Million)



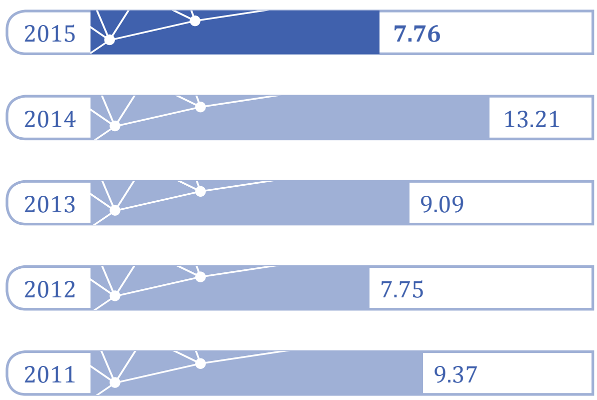
Profit before tax (RM Million)



Profit for the year (RM Million)



Earnings per shares (Sen Per Share)



CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

"On behalf of the Board of Directors of Turbo-Mech Berhad, I am pleased to present the Annual Report of the Group and the Company for the financial year ended 31 December 2015."

GAN KOK TEN
Executive Chairman

Financial Highlights

For the financial year ended 31 December 2015, the Group revenue decreased by 23.5% to RM36.09 million as compared to the results of RM47.17 million in the previous financial year. The decrease in the revenue was mainly due to increased challenge in oil and gas industry due to drop in global crude oil price.

The Group recorded net profit after tax of RM8.46 million, which represents 23.4% net profit margin as compared with 30.2% net profit margin in previous financial year. The decrease in net profit margin was mainly due to our customers were scrutiny in pump and parts replacement in current economy environment. The weakening of Ringgit Malaysia against the major currencies that the Group exposed has led to lower net profit margin too; the weakening against Singapore Dollar has upward impact on the operating expenditure as our main business operation is reside in Singapore.

The shares of net profit from the associated companies decrease by 55.4% to RM2.83 million from RM6.34 million in the previous year. Such drop in contribution from associates in Malaysia, Thailand and Brunei was correlated with the Group hindsight of overall economy performance in South East Asia region.

The Group's net profit attributable to shareholders was amounting at RM8.38 million in the financial year, as compared to the corresponding period of RM14.27 million. As a result, the Group's earnings per share stood at 7.76 sen compared to 13.22 sen for the previous financial year.

The Group continues to maintain a healthy financial position with a net cash position of RM45.59 million or net cash per share of 42 sen for the financial year ended 31 December 2015.

Review of Operations

Our Group's business is in the sale of rotating equipment and spare parts as well as providing maintenance and overhaul services for rotating equipment. The types of rotating equipment currently marketed by our Group are pumps, compressor and turbines. The Group's operation covers the South East Asia region, and can be segmented into Malaysia, Singapore and Others countries. The Singapore segment which includes the operation results from Vietnam branch office is the major contributor to the Group's revenue. Meanwhile the Group has presence in Brunei and Thailand through its associated companies. Our wide network that covers a number of countries in South East Asia enables us to be logistically close to customers and have the abilities and capabilities to fulfil our customers' needs.

Our Group is strategically positioned in between the equipment manufacturers and the end users in the value chain with focus in oil and gas, petrochemical and chemical industries. The equipment manufacturers who are our principals, offers a range of products that are API Standards compliance as well as non-compliance. We have an outstanding track record as the authorised distributors and authorised maintenance and overhaul workshops for a number of reputable equipment manufacturers for many years.

Our Group is in competitive market where there are many competitors competing based on products and services differentiations. We will stay focus in providing a total solution to our customers. Our customers have benefit from reliable and efficient repair and maintenance services for pumps, gas and steam turbines, and compressors. Our global network has ensures high-quality local services.

Chairman's Statement

Turbo-Mech is a strong brand with an excellent product and service offering in the region. We are very well aware of our oil and gas customers showing more capital discipline in current economy environment. The recent oil price development does not help favourable investment decisions in the short term. Nevertheless, the absolute level of investments is still expected to remain high. We believe that in such environment, servicing will be the key drivers for our group's revenue growth. In such circumstances, we have acquired a new plant in Singapore in financial year 2015. Such acquisition has allow our Group to increase its capacity in providing scheduled maintenance and overhaul services for pumps, compressors, industrial cooling fans, steam turbines and other industrial equipments.

Our practices of keeping cost low will continue to be our main priority. We will maintain a lean organisation and flexible culture in order to be responsive to the markets' requirement. Our staff turnover is low and we maintain an excellent relationship with our customers as well as our principals. We believe our close geographical proximities will be of advantage to respond to the customers need effectively.

The demand of oil & gas industry is very much influenced by the prevailing economic conditions. However, we have cushioned the risk factors by improve our maintenance and overhaul services. The Group will stay focused in these markets as they offer good opportunities to further increase the shareholders' value in the long run. As of now, nothing in the near future can effectively replace oil as a major source of energy.

Dividend

For the financial year ended 31 December 2015, the Board is pleased to recommend a final single-tier dividend of 5 sen per ordinary share of 50 sen each for shareholders' approval at the forthcoming Seventh Annual General Meeting. Such dividend, if approved by the shareholders, the Group would have paid out a total dividend of RM5.4 million, representing 64% of the Group net profit for the financial year.

Corporate Social Responsibilities

The Group believes that people are the most important asset in the success of the Group. In order to retain our employees, continuous training or relevant courses sponsored by the Group would improve employees' competency level and upgrade their skills within their job scope. Furthermore, the Group promotes staff appreciation and recognises efforts by our employees. As an employer, the Group recognises and accepts its responsibilities in providing and maintaining a safe and healthy workplace for all our employees, contractors and visitors.

Outlook and Prospects

The Group envisages that the overall business conditions in year 2016 will still be challenging amidst global uncertain economic conditions and volatility of crude oil prices. Nevertheless, the Group will strive to increase the book orders with series of improvement measures by collaboration with parties to deliver better value propositions to our customers and further enhance our maintenance and overhaul services.

However, we believe that the Group is better prepared for possible prolonged economic crisis as our Management understands the markets and our organisation is thin, lean and flexible. We have in place a dynamic and responsive culture as well as a financial structure that is low debt level. These competitive advantages put us in a good position to sustain through the current economic situations as well as be competitive against our competitors around ASEAN. Further with the strong support of Board and management and stakeholders, coupled with disciplined execution of strategy, the business prospect of the Group will remain positive and encouraging.

Acknowledgement

On behalf of the Board of Directors, I would like to thank the Management and staff for their dedication and contribution to the Group. I also wish to extend my gratitude to our shareholders, customers, business associates and financial institutions for their assistance and continuing support and confidence in the Group.

GAN KOK TEN
Executive Chairman

DIRECTORS' PROFILE

GAN KOK TEN (Malaysian aged 40)

- Executive Chairman and Chief Financial Officer
- Chairman of Risk Management Committee

Gan Kok Ten was appointed to our Board on 15 October 2009. He was subsequently redesignated as the Executive Chairman on 24 November 2015.

He obtained a Bachelor in Commerce from Griffith University, Australia in 1999 and started his career with Apex Healthcare Berhad in 2000 as a Sales Executive in the pharmaceutical division.

In 2002, he moved to Turbo-Mech Asia Pte Ltd as a Manager, where he was responsible for sales of the Singapore region. In 2003, he was appointed as Director in charge of the Singapore and Brunei markets. Subsequently, in 2007, his responsibility was expanded to the Indonesia and Vietnam regions.

He is also responsible for the formulation and execution of the overall business strategies of our Group. He plays a key role in the growth, development and the strategic direction of our Group, including implementing management policies and overseeing marketing and sales activities.

He is the brother-in-law of Chan Bee Eie, a Non-Independent Non-Executive Director of the Company. He does not have any other family relationships with any other director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31 December 2015 and has had no convictions for any offences within the past 10 years.

NASARUDDIN BIN MOHAMED ALI (Malaysian aged 52)

- Executive Director
- Chief Executive Officer
- Member of Risk Management Committee

Nasaruddin bin Mohamed Ali was appointed to our Board on 15 October 2009 as a Non-Independent Non-Executive Director. On 1 March 2012, he was re-designated as an Executive Director of our Company and was later appointed as Chief Executive Officer of the Company and the Group on 13 August 2012.

He obtained Bachelor of Science in Mechanical Engineering from University of Texas, United States in 1987. He was a registered member with the Board of Engineers, Malaysia.

He started his career in 1988 as process engineer in Intel Technology Sdn Bhd. Later he was promoted as Senior Engineer, Process and Equipment. Subsequently, in 1993 he joined Johnson Controls (M) Sdn Bhd as Manager, Technical Sales until 1996. From 1996 until 1998 he worked with SAAG Oil and Gas Sdn Bhd as Manager, Sales and Marketing.

From 1998 until present he is the Executive Director of Bayu Purnama Sdn Bhd, Bayu Manufacturing Sdn Bhd and Bayu SME Sdn Bhd, associate companies of Turbo Mech Berhad.

He does not have any other family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31 December 2015 and has had no convictions for any offences within the past 10 years.

OMAR BIN MOHAMED SAID (Malaysian aged 33)

- Non-Independent Non-Executive Director
- Member of Remuneration Committee
- Member of Risk Management Committee

Omar bin Mohamed Said was appointed to our Board on 25 February 2011.

He holds a Bachelor of Science (Honours) degree in Management (Accounting and Finance) from the University of Manchester Institute of Science & Technology.

He started his career in Ernst & Young as an associate under Assurance and Business Services Group. He has experience in providing assurance and advisory services in the area of statutory audit. He is an Independent Non-Executive Director in Poly Glass Fibre (M) Berhad since 7 October 2003. From 2006 until present, he is the Managing Director of Flowco Malaysia Sdn Bhd, which specialise in downstream retail oil & gas equipments and services.

He does not have any other family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31 December 2015 and has had no convictions for any offences within the past 10 years

Directors' Profile

DATO' NG AH HOCK @ NG SOON POR (Malaysian aged 66)

- Independent Non-Executive Director
- Chairman of Audit Committee
- Member of Nomination Committee
- Member of Risk Management Committee
- Member of Remuneration Committee

Dato' Ng Ah Hock @ Ng Soon Por was appointed to our Board on 15 October 2009.

He is a member of Malaysian Institute of Accountants, a Fellow Member of the Association of Chartered and Certified Accountants of United Kingdom, and also a member of the Malaysian Institute of Chartered Secretaries & Administrators.

He obtained his professional qualifications from Tunku Abdul Rahman College in 1974. From 1974 to 1977, he joined the audit firm Turquand, Youngs & Co./Azman, Wong, Salleh & Co. as an Auditor. In 1977, he joined Spicers International Ltd, as a Finance Manager. In 1982, he left Spicers International Ltd when he was elected as Selangor State Legislative Assemblyman for Sungei Pelek constituency, and held the position until 1995. During his tenure as an assemblyman, he was also a Selangor Executive councilor ("EXCO") from 1990 to 1995. Subsequently in 1995, he joined Paper Converting Industries Sdn Bhd as its Finance Director until 2005. He was also a member of Suruhanjaya Perkhidmatan Awam Negeri Selangor (Selangor Public Service Commission) from 2002 to 2007. He is the Independent Non-Executive Chairman of Leon Fuat Berhad.

He does not have any other family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company. He attended three of the four Board Meetings held in the financial year ended 31 December 2015 and has had no convictions for any offences within the past 10 years.

AZHAR BIN MOHAMAD (Malaysian aged 51)

- Senior Independent Non-Executive Director
- Chairman of Nomination Committee
- Member of Audit Committee

Azhar bin Mohamad was appointed to our Board on 25 September 2014.

He holds a Bachelor degree in Accounting and Finance (Honours) from Lancaster University, United Kingdom, and a Master degree in Law (Business Law Executive) from International Islamic University, Malaysia. He is a member of the Malaysian Institute of Accountants ("MIA") and a Fellow member of the Association of Chartered Certified Accountants. He also holds a Capital Markets Services Representative's License for advising on corporate finance issued by the Securities Commission Malaysia ("SC").

He started his career with Amanah Merchant Bank Berhad in 1991, followed by corporate planning work with KUB Holdings Berhad. He subsequently joined SC in 1995 and left in early 2008, with his last position there as Head of Securities Issues Department. During his tenure with the SC, Azhar was involved in the review and evaluation of various corporate proposals submitted by both listed and unlisted companies for the consideration of the SC. He is the Managing Director of MainStreet Advisers Sdn Bhd, a licensed corporate finance advisory firm in Malaysia. He also serves as a Director of Berjaya Sompo Insurance Berhad.

He does not have any other family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31 December 2015 and has had no convictions for any offences within the past 10 years.

Directors' Profile

CHAN BEE EIE (Malaysian aged 36)

- Non-Independent Non-Executive Director
- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee

Chan Bee Eie was appointed to our Board on 16 April 2012.

Chan Bee Eie graduated from the University of Manchester in 2001 with a Bachelor's Degree in Accounting and Finance and obtained a Master Degree in Finance from the London School of Economics in 2002. She is a member of the Association of Chartered Certified Accountants (ACCA).

She joined PricewaterhouseCoopers and was with the Audit and Assurance Services team from 2003 to 2006 before joining the Audit team in Deloitte Touche Tohmatsu Hong Kong in 2006. Her main roles with the accounting firms were to provide audit and assurance services, with diverse range of clients involved in trading, manufacturing, construction, property, plantation and automobile.

She then joined JPMorgan Hong Kong as a manager in 2007 with the Client Services team, a division within the Asset Management, offering clients with portfolio valuations and accounting reports.

She is the sister-in-law of Gan Kok Ten, the Executive Chairman and Chief Financial Officer of the Company. She does not have any other family relationships with any other director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company. She attended all of the four Board Meetings held in the financial year ended 31 December 2015 and has had no convictions for any offences within the past 10 years.

TAM JUAT HONG (Malaysian aged 64)

- Independent Non-Executive Director
- Member of Audit Committee
- Member of Nomination Committee
- Member of Risk Management Committee

Tam Juat Hong was appointed to our Board on 25 May 2012.

Tam Juat Hong graduated from the University of Malaya in 1975 with a Bachelor of Economics (Accounting) Degree (First Class Honour) and obtained a Diploma in Accounting (Post Graduate course) in 1976 in the same university. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He joined Kassim Chan & Co with the Audit and Assurance team from 1976 to 1980 before joining Utama Merchant Bank Berhad from 1980 to 1999. His main responsibilities were heading the Corporate Finance which provided advisory on mergers/acquisitions, restructuring of companies for IPO and/or for rehabilitations, capital raising in the stock market via shares/bond/other derivatives, share/debenture issuance and placements of share/equity. His experience in the Investment bank includes heading Treasury and Portfolio Investment department for a period of more than 1 year.

He then joined Dunham-Bush Holding Berhad, a listed multinational company in Malaysia and which was taken private in 2007. He joined as a General Manager of Finance in 1999 and retired as Director of Finance in 2011. His main responsibilities were to oversee the corporate/finance & accounts/legal departments of the overseas subsidiaries and Malaysian operations.

He does not have any other family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company. He attended all of the four Board Meetings held in the financial year ended 31 December 2015 and has had no convictions for any offences within the past 10 years.

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

At Turbo-Mech Berhad, corporate social responsibility (CSR) is an integral element of sustainable business growth and value creation for all our stakeholders, and is embraced in all aspects of our business.

