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

Annual Report 2016

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of TURBO-MECH BERHAD (the "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 Monday, 22 May 2017 at 1.00 p.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. ***(Note 7)***

2. To re-elect Encik Nasaruddin Bin Mohamed Ali who retires by rotation in accordance with the Articles of Association of the Company. **(Ordinary Resolution 1)**

3. To re-elect Encik Omar Bin Mohamed Said who retires by rotation in accordance with the Articles of Association of the Company. **(Ordinary Resolution 2)**

4. To approve the payment of Directors' fees for the financial year ended 31 December 2016. **(Ordinary Resolution 3)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

As Special Business

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

6. **Authority to Allot Shares pursuant to Section 76 of the Companies Act 2016**

   "THAT pursuant to Section 76 of the Companies Act 2016, 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 total number of issued shares 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 5)

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

   "THAT subject always to the Companies Act 2016, the 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 2017 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.

NOTICE OF ANNUAL GENERAL MEETING

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 Eighth 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 340(2) of the Companies Act 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act 2016); 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 6)

By Order of the Board

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

Company Secretaries

Selangor Darul Ehsan
Date: 28 April 2017

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. 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 twenty-four (24) hours before the time set for holding the meeting or at any adjournment thereof at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Any termination of a person's authority to act as a proxy shall be notified in writing and received by the Company at the Registered Office before the commencement of this Meeting.

NOTICE OF ANNUAL GENERAL MEETING

5. In respect of deposited securities, only members whose names appear on the record of Depositors on 15 May 2017 (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. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Eighth Annual General Meeting will be put to vote by way of poll.

7. To receive the Audited Financial Statements

   Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 ("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

8. **Ordinary Resolution 5 - Authority to Allot Shares pursuant to Section 76 of the Companies Act 2016**

   The Company had, during its Seventh Annual General Meeting ("AGM") held on 20 May 2016, obtained its shareholders' approval for the general mandate for issuance of shares. The Company did not issue any shares pursuant to this mandate obtained.

   Ordinary Resolution 5 proposed under item 6 of the Agenda is a renewal of the general mandate for issua of shares by the Company under Section 76 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 total number of issued shares (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 Annual General Meeting.

   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.

9. **Ordinary Resolution 6 - Proposed Shareholders' Mandate**

   For further information on Ordinary Resolution 6, please refer to the Circular to Shareholders dated 28 April 2017 accompanying the Company's Annual Report for the financial year ended 31 December 2016.

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

Azhar Bin Mohamad
Senior Independent Non-Executive Director

Tam Juat Hong
Independent Non-Executive Director

AUDIT COMMITTEE

Tam Juat Hong
Chairman

Azhar Bin Mohamad
Member

Chan Bee Eie
Member

REMUNERATION COMMITTEE

Chan Bee Eie
Chairman

Omar Bin Mohamed Said
Member

Azhar Bin Mohamad
Member

NOMINATION COMMITTEE

Azhar Bin Mohamad
Chairman

Chan Bee Eie
Member

Tam Juat Hong
Member

RISK MANAGEMENT COMMITTEE

Gan Kok Ten
Chairman

Nasaruddin Bin Mohamed Ali
Member

Omar Bin Mohamed Said
Member

Tam Juat Hong
Member

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

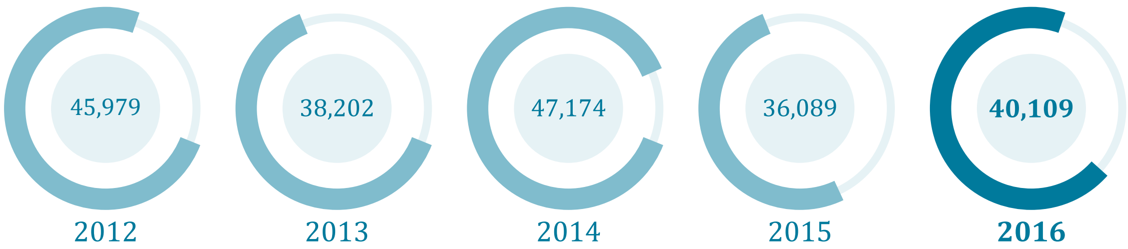
TURBO-MECH BERHAD

- 100% Turbo-Mech Asia Pte. Ltd.
  - 100% Rotodyne Phils. Inc.
  - 100% PT Turbo-Mech Indonesia
  - 50% TM-Eiflow Pte. Ltd.
  - 75% Scallop (S) Pte. Ltd.
  - 75% Turbo-Mech (Thailand) Co. Ltd.
  - 30% Rotodyne Sendirian Berhad
- 42.5% Bayu Purnama Sdn. Bhd.
  - 100% Bayu Manufacturing Sdn. Bhd.
  - 100% Bayu SME Sdn. Bhd.

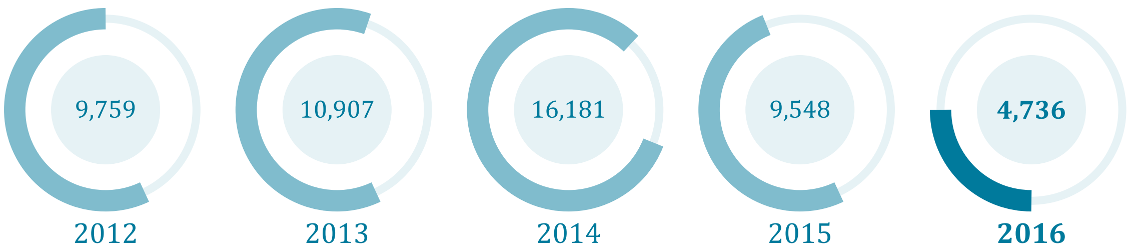
FINANCIAL HIGHLIGHTS

	FY 2016 RM	FY 2015 RM	FY 2014 RM	FY 2013 RM	FY 2012 RM
Revenue	**40,108,623**	36,088,790	47,174,270	38,201,521	45,978,605
Profit before tax	**4,735,842**	9,548,173	16,180,743	10,906,873	9,759,411
Profit for the year attributable to owners of the parent	**4,182,080**	8,382,607	14,273,697	9,821,617	8,374,007
Earnings per shares attributable to owners of the parent (sen per share)	**3.87**	7.76	13.21	9.09	7.75

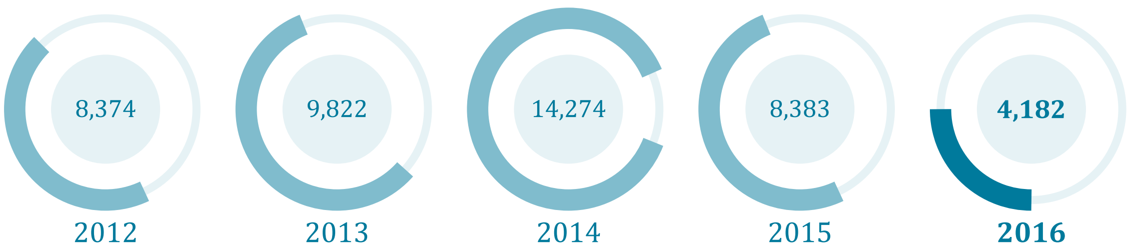
Revenue (RM Thousand)



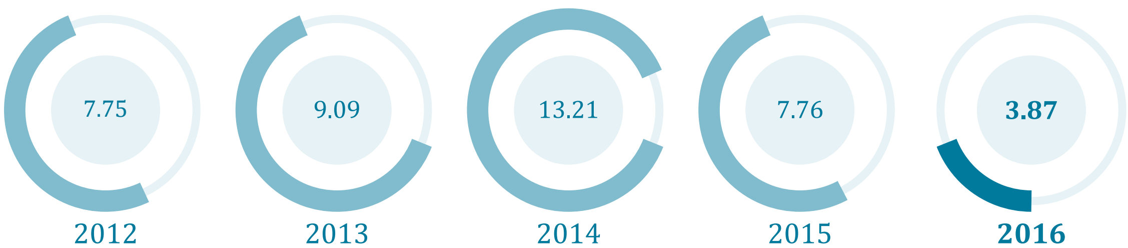
Profit before tax (RM Thousand)



Profit for the year (RM Thousand)



Earnings per shares (Sen Per Share)



MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business & Operations

Turbo-Mech Berhad is the investment holding company for a group of companies engaged 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 Malaysia and Brunei through its associated company. We have during the year acquired 26% of shares in Turbo-Mech Thailand Co Ltd ("TMT"). Upon acquisition, TMT has now become 75% owned subsidiary of Turbo-Mech Group.

Overview of Group Objectives and Strategies

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.

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.

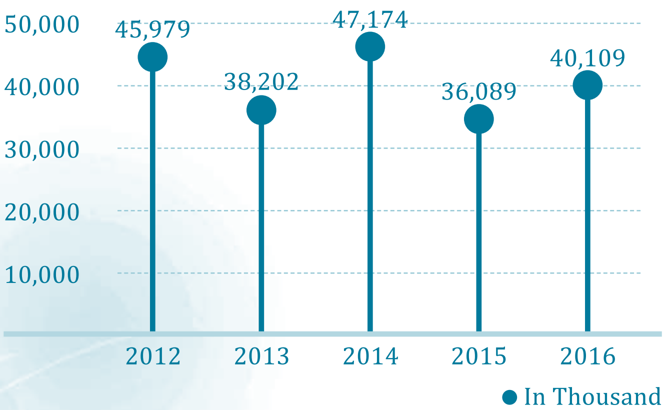
We will continue maintain a lean organisation and flexible culture in order to be responsive to the markets' requirement. Our staff turnover is low and we maintain an excellent relationship with our customers as well as our principals. We believe our close geographical proximities will be of advantage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

Review of Financial results

Revenue

In 2016, the Group recorded RM40.1 million in revenue, 11.1% improved compared to the results of RM36.09 million in 2015, primarily due to consolidation of new sales revenue from subsidiary, Turbo-Mech (Thailand) Co. Ltd. acquired during the year. Despite the improved revenue, the subsidiaries generally facing lower realised sales price and lesser sales order for rotating equipment products and services. This is in line with the downward trend of crude oil price, with Brent averaging at USD43 dollars a barrel for the year, a decrease of 17% in average crude oil price from USD52 dollars a barrel in previous year. The lower oil price has resulted in the major oil and gas players curtailing their capital expenditure and rationalising their operation including cost reduction and repeated scrutinising all their suppliers' margin. This effect was partially offset by the effect of a favourable foreign exchange rate movement against Ringgit, due to our main sales are denominated in SGD, THB and others.

Group Sales Revenue 2012-2016

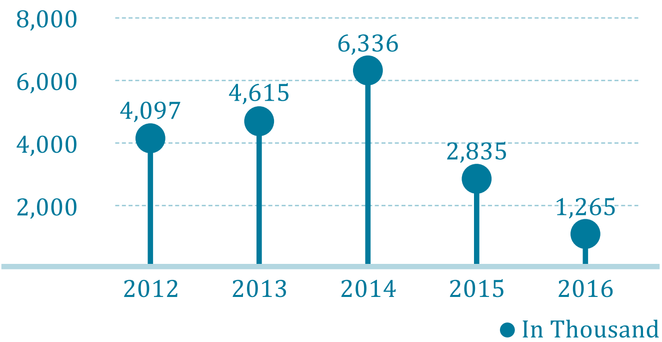


MANAGEMENT DISCUSSION AND ANALYSIS

Share of result of associates

The shares of net profit from the associated companies decrease by 55.3% to RM1.27 million from RM2.84 million in the previous year. Such drop in contribution from associates in Malaysia and Brunei was correlated with the Group hindsight of overall economy performance in South East Asia region. Bayu Purnama Sdn Bhd being the main contributor of associates result has pulled through a very difficult year in 2016 to emerge still profitable. Petronas, being the largest Oil and Gas Company in Malaysia has cost rationalisation plan and targeted to deliver target cost saving of RM1.9 billion. Such cost rationalisation plan by Petronas has adversely affected all its suppliers including our associate in Malaysia.

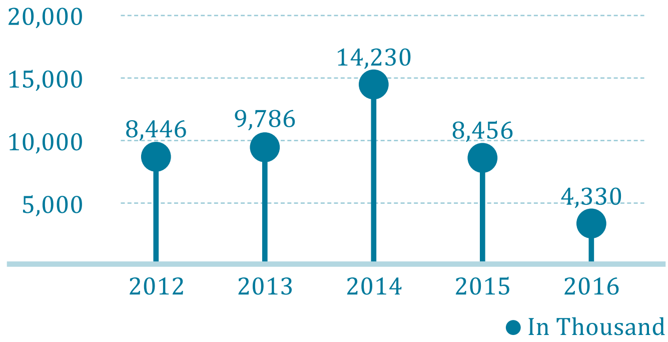
Group Share of Results of Associates 2012-2016



Profit after Tax

The Group recorded net profit after tax of RM4.33 million, which represents 10.8% net profit margin as compared with 23.4% net profit margin in previous financial year. The decrease in net profit margin was mainly due to our customers carrying out repeated reviews of quotation price in pump and parts replacement under current economy environment. Lower crude oil prices have also cascaded into lower margins for successful quotes. The decrease in margin is also partially due to increased depreciation charges, interest charges due to acquisition of our new workshop and office in Singapore.

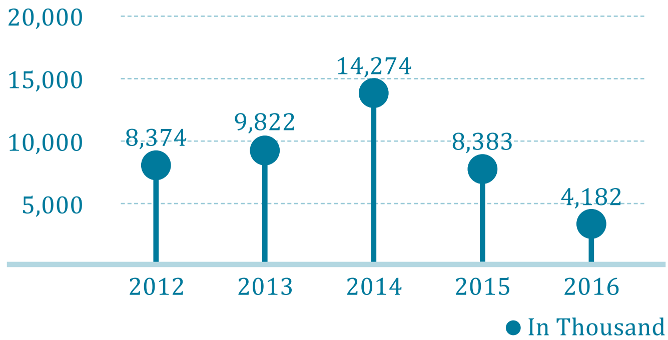
Group Profit After Tax 2012-2016



Attributable Net Profit

The Group's net profit attributable to shareholders was amounting at RM4.18 million in the financial year, as compared to the previous financial year of RM8.38 million. As a result, the Group's earnings per share stood at 3.87 sen compared to 7.76 sen for the previous financial year.

Group Profit After Tax Attributable to Shareholders 2012-2016



Financial Position

At 31 December 2016, the Group's shareholders' fund rose from RM97.7 million recorded at the end of 2015 to RM99.5 million and net assets per share increased from RM0.90 to RM0.96.

The Group continues to maintain a healthy financial position with a cash position (net of borrowings) of RM40.2 million or net cash per share of 37 sen and current ratio of more than 8 times as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operating Activities

The year has been difficult for the oil and gas industry as a whole. The capital investment in the oil and gas industry for the last decade was driven by high crude oil price and low interest rates. The capital investment has been lowered down in recent years and this has cast a pessimistic cloud over the sector. On top of that, oil prices remain depressed and hence customers are looking to achieve cost savings given their significantly reduced revenues and this continues to put us under pricing pressure. However, this has provides opportunity in service and maintenance sectors where customers opt for servicing its rotating equipment to prolong its equipment life cycle. We will continue to stay focus on maintenance and other service-related opportunities. 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. New plant acquired in Singapore in financial year 2015 will allow us to increase its capacity in providing scheduled maintenance and overhaul services for pumps, compressors, industrial cooling fans, steam turbines and other industrial equipment.

During the year, Turbo-Mech Asia Pte Ltd ("TMA"), a wholly-owned subsidiary of our Group has joint-venture with Elflow Asia BV, a private limited company established in Netherland for the purpose of work together and to pool our respective resources and expertise with the view of joining forces to undertake projects and provision or sale of the product and services throughout ASEAN with respect to air-cooled heat exchangers and product and services relating to optimization, refurbishment and repair works in oil and gas industry. We are seeking to optimize the combined strengths of each partner in respective fields. We provide the venture the necessary business connection and knowledge of local practices, whereas Elflow provides the venture its relevant expertise and technical knowhow in relation to mechanical and industrial engineering for air cooling systems. It provides excellent growth and business prospects for our Group in the foreseeable future.

We have during the year acquired 26% of shares in Turbo-Mech Thailand Co Ltd ("TMT"). Upon acquisition, TMT has now become 75% owned subsidiary of Turbo-Mech Group. The acquisition has improved the operational efficiency and effectiveness over TMT and exploited the full potential of Thai's local market in term of introducing more variant in product supplied and improves service revenue.

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, through operational excellence and prudent business decision making. Overall, the focus of the Group will remain on our few key priorities - securing the sales and realizing the cash flow, lowering capital spending, strengthening customers service and maintenance operations and divesting into new business opportunities.

Prospects

The Group envisages that the overall business conditions in year 2017 will still be challenging amidst global uncertain economic conditions and volatility of crude oil prices. The two major powerhouses in the world, US and China have influenced the world economy. Analysts and market participants are still digesting the effects of the US election but the Asia share market has already experiencing high level of uncertainty after the US election. The China has shift focus towards consumption and service-led economy which it has contributed to the lower demand of crude oil. The upstream sector in oil and gas took the first blow with an immediate reaction of CAPEX reduction. Project deferment and reprioritisation were evident across the global. Maintaining profitability has become the Group primary focus.

The Group will remain focus on the opportunities available, developing new capabilities, preserving cash and working closely with customers, employees and all stakeholders. We believe that our 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 with 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.

DIRECTORS' PROFILE

GAN KOK TEN

Malaysian ,
aged 41 , Male

- *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. Save as disclosed, 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 five Board Meetings held in the financial year ended 31 December 2016. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

NASARUDDIN BIN MOHAMED ALI

Malaysian
aged 53 , Male

- *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 five Board Meetings held in the financial year ended 31 December 2016. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

DIRECTORS' PROFILE

OMAR BIN MOHAMED SAID

Malaysian

aged 34 , Male

- *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 equipment 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 four out of five Board Meetings held in the financial year ended 31 December 2016. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penaltly by relevant regulatory bodies during the financial year.

AZHAR BIN MOHAMAD

Malaysian

aged 52 , Male

- *Senior Independent Non-Executive Director*
- *Chairman of Nomination Committee*
- *Member of Audit Committee*
- *Member of Remuneration 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 five Board Meetings held in the financial year ended 31 December 2016. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penaltly by relevant regulatory bodies during the financial year.

DIRECTORS' PROFILE

CHAN BEE EIE

Malaysian

aged 37 , Female

- *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. Save as disclosed, 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 five Board Meetings held in the financial year ended 31 December 2016. She has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

TAM JUAT HONG

Malaysian

aged 65 , Male

- *Independent Non-Executive Director*
- *Chairman 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 five Board Meetings held in the financial year ended 31 December 2016. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

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 Paragraphs 15.25 and 15.26(a) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), throughout the financial year ended 31 December 2016. 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), two (2) 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 Listing Requirements of Bursa Securities. 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 11 to 13 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.

CORPORATE GOVERNANCE STATEMENT

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 for senior management;
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 2016 are set out as follows:-

Name	Number of meetings attended
Gan Kok Ten (Executive Chairman)	5/5
Nasaruddin Bin Mohamed Ali	5/5
Omar Bin Mohamed Said	4/5
Chan Bee Eie	5/5
Tam Juat Hong	5/5
Azhar Bin Mohamad	5/5

Note: Dato' Ng Ah Hock @ Ng Soon Por resigned on 1 June 2016. He attended all three (3) meetings held during his tenure of office.

All proceedings of the Board meetings are minuted and signed by the Chairman of the meeting.

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 are entitled to seek independent professional advice, whenever necessary, at the expense of the Group after having discussed with the Chairman.

All Directors have access to the advice and services of the Company Secretary who ensure effective functioning of the Board and compliance of applicable rules and regulations. It is the Board's responsibility to retain the services of a competent Company Secretary to advise and support the Board in carrying out its roles and responsibilities. The Company Secretaries are qualified, experienced and competent on new statutory and regulatory requirements. The information of the Company Secretaries' qualification can be found in Corporate Information of the Annual Report.

The Company Secretary was present at all Board of Directors' meetings held during the financial year ended 31 December 2016.

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, experience, character, integrity and knowledge 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 forthcoming 8th AGM, Encik Nasaruddin Bin Mohamed Ali and Encik Omar Bin Mohamed Said shall retire from office and be eligible for re-election pursuant to the Articles of Association of the Company. 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 respective 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 Audit Committee Report is set out on pages 28 to 30 of the Annual Report.

b. Nomination Committee

The Nomination Committee consists of the following members:-

Name of members	Designation
Azhar bin Mohamad	Senior Independent Non-Executive Director (Chairman)
Chan Bee Eie	Non-Independent Non-Executive Director
Tam Juat Hong	Independent Non-Executive Director

The authorities, functions and responsibilities of the Nomination Committee are set out in its terms of reference, which is available on the Company's website: www.turbomech.com.my.

The main objectives of the Nomination Committee are to review, recommend and consider candidates for appointment to the Board based on skills and experience, to assess the effectiveness and continually seek ways to upgrade the effectiveness of the Board as a whole and the Committees of the Board. It also assesses the contribution of each Director, executive or independent non-executive. In evaluating candidates for directorship, the Nomination Committee will consider the following criteria:-

- Mix of skills, experience and diversity;
- Character, integrity, knowledge and expertise;
- In the case of independent directors, their abilities to discharge their responsibilities and functions. The independent directors who have served the Company for an aggregate of more than nine years will submit themselves for retention with justifications at every annual general meeting.

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.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.5 Board Committees (Cont'd)

b. Nomination Committee(Cont'd)

For the year under review, the Nomination Committee held two (2) meetings and the details of attendance are as follows:-

Name	Number of meetings attended
Azhar bin Mohamad	2/2
Chan Bee Eie	2/2
Tam Juat Hong	2/2

Note: Dato' Ng Ah Hock @ Ng Soon Por resigned on 1 June 2016. He attended one (1) meeting held during his tenure of office.