From the way we enhance the competitiveness of our vendors to initiatives that improve the lives of the communities in which we operate, our commitments towards being a socially responsible corporate citizen is reflected across our value chain. Balanced economic growth, environment protection and social progress can be achieved with these right efforts.

a) Contributing to the Community

The Group is always mindful of its role and responsibility in the society. As such, the Company, along with its subsidiaries and associate companies continue to contribute positively towards the lives of the communities the Group operate in.

b) Enhancing Employee Relations

The commitment and efforts of our employees is fundamental for growth, innovation and economic sustainable of our business. We aim to be a preferred employer, offering a challenge and exciting environment along with avenues for personal development. We also wish to lead in providing a safe workplace which encourages a healthier and active lifestyle. To achieve this, we are committed to:

I. Continuously engage employees.

The Group had made its endeavour towards promoting regular employee engagement with regular meetings as it encourages open and active collaboration from the employees to interact directly with the Senior Management. The Group believes in open communication in exchanging information in a speedy manner as well as keeping the morale and spirits up.

II. Provide personal development and structured career support.

The Group has developed a structured development programme to optimize and develop its people skills by strengthening both their capabilities and competencies. It is committed to nurture talent and future leaders with proper coaching, mentoring and post-training knowledge transfer. It has proven to be invaluable in developing the workforce throughout the organisation.

III. Advocate active lifestyles to nurture a healthy workforce.

The Group encourages its employees to adopt a healthy lifestyle and strike an optimum work-life balance. We take pride in nurturing a spirit of togetherness by celebrating local festivities with our employees and rewarding their hard work at our annual dinners. Such events contribute towards a sense of belonging to the organisation which increases productivity and promotes talent retention.

IV. Promote fair and safe work environment.

The Group has in place a comprehensive health and safety framework and continues to create awareness to limit safety related incidents and to improve lost time case rates. Safety measures in place include security guards, surveillance equipment at relevant work locations, and appropriate notices and announcements on safety measures.

V. Rewards and Recognition

The Group always focuses on creating an attractive work place and upholding a competitive remuneration package in order to retain a high quality workforce. Better rewards scheme aims to motivate employees towards better performance through greater dedication and instilling in them a greater sense of ownership.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) is fully committed to maintain the highest standards in corporate governance practices, professionalism and integrity in driving the Company to safeguard and enhance shareholders’ value and performance of the Company. It subscribes fully to the principles and best practices promoted by the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”).

The Board is pleased to disclose below the manner and the extent in which it has applied the principles and complied with the recommended best practices set out in MCCG 2012 and Paragraph 15.25 and 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, throughout the financial year ended 31 December 2015. The Board will continue to further take measures to improve compliance with the principles and recommended best practices in the ensuing years.

1. BOARD OF DIRECTORS

1.1 The Board

The Board currently comprises two (2) Executive Directors (including the Executive Chairman and Chief Executive Officer cum Executive Director), three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

The composition of the Board complies with Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board is therefore of the opinion that the interests of shareholders of the Company are fairly represented through the current composition of the Board and its size constitutes an effective Board to the Company. The wide spectrum of knowledge, skills and experience of the Board members strengthen the leadership which is necessary for the stewardship of the Group. The profiles of each Director are presented on pages 10 to 12 of the Annual Report.

There is a clear division of responsibilities between the Executive Chairman and Chief Executive Officer cum Executive Director. The Executive Chairman is responsible for the effective functioning of the Board. He is responsible for the implementation of the Board’s policies and decisions. The Chief Executive Officer cum Executive Director is responsible for managing the day-to-day business operations of the Group. This division of duties and responsibilities represents the practical alternative of compliance with the recommended practice by MCCG 2012 requiring the Chairman of the Board to be a Non-Executive Director.

The current composition of the Board reflects the current shareholding structure of the Company. Notwithstanding that the Board does not comprise majority Independent Directors where the Chairman is not an Independent Director as recommended in the MCCG 2012, the Independent Directors together with the Chairman of Audit Committee and Nomination Committee who are both Independent Non-Executive Directors are able to exercise strong independent judgment and provide independent views and advices to all Board deliberations. This represents satisfactory alternative to the requirement of the recommended best practice of having the majority Board members to be Independent Directors where the Chairman of the Board is non independent, with appropriate representations of minority interest through the Independent Non-Executive Directors.

The presence of Independent Non-Executive Directors also safeguards the interest of the stakeholders in ensuring that the highest standard of conduct and integrity are maintained. Their role is to ensure that any decision of the Board is deliberated fully and objectively with regard to the long term interest of all stakeholders.

The Board has identified Encik Azhar bin Mohamad who is also the Chairman of the Nomination Committee as the Senior Independent Director of the Company. His duties would typically include the following:-

a) Serve as a Chairman for the Nomination Committee;
b) Ensure all independent Directors have an opportunity to provide input on the agenda and advise the Chairman on the quality, quantity and timeliness of the information submitted by the management that is necessary or appropriate for the Independent Directors to perform their duties effectively; and
c) Serve as a designated contact for consultation and direct communication with the shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman or Chief Executive Officer.

1. BOARD OF DIRECTORS (CONT'D)

1.2 Board Responsibilities

The Board retains full and effective control of the Group and is responsible for the overall performance of the Group in the following areas:-

a) Reviewing and adopting a strategic plan for the Group, addressing the sustainability of the Group's business;
b) Overseeing the conduct of the Group's business;
c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
d) Succession planning;
e) Overseeing the development and implementation of a shareholder communication policy for the Group; and
f) Reviewing the adequacy and the integrity of the management information and risk management & internal controls system of the Group.

The Directors are to devote sufficient time and effort to carry out their responsibilities. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the boards of 5 listed issuers.

1.3 Board Meeting and supply of Information

The Board meets on a scheduled basis, at least four (4) times a year to oversee and monitor the development of the Group. Additional meetings will be held on ad-hoc basis to deliberate on matters requiring its immediate attention. The agenda and Board papers for each item as well as minutes of previous meetings are circulated prior to Board meetings to give Directors sufficient time to deliberate on issues to be raised at the Board meetings.

The details of attendance of the Directors during the financial year ended 31 December 2015 are set out as follows:-

Name	Number of meetings attended
Gan Kok Ten (Executive Chairman)	4/4
Nasaruddin bin Mohamed Ali	4/4
Omar bin Mohamed Said	4/4
Dato' Ng Ah Hock @ Ng Soon Por	3/4
Chan Bee Eie	4/4
Tam Juat Hong	4/4
Azhar bin Mohamad	4/4

Note: Mr. Gan Ching Lai had ceased his office as Director of the Company on 24 November 2015.

All proceedings of the Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Board is kept updated on the Group's activities and its operations on a regular basis. The Directors also have access to all information about the Group on a timely basis to enable them to discharge their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretary and are entitled to seek independent professional advice, whenever necessary, at the expense of the Group after having discussed with the Chairman. The appointment and removal of Company Secretary are matters for the Board as a whole.

The Company Secretaries are qualified, experienced and competent on new statutory and regulatory requirements. They briefed the Board regularly on the changes in the requirements and are capable of carrying out their duties to ensure effective functioning of the Board.

The Company Secretary or a representative was present at all Board of Directors' meetings held during the financial year ended 31 December 2015.

Corporate Governance Statement

1. BOARD OF DIRECTORS (CONT'D)

1.4 Appointments to the Board and Re-election

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the Nomination Committee with due consideration given to the mix of expertise and experience required for an effective Board.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting ("AGM") subsequent to their appointment. At least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. All Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

At this coming AGM, Mr. Gan Kok Ten and Mr. Tam Juat Hong shall retire from office and be eligible for re-election pursuant to Article 63 of the Company's Articles of Association. Their profiles are set out in the section on Directors' Profile of this Annual Report.

1.5 Board Committees

The Group has four (4) Board Committees to assist the Board and they are delegated specific functions. These Board Committees are governed by their Terms of Reference, which are reviewed periodically to ensure they are in line with the latest developments and requirements. The four Board Committees are:-

a) Audit Committee

The term and reference and the functions of the Audit Committee are set out on pages 27 to 29 of the Annual Report.

b) Nomination Committee

The Nomination Committee consists of the following members:

Name of members	Designation
Azhar bin Mohamad (Chairman)	Senior Independent Non-Executive Director
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director
Chan Bee Eie	Non-Independent Non-Executive Director
Tam Juat Hong	Independent Non-Executive Director

The responsibilities of the Nomination Committee are as follows:

i) To review regularly the Board structure, size and composition and make recommendations to the Board with regard to the adjustments that are deemed necessary.

ii) To review and recommend new nominees for appointment to the Board and review the Board's policies and procedures for selection of Board Members.

iii) To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director to effectively discharge his/her role as a director, character, experience and integrity.

iv) To recommend to the Board, the Directors to fill the seats on the Board Committees.

v) To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors. The nomination and election process should be disclosed in the Annual Report.

1. BOARD OF DIRECTORS (CONT'D)

1.5 Board Committees (Cont'd)

b) Nomination Committee (Cont'd)

vi) To assess the training needs of each Director, review the fulfillment of such training and to disclose details in the Annual Report as appropriate.

vii) To review annually the Board's mix of skills and experience and other qualities including core competencies which non-executive Directors should bring to the Board. This should be disclosed in the Annual Report.

viii) To recommend to the Board for continuation (or not) in service of executive Director(s) and Directors who are due for retirement by rotation.

ix) To orientate and educate new Directors as to the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

x) To review the character, experience, integrity, competence and time to effectively discharge the roles of chief executive and chief financial officer.

xi) To assess annually the independence of its independent directors. This activity shall be disclosed in the Annual Report of the Company and in any notice of a general meeting for the appointment and re-appointment of independent directors.

The Board does not specify any gender policy in its evaluation of candidacy as the focus is on skills, experience, character, knowledge, time commitment and integrity. However, the evaluation will be reviewed and revised from time to time to meet the needs of the Company.

The Company Secretary will ensure that all appointments are properly made and all legal and regulatory requirements are complied with.

For the year under review, the Nomination Committee held one (1) meeting and the details of attendance are as follows:

Name	Number of meetings attended
Azhar bin Mohamad	1/1
Dato' Ng Ah Hock @ Ng Soon Por	1/1
Chan Bee Eie	1/1
Tam Juat Hong	1/1

During the year, the Nomination Committee reviewed and assessed the mix of skills, experience and size of the Board, level of independence of the Independent Directors, contribution of each Director and effectiveness of the Board as a whole and Board Committees and the training needs of the Directors. All assessments and evaluations carried out by the Nomination Committee were properly documented.

In its assessment, it was concluded that the Board's size is conducive for effective discussion and decision-making and the Board is satisfied that it has an appropriate balance of expertise, skills, and attributes among the Directors including relevant core competencies.

Corporate Governance Statement

1. BOARD OF DIRECTORS (CONT'D)

1.5 Board Committees (Cont'd)

c) Remuneration Committee

The Remuneration Committee consists of the following members:

Name of members	Designation
Chan Bee Eie (Chairperson)	Non-Independent Non-Executive Director
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director
Omar bin Mohamed Said	Non-Independent Non-Executive Director

The Remuneration Committee is responsible for considering and recommending the following matters to the Board for its approval:-

i) To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director drawing from outside advice as necessary.

ii) To recommend to the Board any performance related pay schemes for Executive Directors.

iii) To review Executive Directors' scope of service contracts.

iv) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions.

The Remuneration Committee met once during the year ended 31 December 2015 and the details of attendance are as follows:-

Name	Number of meetings attended
Chan Bee Eie	1/1
Dato' Ng Ah Hock @ Ng Soon Por	1/1
Omar bin Mohamed Said	1/1

The Remuneration Committee reviewed the reward scheme, remuneration package for Executive Directors and fees for Non-Executive Directors.

d) Risk Management Committee

The Risk Management Committee consists of the following members:-

Name	Designation
Gan Kok Ten (Chairman) (Appointed on 19 February 2016)	Executive Chairman and Chief Financial Officer
Nasaruddin bin Mohamed Ali	Executive Director and Chief Executive Officer
Omar bin Mohamed Said	Non-Independent Non-Executive Director
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director
Tam Juat Hong	Independent Non-Executive Director

1. BOARD OF DIRECTORS (CONT'D)

1.5 Board Committees (Cont'd)

d) Risk Management Committee (Cont'd)

The Risk Management Committee met twice during the year ended 31 December 2015 and the details of attendance are as follows:-

Name	Number of meetings attended
Nasaruddin bin Mohamed Ali	2/2
Omar bin Mohamed Said	2/2
Dato' Ng Ah Hock @ Ng Soon Por	2/2
Tam Juat Hong	2/2

Note:
i) Mr Gan Kok Ten was appointed as Chairman of the Risk Management Committee on 19 February 2016, subsequent to the financial year end; and
ii) Mr Gan Ching Lai had ceased his office as Director of the Company on 24 November 2015.

The responsibilities of the Risk Management Committee are as follows:-

a) To review the effectiveness of the Group's risk management activities.

b) To ensure the implementation of the objectives outlined in the Risk Management Policy and compliance with them.

c) To evaluate the process of the Group has in place for assessing and continuously improving internal controls and systems, particularly those related to areas of significant business risk.

d) To review risk management reports particularly the significant risk observations and risk response and ensure that appropriate action plan is in place to mitigate the risk.

e) To report to the Board any significant risk observations that warrants the Board's attention.

f) To provide reporting and update the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.

g) To review the adequacy and effectiveness of risk management, internal control and governance systems put in place in the Group, including information technology security and control and to evaluate the systems with the internal and external auditors.

h) To work with the management and Internal Auditors in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approvals of the Board.

i) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions.

j) All other matters delegated by the Board.

Corporate Governance Statement

1. BOARD OF DIRECTORS (CONT'D)

1.6 Directors Training

During the financial year under review, the Directors attended seminars or briefings in order to keep abreast with the latest developments and updates, and to enhance and fulfil their responsibilities as Directors of the Company.

One or more of the seminars or briefings attended by the Directors during the financial year under review were as follows:-

Director	No.	Title	Organiser	Date
Gan Kok Ten	1	Revisiting Directors' Statutory Obligations	Bursa Malaysia	21-May-15
	2	Advocacy sessions on management discussion and analysis	Bursa Malaysia	05-Aug-15
Nasaruddin bin Mohamed Ali	1	Advocacy sessions on management discussion and analysis	Bursa Malaysia	03-Sep-15
Omar bin Mohamed Said	1	Revisiting Directors' Statutory Obligations	Bursa Malaysia	21-May-15
Chan Bee Eie	1	Annual Auditing Update 2015 "Embracing Changes"	HKICPA	24-Oct-15
Dato' Ng Ah Hock	1	Revisiting Directors' Statutory Obligations	Bursa Malaysia	21-May-15
@ Ng Soon Por	2	Malaysia Changing Business Landscape Be Prepared	Bursa Malaysia	27-Oct-15
	3	On your Mark - Risk Management Awareness Program	iae-world.com	31-Oct-15
Azhar bin Mohamad	1	Technical analysis series: How to automate your own stock investment decision process?	CHK Consultancy Sdn Bhd	12-Dec-15
	2	Investment analysis on banking industry, plantation industry and property /construction industry	CHK Consultancy Sdn Bhd	17-Dec-15
Tam Juat Hong	1	Revisiting Directors' Statutory Obligations	Bursa Malaysia	21-May-15
	2	Future of Auditor Reporting - The Game Changer for Boardroom	Bursa Malaysia	21-Sep-15
	3	Malaysia Changing Business Landscape Be Prepared	Bursa Malaysia	27-Oct-15
	4	Asean Sustainability Symposium	Bursa Malaysia	08-Oct-15
	5	Current and Upcoming Accounting Issues for Directors	MICPA	10-Dec-15

The Company Secretary also circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board quarterly on these updates at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

1.7 Board Charter and Code Of Conduct

Both the Board Charter and Code of Conduct are available on the Company's website at www.turbomech.com.my

The Board is aware of the need to establish corporate disclosure policies and procedures to enable accurate and timely disclosures to the regulators, shareholders and stakeholders and will take measures to put in place the corporate disclosure policies to ensure compliance with the disclosure requirements as stipulated in the Listing Requirements of Bursa Malaysia Securities Berhad.