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.

c. Remuneration Committee

The Remuneration Committee consists of the following members:-

Name of members	Designation
Chan Bee Eie	Non-Independent Non-Executive Director (Chairperson)
Omar Bin Mohamed Said	Non-Independent Non-Executive Director
Azhar Bin Mohamad	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 2016 and the details of attendance are as follows:-

Name	Number of meetings attended
Chan Bee Eie	1/1
Omar Bin Mohamed Said	1/1
Azhar Bin Mohamad #	-

Notes:
 # Encik Azhar Bin Mohamad was appointed on 24 February 2017, subsequent to the financial year end.
1. Dato' Ng Ah Hock @ Ng Soon Por resigned on 1 June 2016. He attended one (1) meeting held during his tenure of office.

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

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.5 Board Committees (Cont'd)

d. Risk Management Committee

The Risk Management Committee consists of the following members:-

Name	Designation
Gan Kok Ten	Executive Chairman/Chief Financial Officer
Nasaruddin Bin Mohamed Ali	Executive Director/Chief Executive Officer
Omar Bin Mohamed Said	Non-Independent Non-Executive Director
Tam Juat Hong	Independent Non-Executive Director

The Risk Management Committee met once during the year ended 31 December 2016 and the details of attendance are as follows:-

Name	Number of meetings attended
Gan Kok Ten	1/1
Nasaruddin Bin Mohamed Ali	1/1
Omar Bin Mohamed Said	1/1
Tam Juat Hong	1/1

Note: Dato' Ng Ah Hock @ Ng Soon Por resigned on 1 June 2016. There was no meeting held during his tenure of office.

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, all 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	Predicting the Next Cycle	MIRA	28-Jun-16
	2	Future of Auditor Reporting - The Game Changer for Boardroom	Bursa Malaysia and MICPA	27-Jun-16
	3	Updates on Companies Bill 2015 & Listing Requirements of Bursa Malaysia	Boardroom	22-Aug-16
	4	CG Breakfast Series with Directors: " Anti-corruption & Integrity - Foundation of Corporate Sustainability"	Bursa Malaysia and Minda	8-Dec-16
Nasaruddin Bin Mohamed Ali	1	MFRS 15 - Revenue from Contracts with Customers	Ernst & Young	16 & 17 May 16
	2	Updates on Companies Bill 2015 & Listing Requirements of Bursa Malaysia	Boardroom	22-Aug-16
Dato Ng Ah Hock @ Ng Soon Por (resigned on 1 June 2016)	1	Fraud Risk Management workshop	Bursa Malaysia and PwC	5-Apr-16
Tam Juat Hong	1	Fraud Risk Management workshop	Bursa Malaysia and PwC	5-Apr-16
	2	Predicting the Next Cycle	MIRA	28-Jun-16
	3	MFRS 15 Revenue from contract with customer and MFRS 16 Leases workshop	MICPA	21-Jul-16
	4	Updates on Companies Bill 2015 & Listing Requirements of Bursa Malaysia	Boardroom	22-Aug-16
	5	Independence Director Programme: The Essence of Independence	Bursa Malaysia and ICLIF	29-Sep-16
	6	Directors Risk Management Programme: I am Ready to Manage Risks!	Bursa Malaysia and PwC	5-Sep-16
Omar Bin Mohamed Said	1	Updates on Companies Bill 2015 & Listing Requirements of Bursa Malaysia	Boardroom	22-Aug-16
	2	CG Breakfast Series with Directors: " Anti-corruption & Integrity - Foundation of Corporate Sustainability"	Bursa Malaysia and Minda	8-Dec-16
Chan Bee Eie	1	Updates on Companies Bill 2015 & Listing Requirements of Bursa Malaysia	Boardroom	22-Aug-16
Azhar Bin Mohamad	1	Financial services profession and customer service: Building and maintaining relationships	CHK Consultancy	19-May-16
	2	Wealth management: Private banking, investment decisions and structured financial products	CHK Consultancy	2-Jun-16
	3	Updates on Companies Bill 2015 & Listing Requirements of Bursa Malaysia	Boardroom	22-Aug-16

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.

CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS (CONT'D)

1.7 Board Charter and Code of Conduct

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 Securities.

The Board has established a Board Charter to ensure that all Board members are aware of their fiduciary duties and responsibilities, legislations and regulations affecting their conduct, the need for safeguarding the interests of the shareholders, customers and other stakeholders. The Board Charter serves as a reference point for Board activities and promotes good standards of corporate governance. The Board reviews its Board Charter periodically and updates the Board Charter in line with the changes in regulations and best practices of the Group that may impact the Board in the discharge of its responsibilities. The Board Charter was reviewed on 21 August 2015.

The Board is mindful of its role to establish a corporate culture which inculcates ethical conduct that permeates throughout the Group. Accordingly, the Board had formalised a Code of Conduct for Directors and Employees.

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

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 2016 are set out below:-

	Group			Company		
Category	**Fees (RM)**	**Salaries, bonuses and other emoluments (RM)**	**Total (RM)**	**Fees (RM)**	**Salaries, bonuses and other emoluments (RM)**	**Total (RM)**
Director of the Company						
Executive	20,000	288,194	308,194	20,000	-	20,000
Non-Executive	81,000	51,000	132,000	81,000	51,000	132,000
Total	**101,000**	**339,194**	**440,194**	**101,000**	**51,000**	**152,000**
Director of the Subsidiaries						
Executive	-	483,905	483,905	-	-	-
Non-Executive	-	-	-	-	-	-
Total	**-**	**483,905**	**483,905**	-	-	-

The number of Directors who received remuneration from the Company for the financial year ended 31 December 2016 which falls within the respective bands is as follows:-

Band	Executive Directors	Non-Executive Directors
RM0 – RM50,000	1	5
RM250,001 – RM300,000	1	-

CORPORATE GOVERNANCE STATEMENT

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.

The Board supports the use of information technology for the effective dissemination of information. The Company has established a website at www.turbomech.com.my which has served as a useful reference source of information to shareholders, business partners and other stakeholders. In addition to publishing financial results, annual reports and business information, the website has dedicated Corporate Governance sections which include the Board Charter, Terms of Reference of Board Committees and Code of Conduct.

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions in general meetings held on or after 1 July 2016 to be voted by poll. The Board will ensure compliance to such requirement in the forthcoming Annual General Meeting of the Company.

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 2016

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 2016.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2016, 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. ACCOUNTABILITY AND AUDIT (CONT'D)

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 and affirms its overall responsibility for the Group's risk management, and for reviewing the adequacy and integrity of the Group's risk management framework which encompasses all subsidiaries of the Group. 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 27.

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 2016 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 RM10,000 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 other than the joint venture agreement entered by Turbo-Mech Asia Pte Ltd, a wholly owned subsidiary of the Company with Elflow Asia BV on 20 July 2016, as disclosed in our announcement dated 20 July 2016.

CORPORATE GOVERNANCE STATEMENT

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

9. Key Senior Management

Save for the Chief Executive Officer and Chief Financial Officer, who are the Directors of the Company, there is no other key senior management.

10. Variation in Results

There was no material deviation between the results of the financial year ended 31 December 2016 as per audited financial statements and the unaudited results previously announced.

11. 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 20 May 2016 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	48,391

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% associate company of the Company.

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:-

Related Parties	Direct		Indirect	
	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. This Statement has outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operations except for associate companies.

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. The overall risk management practice of the Group involves an ongoing process designed to identify the principal risks to the achievement of the Group's policies, goals and objectives; to evaluate the nature and extent of those risks; and proactively manage these risks efficiently, effectively and economically. 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.

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.

Risk identification, evaluation and managing process

The risks are identified through a series of interviews and discussions with the key personnel and management of the Group, which is then incorporated into Risk Management Report that includes details on the nature of the risk as well as the severity and probability of an occurrence.

The risk identification process includes consideration of both internal and external environmental factors. External environmental factors include political, economic, social technological, legal and environment changes. Internal factors include changes in key personnel, introduction of new or revision of existing policies and procedures.

Next, the risks identified are evaluated by examining the potential impact on the Group if a risk were to crystallise, as well as the likelihood of occurrence. The impact is rated on a scale of 1 to 3, 1 to indicate the lowest impact and 3 to indicate the highest impact. The likelihood of a risk crystallising is rated on a scale of 1 to 3, 1 to indicate lowest probability and 3 indicate the highest probability. The risk level shall be rated low, moderate, significant or high and be determined according to the Risk Analysis Matrix.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

1. RISK MANAGEMENT SYSTEM (Cont'd)

The identified risks can be categorized into below according to their potential impact on the Group:

- Financial Risks
  These risks relate to the financial structure of the business, including transactions with third parties as well as other finance-related arrangements or issues.

- Operational Risks
  These risks concern the execution of day-to-day activities or functions of the company, which may include the risk of loss arising from the failures of the internal systems or the people who operate these functions.

- Reputational Risks
  This is a risk of loss resulting from damages to the company's reputation, lost of revenue; increased operating, capital or regulatory costs; or destruction of shareholders' value and the company's assets, consequent to an adverse or potentially criminal event even if the company is not found guilty.

- Strategic Risks
  These risks may arise from the formulation of strategy, the implementation of business decisions or potential uncertainties concerning the objectives of the Group.

All risks identified are documented in the Risk Management Report, and submitted for notation by the Board. The Risk Management Report serves as a tool for heads of departments or business units to manage key risks applicable to their areas of business activities on a continual basis.

All key risks and issues are reviewed and resolved by the Management team on regular meetings. Through these mechanisms, key risks identified in the Risk Management Report are assessed in a timely manner and control procedures or mitigating factors are re-evaluated accordingly in order to ensure that the key risks are mitigated to an acceptable level.

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. Yearly 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.

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.

- <u>Group Policies and Procedures</u>
  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.

- <u>Human Resource Policy</u>
  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.

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)

- 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 2016, an internal audit review was carried out in accordance with the risk-based internal audit plan approved by the Audit Committee. Risk- based Internal Audit methodology was adopted, which entails focusing on the inherent risk involved in the activities or system and providing assurance that the risk is being managed by the Management within the defined risk appetite level.

The results of the internal audit reviews, recommendations for improvements, and corrective measures implemented or planned were deliberated during the Audit Committee meetings. Minutes of the Audit Committee meetings that recorded the deliberations were then presented to the Board.

The total cost incurred for the internal audit function of the Group in respect of the financial year ended 31 December 2016 amounted to RM16,000.

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.

REVIEW OF STATEMENT BY EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report of the Group for the year ended 31 December 2016. Their review was performed in accordance with recommended Practice Guide (RPG) 5 (revised 2015): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants and reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

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 2017.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Turbo-Mech Berhad ("Turbo" or "the Company") is pleased to present the report on the Audit Committee for the financial year ended 31 December 2016.

1. COMPOSITION AND ATTENDANCE

The Audit Committee met five times during the financial year on 19 February 2016, 24 March 2016, 20 May 2016, 22 August 2016 and 21 November 2016. During the financial year, the Audit Committee comprises the following members:-

Members	Designation	No. of Meetings Attended
Tam Juat Hong*	Chairman, Independent Non-Executive Director	5/5
Chan Bee Eie	Non-Independent Non-Executive Director	5/5
Azhar bin Mohamad#	Independent Non-Executive Director	4/4

Note:-

* Mr Tam Juat Hong has been re-designated as Chairman of Audit Committee on 1 June 2016.
# Encik Azhar bin Mohamad was appointed as a member of Audit Committee on 19 February 2016. There were four (4) Audit Committee meetings held since his appointment as a member of Audit Committee.
i. Dato' Ng Ah Hock @ Ng Soon Por resigned on 1 June 2016. He attended all three (3) Audit Committee meetings held during his tenure of office.

The Audit Committee comprises all non-exectuive directors and majority of its members are independent directors. Mr Tam Juat Hong is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. The Audit Committee therefore meets the requirements of Paragraph 15.09(1)(b) and (c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board in fulfilling its statutory and fiduciary responsibilities of monitoring the Turbo Group's management of its financial risk processes, accounting and financial reporting practices, ensuring the efficacy of the Group's system of internal control and in maintaining oversight of both the internal and external audit functions.

A detailed terms of reference of the Audit Committee has been drawn up and approved by the Board and this is available on the Company's website: www.turbomech.com.my. The terms of reference of the Audit Committee is reviewed regularly. Any revision or amendment shall form part of terms of reference and shall be considered duly revised or amended. The terms of reference of the Audit Committee was last reviewed on 22 August 2016.

3. REVIEW OF THE PERFORMANCE OF THE AUDIT COMMITTEE

The Board through its Nomination Committee had performed an annual review and assessment of the term of office and performance of Audit Committee to assess the Audit Committee's effectiveness in carrying out its duties as set out in the terms of reference. The Board was satisfied that the Audit Committee has effectively discharged its duties in accordance with the terms of reference for the financial year under review.

4. RETIREMENT AND RESIGNATION

In the event of any vacancy in the Audit Committee resulting in the non-cpmpliance with requirements on composition of the Audit Committee and the election of an independent chairman of the Audit Committee, the vacancy must be filled within 3 months of that event.

AUDIT COMMITTEE REPORT

5. SUMMARY OF WORK DURING THE FINANCIAL YEAR

During the financial year ended 31 December 2016, the Audit Committee has met its responsibilities in discharging its duties and functions. The work undertaken by the Audit Committes which summarised broadly as follows:-

i. Internal Audit

The Group has outsourced its internal audit function to a professional internal audit services company. The primary responsibility of this internal audit function is to assist the Board and the AC in reviewing and assessing whether the management systems of internal control procedures are effective and provide recommendations to strengthen these internal control procedures so as to foster a satisfactory management control environment within the context and resources of the Group.

The Internal Auditors had organised its work in accordance with the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.

Before the commencement of the internal audit reviews, an internal audit plan was prepared and presented to the AC for approval. Upon approval by the AC, internal audit reviews were carried in accordance with the approved internal audit plan. Thereafter during the quarterly meetings following the presentation of the Internal Audit Report, the AC reviewed with the Internal Auditors, the progress and coverage of the Internal Audit Plan to ensure that the audit direction remains relevant and was in line with the AC's expectations. After considering the changes in the operating environment in the Group, the Internal Audit Plan was developed in consideration of the Group's risk profile and the Board and Management concerns.

Prior to the presentation of reports and findings to the AC, comments from the Management were obtained and incorporated into the internal audit findings and reports. The Internal Audit Report also covered the follow-up by the Management on the implementation of recommendations in their earlier reports.

The Internal Auditors had attended three (3) AC meetings during the financial year. The functional areas and operating processes reviewed by the Internal Auditors were as follows: -

- Follow-up;
- Sales & Collection function; and
- Procurement and Payment function; and

The total cost incurred during the current financial year for the internal audit function of the Group was RM16,000 (2015: RM36,500).

ii. Financial Reporting

In overseeing and discharging its responsibilities in respect of financial reporting by the Group, the AC:-

a. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for their consideration and approval. The First, Second, Third and Fourth Quarter Interim Financial Reports were tabled at the AC meetings held on 20 May 2016, 22 August 2016, 21 November 2016 and 24 February 2017 respectively. The quarterly interim financial reports were prepared in accordance with MFRS 134 and Paragraph 9.22 of the Listing Requirements;
b. Reviewed the Audit Planning Memorandum for the financial year ended 31 December 2016 which was prepared by External Auditors of the Company;
c. Reviewed the Audited Financial Statements of the Company and the External Auditors' findings and recommendations for the financial year ended 31 December 2015 at the AC meeting held on 19 February 2016. The Audited Financial Statements ("AFS") of the Company were prepared in compliance with the Malaysian Financial Reporting Standard ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 1965;
d. Conducted independent meeting session with the External Auditors without the presence of the Executive Board Members and Management of the Company on 19 February 2016 and 21 November 2016;
e. Reviewed the Budget for the financial year ended 31 December 2016 prepared by Management during its first meeting held on 19 February 2016 and ensured that the assumptions and estimates were reasonable and prudent;

AUDIT COMMITTEE REPORT

5. SUMMARY OF WORK DURING THE FINANCIAL YEAR (CONT'D)

ii. Financial Reporting (Cont'd)

f. Reviewed and revised the Budget for the year ended 31 December 2016 during its 2nd meeting held on 22 August 2016, which taking into consideration the performance of the Group up to that date;
g. Considered the performance of External Auditors, reviewed the independence of External Auditors and recommended to the Board for re-appointment;
h. To ensure the integrity of the financial information, received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company, that: -
  - Appropriate accounting policies had been adopted and applied consistently;
  - The going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
  - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
  - Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRSs and Bursa Malaysia's Listing Requirements; and
  - The Annual Consolidated Financial Statements and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.
i. Reviewed the Statement of Risk Management and Internal Control together with the Internal Auditors and External Auditors and received assurance from the CEO and CFO of the Company that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the said Statement to the Board for their approval;
j. Reviewed the terms of related party transactions and recurrent related party transactions, if any, entered into by the Group;
k. Reviewed and recommended to the Board the Audit Committee Report and Statement on Corporate Governance for approval and inclusion in the Company's Annual Report; and
l. Reviewed and recommended to the Board the revised terms of reference of the Audit Committee for approval.

iii. External Audit

Upon the re-appointment of Messrs Ernst & Young as External Auditors of the Company for the financial year, the engagement partner, Mr. Ricky Kua, attended the AC meeting of the Company held on 21 November 2016 and during their presentation on Audit Planning Memorandum for the financial year ended 31 December 2016, had declared and confirmed that they were independent and would be independent through their audit engagement.

Subsequent to the financial year ended 31 December 2016, the AC met with the External Auditors in the absence of Management on one (1) occasion during 24 February 2017. The AC had the opportunity to assess the co-operation extended by the Management to the External Auditors, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources in the Group's finance department.

There were no areas of major concerns raised by the External Auditors that warranted escalation to the Board. The External Auditors were also informed by the AC that should there be any significant incidents or matters detected in the course of their audits or reviews which warrant their knowledge or intervention, it shall be reported to the AC accordingly.

At the same time, the External Auditors had the opportunity to obtain feedback from the AC on their perspectives on the areas of major concerns, which they would like the External Auditors to look into.

The AC carried out an assessment of the performance and suitability of the External Auditors based on the quality of services, sufficiency of resources, adequate resources and trained professional staff assigned to the audit. The AC has been generally satisfied with the independence, performance and suitability of the External Auditors based on the assessment and recommended to the Board and subsequent proposed to shareholders for approval for the re-appointment of Messrs Ernst & Young as External Auditors of the Company for the financial year ending 31 December 2017.

iv. Other Significant Matters

a. The AC at its meetings held on 19 February 2016 and 24 March 2016 had reviewed the financial term, basis of valuation, rationale and the impact to the related party transaction involving in the acquisition of additional 26% shareholding in Turbo-Mech Thailand Co. Ltd ("TMT"), resulting TMT becomes 75% owned subsidiary. The AC was satisfied with the terms and had recommended to the Board for approval.
b. AC is continuing monitoring at each AC meeting on the status, progress and action to be taken in respect of the contingent liabilities of an additional tax assessment and value added tax of its subsidiary in Phillipines. This matter is being reported by the External Auditors, Messrs Ernst & Young in its report pages 37 to 39 of the Annual Report.

STATEMENT ON DIRECTORS' RESPONSIBILITY

As required under the Companies Act 2016 ("Act"), the Directors on page 36 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 2016 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 2016.

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 2017.

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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 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Corparate information is disclosed in Note 1 to the financial statements.

The principal activities and other information relating to the subsidiaries and associates are disclosed in Note 5 and Note 6 respectively to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit attributable to:		
Owners of the parent	4,182,080	1,295,916
Non-controlling interests	147,612	-
	4,329,692	1,295,916

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 2015 were as follows:

	RM
In respect of the financial year ended 31 December 2015 as reported in the Directors' report of that year:	
5 sen tax exempt final single tier dividend on 108,000,000 ordinary shares, declared on 27 April 2016 and paid on 27 June 2016.	5,400,000

The Directors do not recommend any final dividend payment for the financial year ended 31 December 2016.

DIRECTORS

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

Gan Kok Ten
Nasaruddin bin Mohamed Ali
Omar bin Mohamed Said
Chan Bee Eie
Tam Juat Hong
Azhar Bin Mohamad
Dato' Ng Ah Hock @ Ng Soon Por (Resigned on 1 June 2016)

DIRECTORS' REPORT

DIRECTORS (CONTD.)

The names of the Directors in office of the subsidiaries not including those Directors listed above since the beginning of the financial year to date of this report are:

Gan Ching Lai
Tay Hwee Leck
Arnel Lattore Pulla
Gilbert M. Untalan
Roberto J. Consunji
Agus Kusnadi
Lai Yew Fong
Pranee Yimchalam

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 25 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 30 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 2016**	**Bought**	**Sold**	**31 December 2016**
Direct Interest				
Gan Kok Ten	19,497,632	-	-	19,497,632
Nasaruddin bin Mohamed Ali	940,876	-	-	940,876
Indirect Interest				
Gan Kok Ten [1]	41,030,698	-	-	41,030,698
Chan Bee Eie [2]	100,000	-	-	100,000

[1] Deemed interested by virtue of the shareholdings of his father and Mosgan Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

[2] Deemed interested by virtue of the shareholdings of her spouse, Gan Kok Tin, pursuant to Section 59(11)(c) of the Companies Act 2016.

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.

ISSUE OF SHARES AND DEBENTURE

There were no issues of shares or debentures during the financial year.

SIGNIFICANT EVENTS

Significant events during the financial year 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 AND AUDITORS' REMUNERATION

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

Auditors' remuneration is disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2017.

Gan Kok Ten
Director

Nasaruddin bin Mohamed Ali
Director

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

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 40 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and the cash flows of the Group and of the Company for the financial year then ended.