2. DIRECTORS' REMUNERATION

The objective of the Group is to ensure that the Group attracts and retains caliber Directors needed to run the Group successfully. The Executive Directors are to be appropriately rewarded giving due regard to the corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

Details of Directors' remuneration for the financial year ended 31 December 2015 are set out below:-

Category	Fees (RM)	Salaries, bonuses and other emoluments (RM)	Total (RM)
Director of the Company			
Executive	134,301	270,249	404,550
Non-Executive	90,000	41,000	131,000
Total	224,301	311,249	535,550
Director of the Subsidiaries			
Executive	-	475,535	475,535
Non-Executive	-	-	-
Total	-	475,535	475,535

The number of Directors who received remuneration from the Company for the financial year ended 31 December 2015 which falls within the respective bands is as follows:-

Band	Executive Directors	Non-Executive Directors
RM0 – RM50,000	2	5
RM350,001 – RM400,000	1	-

3. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

3.1. Dialogue between the Group and Investors

The Group recognizes the importance of dissemination of information to the shareholders and other stakeholders. As such, the Board is committed to disseminate all important information on the Group's performance and operations timely and adequately. Information is communicated through the following channels:-

a) The Annual Report.

b) The various disclosures and announcements made to Bursa Malaysia Securities Berhad including the quarterly results and annual results.

Information relating to the Group is also available in the Company's website at www.turbomech.com.my.

3.2 Annual General Meeting

The Company uses the Annual General Meeting as principal platform for dialogue with shareholders. The shareholders are invited to ask questions on the resolutions being proposed and the Group Executive and Board members as well as the Auditors of the Company are present to respond to all questions raised by the shareholders at the meeting. The shareholders are also informed of their right to demand for a poll. Status of all resolutions proposed at the General Meetings will be announced to Bursa Malaysia Securities Berhad on the same meeting day.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Directors are responsible to present a true and fair assessment of the Group's position and prospects in the annual reports and quarterly reports. The annual financial results and quarterly financial results were reviewed by the Audit Committee and approved by the Board prior to submission to Bursa Malaysia Securities Berhad.

4.2 Directors' Responsibility Statement in respect of the Audited Financial Statements for the financial year ended 31 December 2015

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company, their financial performance and cash flow for the financial year ended 31 December 2015.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2015, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the on-going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient records to disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

4.3. Risk Management and Internal Control

The Board acknowledges the importance of maintaining a sound system of risk management and internal control to safeguard and enhance the value of the Company's shareholders. The Board has established an internal audit function that reports directly to the Audit Committee. This internal audit function is outsourced to an independent professional firm. The functions of the internal auditors are to ensure that adequate system of internal controls exist to assist the management to address operational, regulatory and financial risks.

Details information on the internal control is set out in the Statement of Risk Management and Internal Control on pages 25 to 26.

4.4. Relationship with the Auditors

The Board maintains a good professional relationship with the external and internal auditors through the Audit Committee in discussing with them their audit plans, audit findings and financial statements. The Audit Committee invites the external auditors at least twice a year to discuss their findings and audited financial statements of the Group. In addition, the Audit Committee also met with the external auditors twice during the financial year ended 31 December 2015 without the presence of the Executive Directors and Management.

The Board upholds the integrity of financial reporting by the Company. As such, it has established procedures, via the Audit Committee, in assessing the suitability and independence of the external auditors. Such procedures entail the provision of written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The Board have determined that the provision of non-audit services contracts which cannot be entered into with the external auditors include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

The Company did not raise any funds through any corporate proposals during the financial year.

2. Share Buybacks

During the financial year, there were no share buyback by the Company.

3. Options, Warrants or Convertible Securities

No options, warrants or convertibles securities were issued by the Company during the financial year.

4. Depository Receipt Programme

During the financial year, the Company did not sponsor any depository receipt programme.

5. Imposition of Sanctions/Penalties

There were no sanctions/penalties imposed by the relevant regulatory bodies on the Company or its subsidiaries, Directors or management during the financial year.

6. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's Auditors is RM8,000 in relation to the review of the Company's statement on risk management and internal control.

7. Profit Guarantee

There was no profit guarantee issued or received by the Group during the financial year.

8. Material Contract

There were no material contracts entered by the Company or its subsidiaries involving Directors' and major shareholders' interest during the financial year.

9. Variation in Results

There was no material deviation between the results of the financial year ended 31 December 2015 as per audited financial statements and the unaudited results previously announced.

10. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT").

The breakdown of the aggregate value of the RRPT conducted pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 22nd May 2015 is as follows:-

No	Related Parties	Companies within our Group	Types of Recurrent Transactions	Interested Related Parties (*)	Amount transacted during the financial year (RM)
1	Bayu Purnama Sdn Bhd	Turbo-Mech Asia Pte Ltd	Sales of pump parts to Bayu Purnama Sdn Bhd	Interested Director - Omar bin Mohamed Said Interested Persons Connected to Director - Salmiah binti Jantan - Hamimah binti Mohamed Said - Hamizah binti Mohamed Said	11,680

Corporate Governance Statement

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

10. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT"). (Cont'd)

No	Related Parties	Companies within our Group	Types of Recurrent Transactions	Interested Related Parties (*)	Amount transacted during the financial year (RM)
2	Bayu Purnama Sdn Bhd	Ultra Sol Engineering & Trading Sdn Bhd	Provision of air compressor packages and related aftermarket services to Bayu Purnama Sdn Bhd	Interested Director - Omar bin Mohamed Said Interested Persons Connected to Director - Salmiah binti Jantan - Hamimah binti Mohamed Said - Hamizah binti Mohamed Said	Nil

Note (*) The nature of the relationships and extent of the interest of the Related Parties are as follows:-

a) Bayu Purnama Sdn Bhd is a 42.5% associated company of TMB.

b) The family relationships of the Related Parties are as follows:-

Mother	- Salmiah binti Jantan
Son	- Omar bin Mohamed Said
Daughters	- Hamimah binti Mohamed Said and Hamizah binti Mohamed Said

c) Salmiah binti Jantan and Hamimah binti Mohamed Said are both directors of Bayu Purnama.

d) The Related Parties' shareholding in Bayu Purnama Sdn Bhd is as follows:-

Related Parties	Direct	Indirect	Total %
Salmiah binti Jantan	2,550,000	-	51.0
Omar bin Mohamed Said	-	-	-
Hamimah binti Mohamed Said	-	-	-
Hamizah binti Mohamed Said	-	-	-

e) Salmiah binti Jantan, Omar bin Mohamed Said, Hamimah binti Mohamed Said and Hamizah binti Mohamed Said are deemed interested by virtue of their family relationships with each other.

f) The direct and indirect interest of the interest Director and persons connected to him are as follows:-

	Direct		Indirect	
Related Parties	No. of Shares in the Company	%	No. of Shares in the Company	%
Interested Director				
Omar bin Mohamed Said	-	-	-	-
Persons Connected				
Salmiah binti Jantan	2,827,564	2.62	-	-
Hamimah binti Mohamed Said	50,000	0.05	-	-
Hamizah binti Mohamed Said	50,000	0.05	-	-

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MAIN Market and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors of Turbo-Mech Berhad ("the Company") is pleased to include a statement on the state of the Group's risk management and internal controls in this annual report.

BOARD'S RESPONSIBILITIES

The Board acknowledges the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board recognises its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement of financial information, financial losses or irregularities.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

1. RISK MANAGEMENT SYSTEM

The Board maintains an ongoing commitment to strengthen the Group's risk management framework. To this end, the Board had engaged external consultants to assist in the development of a formal risk management framework and to facilitate the identification and assessment of the Group's principal risks.

During the financial year, assessment process on risk management was conducted and attended by Executive Directors and key management personnel. Key business risks were categorised to highlight the source of the risk, its scoring to reflect the impact of the risk and the likelihood of its occurrence. The assessment process took into account all aspects of the businesses and its internal control framework, including risk assessment, the control environment and control activities, information and communication and monitoring procedures. Periodic reviews were conducted to determine existence of new risk and whether the risks previously identified remained relevant. Necessary action will be taken to remedy any significant failings or weaknesses identified from the assessment.

The Board had embedded in the Group a monitoring and reporting process to continuously identify, assess and manage the principal risks in a formal manner, which would entail establishing procedures for reporting and monitoring of risk and controls. These initiatives would ensure that the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the principal risks that affects the achievement of its business objectives.

2. INTERNAL CONTROL SYSTEM

- <u>Board of Director and Audit Committee</u>
  The Board and Audit Committee meet at least four times during the financial year to ensure that the Directors maintain effective control on all significant and operational issues.

- <u>Organisation Structure & Authorisation Procedures</u>
  The Group maintains a formal organizational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures to enhance the internal control system of the Group's various business units. The procedures include the establishment of authority limit for all aspects of the business, which is subject to periodic review throughout the year as to their implementation and for their continuing suitability.

- <u>Periodical and/or Annual Budget</u>
  An annual budget is prepared by management and tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget to identify significant variances and devise remedial action plans.

Statement on Risk Management and Internal Control

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. INTERNAL CONTROL SYSTEM (CONT'D)

- Group Policies and Procedures
  Documented policies and procedures are in place and are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.

- Human Resource Policy
  Comprehensive guidelines on employment and retention of employees 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.

- Information and Communication
  Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

- Monitoring and Review
  Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performance and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review, consideration and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

  The Group has also exercised its significant influence over its associated company by obtaining, monitoring and reviewing the management accounts of its associated company, which contains key financial results, operational performances and comparison of actual performances against budgets on a monthly basis.

3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2015, an internal audit review was carried out and the findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review was conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

CONCLUSION

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

The Board is satisfied on the adequacy and effectiveness of the Group's on-going process for identifying, evaluating, controlling and managing the risks of business, including the scope and frequency of reports on both risk management and internal control that are received and reviewed during the year by the Audit Committee and Risk Management Committee and the Board, important risk and control matters discussed and associated actions taken by the Management.

The review does not extend to its associate companies.

This statement was approved by the Board of Directors on 31 March 2016.

AUDIT COMMITTEE REPORT

MEMBERSHIP

The members of the Audit Committee are:

Name of members	Designation
Dato' Ng Ah Hock @ Ng Soon Por (Chairman)	Independent Non-Executive Director
Chan Bee Eie	Non-Independent Non-Executive Director
Tam Juat Hong	Independent Non-Executive Director
Azhar bin Mohamad (Appointed on 19 February 2016)	Senior Independent Non-Executive Director

TERMS OF REFERENCE

1. Composition of Audit Committee

The Audit Committee ("the Committee") shall be appointed by the Board of Directors ("the Board") from amongst the Directors and shall consist of not less than three (3) members who shall be Non-Executive Directors, a majority of whom shall be Independent Non-Executive Directors.

The Board shall, within three (3) months of a vacancy occurring in the Audit committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Committee shall elect a chairman from among their members who shall be an Independent Non-Executive Director. An alternate Director must not be appointed as a member of the Committee.

2. Membership

All members shall be financially literate and at least one (1) member of the Committee:-

i) Must be a member of the Malaysian Institute of Accountants; or
ii) If not a member of the Malaysian Institute of Accountants, that member must have at least three (3) years' working experience and; must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 or must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
iii) Must have a degree/masters/doctorate in accounting or finance and at least three (3) years' post-qualification in accounting or finance; or
iv) Must be a member of professional accountancy organisation who has been admitted as a full member of the International Federation of Accountants and at least three (3) years' post-qualification experience in accounting or finance; or
v) Must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
vi) Fulfills such other requirements as prescribed or approved by the Exchange.

3. Authority

The Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or otherwise directed by the Board. It shall have:-

i) The authority to investigate any matter within its terms of reference;
ii) Be provided with the necessary resources which are required to perform its duties;
iii) Full and unrestricted access to any information pertaining to the Company;
iv) Direct communication channels with the external auditors and internal auditors;
v) The right to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and reasonable for the performance of its duties;
vi) Assessing the risks (including the level of authority delegated to the management by the Board); and
vii) The rights to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the executive members of the Committee, other Directors and employees of the Company, whenever deemed necessary. The Committee shall meet with the external auditors without executive board members and key management present at least twice a year;
viii) The right to extend invitation to other non-member directors and officers of the Company to attend specific meeting, whenever deemed necessary.

Audit Committee Report

TERMS OF REFERENCE (CONT'D)

4. Meetings and Minutes

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to discharge its duties.

In addition to the Committee members, the meetings will normally be attended by the representatives of the departments in the Company and of the external or internal auditors as and when required.

The Committee may invite any person to be in attendance to assist it in its deliberations.

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two (2).

The decision of the Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

The Committee shall be reporting to the full Board from time to time its recommendation for consideration and implementation and the actual decision shall be the responsibility of the Board of Directors after considering the recommendation of the Committee.

The Company Secretary shall act as Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The Secretary shall also be responsible for recording the proceedings of the Committee and the minutes of meetings tabled at Board meetings.

5. Duties

The duties of the Committee shall include the following:

i) To consider the appointment of the External Auditors, the audit fee and any questions of resignation or dismissal;

ii) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;

iii) To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
- Any changes in accounting policies and practices;
- Significant adjustments arising from the audit;
- The going concern assumption; and
- Compliance with accounting standards and other legal requirements;

iv) To discuss problems and reservations arising from the interim and final audits, and any matter the Auditors may wish to discuss (in the absence of management where necessary);

v) To review the External Auditors' management letter and management's response;

vi) To consider any conflict of interest situations and related party transactions that may arise within the Company or group;

vii) To consider the major findings of internal investigations and management's response;

viii) To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by External Auditors. The contracts that cannot be entered into should include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit; and

ix) To do the following in relation to the internal audit function:
- Identify the head of internal audit. The head of internal audit should have the relevant qualifications and be responsible for providing assurance to the Committee that the internal controls are operating effectively;
- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and the necessary authority to carry out its work;
- Review the internal audit programme and results of the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate actions taken on the commendations of the internal audit function;
- Review any appraisal or assessment of the performance of members of the internal audit functions;
- Approve any appointment or termination of senior staff of the internal audit function;
- Inform itself of resignations of internal audit staff and provide the resigning staff an opportunity to submit his reasons for resigning; and
- To consider other functions as defined by the Board.

TERMS OF REFERENCE (CONT'D)

6. Reporting Procedure

Reporting to the Board from time to time its recommendations for consideration and implementation.

MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Committee members and details of the attendance of each member of the Committee during the financial year 31 December 2015 are as follows:

	Number of Meetings	
Name of members	**Held**	**Attended**
Dato' Ng Ah Hock @ Ng Soon Por	3	3
Chan Bee Eie	3	3
Tam Juat Hong	3	3

Note : Azhar bin Mohamad was appointed a member of the Committee on 19 February 2016, subsequent to the financial year end.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the financial year ended 31 December 2015:

i) Reviewed audit plans, audit strategy and scope of the audit work for the year presented by the Internal and External Auditors;
ii) Reviewed external auditors management letter and management's response;
iii) Reviewed any related party transactions carried out by the Group and conflict of interest situation that may arise within the Group;
iv) Reviewed compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance, Companies Act 1965, applicable approved financial reporting standards set by the MASB and other statutory requirements;
v) Reviewed the unaudited quarterly financial results and year-end financial statements of the Company and the Group prior to submission to the Board for consideration and approval;
vi) Reviewed the Group's Budget for the financial year ended 31 December 2015;
vii) Met with External Auditors twice during the year without the presence of the Executive Directors, Management and Internal Auditors;
viii) Met with Internal Auditors during the year without the presence of the Executive Directors and Management; and
ix) Considered the re-appointment of auditors.

INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to an independent professional and consulting firm, UHY Advisory (KL) Sdn Bhd ("UHY"). UHY is responsible for providing independent assessment on the effectiveness of the internal control and risk management systems in place, compliance to the policies and procedures and recommendation of improvements to enable the Group to achieve its corporate objectives. The Internal Auditors have conducted high level review on the adequacy of the internal control and risk management systems in place on certain operating units and presented their findings together with recommendation and management responses to the Audit Committee. The cost incurred for the Group's internal audit function for the financial year ended 31 December 2015 is RM36,500.