Breakdown of Retained Earnings into Realised and Unrealised

The information set out in Note 39 to the financial statements on page 98 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 2017.

Gan Kok Ten
Director

Nasaruddin bin Mohamed Ali
Director

STATUTORY DECLARATION

Pursuant to Section 251(1)(B) of the Companies Act 2016

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 40 to 98 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 2017.

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Turbo-Mech Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 97.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

<u>Exposures from uncertain tax position</u>

The Group operates in various countries and is subject to income tax in various tax jurisdictions. One of the overseas subsidiaries received a formal assessment notice from the tax authority alleging the Company for deficiency of the filing of income tax and value added tax for the taxable year 2009, inclusive of surcharge and interest amounted to RM1,471,037. The amount is significant to the current year's statement of income. The subsidiary has filed a protest stating that the tax authority has no legal basis for this assessment and request for a re-investigation. This tax matter is in the preliminary stage and may take extended years to resolve. The eventual resolution of the tax matter could result in a material tax payable. The tax dispute with the local authority has been disclosed as contingent liabilities in the financial statements.

As part of our audit procedures, we discussed with the component auditors and tax consultant in respect to country specific tax risks to understand the tax implications. We have reviewed correspondences with the relevant tax authority and the protest letter prepared by the component tax consultant. We also enquired with management on the status of discussion and communications with the relevant tax authority. In considering the judgements by management and estimates of tax accruals, we relied on the component tax consultants' knowledge on the local legislation to understand the basis and challenge the positions taken by management. We have assessed the adequacy of the disclosures as contingent liabilities in Note 32 to the financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of Turbo-Mech Berhad

Report on the Audit of the Financial Statements (Contd.)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statement

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

To the members of Turbo-Mech Berhad

Report on the Audit of the Financial Statements (Contd.)

Auditors' Responsibilities for the Audit of the Financial Statements (Contd.)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 39 to the financial statements on page 98 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of 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 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choh Leang
No. 02716/01/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
31 March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	33,361,130	30,949,170	3,246	1,350
Land use rights	4	3,550,497	3,559,314	-	-
Investment in subsidiaries	5	-	-	44,628,995	44,628,995
Investment in associates	6	17,179,344	21,934,345	8,639,755	8,639,755
Investment in joint ventures	7	140,100	-	-	-
Other investments	8	44,694	61,441	-	-
Deferred tax assets	9	765	1,479	-	-
		54,276,530	56,505,749	53,271,996	53,270,100
CURRENT ASSETS					
Inventories	10	2,679,300	2,441,262	-	-
Trade and other receivables	11	12,612,187	6,008,644	4,545	6,770
Dividend receivables		-	4,250,000	1,860,960	4,250,000
Prepayments		138,517	11,376	-	-
Tax recoverable		214	-	214	-
Cash and bank balances	12	51,482,562	45,590,175	1,138,815	884,679
		66,912,780	58,301,457	3,004,534	5,141,449
TOTAL ASSETS		121,189,310	114,807,206	56,276,530	58,411,549
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENTS					
Share capital	13	54,000,000	54,000,000	54,000,000	54,000,000
Retained earnings	14	23,647,416	24,865,336	86,875	4,190,959
Capital reserve	14	4,763,400	4,763,400	-	-
Foreign currency translation reserve	15	17,079,244	14,109,932	-	-
		99,490,060	97,738,668	54,086,875	58,190,959
Non-controlling interests		3,697,445	-	-	-
TOTAL EQUITY		103,187,505	97,738,668	54,086,875	58,190,959
NON-CURRENT LIABILITIES					
Loans and borrowings	18	10,156,318	11,030,040	-	-
Deferred tax liabilities	9	7,906	13,202	-	-
TOTAL NON-CURRENT LIABILITIES		10,164,224	11,043,242	-	-
CURRENT LIABILITIES					
Trade and other payables	16	5,635,253	2,927,230	2,189,655	217,362
Other current liabilities	17	691,589	846,210	-	-
Loans and borrowings	18	1,142,031	1,081,737	-	-
Income tax payable		368,708	1,170,119	-	3,228
TOTAL CURRENT LIABILITIES		7,837,581	6,025,296	2,189,655	220,590
TOTAL LIABILITIES		18,001,805	17,068,538	2,189,655	220,590
TOTAL EQUITY AND LIABILITIES		121,189,310	114,807,206	56,276,530	58,411,549

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 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	20	40,108,623	36,088,790	1,860,960	4,250,000
Cost of sales	21	(25,366,053)	(22,085,301)	-	-
Gross profit		14,742,570	14,003,489	1,860,960	4,250,000
Interest income	22	403,557	222,210	24,071	41,111
Other income	23	1,528,131	2,278,229	-	100,000
Depreciation and amortisation expenses		(1,928,724)	(627,017)	(703)	(270)
Employee benefits expense	24	(6,988,912)	(5,956,316)	(260,287)	(269,616)
Other expenses		(3,943,625)	(3,179,118)	(323,167)	(274,504)
Operating profit		3,812,997	6,741,477	1,300,874	3,846,721
Finance cost	26	(327,860)	(28,025)	-	-
Share of results of associates		1,265,173	2,834,721	-	-
Share of results of joint ventures		(14,468)	-	-	-
Profit before taxation	27	4,735,842	9,548,173	1,300,874	3,846,721
Income tax expense	28	(406,150)	(1,092,118)	(4,958)	(8,942)
Profit for the financial year		4,329,692	8,456,055	1,295,916	3,837,779
Profit attributable to:					
Owners of the parent		4,182,080	8,382,607	1,295,916	3,837,779
Non-controlling interests		147,612	73,448	-	-
		4,329,692	8,456,055	1,295,916	3,837,779
Earnings per share attributable to owners of the parent (sen per share)					
Basic and Diluted	29	4	8		

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit for the financial year	4,329,692	8,456,055	1,295,916	3,837,779
Other comprehensive income to be reclassified to profit or loss in subsequent period:				
Foreign currency translation	3,125,503	8,764,874	-	-
Total comprehensive income for the financial year	7,455,195	17,220,929	1,295,916	3,837,779
Total comprehensive income for the financial year attributable to:				
Owners of the parent	7,151,392	17,147,481	1,295,916	3,837,779
Non-controlling interests	303,803	73,448	-	-
	7,455,195	17,220,929	1,295,916	3,837,779

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Distributable		Non-distributable				
	Share Capital (Note 13) RM	Retained Earnings (Note 14) RM	Capital Reserve (Note 14) RM	Foreign Currency Translation Reserve (Note 15) RM	Equity Attributable to Owners of the Parent RM	Non-controlling Interests RM	Total Equity RM
Group							
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 37)	-	(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
At 1 January 2016	54,000,000	24,865,336	4,763,400	14,109,932	97,738,668	-	97,738,668
Profit for the financial year	-	4,182,080	-	-	4,182,080	147,612	4,329,692
Other comprehensive income during the year	-	-	-	2,969,312	2,969,312	156,191	3,125,503
Total comprehensive income for the financial year	-	4,182,080	-	2,969,312	7,151,392	303,803	7,455,195
Dividends (Note 37)	-	(5,400,000)	-	-	(5,400,000)	-	(5,400,000)
Arising from the acquisition of additional shares in an associate resulting into a subsidiary (Note 5)	-	-	-	-	-	3,393,642	3,393,642
At 31 December 2016	54,000,000	23,647,416	4,763,400	17,079,244	99,490,060	3,697,445	103,187,505

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share Capital (Note 13) RM	Distributable Retained Earnings (Note 14) RM	Total Equity RM
Company			
At 1 January 201	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 37)	-	(5,400,000)	(5,400,000)
At 31 December 2015	54,000,000	4,190,959	58,190,959
Profit for the financial year	-	1,295,916	1,295,916
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	1,295,916	1,295,916
Dividends (Note 37)	-	(5,400,000)	(5,400,000)
At 31 December 2016	54,000,000	86,875	54,086,875

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	4,735,842	9,548,173	1,300,874	3,846,721
Adjustments for:				
Amortisation of land use rights	103,042	97,691	-	-
Depreciation of property, plant and equipment	1,825,682	529,326	703	270
Dividend income	-	-	(1,860,960)	(4,250,000)
Gain on disposal of property, plant and equipment	(43,865)	(31,073)	-	-
Loss/(gain) on liquidation of a subsidiary [Note 5(b)]	-	83,041	-	(100,000)
Negative goodwill [Note 5(c)]	(287,777)	-	-	-
Impairment of investment in club membership	16,759	-	-	-
Interest income	(403,557)	(222,210)	(24,071)	(41,111)
Allowance for impairment loss on trade receivables	46,693	48,199	-	-
Interest expense	327,860	28,025	-	-
Inventories written-down	74,475	81,965	-	-
Reversal of inventories written down	(47,212)	(33,656)	-	-
Share of results of associates	(1,265,173)	(2,834,721)	-	-
Share of results of joint venture	14,468	-	-	-
Unrealised gain on foreign currency translations	(327,508)	(1,112,216)	-	-
Operating profit/(loss) before changes in working capital	4,769,729	6,182,544	(583,454)	(544,120)
Changes in working capital:				
Inventories	(201,032)	(668,598)	-	-
Trade and other receivables	(6,436,468)	3,733,051	2,225	1,415,809
Prepayments	(127,141)	38,677	-	-
Trade and other payables	2,538,017	(2,768,571)	1,972,293	(20,387)
Other current liabilities	(154,621)	285,560	-	-
Cash generated from operation	388,484	6,802,663	1,391,064	851,302
Interest paid	(327,860)	(28,025)	-	-
Income taxes paid	(1,213,358)	(1,631,764)	(8,400)	(7,448)
Net cash (used in)/generated from operating activities	(1,152,734)	5,142,874	1,382,664	843,854
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	45,712	31,090	-	-
Purchase of property, plant and equipment	(3,401,637)	(24,127,051)	(2,599)	-
Proceed from liquidation of subsidiary	-	-	-	900,000
Net cash outflow on liquidation of a subsidiary [Note 5(b)]	-	(743,154)	-	-
Placement of fixed deposit with licensed bank	(660,828)	-	-	-
Placement of fixed deposits pledged with licensed banks	(378,389)	(1,525,553)	-	-
Net cash outflow from acquisition of a subsidiary [Note 5(c)]	(1,982,457)	-	-	-
Acquisition of additional interest in associate	(77,540)	-	-	-
Investment in other investment	(12)	-	-	-
Investment in joint venture	(155,080)	-	-	-
Interest income received	403,557	222,210	24,071	41,111
Dividend received from an associate	4,250,000	4,250,000	4,250,000	4,250,000
Net cash flows (used in)/generated from investing activities	(1,956,674)	(21,892,458)	4,271,472	5,191,111

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(5,400,000)	(5,400,000)	(5,400,000)	(5,400,000)
(Repayment)/drawdown of term loan	(831,933)	12,054,526	-	-
Repayment of finance lease obligations	(8,324)	(7,354)	-	-
Net cash flows (used in)/generated from financing activities	(6,240,257)	6,647,172	(5,400,000)	(5,400,000)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(9,349,665)	(10,102,412)	254,136	634,965
Effect of exchange rate changes on cash and cash equivalents	1,960,748	6,648,895	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	34,065,239	37,518,756	884,679	249,714
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 12)	26,676,322	34,065,239	1,138,815	884,679

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

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 and other information relating to the subsidiaries and associates are disclosed in Note 5 and Note 6 respectively to the financial statements.

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 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting 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 2016 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 reporting date. 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 for 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES

2.2 Summary of Significant Accounting Policies (Contd.)

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

(ii) Business Combinations (Contd.)

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 as 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 Nil (2015: Nil) as the carrying 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

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:

	2016 RM	2015 RM
Singapore Dollar	3.1016	3.0356
United States Dollar	4.4858	4.2920
Thailand Baht	0.1252	-
100 Japanese Yen	3.8441	3.5645
100 Philippines Peso	9.0514	9.1494
100 Indonesian Rupiah	0.0334	0.0311
Euro Dollars	4.7237	4.6918

(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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

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

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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(h).

(g) Other Investment

Other investment 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 other investment may be impaired in accordance with the accounting policy set out in Note 2.2(h).

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) 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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Associates and Joint Venture

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 or joint venture, 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 or joint venture's profit or loss for the period in which the investment is acquired.

An associate and joint venture are equity accounted for from the date on which the investee becomes an associate and joint venture.

Under the equity method, on initial recognition the investment in an associate or joint venture are 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 or joint venture after the date of acquisition. When the Group's share of losses in an associate or joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

(k) 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 and the only category is loan and receivables for both the financial year ended 31 December 2016 and 31 December 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) Financial Assets (Contd.)

Subsequent Measurement

The subsequent measurement of financial assets of the Group is as follows:

(i) 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.

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.

(l) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(l) Impairment of Financial Assets (Contd.)

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

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.

(m) 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.

(n) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(o) 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.

(p) 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.

(q) 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 and the only category is other financial liabilities for both the financial year ended 31 December 2016 and 31 December 2015.

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.

Subsequent Measurement

The measurement of financial liabilities of the Group is as follows:

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(q) Financial Liabilities (Contd.)

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Group's and the Company's statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(r) 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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(s) Leases (Contd.)

(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(u)(vi).

(t) 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(u) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(u) Taxes (Contd.)

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

Revenues, expenses and assets in Singapore and in Malaysia 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.

(v) Share Capital and Share Issuance Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

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) 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 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

(x) 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(y) Fair value measurement

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.

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.

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 2016, the Company adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies

Effective for financial periods beginning on or after 1 January 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)

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

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 of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and interpretations, if applicable when they become effective.

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvements to MFRSs 2014–2016 Cycle)
Amendments to MFRS 107: Disclosures Initiatives
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014–2016 Cycle)
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014–2016 Cycle)
Amendments to MFRS 140: Transfers of Investment Property
MFRS 9: Financial Instruments (IFRS issued by IASB in July 2014)
MFRS 15: Revenue from Contracts with Customers
MFRS 15: Clarification of Revenue from Contracts with Customers
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16: Leases

Effective for financial periods to be announced

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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:

MFRS 9 Financial Instruments: Classification and Measurement

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.

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, such as 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 Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 RM368,708 (2015: RM1,170,119), RM214 (2015: Nil), RM765 (2015: RM1,479) and RM7,906 (2015: RM13,202) respectively.

(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 2016 is RM33,361,130 (2015: RM30,949,170). 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 4% (2015: 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 11.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Buildings RM	Land Improvement RM	Air Conditioner RM	Furniture and Computers RM	Fittings RM	Motor Vehicles RM	Office Equipment RM	Plant, Machinery and Instruments RM	Renovation RM	Construction work in progress RM	Total RM
Group											
At 31 December 2016											
Cost											
At 1 January 2016	31,040,549	67,817	33,857	641,231	124,390	933,299	245,247	4,112,555	1,160,427	-	38,359,372
Additions	-	-	81,768	92,304	337,630	-	107,238	452,928	1,019,808	1,336,790	3,428,466
Acquisition of a subsidiary (Note 5)	-	-	-	36,137	155,992	197,538	93,511	-	-	-	483,178
Disposals	-	-	-	(345,610)	-	-	(52,033)	(143,790)	(192,256)	-	(733,689)
Exchange differences	1,019,845	(726)	3,741	9,724	23,842	31,309	13,664	151,266	(192,417)	-	1,060,248
At 31 December 2016	32,060,394	67,091	119,366	433,786	641,854	1,162,146	407,627	4,572,959	1,795,562	1,336,790	42,597,575
Accumulated Depreciation											
At 1 January 2016	1,627,811	49,733	29,830	620,247	123,810	693,517	180,308	3,142,410	942,536	-	7,410,202
Depreciation charge for the year	1,081,825	3,223	11,476	46,623	67,998	53,230	37,326	314,787	209,194	-	1,825,682
Acquisition of a subsidiary (Note 5)	-	-	-	30,110	155,984	197,537	91,942	-	-	-	475,573
Disposals	-	-	-	(345,355)	-	-	(50,453)	(143,787)	(192,247)	-	(731,842)
Exchange differences	132,179	(401)	1,167	7,207	14,282	25,782	8,764	85,825	(17,975)	-	256,830
At 31 December 2016	2,841,815	52,555	42,473	358,832	362,074	970,066	267,887	3,399,235	941,508	-	9,236,445
Net Carrying Amount	29,218,579	14,536	76,893	74,954	279,780	192,080	139,740	1,173,724	854,054	1,336,790	33,361,130

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Leasehold Buildings RM	Land Improvement RM	Air Conditioner RM	Furniture and Computers RM	Fittings RM	Motor Vehicles RM	Office Equipment RM	Plant, Machinery and Instruments RM	Renovation RM	Construction work in progress 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

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Computer RM	Office Equipment RM	Total RM
At 31 December 2016			
Cost			
At 1 January 2016	3,547	2,700	6,247
Additions	2,599	-	2,599
At 31 December 2016	6,146	2,700	8,846
Accumulated Depreciation			
At 1 January 2016	3,547	1,350	4,897
Depreciation charge for the year	433	270	703
At 31 December 2016	3,980	1,620	5,600
Net Carrying Amount	2,166	1,080	3,246
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

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM3,428,466 (2015: RM24,191,656) of which RM26,829 (2015: RM64,605) 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 2016 RM	2015 RM
Air conditioner	46,609	21,094
Computers	213,106	538,462
Furniture and fittings	252,494	114,496
Motor vehicles	715,534	401,626
Office equipment	245,480	148,019
Plant, machinery and instruments	2,242,716	2,208,973
Renovation	742,369	878,148
	4,458,308	4,310,818

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

	2016 RM	2015 RM
Office equipment	71,858	49,322

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Assets pledged as security

The Group's leasehold building with a carrying amount of RM2,591,921 (2015: RM2,598,644) is pledged to secure the Group's trade banking facilities for letter of credit and bank guarantee as further disclosed in Note 12 and Note 18(c).

The Group's leasehold building with a carrying amount of RM24,785,991 (2015: RM25,361,224) is pledged to secure the Group's term loan as further disclosed in Note 18(b).

4. LAND USE RIGHTS

	Group	
	2016	2015
	RM	RM
Cost		
At 1 January	4,806,716	4,207,990
Exchange currency translation differences	132,396	598,726
At 31 December	4,939,112	4,806,716
Accumulated Amortisation		
At 1 January	1,247,402	999,742
Amortisation for the financial year (Note 27)	103,042	97,691
Exchange currency translation differences	38,171	149,969
At 31 December	1,388,615	1,247,402
Net Carrying Amount	3,550,497	3,559,314

(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 42 years (2015: 43 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 15 years (2015: 16 years) and 11 years (2015: 12 years) respectively.

(c) Assets pledged as security

The Group's land use rights with a carrying amount of RM3,167,906 (2015: RM3,176,118) are pledged to secure the Group's trade banking facilities for letter of credit and bank guarantee as further disclosed in Note 12 and Note 18(c) respectively.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

5. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	44,628,995	44,628,995

(a) Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group 2016 (%)	Proportion of Ownership Interest held by Group 2015 (%)	Proportion of Ownership Interest held by non-controlling interests 2016 (%)	Proportion of Ownership Interest held by non-controlling interests 2015 (%)
Held by the Company:						
Turbo-Mech Asia Pte. Ltd. [1]	Singapore	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	100	100	-	-
Held through Turbo-Mech Asia Pte. Ltd.:						
Scallop (S) Pte. Ltd. [1]	Singapore	Dormant	75	75	25	25
Rotodyne Phils. Inc. [1]	Philippines	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	100	100	-	-
PT Turbo-Mech Indonesia [2][3]	Indonesia	Sales of rotating equipment and spare parts	100	100	-	-
Turbo-Mech (Thailand) Co. Ltd. [2]	Thailand	Sales of rotating equipment and spare parts	75	-	25	-

(1) Audited by member firms of Ernst & Young Global in the respective countries

(2) Audited by firms of auditors other than Ernst & Young

(3) 0.58% (2015: 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

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

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 of the Company as at the end of the year:

(i) Financial impact to the Group

	Group	
	2016 RM	2015 RM
Tax recoverable	-	14,459
Cash and bank balances	-	1,643,154
Payables	-	(19,208)
	-	1,638,405
Less: Non-controlling interest	-	(655,364)
Net asset liquidated	-	983,041
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	
	2016 RM	2015 RM
Cash distribution	-	900,000
Less: Cost of investment	-	(800,000)
Gain on liquidation of a subsidiary	-	100,000

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

(c) Acquisition of subsidiary

On 4 April 2016, Turbo-Mech Asia Pte Ltd, a wholly-owned subsidiary of the Company acquired additional 26% equity interest in Turbo-Mech (Thailand) Co. Ltd. ("TMT"). Upon the acquisition, TMT become a subsidiary of the Group. TMT, an unlisted company incorporated in Thailand, is involved in sales of rotating equipment and spare parts.

The fair values of the identifiable assets and liabilities of TMT as at the date of acquisition were:

	Fair value RM	Carrying amount RM
Plant and equipment	7,605	7,605
Trade and other receivalbes	142,346	142,346
Inventories	64,269	64,269
Fixed deposits pledged with licensed bank	1,200,188	1,200,188
Long term fixed deposits with licensed bank	11,041,899	11,041,899
Cash and cash equivalents	1,259,154	1,259,154
	13,715,461	13,715,461
Trade and other payables	(140,893)	(140,893)
Net identifiable assets	13,574,568	13,574,568

Total cost of business combination

The total cost of the business combination is as follows:

	RM
Cash paid	3,241,611

The effect of the acquisition on cash flows is as follows:

	RM
Total cost of the business combination	3,241,611
Less: Cash and cash equivalents of subsidiary acquired	(1,259,154)
Net cash outflow on acquisition	1,982,457

Negative goodwill on acquisition

	RM
Fair value of 26% acquisition in subsidiary	3,529,388
Negative goodwill (Note 23)	(287,777)
Cost of business combination	3,241,611

Impact of acquisition on statement of comprehensive income

From the date of acquisition, TMT has contributed RM590,442 to the Group's profit for the financial year. If the combination had taken place at the beginning of the financial year, the Group's profit for the financial year would increase by RM779,590 and revenue would increase by RM4,217,759.