Information pertaining to the Company's internal control is presented in the Statement on Risk Management and Internal Control set out on pages 25 to 26 of the Annual Report.

STATEMENT ON DIRECTORS' RESPONSIBILITY

As required under the Companies Act 1965 ("Act"), the Directors on page 35 of this annual report have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company and the Group for the financial year ended 31 December 2015.

In the process of preparing these financial statements, and other than as disclosed in the notes to the financial statements, the Directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the year. In cases where judgment and estimates were made, they were based on reasonableness and prudence.

Additionally, the Directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

This statement is made in accordance with a resolution of the Board dated 31 March 2016.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit attributable to:		
Owners of the parent	8,382,607	3,837,779
Non-controlling interests	73,448	-
	8,456,055	3,837,779

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2014 were as follows:

	RM
In respect of the financial year ended 31 December 2014 as reported in the Directors' report of that year:	
5 sen tax exempt final dividend on 108,000,000 ordinary shares, declared on 22 May 2015 and paid on 26 June 2015.	5,400,000

At the forthcoming Annual General Meeting, a final 10% tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2015, on 108,000,000 ordinary shares, amounting to a dividend payable of RM5,400,000 (5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Gan Kok Ten
Nasaruddin bin Mohamed Ali
Omar bin Mohamed Said
Dato' Ng Ah Hock @ Ng Soon Por
Chan Bee Eie
Tam Juat Hong
Azhar Bin Mohamad
Gan Ching Lai (Cessation of office on 24 November 2015)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholding, the interest of Directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM0.50 each			
The Company	**1 January 2015**	**Bought**	**Sold**	**31 December 2015**
Direct Interest				
Gan Kok Ten	19,497,632	-	-	19,497,632
Nasaruddin bin Mohamed Ali	940,876	-	-	940,876
Dato' Ng Ah Hock @ Ng Soon Por	200,000	-	-	200,000
Indirect Interest				
Gan Kok Ten (1)	41,030,698	-	-	41,030,698
Chan Bee Eie (2)	100,000	-	-	100,000
Dato' Ng Ah Hock @ Ng Soon Por (3)	50,000	-	-	50,000

(1) Deemed interested by virtue of the shareholdings of his father and Mosgan Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

(2) Deemed interested by virtue of the shareholdings of her spouse, Gan Kok Tin, pursuant to Section 134(12)(c) of the Companies Act, 1965.

(3) Deemed interested by virtue of the shareholdings of his son pursuant to Section 134(12) of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Gan Kok Ten is also deemed to have an interest in the shares of all the subsidiaries of the Company to the extent the Company has an interest.

SIGNIFICANT EVENT

Significant event during the financial year is disclosed in Note 37 to the financial statements.

SUBSEQUENT EVENT

Details of subsequent event is disclosed in Note 38 to the financial statements.

Directors' Report

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and statements of income of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount wirtten off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extend; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

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

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforeable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may effect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2016.

Gan Kok Ten
Director

Nasaruddin bin Mohamed Ali
Director

STATEMENT BY DIRECTORS

Pursuant to section 169(15) of the Companies Act, 1965

We, Gan Kok Ten and Nasaruddin bin Mohamed Ali, being two of the Directors of Turbo-Mech Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 38 to 96 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and the cash flows of the Group and of the Company for the financial year then ended.

The information set out in Note 39 to the financial statements on page 97 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2016.

Gan Kok Ten
Director

Nasaruddin bin Mohamed Ali
Director

STATUTORY DECLARATION

Pursuant to section 169(16) of the Companies Act, 1965

I, Gan Kok Ten, being the Director primarily responsible for the financial management of Turbo-Mech Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 38 to 97 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Gan Kok Ten** at Kuala Lumpur in the Federal Territory on 31 March 2016.

Gan Kok Ten

Before me
BALOO A/L T.PICHAI (W663)
Commissioner for oaths

INDEPENDENT AUDITORS' REPORT

To the Members of Turbo-Mech Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Turbo-Mech Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 96.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to 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 that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 ("Act") 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 financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Independent Auditors' Report
To the Members of Turbo-Mech Berhad

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 to the financial statements on page 97 is disclosed to meet the requirement of the Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of the Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA" Guidance") and the directive of the 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 the Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

H'ng Boon Keng
No. 3112/08/16 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
31 March 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	30,949,170	5,171,954	1,350	1,620
Land use rights	4	3,559,314	3,208,248	-	-
Investment in subsidiaries	5	-	-	44,628,995	45,428,995
Investment in associates	6	21,934,345	23,174,049	8,639,755	8,639,755
Other investments	7	61,441	61,441	-	-
Deferred tax assets	8	1,479	2,546	-	-
		56,505,749	31,618,238	53,270,100	54,070,370
CURRENT ASSETS					
Inventories	9	2,441,262	1,820,973	-	-
Trade and other receivables	10	6,008,644	10,171,547	6,770	39,979
Dividend receivables		4,250,000	2,975,000	4,250,000	5,632,600
Prepayments		11,376	50,053	-	-
Tax recoverable		-	76,420	-	-
Cash and bank balances	11	45,590,175	47,518,139	884,679	249,714
		58,301,457	62,612,132	5,141,449	5,922,293
TOTAL ASSETS		114,807,206	94,230,370	58,411,549	59,992,663
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENTS					
Share capital	12	54,000,000	54,000,000	54,000,000	54,000,000
Retained earnings	13	24,865,336	21,882,729	4,190,959	5,753,180
Capital reserve	13	4,763,400	4,763,400	-	-
Foreign currency translation reserve	14	14,109,932	5,345,058	-	-
		97,738,668	85,991,187	58,190,959	59,753,180
Non-controlling interests		-	581,916	-	-
TOTAL EQUITY		97,738,668	86,573,103	58,190,959	59,753,180
NON-CURRENT LIABILITY					
Loans and borrowings	17	11,030,040	-	-	-
Deferred tax liabilities	8	13,202	11,503	-	-
TOTAL NON-CURRENT LIABILITIES		11,043,242	11,503	-	-
CURRENT LIABILITIES					
Trade and other payables	15	2,927,230	5,311,980	217,362	237,749
Other current liabilities	16	846,210	560,650	-	-
Loans and borrowings	17	1,081,737	-	-	-
Income tax payable		1,170,119	1,773,134	3,228	1,734
TOTAL CURRENT LIABILITIES		6,025,296	7,645,764	220,590	239,483
TOTAL LIABILITIES		17,068,538	7,657,267	220,590	239,483
TOTAL EQUITY AND LIABILITIES		114,807,206	94,230,370	58,411,549	59,992,663

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

STATEMENTS OF INCOME

For the financial year ended 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Revenue	19	36,088,790	47,174,270	4,250,000	5,632,600
Cost of sales	20	(22,085,301)	(30,365,297)	-	-
Gross profit		14,003,489	16,808,973	4,250,000	5,632,600
Interest income	21	222,210	147,632	41,111	40,033
Other income	22	2,278,229	1,449,498	100,000	-
Depreciation and amortisation expenses		(627,017)	(602,559)	(270)	(270)
Employee benefits expenses	23	(5,956,316)	(5,277,454)	(269,616)	(219,243)
Other expenses		(3,179,118)	(2,681,366)	(274,504)	(240,905)
Operating profit		6,741,477	9,844,724	3,846,721	5,212,215
Finance cost	25	(28,025)	-	-	-
Share of results of associates		2,834,721	6,336,019	-	-
Profit before taxation	26	9,548,173	16,180,743	3,846,721	5,212,215
Income tax expense	27	(1,092,118)	(1,950,711)	(8,942)	(9,735)
Profit for the financial year		8,456,055	14,230,032	3,837,779	5,202,480
Profit attributable to:					
Owners of the parent		8,382,607	14,273,697	3,837,779	5,202,480
Non-controlling interests		73,448	(43,665)	-	-
		8,456,055	14,230,032	3,837,779	5,202,480
Earnings per share attributable to owners of the parent (sen per share)					
Basic and Diluted	28	8	13		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Profit for the financial year	8,456,055	14,230,032	3,837,779	5,202,480
Other comprehensive income to be reclassified to profit or loss in subsequent period:				
Foreign currency translation	8,764,874	1,437,196	-	-
Total comprehensive income for the financial year	17,220,929	15,667,228	3,837,779	5,202,480
Total comprehensive income for the financial year attributable to:				
Owners of the parent	17,147,481	15,710,893	3,837,779	5,202,480
Non-controlling interests	73,448	(43,665)	-	-
	17,220,929	15,667,228	3,837,779	5,202,480

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Distributable		Non-distributable				
	Share Capital (Note 12) RM	Retained Earnings (Note 13) RM	Capital Reserve (Note 13) RM	Foreign Currency Translation Reserve (Note 14) RM	Equity Attributable to Owners of the Parent RM	Non-controlling Interests RM	Total Equity RM
Group							
At 1 January 2014	54,000,000	13,009,032	4,763,400	3,907,862	75,680,294	625,581	76,305,875
Profit for the financial year	-	14,273,697	-	-	14,273,697	(43,665)	14,230,032
Other comprehensive income during the year	-	-	-	1,437,196	1,437,196	-	1,437,196
Total comprehensive income for the financial year	-	14,273,697	-	1,437,196	15,710,893	(43,665)	15,667,228
Dividends (Note 36)	-	(5,400,000)	-	-	(5,400,000)	-	(5,400,000)
At 31 December 2014	54,000,000	21,882,729	4,763,400	5,345,058	85,991,187	581,916	86,573,103
At 1 January 2015	54,000,000	21,882,729	4,763,400	5,345,058	85,991,187	581,916	86,573,103
Profit for the financial year	-	8,382,607	-	-	8,382,607	73,448	8,456,055
Other comprehensive income during the year	-	-	-	8,764,874	8,764,874	-	8,764,874
Total comprehensive income for the financial year	-	8,382,607	-	8,764,874	17,147,481	73,448	17,220,929
Dividends (Note 36)	-	(5,400,000)	-	-	(5,400,000)	-	(5,400,000)
Liquidation of a subsidiary	-	-	-	-	-	(655,364)	(655,364)
At 31 December 2015	54,000,000	24,865,336	4,763,400	14,109,932	97,738,668	-	97,738,668

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

Statements of Changes in Equity
For the financial year ended 31 December 2015

	Share Capital (Note 12) RM	Distributable Retained Earnings (Note 13) RM	Total Equity RM
Company			
At 1 January 2014	54,000,000	5,950,700	59,950,700
Profit for the financial year	-	5,202,480	5,202,480
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	5,202,480	5,202,480
Dividends (Note 36)	-	(5,400,000)	(5,400,000)
At 31 December 2014	54,000,000	5,753,180	59,753,180
Profit for the financial year	-	3,837,779	3,837,779
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	3,837,779	3,837,779
Dividends (Note 36)	-	(5,400,000)	(5,400,000)
At 31 December 2015	54,000,000	4,190,959	58,190,959

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

STATEMENTS OF CASH FLOW

For the financial year ended 31 December 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	9,548,173	16,180,743	3,846,721	5,212,215
Adjustments for:				
Amortisation of land use rights	97,691	89,561	-	-
Depreciation of property, plant and equipment	529,326	512,998	270	270
Dividend income	-	-	(4,250,000)	(5,632,600)
(Gain)/Loss on disposal of property, plant and equipment	(31,073)	34,181	-	-
Loss/(Gain) on liquidation of a subsidiary (Note 5(b))	83,041	-	(100,000)	-
Interest income	(222,210)	(147,632)	(41,111)	(40,033)
Allowance for impairment loss on trade receivables	48,199	13,665	-	-
Interest expense	28,025	-	-	-
Reversal of allowances for doubtful debt	-	(118,685)	-	-
Inventories written-down	81,965	-	-	-
Reversal of inventories written down	(33,656)	(302,360)	-	-
Share of results of associates	(2,834,721)	(6,336,019)	-	-
Unrealised gain on foreign currency translations	(1,112,216)	(411,015)	-	-
Operating profit/(loss) before changes in working capital	6,182,544	9,515,437	(544,120)	(460,148)
Changes in working capital:				
Inventories	(668,598)	128,509	-	-
Trade and other receivables	3,733,052	1,057,027	1,415,809	(2,695,579)
Prepayments	38,677	1,199	-	-
Trade and other payables	(2,768,571)	(1,021,263)	(20,387)	67,385
Other current liabilities	285,560	(566,473)	-	-
Cash generated from/(used in) operations	6,802,663	9,114,436	851,302	(3,088,342)
Interest paid	(28,025)	-	-	-
Income taxes paid	(1,631,764)	(1,329,410)	(7,448)	(2,648)
Net cash generated from/(used in) operating activities	5,142,874	7,785,026	843,854	(3,090,990)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	31,090	-	-	-
Purchase of property, plant and equipment	(24,127,051)	(152,273)	-	-
Proceed from liquidation of subsidiary	-	-	900,000	-
Net cash outflow on liquidation of a subsidiary (Note 5(b))	(743,154)	-	-	-
Payment for deposit and incidental expenses for the purchase of property	-	(1,659,515)	-	-
Placement of fixed deposit pledged with licensed bank	(1,525,553)	(223,444)	-	-
Interest income received	222,210	147,632	41,111	40,033
Dividend received from a subsidiary	-	-	-	2,657,600
Dividend received from an associate	4,250,000	2,975,000	4,250,000	2,975,000
Net cash flows (used in)/generated from investing activities	(21,892,458)	1,087,400	5,191,111	5,672,633
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(5,400,000)	(5,400,000)	(5,400,000)	(5,400,000)
Drawdown of term loan	12,054,526	-	-	-
Repayment of finance lease obligation	(7,354)	-	-	-
Net cash flows generated from/(used in) financing activities	6,647,172	(5,400,000)	(5,400,000)	(5,400,000)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(10,102,412)	3,472,426	634,965	(2,818,357)
Effect of exchange rate changes on cash and cash equivalents	6,648,895	1,549,467	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	37,518,756	32,496,863	249,714	3,068,071
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 11)	34,065,239	37,518,756	884,679	249,714

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2015

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business is located at 39-5, Jalan PJU 1/41, Block D1, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 31 March 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Company adopted new and revised MFRS which are mandatory for financial periods begining on or after 1 January 2015 as fully described in Note 2.3.

The financial statements of the Group and of the Company have been prepared on a historical cost basis unless otherwise disclosed below.

The financial statements of the Group and of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Group's and the Company's functional currency.

2.2 Summary of Significant Accounting Policies

(a) Basis of Consolidation and Business Combinations

(i) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Basis of Consolidation and Business Combinations (Contd.)

(i) Basis of Consolidation (Contd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

ii) Business Combinations

(a) Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Basis of Consolidation and Business Combinations (Contd.)

(ii) Business Combinations (Contd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their respective carrying amounts and reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the Group to the extent that the laws and statues do not prohibit the use of such reserves. The statement of comprehensive income reflects the result of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

At the reporting date, the merger deficit is RM Nil (2014 : RM Nil) as the carring amount of merger deficit had been adjusted against the Group's retained earnings in previous financial years.

(b) Transactions with Non-controlling Interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(c) Foreign Currency

(i) Foreign Currency Translation

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in statement of income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The principal exchange rates for every unit of foreign currency ruling at reporting date used are as follows:

	2015 RM	2014 RM
Singapore Dollar	3.0356	2.6449
United States Dollar	4.2920	3.4950
100 Japanese Yen	3.5645	2.9255
100 Philippine Peso	9.1494	7.8066
100 Indonesian Rupiah	0.0311	0.0281
Euro Dollars	4.6918	4.2513

(ii) Foreign Operations

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold buildings	Over the lease period of 16 - 57 years
Land improvements	20 years
Air conditioner	5 years
Computers	3 - 5 years
Furniture and fittings	2 - 10 years
Motor vehicles	7 - 10 years
Office equipment	2 - 10 years
Plant, machinery and instruments	5 years
Renovation	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the financial year the asset is derecognised.