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- 31 December 2016

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

(d) Summarised financial information of TMT 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.

(i) Summarised statement of financial position

Turbo-Mech (Thailand) Co. Ltd.	2016 RM
Non-current assets	1,281,195
Current assets	14,531,565
Total assets	15,812,760
Current liabilities	1,022,977
Non-current liabilities	-
Total liabilities	1,022,977
Net assets	14,789,783
Equity attributable to owners of the Company	11,092,338
Non controlling interests	3,697,445
	14,789,783

(ii) Summarised statement of comprehensive income

Turbo-Mech (Thailand) Co. Ltd.	2016 RM
Revenue	3,156,825
Profit for the year	590,442
Profit attributable to owners of the Company	442,830
Profit attributable to the non-controlling interests	147,612
	590,442

(iii) Summarised cash flows

Turbo-Mech (Thailand) Co. Ltd.	2016 RM
Net cash generated from operating activities	8,416
Net cash used in investing activities	(7,188)
Net cash generated from financing activities	-
Net increase in cash and cash equivalents	1,229
Cash and cash equivalents at the date of acquisition	1,259,154
Effect on exchange rate changes on cash and cash equivalents	54,349
Cash and cash equivalents at end of financial year	1,314,732

(e) There are no comparative figures as there are no subsidiary which have material non-controlling interest.

NOTES TO THE FINANCIAL STATEMENTS
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6. INVESTMENT IN ASSOCIATES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unquoted equity shares, at cost	8,765,513	13,569,254	8,639,755	8,639,755
Share of post-acquisition profits	8,413,831	8,173,717	-	-
Exchange currency translation differences	-	191,374	-	-
	17,179,344	21,934,345	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 2016 (%)	Porportion of Ownership Interest 2015 (%)	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	Equity method
Rotodyne Sendirian Berhad [(2)]	Negara Brunei Darussalam	Sales of rotating equipment and spare parts	30	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

(b) During the financial year, Turbo-Mech Asia Pte. Ltd.("TMA"), a subsidiary of the Company has acquired an additional 10% equity interest in Rotodyne Sendirian Berhad ("RSB") for a purchase consideration of RM77,540.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

6. INVESTMENT IN ASSOCIATES (CONTD.)

(c) 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.

	2016 RM	2015 RM
Non-current assets	2,220,381	2,050,203
Current assets	40,504,525	52,336,341
Total assets	42,724,906	54,386,544
Current liabilities	2,423,170	17,094,343
Net assets	40,301,736	37,292,201

(ii) Summarised statements of comprehensive income

	2016 RM	2015 RM
Revenue	29,976,396	35,215,548
Profit before tax from continuing operations	4,133,493	10,441,373
Profit for the year from continuing operations	3,009,535	7,733,073
Other comprehensive income	-	-
Total comprehensive income	3,009,535	7,733,073
Dividend received from the associate during the year	-	4,250,000

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

	2016 RM	2015 RM
Net assets at 1 January	37,292,201	39,559,128
Profit for the year	3,009,535	7,733,073
Other comprehensive income	-	-
Less: Dividend paid	-	(10,000,000)
Net assets at 31 December	40,301,736	37,292,201
Interest in associates	42.5%	42.5%
Carrying value of Group's interest in associate	17,128,238	15,849,185

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

	2016 RM	2015 RM
The Group's share of (loss)/profit before tax from continuing operations	(208,159)	(525,520)
The Group's share of loss after tax from continuing operations	(235,485)	(525,520)
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive loss	(235,485)	(525,520)

7. INVESTMENT IN JOINT VENTURE

	Group	
	2016 RM	2015 RM
Unquoted shares, at cost	155,080	-
Share of post-acquisition losses	(14,468)	-
Exchange currency translation differences	(512)	-
	140,100	-

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7. INVESTMENT IN JOINT VENTURE (CONTD.)

(a) Details of the joint venture are as follows:

Name of Joint venture	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group 2016 (%)	Proportion of Ownership Interest held by Group 2015 (%)	Proportion of Ownership Interest held by joint venture party 2016 (%)	Proportion of Ownership Interest held by joint venture party 2015 (%)
Held through Turbo-Mech Asia Pte. Ltd.:						
TM-Elflow Pte. Ltd. [1]	Singapore	Sales of air-cooled heat exchangers and products and services	50	-	50	-

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

(b) On 20 July 2016, the Turbo-Mech Asia Pte Ltd, a wholly-owned subsidiary of the Company had entered into a Joint Venture Agreement with Elflow Asia BV to establish a joint venture company, TM-Elflow Pte. Ltd. This joint venture is incorporated in the Republic of Singapore and is in the business of sales of air-cooled heat exchangers and products and services.

Summarised financial information in respect of each of the Group's joint venture is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the joint venture and not the Group's share of those amounts.

(i) Summarised statements of financial position

	2016 RM
Non-current assets	107,975
Current assets	184,353
Total assets	292,328
Current liabilities	12,091
Irredeemable, non-convertible preference shares	37
Net assets	280,200

(ii) Summarised statements of comprehensive income

	2016 RM
Revenue	66,501
Loss before tax from continuing operations	(28,936)
Loss for the year from continuing operations	(28,936)
Other comprehensive loss	-
Total comprehensive loss	(28,936)
Dividend received from the joint venture during the year	-

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

	2016 RM
Net assets at date of incorporation	310,197
Irredeemable, non-convertible preference shares	(37)
Loss for the year	(28,936)
Exchange currency translation differences	(1,024)
Less: Dividend paid	-
Net assets at 31 December	280,200
Interest in joint venture	50.0%
Carrying value of Group's interest in joint venture	140,100

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8. OTHER INVESTMENTS

	Group 2016 RM	Group 2015 RM
Club memberships, at cost	61,441	61,441
Less: Impairment of club memberships (Note 27)	(16,759)	-
Net book value of club memberships	44,682	61,441
Irredeemable, non-convertible preference shares	12	-
	44,694	61,441

The non-current investments are stated at costs, which approximate their market values.

9. DEFERRED TAX

	Group 2016 RM	Group 2015 RM
At 1 January	11,723	8,957
Recognised in the statements of income	(5,583)	1,408
Exchange currency translation differences	1,001	1,358
At 31 December	7,141	11,723

Presented after offsetting as follows:

	2016 RM	2015 RM
Deferred tax assets	(765)	(1,479)
Deferred tax liabilities	7,906	13,202
	7,141	11,723

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM
At 1 January 2015	11,503
Recognised in the statements of income	-
Exchange currency translation differences	1,699
At 31 December 2015	13,202
Recognised in the statements of income	(5,583)
Exchange currency translation differences	287
At 31 December 2016	7,906

Deferred Tax Assets of the Group:

	Other deductible temporary differences RM
At 1 January 2015	2,546
Recognised in the statements of income	(1,408)
Exchange currency translation differences	341
At 31 December 2015	1,479
Recognised in the statements of income	-
Exchange currency translation differences	(714)
At 31 December 2016	765

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10. INVENTORIES

	Group	
	2016	2015
	RM	RM
Trading goods, at cost	2,679,300	2,441,262

(a) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM25,366,053 (2015: RM22,169,530).

(b) Inventories amounting to RM74,475 (2015: RM81,965) were written off against accumulated impairments loss.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade Receivables				
Third parties	11,328,067	3,128,734	-	-
Amount due from associates	470,521	1,865	-	-
	11,798,588	3,130,599	-	-
Less: Allowance for impairment	(26,158)	(53,706)	-	-
	11,772,430	3,076,893	-	-
Other Receivables				
Amount due from a subsidiary	-	-	-	4,770
Amount due from an associate	3,239	19,698	-	-
Amount due from a joint venture	795	-	795	-
Staff advances	92,893	34,909	-	-
Refundable deposits	215,486	212,400	3,750	2,000
Interest receivables	113,028	45,095	-	-
Net GST receivables	-	1,713,924	-	-
Other receivables	414,316	905,725	-	-
	839,757	2,931,751	4,545	6,770
Total trade and other receivables	12,612,187	6,008,644	4,545	6,770
Add: Dividend receivables	-	4,250,000	1,860,960	4,250,000
Add: Cash and bank balances	51,482,562	45,590,175	1,138,815	884,679
Less: Net GST receivables	-	(1,713,924)	-	-
Total loans and receivables	64,094,749	54,134,895	3,004,320	5,141,449

(a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2015: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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11. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade Receivables (Contd.)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	4,545	2,000	4,545	6,770
Singapore Dollars	2,058,163	3,908,873	-	-
United State Dollars	3,892,617	760,700	-	-
Japanese Yen	418,717	282,649	-	-
Philippines Peso	488,760	755,861	-	-
Indonesian Rupiah	4,249,095	292,036	-	-
Thai Baht	1,500,290	-	-	-
Euro	-	6,525	-	-
	12,612,187	6,008,644	4,545	6,770

Ageing analysis of trade receivables

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

	Group	
	2016	**2015**
	RM	**RM**
Neither past due nor impaired	7,534,701	1,929,873
1 to 30 days past due not impaired	2,659,233	566,561
31 to 60 days past due not impaired	478,693	328,900
61 to 90 days past due not impaired	458,094	67,490
More than 91 days past due not impaired	641,709	184,069
	4,237,729	1,147,020
Impaired	26,158	53,706
	11,798,588	3,130,599

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% (2015: 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 RM4,237,729 (2015: RM1,147,020) 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 6 (2015: 7) debtors represent 81% (2015: 40%) of total trade receivables.

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11. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade Receivables (Contd.)

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 2016 RM	Group Individually Impaired 2015 RM
Trade receivables - nominal amounts	26,158	53,706
Less: Allowance for impairment	(26,158)	(53,706)
	-	-

Movement in allowance accounts:

	Group 2016 RM	Group 2015 RM
Movement in allowance accounts		
As at 1 January	53,706	13,709
Charge for the financial year (Note 27)	46,693	48,199
Written off	(74,427)	(13,228)
Exchange currency translation differences	186	5,026
As at 31 December	26,158	53,706

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, An Associate and A Joint Venture

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

12. CASH AND BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash at banks and in hand	11,965,612	13,181,642	1,138,815	884,679
Fixed deposits with licensed banks	39,516,950	32,408,533	-	-
Cash and bank balances	51,482,562	45,590,175	1,138,815	884,679
Less: Fixed deposits pledged with licensed bank	(13,103,513)	(11,524,936)	-	-
Less: Long term fixed deposits with licensed bank	(11,702,727)	-	-	-
Cash and cash equivalents	26,676,322	34,065,239	1,138,815	884,679

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 earns interest ranging from 0.1% to 0.85% (2015: 0.1% to 0.92%) per annum during the year.