(e) Land Use Rights

Land use rights represent land leases granted by the state authorities and are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease terms.

(f) Club membership

Club membership which was acquired separately is carried at cost less accumulated impairment loss. The Group assesses at each reporting date whether there is an indication that the club membership may be impaired in accordance with the accounting policy set out in Note 2.2(g).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(h) Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(j) Financial Assets

Initial Recognition and Measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Financial Assets (Contd.)

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Financial Assets (Contd.)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss.

Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group and the Company has only financial assets designated as loan and receivables for both the financial year ended 31 December 2015 and 31 December 2014.

(k) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) Impairment of Financial Assets (Contd.)

(i) Financial Assets Carried at Amortised Cost (Contd.)

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(m) Fabrication Contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a fabrication contract can be estimated reliably.

The outcome of a fabrication contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a fabrication contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the fabrication contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue - Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Fabrication Contracts (Contd.)

Contract costs - Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Trading goods: purchase costs on a first-in-first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in-first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(p) Financial Liabilities (Contd.)

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other Financial Liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

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

The Group and the Company has only financial liabilities and loan and borrowings designated as other financial liabilities for both the financial year ended 31 December 2015 and 31 December 2014.

(q) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(iii) Employee Leave Entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

Notes to the Financial Statements
- 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(r) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Finance Lease

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(ii) Operating Lease

(i) As Lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As Lessor

Leases where the Group retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.2(s)(vi).

(s) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(s) Revenue (Contd.)

(ii) Fabrication contracts

Revenue from fabrication contract is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to contract cost incurred to date as a percentage of total estimated contract cost for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(iii) Rendering of Services

Revenue from services rendered are recognised upon services performed.

(iv) Interest Income

Interest income is recognised using the effective interest method.

(v) Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

(vi) Rental Income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(t) Taxes

(i) Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(t) Taxes (Contd.)

(ii) Deferred Tax (Contd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Sales Tax

Prior to 1 April 2015, revenues, expenses and assets in Malaysia are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

Revenues, expenses and assets in Singapore and in Malaysia (with effect on and after 1 April 2015) are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(u) Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

(v) Share Capital and Share Issuance Expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(w) Current Versus Non-current Classification

The Group presents assets and liabilities in statement of financial position based on curent/non-curent classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting date,or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled withint twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(x) Fair value measurement

The Group measures financial instruments, such as, derivatives financial assets at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Notes to the Financial Statements - 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Fair value measurement (Contd.)

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement if directly or indirectly observable

(iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

2.3 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations as follows:

On 1 January 2015, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015.

Effective for financial periods beginning on or after 1 July 2014

Amendment to MFRS 2: Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 3: Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 3: Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)
Amendment to MFRS 8: Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 13: Fair Value Adjustment (Annual Improvements to MFRS 2011-2013 Cycle)
Amendment to MFRS 116: Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment MFRS 119: Defined Benefit Plans: Employee Contributions
Amendment to MFRS 124: Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 138: Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 140: Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Malaysian Financial Reporting Standards Issued but Not Effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intends to adopt these standards and interpretations, if applicable when they become effective.

Effective for financial periods beginning on or after 1 Jan 2016

MFRS 14: Regulatory Deferral Accounts
Amendment to MFRS 5: Non-current Assets Held for Sale and Discontinued Operation (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendment to MFRS 7: Financial Instruments (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
Amendment to MFRS 11: Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
Amendments to MFRS 101: Disclosure Initiatives
Amendment to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
Amendment to MFRS 119: Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendment to MFRS 127: Equity Method in Separate Financial Statements
Amendment to MFRS 134: Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)

Effective for financial periods beginning on or after 1 Jan 2018

MFRS 9: Financial Instruments (IFRS issued by IASB in July 2014)
MFRS 15: Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 Jan 2019

MFRS 16: Leases

Effective for financial period to be announced

Amendment to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

<u>MFRS 9 Financial Instruments: Classification and Measurement</u>

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Notes to the Financial Statements
- 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Malaysian Financial Reporting Standards Issued but Not Effective (Contd.)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group’s and the Company’s financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

2.5 Significant Accounting Judgements and Estimates

The preparation of the Group’s and of the Company’s financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Judgements Made in Applying Accounting Policies

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Assessment of Income Taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group’s tax payables, tax recoverables, deferred tax assets and liabilities at the reporting date was RM1,170,119 (2014: RM1,773,134), RM Nil (2014: RM76,420), RM1,479 (2014: RM2,546) and RM13,202 (2014: RM11,503) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Judgements and Estimates (Contd.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful Lives of Property, Plant and Equipment

The Group's property, plant and equipment include leasehold properties, office equipment, plant, machinery and instruments, motor vehicles and other assets. The cost of the above property, plant and equipment is depreciated on a straight-line basis over their useful lives estimated to be within 2 to 57 years. The carrying amount of Group's property, plant and equipment at 31 December 2015 is RM30,949,170 (2014: RM5,171,954). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A one year difference in the expected useful lives of these assets from management's estimates would result in less than 1% (2014: less than 1%) variance in the Group's profit for the year.

(ii) Impairment of Loans and Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 10 to the financial statements.

(iii) Fabrication contracts

The Company recognises contract revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Significant estimates is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract costs. In making the judgement, the Company evaluates based on past experience and by relying on the work of project manager.

3. **PROPERTY, PLANT AND EQUIPMENT**

	Leasehold Buildings RM	Land Improve-ment RM	Air Conditioner RM	Computers RM	Furniture and Fittings RM	Motor Vehicles RM	Office Equipment RM	Plant, Machinery and Instruments RM	Renovation RM	Total RM
Group										
At 31 December 2015										
Cost										
At 1 January 2015	5,254,618	58,069	30,557	552,885	109,138	778,477	227,398	3,560,179	710,383	11,281,704
Additions	23,873,409	-	-	9,510	-	156,786	64,605	87,346	-	24,191,656
Disposals	-	-	-	(11,578)	-	(117,081)	-	-	-	(128,659)
Exchange differences	1,912,522	9,748	3,300	90,414	15,252	115,117	(46,756)	465,030	450,044	3,014,671
At 31 December 2015	31,040,549	67,817	33,857	641,231	124,390	933,299	245,247	4,112,555	1,160,427	38,359,372
Accumulated Depreciation										
At 1 January 2015	1,350,997	39,680	25,548	534,428	105,795	636,282	172,489	2,551,073	693,458	6,109,750
Depreciation charge for the year	160,135	3,196	1,619	15,036	2,904	82,696	15,619	217,179	30,942	529,326
Disposals	-	-	-	(11,567)	-	(117,075)	-	-	-	(128,642)
Exchange differences	116,679	6,857	2,663	82,350	15,111	91,614	(7,800)	374,158	218,136	899,768
At 31 December 2015	1,627,811	49,733	29,830	620,247	123,810	693,517	180,308	3,142,410	942,536	7,410,202
Net Carrying Amount	29,412,738	18,084	4,027	20,984	580	239,782	64,939	970,145	217,891	30,949,170
At 31 December 2014										
Cost										
At 1 January 2014	5,097,088	55,112	23,590	520,393	106,623	796,978	219,102	3,314,149	696,793	10,829,828
Additions	-	-	6,353	23,059	-	-	3,682	119,179	-	152,273
Disposals	-	-	-	-	-	(42,277)	(1,673)	-	-	(43,950)
Exchange differences	157,530	2,957	614	9,433	2,515	23,776	6,287	126,851	13,590	343,553
At 31 December 2014	5,254,618	58,069	30,557	552,885	109,138	778,477	227,398	3,560,179	710,383	11,281,704
Accumulated Depreciation										
At 1 January 2014	1,157,876	34,904	23,590	491,307	100,726	547,198	159,493	2,242,385	677,079	5,434,558
Depreciation charge for the year	152,195	2,739	1,463	33,995	2,764	78,679	10,780	227,285	3,098	512,998
Disposals	-	-	-	-	-	(8,104)	(1,665)	-	-	(9,769)
Exchange differences	40,926	2,037	495	9,126	2,305	18,509	3,881	81,403	13,281	171,963
At 31 December 2014	1,350,997	39,680	25,548	534,428	105,795	636,282	172,489	2,551,073	693,458	6,109,750
Net Carrying Amount	3,903,621	18,389	5,009	18,457	3,343	142,195	54,909	1,009,106	16,925	5,171,954

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Computer RM	Office Equipment RM	Total RM
At 31 December 2015			
Cost			
At 1 January 2015/31 December 2015	3,547	2,700	6,247
Accumulated Depreciation			
At 1 January 2015	3,547	1,080	4,627
Depreciation charge for the year	-	270	270
At 31 December 2015	3,547	1,350	4,897
Net Carrying Amount	-	1,350	1,350
At 31 December 2014			
Cost			
At 1 January 2014/31 December 2014	3,547	2,700	6,247
Accumulated Depreciation			
At 1 January 2014	3,547	810	4,357
Depreciation charge for the year	-	270	270
At 31 December 2014	3,547	1,080	4,627
Net Carrying Amount	-	1,620	1,620

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM24,191,656 (2014: RM152,273) of which RM64,605 (2014: RM Nil) were acquired by means of finance lease arrangements

Included in the property, plant and equipment of the Group are the following cost of fully depreciated assets which are still in use:

	Group 2015 RM	2014 RM
Air conditioner	21,094	20,016
Computers	538,462	506,568
Furniture and fittings	114,496	100,891
Motor vehicles	401,626	447,596
Office equipment	148,019	143,811
Plant, machinery and instruments	2,208,973	1,877,582
Renovation	878,148	639,609
	4,310,818	3,736,073

The carrying amount of property, plant and equipment held under finance lease arrangement at the reporting date are as follows:

	2015 RM	2014 RM
Office equipment	49,322	-

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Assets pledged as security

The Group's leasehold building with a carrying amount of RM2,598,644 (2014: RM2,318,091) is pledged to secure the Group's trade banking facilities for letter of credit and bank guarantee as further disclosed in Note 11, Note 15 and Note 17(c).

The Group's leasehold building with a carrying amount of RM25,361,224 (2014: RM Nil) is pledged to secure the Group's term loan as further disclosed in Note 17(b).

4. LAND USE RIGHTS

	Group	
	2015	2014
	RM	RM
Cost:		
At 1 January	4,207,990	4,116,259
Exchange currency translation differences	598,726	91,731
At 31 December	4,806,716	4,207,990
Accumulated Amortisation:		
At 1 January	999,742	889,436
Amortisation for the financial year (Note 26)	97,691	89,561
Exchange currency translation differences	149,969	20,745
At 31 December	1,247,402	999,742
Net Carrying Amount	3,559,314	3,208,248

(a) The Group has land use rights represent land lease over one plot of state-owned land in the Republic of Singapore where the subsidiary's office and storage facilities reside. The land use rights are not transferable and have a remaining tenure of 43 years (2014: 44 years).

(b) The Group has land use rights represent land lease over two plots of state-owned land in the Republic of Indonesia where the subsidiary's office and workshop reside. The land use rights are transferable and have a remaining tenure of 16 years (2014: 17 years) and 12 years (2014: 13 years) respectively.

(c) Assets pledged as security

The Group's land use rights with a carrying amount of RM3,176,118 (2014: RM2,833,222) are pledged to secure the Group's trade banking facilities for letter of credit and bank guarantee as further disclosed in Note 11, Note 15 and Note 17(c) respectively.

5. INVESTMENT IN SUBSIDIARIES

	Group 2015 RM	Group 2014 RM
Unquoted shares, at cost	44,628,995	45,428,995

(a) Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group 2015 (%)	Proportion of Ownership Interest held by Group 2014 (%)	Proportion of Ownership Interest held by non-controlling interests 2015 (%)	Proportion of Ownership Interest held by non-controlling interests 2014 (%)
Held by the Company:						
Turbo-Mech Asia Pte. Ltd. [2]	Singapore	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	100	100	-	-
Ultra Sol Engineering & Trading Sdn. Bhd. [1]	Malaysia	Sales and services of parts and engineering works	-	60	-	40
Held through Turbo-Mech Asia Pte. Ltd.:						
Scallop (S) Pte. Ltd. [2]	Singapore	Dormant	75	75	25	25
Rotodyne Phils. Inc. [2]	Philippines	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	100	100	-	-
PT Turbo-Mech Indonesia [3][4]	Indonesia	Sales of rotating equipment and spare parts	100	100	-	-
TMA Offshore Pte. Ltd. [2]	Singapore	Dormant	100	100	-	-

[1] Audited by Ernst & Young, Malaysia
[2] Audited by member firms of Ernst & Young Global in the respective countries
[3] Audited by firms of auditors other than Ernst & Young
[4] 0.58% (2014: 0.58%) of the Group's investment in PT Turbo-Mech Indonesia is registered in the name of a Director, held in trust for the Group

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

(b) Pursuant to the liquidation of Ultra Sol Engineering & Trading Sdn Bhd on 1 December 2015, the Group and Company received a cash distribution amounting to RM900,000.

The liquidation had the following effects on the financial position of the Group and the Company as at the end of the year:

(i) Financial impact to the Group

	Group 2015 RM	Group 2014 RM
Tax recoverable	14,459	76,420
Cash and bank balances	1,643,154	1,545,222
Payables	(19,208)	(22,208)
Amount due to contract customers	-	(144,649)
	1,638,405	1,454,785
Less: Non-controlling interest	(655,364)	(581,916)
Net asset liquidated	983,041	872,869
Total liquidation proceeds	(900,000)	
Loss on liquidation to the Group	83,041	
Cash outflow arising on liquidation:		
Cash distribution	900,000	
Cash and cash equivalents of subsidiary liquidated	(1,643,154)	
Net cash outflow on liquidation	(743,154)	

(ii) Financial impact to the Company

	Company 2015 RM
Cash distribution	900,000
Less: Cost of investment	(800,000)
Gain on liquidation of a subsidiary	100,000

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

(c) Summarised financial information of Ultra Sol Engineering & Trading Sdn. Bhd. in prior financial year which have non-controlling interests that is material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests in respect of Scallop (S) Pte. Ltd. in the current and prior financial year are not material to the Group.

(i) Summarised statements of financial position

Ultra Sol Engineering & Trading Sdn Bhd	**2015 RM**	**2014 RM**
Non-current assets	-	-
Current assets	-	1,621,642
Total assets	-	1,621,642
Current liabilities	-	166,852
Non-current liabilities	-	-
Total liabilities	-	166,852
Net assets	-	1,454,790
Equity attributable to owners of the Company	-	872,874
Non controlling interests	-	581,916
	-	1,454,790

(ii) Summarised statements of comprehensive income

Ultra Sol Engineering & Trading Sdn Bhd (Contd.)	**2015 RM**	**2014 RM**
Revenue	89,950	89,001
Gain/(Loss) for the year	183,620	(109,164)
Gain/(Loss) attributable to owners of the Company	110,172	(65,499)
Gain/(Loss) attributable to the non-controlling interests	73,448	(43,665)
	183,620	(109,164)

(iii) Summarised cash flows

	2015 RM	**2014 RM**
Net cash used in operating activities	97,932	463,167
Net cash used in investing activities	-	-
Net cash generated from financing activities	-	-
Net increase in cash and bank balances	97,932	463,167
Cash and bank balances at beginning of the financial year	1,545,222	1,082,055
Cash and bank balances at end of financial year	1,643,154	1,545,222

Notes to the Financial Statements
- 31 December 2015

6. INVESTMENT IN ASSOCIATES

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Unquoted equity shares, at cost	13,209,254	13,209,254	8,639,755	8,639,755
Share of post-acquisition profits	8,549,516	9,937,391	-	-
Exchange currency translation differences	175,575	27,404	-	-
	21,934,345	23,174,049	8,639,755	8,639,755

(a) Details of the associates are as follows:

Name of Associates	Country of Incorporation	Principal Activities	Porportion of Ownership Interest 2015 (%)	Porportion of Ownership Interest 2014 (%)	Accounting Model Applied
Bayu Purnama Sdn. Bhd. [1]	Malaysia	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	42.5	42.5	Equity method
Held through Bayu Purnama Sdn. Bhd.					
Bayu Manufacturing Sdn. Bhd. [1]	Malaysia	Manufacturing of skid mounted pumps sets, chemical injection packages and other related equipment for oil and gas industry	100	100	Equity method
Bayu SME Sdn. Bhd. [1]	Malaysia	Dormant	100	100	Equity method
Held through Turbo-Mech Asia Pte. Ltd.:					
Turbo-Mech (Thailand) Co. Ltd. [3]	Thailand	Sales of rotating equipment and spare parts	49	49	Equity method
Rotodyne Sendirian Berhad [2]	Negara Brunei Darussalam	Sales of rotating equipment and spare parts	20	20	Equity method

[1] Audited by Ernst & Young, Malaysia

[2] Audited by member firms of Ernst & Young Global in the respective countries

[3] Audited by firms of auditors other than Ernst & Young

6. INVESTMENT IN ASSOCIATES (CONTD.)

(b) Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts.

(i) Summarised statements of financial position

Bayu Purnama Sdn. Bhd.	2015 RM	2014 RM
Non-current assets	2,050,203	1,573,721
Current assets	52,336,341	53,139,097
Total assets	54,386,544	54,712,818
Current liabilities	17,094,343	15,153,690
Net assets	37,292,201	39,559,128

(ii) Summarised statements of comprehensive income

	2015 RM	2014 RM
Revenue	35,215,548	56,634,569
Profit before tax from continuing operations	10,441,373	18,402,724
Profit for the year from continuing operations	7,733,073	13,745,494
Other comprehensive income	-	-
Total comprehensive income	7,733,073	13,745,494
Dividend received from the associate during the year	4,250,000	2,975,000

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates

	2015 RM	2014 RM
Net assets at 1 January	39,559,128	32,813,634
Profit for the year	7,733,073	13,745,494
Other comprehensive income	-	-
Less: Dividend paid	(10,000,000)	(7,000,000)
Net assets at 31 December	37,292,201	39,559,128
Interest in associates	42.5%	42.5%
Carrying value of Group's interest in associate	15,849,185	16,812,629

Notes to the Financial Statements
- 31 December 2015

6. INVESTMENT IN ASSOCIATES (CONTD.)

(c) Aggregate information of associates that are not individually material

	2015 RM	2014 RM
The Group's share of (loss)/profit before tax from continuing operations	(525,520)	555,928
The Group's share of loss after tax from continuing operations	(525,520)	(104,264)
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive loss	(525,520)	(104,264)

7. OTHER INVESTMENTS

	Group	
	2015 RM	2014 RM
Club memberships, at cost	61,441	61,441

8. DEFERRED TAX

	Group	
	2015 RM	2014 RM
At 1 January	8,957	1,400
Recognised in the statements of income	1,408	7,422
Exchange currency translation differences	1,358	135
At 31 December	11,723	8,957
Presented after offsetting as follows:		
Deferred tax assets	(1,479)	(2,546)
Deferred tax liabilities	13,202	11,503
	11,723	8,957

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM
At 1 January 2014	11,283
Recognised in the statements of income	-
Exchange currency translation differences	220
At 31 December 2014	11,503
Recognised in the statements of income	-
Exchange currency translation differences	1,699
At 31 December 2015	13,202

8. DEFERRED TAX (CONTD.)

Deferred Tax Assets of the Group:

	Other deductible temporary differences RM
At 1 January 2014	9,883
Recognised in the statements of income	(7,422)
Exchange currency translation differences	85
At 31 December 2014	2,546
Recognised in the statements of income	(1,496)
Exchange currency translation differences	429
At 31 December 2015	1,479

9. INVENTORIES

	Group	
	2015 RM	2014 RM
Trading goods at cost	2,441,262	1,820,973
Trading goods at NRV		
At cost	515,518	404,453
Accumulated impairment loss	(515,518)	(404,453)
	-	-
	2,441,262	1,820,973

Movement in allowance account:

	Group	
	2015 RM	2014 RM
At 1 January	404,453	748,295
Inventories write down (Note 26)	81,965	-
Reversal of write down of inventory (Note 22)	(33,656)	(302,360)
Inventories written off against impairments	-	(41,482)
Exchange currency translation differences	62,756	-
At 31 December	515,518	404,453

(a) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM22,169,530 (2014: RM30,149,634).

(b) Inventories costing amounting to RM Nil (2014: RM41,482) were written off against accumulated impairments loss.

10. TRADE AND OTHER RECEIVABLES

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Trade Receivables				
Third parties	3,128,734	8,117,297	-	-
Amount due from associates	1,865	119,263	-	-
	3,130,599	8,236,560	-	-
Less: Allowance for impairment	(53,706)	(13,709)	-	-
	3,076,893	8,222,851	-	-
Other Receivables				
Amount due from a subsidiary	-	-	4,770	37,979
Amount due from an associate	19,698	46,752	-	-
Staff advances	34,909	6,306	-	-
Refundable deposits	212,400	107,203	2,000	2,000
Interest receivables	45,095	28,290	-	-
Other receivables	2,619,649	100,630	-	-
Deposit and incidental expenses for the acquisition of property	-	1,659,515	-	-
	2,931,751	1,948,696	6,770	39,979
Total trade and other receivables	6,008,644	10,171,547	6,770	39,979
Add: Dividend receivables	4,250,000	2,975,000	4,250,000	5,632,600
Add: Cash and bank balances	45,590,175	47,518,139	884,679	249,714
Total loans and receivables	55,848,819	60,664,686	5,141,449	5,922,293

(a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2014: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade and other receivables are denominated in the following currencies:

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Ringgit Malaysia	2,000	2,000	6,770	39,979
Singapore Dollars	3,908,873	5,901,996	-	-
United State Dollars	760,700	2,804,734	-	-
Japanese Yen	282,649	566,555	-	-
Philippines Peso	755,861	435,041	-	-
Indonesian Rupiah	292,036	117,145	-	-
Euro	6,525	344,076	-	-
	6,008,644	10,171,547	6,770	39,979

10. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade Receivables (Contd.)

Ageing analysis of trade receivables

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

	Group 2015 RM	Group 2014 RM
Neither past due nor impaired	1,929,873	4,071,847
1 to 30 days past due not impaired	566,561	2,452,780
31 to 60 days past due not impaired	328,900	808,877
61 to 90 days past due not impaired	67,490	329,478
More than 91 days past due not impaired	184,069	559,869
	1,147,020	4,151,004
Impaired	53,706	13,709
	3,130,599	8,236,560

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 80% (2014: 80%) of the Group's trade receivables arise from customers with more than five (5) years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,147,020 (2014: RM4,151,004) that are past due at the reporting date but not impaired. These receivables that are past due but not impaired are unsecured in nature and due from creditworthy debtors with good payment records with the Group. There has been no significant changes in credit quality and the amount of receivables are still considered recoverable.

Concentration of credit risk exists when changes in economic conditions affecting the counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

As at reporting date, the Group has a significant concentration of credit risk in the form of outstanding balances due from 7 (2014: 8) debtors representing 48% (2014: 40%) of total trade receivables.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually Impaired 2015 RM	Group Individually Impaired 2014 RM
Trade receivables - nominal amounts	53,706	13,709
Less: Allowance for impairment	(53,706)	(13,709)
	-	-

Notes to the Financial Statements
- 31 December 2015

10. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade Receivables (Contd.)

Receivables that are impaired (Contd.)

Movement in allowance accounts:

	Group 2015 RM	Group 2014 RM
Movement in allowance accounts		
As at 1 January	13,709	138,879
Charge for the financial year (Note 26)	48,199	13,665
Reversal of allowance for doubtful debt	-	(118,685)
Written off	(13,228)	(20,194)
Exchange currency translation differences	5,026	44
As at 31 December	53,706	13,709

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amounts due from A Subsidiary and An Associate

The amounts due from a subsidiary and an associate are unsecured, non-interest bearing and receivable on demand.

11. CASH AND BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash at banks and in hand	13,181,642	17,813,807	884,679	249,714
Fixed deposits with licensed banks	32,408,533	29,704,332	-	-
Cash and bank balances	45,590,175	47,518,139	884,679	249,714
Less: Fixed deposits pledged with licensed bank	(11,524,936)	(9,999,383)	-	-
Cash and cash equivalents	34,065,239	37,518,756	884,679	249,714

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and of the Company, and bears interest ranging from 0.1% to 0.92% (2014: 0.05% to 0.42%) per annum during the year.

Fixed deposits with licensed banks of the Group amounting to RM11,524,936 (2014: RM9,999,393) are pledged to secure the Group's banking facilities.

As at the reporting date, the Group's bank facilities for letter of credit and bank guarantee as disclosed in Note 15 and Note 17(c) respectively are secured by the above fixed deposits and leasehold building (Note 3) and land use rights (Note 4).

11. CASH AND BANK BALANCES AND CASH AND CASH EQUIVALENTS (CONTD.)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Ringgit Malaysia	884,679	1,794,936	884,679	249,714
Singapore Dollars	28,258,920	31,717,390	-	-
United State Dollars	14,426,050	12,468,730	-	-
Japanese Yen	1,803,187	1,028,287	-	-
Philippine Peso	46,320	113,936	-	-
Indonesian Rupiah	40,910	28,239	-	-
Euro Dollars	88,898	338,875	-	-
Others	41,211	27,746	-	-
	45,590,175	47,518,139	884,679	249,714

12. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2015	2014	2015	2014
			RM	RM
Authorised:				
At 1 January / 31 December	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid:				
At 1 January / 31 December	108,000,000	108,000,000	54,000,000	54,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

13. RETAINED EARNINGS AND CAPITAL RESERVE

Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2015 and 31 December 2014 under the single tier system.

Capital Reserve

This reserve arose from a subsidiary's bonus issue by way of capitalisation of its retained earnings.

14. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Trade Payables				
Third parties	772,869	2,970,110	-	-
Other Payables				
Amount due to an associate	-	10,455	-	-
Advance from customers	259,920	377,619	-	-
Accruals	1,432,652	1,886,768	217,362	237,749
Other payables	461,789	67,028	-	-
	2,154,361	2,341,870	217,362	237,749
Total trade and other payables	2,927,230	5,311,980	217,362	237,749
Add: Loans and borrowings (Note 17)	12,111,777	-	-	-
Total financial liabilities carried at amortised cost	15,039,007	5,311,980	217,362	237,749

(a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2014: 30 to 60 days) terms.

At the reporting date, trade payables arising from import purchases amount to RM Nil (2014: RM1,352,921) has been arranged to be settled by a letter of credit from the bank facilities of the Group as disclosed in Note 11. The letter of credit is secured by the Group's property, plant and equipment as disclosed in Note 3.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Ringgit Malaysia	217,362	259,956	217,362	237,749
Singapore Dollars	1,598,108	2,560,465	-	-
United State Dollars	431,050	907,691	-	-
Japanese Yen	105,667	812,202	-	-
Philippines Peso	336,174	214,302	-	-
Indonesian Rupiah	166,021	66,376	-	-
EURO Dollars	72,848	490,988	-	-
	2,927,230	5,311,980	217,362	237,749

(b) Other Payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 90 days (2014: 90 days).

(c) Amount due to An Associate

The amount due to an associate is unsecured, non-interest bearing and are repayable on demand.

16. OTHER CURRENT LIABILITIES

	Group	
	2015	2014
	RM	RM
Advance billings	846,210	416,002
Amount due to customers for contract work (Note 18)	-	144,648
	846,210	560,650

17. LOANS AND BORROWINGS

		Group	
		2015	2014
	Maturity	RM	RM
Current			
Secured:			
Obligations under finance lease (Note (a))	2016	11,069	-
Term loan (Note (b))	2016	1,070,668	-
		1,081,737	-
Non-current			
Secured:			
Obligations under finance lease (Note (a))	2017-2020	46,182	-
Term loan (Note (b))	2017-2025	10,983,858	-
		11,030,040	-

(a) Obligations under finance lease

The Company has finance lease for certain of its office equipment (Note 3). This lease does not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	Group	
	2015	2014
	RM	RM
Future minimum lease payments:		
On demand or within one (1) year	14,498	-
More than one (1) year and less than two (2) years	14,498	-
More than two (2) years and less than five (5) years	37,605	-
Total minimum future lease payments	66,601	-
Less: Future finance charges	(9,350)	-
Present value of finance lease liabilities	57,251	-
Analysis of present value of finance lease liabilities:		
On demand or within one (1) year	11,069	-
More than one (1) year and less than two (2) years	24,435	-
More than two (2) years and less than five (5) years	21,747	-
	57,251	-
Less: Amount due within 12 months	(11,069)	-
Amount due after 12 months	46,182	-

The finance lease bear interest at the reporting date of 6.56% (2014: Nil) per annum.

17. LOANS AND BORROWINGS (CONTD.)

(b) Term loan

	Maturity	Group 2015 RM	Group 2014 RM
Current			
Secured:			
Term loan	2016	1,070,668	-
		1,070,668	-
Non-current			
Secured:			
Term loan	2017-2025	10,983,858	-
		10,983,858	-

The remaining maturities of the term loan as at 31 December is as follows:

	Group 2015 RM	Group 2014 RM
On demand or within one (1) year	1,070,668	-
More than one (1) year and less than two (2) years	1,100,819	-
More than two (2) years and less than five (5) years	3,491,970	-
Five (5) years or more	6,391,069	-
	12,054,526	-

Term loan at COF +1.63% p.a.

This loan is secured by a first mortgage over leasehold buildings (Note 3) of the Group and corporate guarantee provided by the Company and is repayable in 120 equal monthly instalments commencing on 11 December 2015.

(c) At the reporting date, the Group's secured bank guarantee granted to third party are as follows:

	Group 2015 RM	Group 2014 RM
Bank guarantee granted to third parties, secured	1,129,378	1,256,850

18. AMOUNT DUE TO CUSTOMERS FOR CONTRACT WORK

	Group 2015 RM	Group 2014 RM
Contract costs incurred to date	4,515,666	6,222,107
Attributable profits	402,886	51,850
	4,918,552	6,273,957
Less: Progress billings	(4,918,552)	(6,418,605)
Amount due to customers for contract work (Note 16)	-	(144,648)
Contract billings recognised as revenue	89,950	89,000
Contract cost recognised as expenses	(84,229)	215,663

19. REVENUE

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Sales of goods	32,615,860	44,227,687	-	-
Service income	3,382,980	2,857,583	-	-
Fabrication contracts	89,950	89,000	-	-
Dividend income from a subsidiary	-	-	-	2,657,600
Dividend income from an associate	-	-	4,250,000	2,975,000
	36,088,790	47,174,270	4,250,000	5,632,600

20. COST OF SALES

Cost of sales comprises cost of goods sold and its associated expenses.

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cost of inventories sold	22,169,530	30,149,634	-	-
Fabrication contracts cost	(84,229)	215,663	-	-
	22,085,301	30,365,297	-	-

21. INTEREST INCOME

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Interest income from fixed deposits with licensed banks	222,210	147,632	41,111	40,033

22. OTHER INCOME

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Net realised gain on foreign currency translations	211,678	147,383	-	-
Net unrealised gain on foreign currency translations	1,112,216	411,015	-	-
Reversal of write-down of inventories	33,656	302,360	-	-
Rental income	752,019	391,210	-	-
Reversal of allowance for doubtful debt	-	118,685	-	-
Gain on disposal of property plant and equipment	31,073	-	-	-
Gain on liquidation of a subsidiary (Note 5(b))	-	-	100,000	-
Others	137,587	78,845	-	-
	2,278,229	1,449,498	100,000	-

Notes to the Financial Statements
- 31 December 2015

23. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Salaries, bonuses and other emoluments	4,665,670	4,084,970	141,008	110,810
Director fees	224,301	222,123	110,000	93,000
Contributions to defined contribution plan	454,306	472,321	15,902	13,979
Other benefits	612,039	498,040	2,706	1,454
	5,956,316	5,277,454	269,616	219,243

Included in employee benefits expense of the Group and of the Company are Directors' remuneration amounting to RM1,011,085 (2014: RM1,149,034) and RM151,000 (2014: RM132,000) respectively.

24. DIRECTORS' REMUNERATION

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Director of the Company				
Executive:				
Salaries and other emoluments	209,513	192,264	-	-
Fees	134,301	147,123	20,000	18,000
Bonus	31,204	80,573	-	-
Defined contribution plan	29,532	25,557	-	-
Total Executive Directors' remuneration	404,550	445,517	20,000	18,000
Non-Executive:				
Fees	90,000	75,000	90,000	75,000
Other emoluments	41,000	39,000	41,000	39,000
Total Non-Executive Directors' remuneration	131,000	114,000	131,000	114,000
	535,550	559,517	151,000	132,000
Director of the Subsidiaries				
Executive:				
Salaries and other emoluments	380,011	364,762	-	-
Fees	-	-	-	-
Bonus	60,162	199,559	-	-
Defined contribution plan	35,362	25,196	-	-
	475,535	589,517	-	-
Non-Executive:				
Fees	-	-	-	-
Total Directors' remuneration	1,011,085	1,149,034	151,000	132,000
Executive Directors' remuneration	880,085	1,035,034	20,000	18,000
Non-Executive Directors' remuneration	131,000	114,000	131,000	114,000

24. DIRECTORS' REMUNERATION (CONTD.)

The number of Directors of the Company whose total remuneration during the financial year fell within the followings bands is analysed below:

	Number of Directors			
	Group		Company	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
At 31 December 2015				
RM0 - RM50,000	2	5	3	5
RM350,001 – RM400,000	1	-	-	-
At 31 December 2014				
RM0 - RM50,000	3	5	3	6
RM400,001 – RM450,000	1	-	-	-

25. FINANCE COST

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest expense on obligations under finance lease	1,542	-	-	-
Interest expense on term loans	26,483	-	-	-
	28,025	-	-	-

26. PROFIT BEFORE TAXATION

The following amounts have been included in arriving at profit before taxation:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Auditors' remuneration:				
- statutory audits				
- current year	241,526	216,655	57,000	52,000
- non-statutory audits	8,000	8,000	8,000	8,000
Amortisation of land use rights	97,691	89,561	-	-
Depreciation of property, plant and equipment	529,326	512,998	270	270
Non-Executive director remuneration	131,000	114,000	131,000	114,000
Loss on disposal of property, plant and equipment	-	34,181	-	-
Loss on liquidation of a subsidiary	83,041	-	-	-
Allowance for impairment loss on financial assets:				
- trade receivables	48,199	13,665	-	-
Inventories written-down	81,965	-	-	-
Operating lease:				
Rental on properties	303,173	238,154	-	-
Rental on office equipment	10,973	14,875	-	-

27. INCOME TAX EXPENSE

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Current income tax:				
- Malaysian income tax	21,325	10,025	10,277	10,025
- Foreign income tax	1,070,720	1,948,518	-	-
- Overprovision in respect of previous financial years	(1,335)	(15,254)	(1,335)	(290)
	1,090,710	1,943,289	8,942	9,735
Deferred tax (Note 8):				
Relating to origination and reversal of temporary differences	1,408	7,422	-	-
	1,092,118	1,950,711	8,942	9,735

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiaries of the Group was 17% (2014: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

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

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Profit before taxation	9,548,173	16,180,743	3,846,721	5,212,215
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	674,132	1,273,728	961,680	1,303,054
Tax at the domestic rates applicable to profit in the countries where the Group operates	1,016,683	1,962,237	-	-
Adjustments:				
Non-deductible expenses	274,838	467,288	136,097	115,121
Income not subject to taxation	(12,011)	(49,222)	(1,087,500)	(1,408,150)
Deferred tax assets not recognised	-	28,196	-	-
Effect of partial exemption and tax relief	(131,232)	(144,426)	-	-
Share of results of associates	(728,957)	(1,571,836)	-	-
Overprovision of income tax expense in prior financial years	(1,335)	(15,254)	(1,335)	(290)
Income tax expense recognised in the statements of income	1,092,118	1,950,711	8,942	9,735

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2015	2014
	RM	RM
Foreign		
Unutilised business losses	96,326	96,326
Potential foreign deferred tax benefits at 17% (2014: 17%)	16,375	16,375

Deferred tax assets have not been recognised in respect of the above items as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. The use of these tax losses are subject to agreement of tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

28. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the financial year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2015	**2014**
	RM	**RM**
Profit net of tax attributable to owners of the parent used in the computation of basic and diluted earnings per share	8,382,607	14,273,697

	Number of shares	
	2015	**2014**
Weighted average number of ordinary shares for basic and diluted earnings per share computation	108,000,000	108,000,000

	Sen per share	
	2015	**2014**
Basic and diluted earnings per share for profit for the financial year (sen per share)	8	13

The Group has no potential ordinary shares in issue as at the reporting date and therefore the basic and fully diluted earnings per share are the same.

29. RELATED PARTY TRANSACTIONS

(a) Sale and Purchase of Goods and Services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms and conditions mutually agreed between the parties during the financial year:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Dividend income received from:				
- subsidiary	-	-	-	2,657,600
- associate	-	-	4,250,000	2,975,000
Sale of goods and services to:				
- associates	167,672	616,510	-	-
Purchase of goods from associate	25,878	52,160	-	-
Expenses reimburse from associate	(40,608)	(29,273)	-	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2015 and 31 December 2014 are disclosed in Notes 10 and 15.

(b) Compensation of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The key management personnel of the Group and Company are the Directors and their remuneration are as disclosed in Note 24.

30. COMMITMENTS

(a) Capital Commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2015	2014
	RM	RM
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	956,214	-
Purchase of property (Note 37)	-	20,352,505

(b) Operating Lease Commitments - Lessee

In addition to the land use rights disclosed in Note 4, the Group has entered into commercial lease on certain leases on office equipment and certain properties. These leases have an average tenure of between one (1) to four (4) years with no renewal option or contingent rent provision included in the contracts. There are no restrictions places upon the Group by entering into the leases.

Minimum lease payments, including amortisation of land use rights recognised in statements of income for the financial year ended 31 December 2015 amounted to RM400,864 (2014: RM342,590).

Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) at the reporting date but not recognised as liabilities are as follows:

	Group	
	2015	2014
	RM	RM
Not later than one (1) year	478,471	275,462
Later than one (1) year but not later than five (5) years	1,001,797	180,943
More than five (5) years	7,012,576	-
	8,492,844	456,405

(c) Operating Lease Commitments - Lessor

The Group has entered into commercial property leases on one of its property. This non-cancellable lease has remaining lease term of two years with no renewal option included in the contract.

Future minimum rentals receivables under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2015	2014
	RM	RM
Not later than one (1) year	615,371	506,720
Later than one (1) year but not later than five (5) years	19,314	435,404
	634,685	942,124

31. CONTINGENCIES

On 17 December 2015, Rotodyne Phils. Inc. ("Rotodyne"), a subsidiary held through Turbo Mech Asia Pte. Ltd. received a formal assessment notice from the Department of Finance, Bureau of Internal Revenue ("BIR") of the Philippines arising from the deficiency of income tax and Value Added Tax ("VAT") for the taxable year 2009, inclusive of surcharged and interest amounting to Php16,077,963 (approximately RM1,471,037).

On 28 January 2016, Rotodyne's tax consultant has filed a protest on behalf of Rotodyne on the deficiency tax assessments by BIR stating that BIR has no legal basis for this assessment and therefore requested for a re-investigation and its immediate cancellation.

The Directors believe that Rotodyne is not liable to pay any tax demanded. However, the outcome of the matter cannot be presently determined. Accordingly, no provision for this claim has been made in the financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group does not hold or issue derivative financial instruments for trading purposes.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and of the Company's trade receivables at the reporting date are as follows:

	Group			
	2015		2014	
	RM	% of total	RM	% of total
By Country:				
Malaysia	77,535	3%	209,844	3%
Singapore	1,399,202	45%	5,337,310	65%
Philippines	907,444	29%	522,151	6%
Indonesia	110,972	4%	1,780,727	22%
Vietnam	345,254	11%	190,740	2%
Others	236,486	8%	182,079	2%
	3,076,893	100%	8,222,851	100%

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit Risk (Contd.)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 10 to the financial statements. Deposits with licensed banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 10 to the financial statements.

(b) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to mitigate the effects of fluctuations in cash flows.

Analysis of Financial Instruments by Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's and of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

At 31 December 2015	On demand or within one (1) year RM	One (1) to five (5) years RM	More than (5) years RM	Total RM
Group				
Financial Assets:				
Trade and other receivables	6,008,644	-	-	6,008,644
Dividend receivables	4,250,000	-	-	4,250,000
Cash and bank balances	45,590,175	-	-	45,590,175
Total undiscounted assets	55,848,819	-	-	55,848,819
Financial Liabilities:				
Trade and other payables	2,927,230	-	-	2,927,230
Loans and borrowings	1,070,668	4,592,789	6,391,069	12,054,526
Total undiscounted liabilities	3,997,898	4,592,789	6,391,069	14,981,756
Total net undiscounted financial assets	51,850,921	(4,592,789)	(6,391,069)	40,867,063
Company				
Financial Assets:				
Trade and other receivables	6,770	-	-	6,770
Dividend receivables	4,250,000	-	-	4,250,000
Cash and bank balances	884,679	-	-	884,679
Total undiscounted assets	5,141,449	-	-	5,141,449
Financial Liabilities:				
Trade and other payables	217,362	-	-	217,362
Total undiscounted liabilities	217,362	-	-	217,362
Total net undiscounted financial assets	4,924,087	-	-	4,924,087

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity Risk (Contd.)

Analysis of Financial Instruments by Remaining Contractual Maturities (Contd.)

At 31 December 2014	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
Group			
Financial Assets:			
Trade and other receivables	10,171,547	-	10,171,547
Dividend receivables	2,975,000	-	2,975,000
Cash and bank balances	47,518,139	-	47,518,139
Total undiscounted assets	60,664,686	-	60,664,686
Financial Liabilities:			
Trade and other payables	5,311,980	-	5,311,980
Total undiscounted liabilities	5,311,980	-	5,311,980
Total net undiscounted financial assets	55,352,706	-	55,352,706
Company			
Financial Assets:			
Trade and other receivables	39,979	-	39,979
Dividend receivables	5,632,600	-	5,632,600
Cash and bank balances	249,714	-	249,714
Total undiscounted assets	5,922,293	-	5,922,293
Financial Liabilities:			
Trade and other payables	237,749	-	237,749
Total undiscounted liabilities	237,749	-	237,749
Total net undiscounted financial assets	5,684,544	-	5,684,544

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

(d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Japanese Yen ("JPY"), EURO Dollar ("EURO") and United States Dollar ("USD").

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(d) Foreign Currency Risk (Contd.)

During the financial year, the Group's entire sales (2014: entire sales) are denominated in foreign currencies whilst the entire costs (2014: entire costs) are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes as disclosed in Note 11.

In addition to transactional exposure, the Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in foreign subsidiaries are not hedged as currency positions are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the JPY, EURO, USD, Singapore Dollar ("SGD"), Philippine Peso ("PHP") and Indonesian Rupiah ("IDR") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group Profit before tax 2015 RM	Group Profit before tax 2014 RM
SGD/RM	- strengthened 5% (2014: 5%)	1,528,484	1,752,946
	- weakened 5% (2014: 5%)	(1,528,484)	(1,752,946)
USD/RM	- strengthened 5% (2014: 5%)	737,785	718,289
	- weakened 5% (2014: 5%)	(737,785)	(718,289)
JPY/RM	- strengthened 5% (2014: 5%)	99,008	39,132
	- weakened 5% (2014: 5%)	(99,008)	(39,132)
PHP/RM	- strengthened 5% (2014: 5%)	23,300	16,734
	- weakened 5% (2014: 5%)	(23,300)	(16,734)
IDR/RM	- strengthened 5% (2014: 5%)	8,346	3,950
	- weakened 5% (2014: 5%)	(8,346)	(3,950)
EURO/RM	- strengthened 5% (2014: 5%)	1,129	9,598
	- weakened 5% (2014: 5%)	(1,129)	(9,598)

The net unhedged financial assets and liabilities of the Group as at 31 December 2015 and 31 December 2014 that are transacted in their functional currencies other than RM are as follows:

	Cash and Bank balances RM	Receivables RM	Payables RM	Total RM
At 31 December 2015				
Functional Currency of the Group in Ringgit Malaysia				
Singapore Dollars	28,258,920	3,908,873	(1,598,108)	30,569,685
United State Dollars	14,426,050	760,700	(431,050)	14,755,700
Japanese Yen	1,803,187	282,649	(105,667)	1,980,169
Philippine Peso	46,320	755,861	(336,174)	466,007
Indonesian Rupiah	40,910	292,036	(166,021)	166,925
Euro Dollars	88,898	6,525	(72,848)	22,575
Others	41,211	-	-	41,211
	44,705,496	6,006,644	(2,709,868)	48,002,272

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(d) Foreign Currency Risk (Contd.)

	Cash and Bank balances RM	Receivables RM	Payables RM	Total RM
At 31 December 2014				
Functional Currency of the Group in Ringgit Malaysia				
Singapore Dollars	31,717,390	5,901,996	(2,560,465)	35,058,921
United State Dollars	12,468,730	2,804,734	(907,691)	14,365,773
Japanese Yen	1,028,287	566,555	(812,202)	782,640
Philippine Peso	113,936	435,041	(214,302)	334,675
Indonesian Rupiah	28,239	117,145	(66,376)	79,008
Euro Dollars	338,875	344,076	(490,988)	191,963
Others	27,746	-	-	27,746
	45,723,203	10,169,547	(5,052,024)	50,840,726

33. FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The Group do not have financial assets and liabilities that are measured at fair value on a non-recurring basis in the statement of financial position after initial recognition.

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company does not have any financial instruments classified as Level 1 to Level 3 as at 31 December 2015 and 31 December 2014.

Financial Instruments whose Carrying Amounts Approximate Fair Value

Management has determined that the carrying amounts of cash and short term deposits, receivables and payables, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

33. FINANCIAL INSTRUMENTS (CONTD.)

(b) Financial Instruments whose Fair Values Have Not Been Disclosed

	Group	
	Carrying Amount RM	Fair Value RM
At 31 December 2015		
Financial liability		
Finance lease payable	57,251	57,251
At 31 December 2014		
Financial liability		
Finance lease payable	-	-

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2015 and 31 December 2014.

The Group's capital management is dependent on capital requirements of the business or investments. Management would evaluate various options taking into consideration market conditions, nature of investment and the Group's structure.

The Group is not subjected to any externally imposed capital requirement.

The Group monitor its capital by minimising external borrowing and funds its operation mainly through internally generated funds.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group's policy is to keep the gearing ratio at a manageable level. The Group includes finance lease and borrowings within debt. Capital includes equity attributable to the owners of the parent.

		Group	
	Note	2015 RM	2014 RM
Finance lease payable	17 (a)	57,251	-
Term loan	17 (b)	12,054,526	-
		12,111,777	-
Equity attributable to the owners of the parent		97,738,668	85,991,187
Gearing ratio		12%	0%

35. SEGMENT INFORMATION

For management purposes, the Group is organised into geographical segments. Management monitors the operating results of its geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

(a) Primary Reporting Segmental - Geographical Segments

The Group operates in four principal geographical areas of the world and is principally involved in sales of rotating equipment and spare parts and provision of maintenance and overhaul services.

(b) Secondary Reporting Segmental - Business Segments

As the Group is principally involved in sales of rotating equipment and spare parts and provision of maintenance and overhaul services, segment reporting by business segment is not prepared.

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Consolidation adjustments RM	Group RM
At 31 December 2015						
Revenue						
External sales	89,950	34,958,333	54,052	986,455	-	36,088,790
Inter-segment sales	-	-	1,226,686	636,396	(1,863,082)	-
Total revenue	89,950	34,958,333	1,280,738	1,622,851	(1,863,082)	36,088,790
Results						
Profit from operations	(391,655)	6,760,738	763,597	(199,390)	(191,813)	6,741,477
Share of profit of associates					2,834,721	2,834,721
Finance costs						(28,025)
Profit before taxation						9,548,173
Taxation						(1,092,118)
Profit for the financial year						8,456,055
Profit attributable to:						
Owners of the parent						8,382,607
Non-controlling interests						73,448
						8,456,055
Assets						
Segment assets	58,411,549	92,722,752	4,381,574	1,253,061	(41,963,209)	114,805,727
Unallocated assets	-	-	-	1,479	-	1,479
Total assets						114,807,206
Liabilities						
Segment liabilities	217,362	15,420,730	859,627	336,174	(948,676)	15,885,217
Unallocated liabilities	3,228	1,091,078	19,684	69,331	-	1,183,321
Total liabilities						17,068,538
Other information						
Capital expenditure	-	24,179,042	-	12,614	-	24,191,656
Depreciation of property, plant and equipment	270	210,639	252,623	65,794	-	529,326
Amortisation of land use rights	-	71,185	26,506	-	-	97,691
Other non-cash expenses	(31,073)	(950,692)	(33,606)	2,246	-	(1,013,125)

Notes to the Financial Statements
- 31 December 2015

35. SEGMENT INFORMATION (CONTD.)

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Consolidation adjustments RM	Group RM
At 31 December 2014						
Revenue						
External sales	89,001	45,271,487	774,572	1,039,210	-	47,174,270
Inter-segment sales		-	526,881	863,848	(1,390,729)	-
Total revenue	89,001	45,271,487	1,301,453	1,903,058	(1,390,729)	47,174,270
Results						
Profit from operations	(473,448)	9,142,506	811,952	353,938	9,776	9,844,7247
Share of profit of associates					6,336,019	6,336,019
Profit before taxation						16,180,743
Taxation						(1,950,711)
Profit for the financial year						14,230,032
Profit attributable to:						
Owners of the parent						14,273,697
Non-controlling interests						(43,665)
						14,230,032
Assets						
Segment assets	61,614,305	70,210,144	4,461,308	1,344,538	(43,402,471)	94,227,824
Unallocated assets	-	-	-	2,546	-	2,546
Total assets						94,230,370
Liabilities						
Segment liabilities	404,604	7,655,351	1,820,504	214,302	(4,222,131)	5,872,630
Unallocated liabilities	1,734	1,472,528	178,505	131,870	-	1,784,637
Total liabilities						7,657,267
Other information						
Capital expenditure	-	47,747	99,768	4,758	-	152,273
Depreciation of property, plant and equipment	3,371	216,378	237,199	56,050	-	512,998
Amortisation of land use rights	-	64,333	25,228	-	-	89,561
Other non-cash expenses	6,017	(404,778)	29,644	5,948	-	(363,169)

36. DIVIDENDS

	Dividend in respect of year		Dividend recognised in year	
	2015	2014	2015	2014
	RM	RM	RM	RM
Group and Company				
=				
Recognised during the financial year				
In respect of financial year ended 31 December 2013				
- 10% tax exempt final dividend (5.0 sen) on 108,000,000 ordinary shares paid on 23 June 2014	-	-	-	5,400,000
In respect of financial year ended 31 December 2014				
- 10% tax exempt final dividend (5.0 sen) on 108,000,000 ordinary shares paid on 26 June 2015	-	5,400,000	5,400,000	-
	-	5,400,000	5,400,000	5,400,000

	Group and Company	
	2015	2014
	RM	RM
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final tax exempt (single-tier) dividend for 2015: 5 sen (2014: 5 sen) per share	5,400,000	5,400,000

At the forthcoming Annual General Meeting, a final 10% tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2015, on 108,000,000 ordinary shares, amounting to a dividend payable of RM5,400,000 (5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

Notes to the Financial Statements
- 31 December 2015

37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 3 December 2014, a wholly-owned subsidiary, Turbo Mech Asia Pte Ltd ("TMA") entered into an Option to Purchase with Well Transport And General Contractors Pte Ltd ("Well Transport") for the purchase of property situated at 22 Joo Koon Circle Singapore 629054 for a purchase consideration of RM21,423,690 ("Purchase Price"). TMA has paid 5% of Purchase Price of RM1,071,185 ("Deposit") to Well Transport. Subsequent to the proposed acquisition, the Property will be used as a workshop.

On 5 January 2015, Well Transport has granted TMA an extension of condition where:

(a) in the event that TMA fails to exercise the Option to Purchase by 31 March 2015, the Deposit shall be forfeited from the option money;

(b) in the event the Option to Purchase is exercised, but the JTC Corporation's (a statutory board under the Ministry of Trade and Industry, Singapore) approval is not obtained for the purchase, then the option money, representing of 1% of the Purchase Price shall be forfeited. The balance of the Deposit, amounting to RM856,948 shall be refunded to TMA.

On 11 November 2015, TMA fully paid the remaining balance of the purchase consideration upon receiving the vacant possession of the Property from Well Transport and completed the Proposed Acquisition.

38. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR END

On 28 March 2016, the Company announced that TMA, its wholly-owned subsidiary, has entered into a Sales and Purchase Agreement ("SPA") with a Director, Gan Kok Ten for the proposed acquisition of 260,000 ordinary shares of Thai Baht ("THB") 100 each in Turbo-Mech (Thailand) Company Limited ("TMT"), representing 26% equity interest in TMT, for a total cash consideration of THB28,888,000 (or approximately RM3,297,000). Consequently, TMT shall become a subsidiary where the Company will hold an effective interest of 75%.

39. SUPPLEMENTARY INFORMATION

Breakdown of Retained Earnings Into Realised and Unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2015 and 31 December 2014 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Total retained earnings of Turbo-Mech Berhad and its subsidiaries:				
- realised	28,249,181	26,711,505	4,190,959	5,753,180
- unrealised	1,100,493	337,817	-	-
	29,349,674	27,049,322	4,190,959	5,753,180
Total share of retained earnings from associates:				
- realised	8,126,601	9,649,952	-	-
- unrealised	422,915	287,439	-	-
	8,549,516	9,937,391	-	-
	37,899,190	36,986,713	4,190,959	5,753,180
Less: Consolidation adjustments	(13,033,854)	(15,103,984)	-	-
Total retained earnings as per statements of financial position	24,865,336	21,882,729	4,190,959	5,753,180

PARTICULAR OF PROPERTIES

No	Location	Description and Existing Use	Tenure	Land Area/ Built-up	Approximate Age of Buildings (years)	Net Book Valued as at 31.12.15 (RM)
1	**Turbo-Mech Asia Pte. Ltd** 61, Ubi Crecent, Ubi Techpark Singapore 408598	4 Storey landed terrace Head Office and Warehouse	Leasehold for 60 years expiring on 4 July 2057	4,524 sq. ft/ 11,312 sq. ft	18	5,933,604
2	**Turbo-Mech Asia Pte. Ltd** 22, Joo Koon Circle, Singapore 629054	2 Storey landed Office and Factory/ Warehouse	Leasehold for 30 years expiring on 30 April 2038	39,505 sq. ft/ 24,973 sq. ft	36	26,058,833
3	**PT Turbo Mech Indonesia** Komplex CBD BSD Ruko Bidex, Blok 1-05 Jl. Pahlawan seribu BSD City, Serpong-Tangerang 15322 Indonesia	2 Storey landed Shop house	Leasehold for 25 years expiring on 1 August 2031	807 sq. ft/ 2,421 sq. ft.	9	489,536
4	**PT Turbo Mech Indonesia** Jabeka Techno Park SFB Blok A8F Jl. Techno 5, Desa Pasir Gombong Kecamatan Cikarang utara Jababeka Bekasi 17834 Indonesia	2 storey landed Workshop	Leasehold for 25 years expiring on 29 September 2027	10,167 sq ft/ 22,270 sq. ft	13	1,124,765

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2016

Authorised Share Capital	:	RM100,000,000 divided into 200,000,000 ordinary shares of RM0.50 each
Issued and Paid-up Capital	:	RM54,000,000 comprising 108,000,000 ordinary shares of RM0.50 each
Type of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2016

Holdings	No. of Holders	%	Total Holdings	%
1 - 99	7	0.96	167	0.00
100 - 1,000	90	12.36	75,235	0.07
1,001 - 10,000	387	53.16	2,133,050	1.98
10,001 - 100,000	191	26.24	6,291,324	5.82
100,001 - 5,399,999 (*)	51	7.01	43,957,250	40.70
5,400,000 and above (**)	2	0.27	55,542,974	51.43
Total	728	100.00	108,000,000	100.00

Notes:

* Less than 5% of issued shares

** 5% and above of issued shares

LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

	Direct shareholdings		Indirect shareholdings	
Names	No. of Shares	%	No. of Shares	%
Mosgan Holdings Sdn Bhd	38,651,124	35.79	21,877,206 (1)	20.26
Gan Ching Lai	2,279,574	2.11	58,248,756 (2)	53.93
Gan Kok Ten	19,497,632	18.05	41,030,698 (3)	37.99
Gan Kok Tin	100,000	0.09	60,428,330 (3)	55.95
Leong Khai Cheong	2,520,000	2.33	4,486,468 (4)	4.15
Lai Siew Yoong	4,486,468	4.15	2,520,000 (5)	2.33

Notes:

(1) Deemed interested by virtue of Gan Ching Lai's, Gan Kok Ten's and Gan Kok Tin's shareholdings in the Company pursuant to Section 6A of the Companies Act, 1965.

(2) Deemed interested by virtue of his shareholdings in Mosgan Holdings Sdn Bhd and the shareholdings of his sons pursuant to Section 6A of the Companies Act, 1965.

(3) Deemed interested by virtue of the shareholdings of his father, brother and Mosgan Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(4) Deemed interested by virtue of the shareholding of his spouse pursuant to Section 6A of the Companies Act, 1965.

(5) Deemed interested by virtue of the shareholding of her spouse pursuant to Section 6A of the Companies Act, 1965.

Anaylsis of Shareholdings
As at 31 March 2016

LIST OF DIRECTORS' SHAREHOLDINGS
AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2016

	Direct shareholdings		Indirect shareholdings	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Gan Kok Ten	19,497,632	18.05	41,030,698 (1)	37.99
Nasaruddin Bin Mohamed Ali	940,876	0.87	-	-
Dato' Ng Ah Hock @ Ng Soon Por	200,000	0.19	50,000 (2)	0.05
Omar Bin Mohamed Said	-	-	-	-
Chan Bee Eie	-	-	100,000 (3)	0.09
Tam Juat Hong	-	-	-	-
Azhar Bin Mohamad	-	-	-	-

Notes:

(1) Deemed interested by virtue of the shareholdings of his father, brother and Mosgan Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(2) Deemed interested by virtue of the shareholding of his son pursuant to Section 134(12)(c) of the Companies Act, 1965.

(3) Deemed interested in the direct shareholding of her spouse, Gan Kok Tin, a substantial shareholder of the Company pursuant to Section 134(12)(c) of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Gan Kok Ten is also deemed to have an interest in the shares of all the subsidiaries of Company to the extent the Company has an interest.

LIST OF 30 LARGEST SHAREHOLDERS
AS AT 31 MARCH 2016

No.	Names	Shareholdings	%
1	Mosgan Holdings Sdn Bhd	38,651,124	35.79
2	Gan Kok Ten	16,891,850	15.64
3	Boo Lee Kiang	4,499,454	4.17
4	Lai Siew Yoong	4,486,468	4.15
5	Lai Yew Fong	4,011,355	3.71
6	Salmiah Binti Jantan	2,827,564	2.62
7	Loo Kien Seng	2,741,020	2.54
8	Gan Kok Ten	2,605,782	2.41
9	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Leong Khai Cheong (PBCL - OG0029)	2,500,000	2.31
10	Lim Yoke Sim	2,307,200	2.14

LIST OF 30 LARGEST SHAREHOLDERS
AS AT 31 MARCH 2016

No.	Names	Shareholdings	%
11	Gan Ching Lai	2,279,574	2.11
12	Lai Siew Ngoh	1,645,302	1.52
13	Tay Hwee Leck	1,126,524	1.04
14	Leong Choong Wah	911,329	0.84
15	Ong Chiow Hock	900,000	0.83
16	Nasaruddin Bin Mohamed Ali	840,876	0.78
17	Loke Kah Kheon	773,800	0.72
18	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Sai Mun	683,900	0.63
19	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Sai Mun (E-KLC)	521,100	0.48
20	Kok Choi Wah	500,000	0.46
21	Mohd Radzuan Bin Ab Halim	497,800	0.46
22	Yap Kim Loong	443,100	0.41
23	Liew Yoon Yee	368,300	0.34
24	CitiGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Keng Hoe (005560637)	354,500	0.33
25	Siow Kim Lun @ Siow Kim Lin	350,000	0.32
26	Wong Sue Yin	322,700	0.30
27	Chee Sau Foong	314,500	0.29
28	Teh Bee Gaik	314,300	0.29
29	Chau Mooi Fei	309,800	0.29
30	Wong Siew Ting	300,002	0.28

This page is intentionally left blank.

PROXY FORM

No. of Shares Held	CDS Account No.

TURBO-MECH BERHAD

(Company No. 863263-D)
(Incorporated in Malaysia under the Companies Act, 1965)

*I/We, ______________________________ (NRIC No. /Company No.______________)
of ______________________________
being a member of **TURBO-MECH BERHAD** (Company No. 863263-D), hereby appoint______________________________
(NRIC No.______________) of ______________________________
or failing him/her, ______________________________ (NRIC No.______________)
of ______________________________
or # the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Seventh Annual General Meeting of the Company to be held at Tiara Rini Ballroom, The Royale Bintang The Curve Hotel, 6 Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 20 May 2016 at 9.30 a.m. or at any adjournment thereof and to vote as indicated below:-

NO.	RESOLUTION		*FOR	*AGAINST
1.	To approve a final single-tier dividend of 5 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2015.	Resolution 1		
2.	To re-elect Mr Gan Kok Ten as Director.	Resolution 2		
3.	To re-elect Mr Tam Juat Hong as Director.	Resolution 3		
4.	To approve the payment of Directors' fees for the financial year ended 31 December 2015.	Resolution 4		
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 5		
6.	Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965.	Resolution 6		
7.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions.	Resolution 7		

*Mark either box if you wish to direct the proxy how to vote. If you do not do so, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently, this should be specified.

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

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

 # If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "the Chairman of the Meeting" and insert the name(s) of the person(s) desired.
** Delete if not applicable*

Dated this __________ day of ______________ 2016.

____
Signature of Shareholder or Common Seal
Contact No.: ______________________

NOTES:

1. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy, failing which the appointment shall be invalid.
2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and paragraphs (a) and (b) of Section 149(1) of the Companies Act, 1965 shall not apply. There shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
4. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority shall be deposited at the Company's Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors on ***13 May 2016*** (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his behalf.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms pursuant to Personal Data Protection Act, 2010.

Please fold here

STAMP

Turbo-Mech Berhad
c/o Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Please fold here

Turbo-Mech Berhad (863263-D)
39-5, Jalan PJU 1/41, Blok D1, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel : 603-7805 5592 Fax : 603-7805 5269

www.turbomech.com.my