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

The weighted average effective rates of deposits of the Group were 1.04% (2015: 0.64%) per annum.

The weighted average maturities of deposits of the Group in the current year were 240 (2015: 271) days.

Fixed deposits with licensed banks of the Group amounting to RM13,103,513 (2015: RM11,524,936) 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 18(c) respectively are secured by the above fixed deposits and leasehold building (Note 3) and land use rights (Note 4).

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	1,138,815	884,679	1,138,815	884,679
Singapore Dollars	21,928,345	28,258,920	-	-
United State Dollars	11,765,750	14,426,050	-	-
Japanese Yen	2,000,479	1,803,187	-	-
Philippines Peso	164,455	46,320	-	-
Indonesian Rupiah	111,544	40,910	-	-
Euro Dollars	63,538	88,898	-	-
Thailand Baht	14,269,450	-	-	-
Others	40,186	41,211	-	-
	51,482,562	45,590,175	1,138,815	884,679

13. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 each		Amount	
	2016	2015	2016 RM	2015 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.

14. RETAINED EARNINGS AND CAPITAL RESERVE

Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 and 31 December 2015 under the single tier system.

Capital Reserve

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

15. 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.

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- 31 December 2016

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade Payables				
Third parties	2,704,895	772,869	-	-
Other Payables				
Amount due to a subsidiary	-	-	2,019,861	-
Amount due to a joint venture	512	-	-	-
Advance from customers	261,134	259,920	-	-
Accruals	1,638,625	1,432,652	169,794	217,362
Net GST payables	84,819	17,618	-	-
Other payables	945,268	444,171	-	-
	2,930,358	2,154,361	2,189,655	217,362
Total trade and other payables	5,635,253	2,927,230	2,189,655	217,362
Add: Loans and borrowings (Note 18)	11,298,349	12,111,777	-	-
Less: Net GST payables	(84,819)	(17,618)	-	-
Total financial liabilities carried at amortised cost	16,848,783	15,021,389	2,189,655	217,362

(a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2015: 30 to 60 days) terms.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	496,142	217,362	2,189,655	217,362
Singapore Dollars	1,851,312	1,598,108	-	-
United State Dollars	1,854,815	431,050	-	-
Japanese Yen	122,266	105,667	-	-
Philippines Peso	263,953	336,174	-	-
Indonesian Rupiah	860,152	166,021	-	-
Thailand Baht	127,334	-	-	-
Euro Dollars	59,279	72,848	-	-
	5,635,253	2,927,230	2,189,655	217,362

(b) Other Payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 90 days (2015: 90 days).

(c) Amount due to A Joint Venture

The amount due to a joint venture is unsecured, non-interest bearing and are repayable on demand.

17. OTHER CURRENT LIABILITIES

	Group	
	2016 RM	2015 RM
Advance billings	691,589	846,210

NOTES TO THE FINANCIAL STATEMENTS
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18. LOANS AND BORROWINGS

	Maturity	Group 2016 RM	Group 2015 RM
Current			
Secured:			
Obligations under finance lease (Note (a))	2017	17,785	11,069
Term loan (Note (b))	2017	1,124,246	1,070,668
		1,142,031	1,081,737
Non-current			
Secured:			
Obligations under finance lease (Note (a))	2018-2021	57,971	46,182
Term loan (Note (b))	2018-2025	10,098,347	10,983,858
		10,156,318	11,030,040
Total		11,298,349	12,111,777

(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:

	2016 RM	2015 RM
Future minimum lease payments:		
On demand or within one (1) year	22,029	14,498
More than one (1) year and less than two (2) years	22,029	14,498
More than two (2) years and less than five (5) years	41,573	37,605
Total minimum future lease payments	85,631	66,601
Less: Future finance charges	(9,875)	(9,350)
Present value of finance lease liabilities	75,756	57,251
Analysis of present value of finance lease liabilities:		
On demand or within one (1) year	17,785	11,069
More than one (1) year and less than two (2) years	18,944	24,435
More than two (2) years and less than five (5) years	39,027	21,747
	75,756	57,251
Less: Amount due within 12 months	(17,785)	(11,069)
Amount due after 12 months	57,971	46,182

The finance lease bears interest at the reporting date ranging from 5.69% to 6.56% (2015: 6.56%) per annum.

(b) Term loan

	Maturity	Group 2016 RM	Group 2015 RM
Current			
Secured:			
Term loan	2017	1,124,246	1,070,668
		1,124,246	1,070,668
Non-current			
Secured:			
Term loan	2018-2025	10,098,347	10,983,858
		10,098,347	10,983,858
		11,222,593	12,054,526

NOTES TO THE FINANCIAL STATEMENTS
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18. LOANS AND BORROWINGS (CONTD.)

(b) Term loan

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

	Group 2016 RM	Group 2015 RM
On demand or within one (1) year	1,124,246	1,070,668
More than one (1) year and less than two (2) years	1,156,153	1,100,819
More than two (2) years and less than five (5) years	3,669,085	3,491,970
Five (5) years or more	5,273,109	6,391,069
	11,222,593	12,054,526

Term loan at cost of fund + 1.63% per annum
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 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 2016 RM	Group 2015 RM
Bank guarantee granted to third parties, secured	162,400	1,129,378

19. AMOUNT DUE TO CUSTOMERS FOR CONTRACT WORK

	Group 2016 RM	Group 2015 RM
Contract costs incurred to date	-	4,515,666
Attributable profits	-	402,886
	-	4,918,552
Less: Progress billings	-	(4,918,552)
Amount due to customers for contract work	-	-
Contract billings recognised as revenue	-	89,950
Contract cost recognised as expenses	-	(84,229)

20. REVENUE

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Sales of goods	35,375,851	32,615,860	-	-
Service income	4,732,772	3,382,980	-	-
Fabrication contracts	-	89,950	-	-
Dividend income from a subsidiary	-	-	1,860,960	-
Dividend income from an associate	-	-	-	4,250,000
	40,108,623	36,088,790	1,860,960	4,250,000

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21. COST OF SALES

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cost of inventories sold	25,366,053	22,169,530	-	-
Fabrication contracts cost	-	(84,229)	-	-
	25,366,053	22,085,301	-	-

22. INTEREST INCOME

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Interest income from fixed deposits with licensed banks	403,557	222,210	24,071	41,111

23. OTHER INCOME

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Net realised gain on foreign currency translations	-	211,678	-	-
Net unrealised gain on foreign currency translations	327,508	1,112,216	-	-
Rental income	614,044	752,019	-	-
Gain on disposal of property, plant and equipment	43,865	31,073	-	-
Gain on liquidation of a subsidiary (Note 5(b))	-	-	-	100,000
Negative goodwill (Note 5(c))	287,777	-	-	-
Reversal of write-down of inventories	47,212	33,656	-	-
Others	207,725	137,587	-	-
	1,528,131	2,278,229	-	100,000

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Salaries, bonuses and other emoluments	5,651,310	4,665,670	135,970	141,008
Director fees	101,000	224,301	101,000	110,000
Contributions to defined contribution plan	527,453	454,306	16,172	15,902
Other benefits	709,149	612,039	7,145	2,706
	6,988,912	5,956,316	260,287	269,616

Included in employee benefits expense of the Group and of the Company are Directors' remuneration amounting to RM924,099 (2015: RM1,011,085) and RM152,000 (2015: RM151,000) respectively.

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25. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Director of the Company				
Executive:				
Salaries and other emoluments	219,639	209,513	-	-
Fees - current year	20,000	134,301	20,000	20,000
Bonus	24,534	31,204	-	-
Defined contribution plan	44,021	29,532	-	-
Total Executive Directors' remuneration	308,194	404,550	20,000	20,000
Non-Executive:				
Fees - current year	81,000	90,000	81,000	90,000
Other emoluments	51,000	41,000	51,000	41,000
Total Non-Executive Directors' remuneration	132,000	131,000	132,000	131,000
	440,194	535,550	152,000	151,000
Director of the Subsidiaries				
Executive:				
Salaries and other emoluments	401,581	380,011	-	-
Fees	-	-	-	-
Bonus	35,260	60,162	-	-
Defined contribution plan	47,064	35,362	-	-
	483,905	475,535	-	-
Non-Executive:				
Fees	-	-	-	-
Total Directors' remuneration	924,099	1,011,085	152,000	151,000
Executive Directors' remuneration	792,099	880,085	20,000	20,000
Non-Executive Directors' remuneration	132,000	131,000	132,000	131,000

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 2016				
RM0 - RM50,000	1	5	2	5
RM250,001 – RM300,000	1	-	-	-
At 31 December 2015				
RM0 - RM50,000	2	5	3	5
RM400,001 – RM450,000	1	-	-	-

26. FINANCE COST

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest expense on obligations under finance lease	3,803	1,542	-	-
Interest expense on term loans	324,057	26,483	-	-
	327,860	28,025	-	-

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27. PROFIT BEFORE TAXATION

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration:				
- statutory audits				
- current year	278,839	241,526	65,000	57,000
- non-statutory audits	10,000	8,000	10,000	8,000
Amortisation of land use rights	103,042	97,691	-	-
Depreciation of property, plant and equipment	1,825,682	529,326	703	270
Non-Executive Directors' remuneration	132,000	131,000	132,000	131,000
Loss on liquidation of a subsidiary	-	83,041	-	-
Impairment on investment in club membership	16,759	-	-	-
Allowance for impairment loss on financial assets:				
- trade receivables	46,693	48,199	-	-
Inventories written-down	74,475	81,965	-	-
Realised loss on foreign currency translations	444,726	-	-	-
Operating lease:				
Rental on land	222,483	33,960	-	-
Rental on properties	139,004	303,173	-	-
Rental on office equipment	4,943	10,973	-	-

28. INCOME TAX EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current income tax:				
- Malaysian income tax	5,777	21,325	5,777	10,277
- Foreign income tax	406,775	1,070,720	-	-
- Over provision in respect of previous financial years	(819)	(1,335)	(819)	(1,335)
	411,733	1,090,710	4,958	8,942
Deferred tax (Note 8):				
Relating to origination and reversal of temporary differences	(5,583)	1,408	-	-
	406,150	1,092,118	4,958	8,942

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiaries of the Group was 17% (2015: 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before taxation	4,735,842	9,548,173	1,300,874	3,846,721
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	127,348	674,132	312,210	961,680
Tax at the domestic rates applicable to profit in the countries where the Group operates	382,178	1,016,683	-	-
Adjustments:				
Non-deductible expenses	335,584	274,838	140,197	136,097
Income not subject to taxation	(68,461)	(12,011)	(446,630)	(1,087,500)
Effect of partial exemption and tax relief	(137,573)	(131,232)	-	-
Share of results of associates	(234,567)	(728,957)	-	-
Share of results of joint venture	2,460	-	-	-
Over provision of income tax expense in prior financial year	(819)	(1,335)	(819)	(1,335)
Income tax expense recognised in the statements of income	406,150	1,092,118	4,958	8,942

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28. INCOME TAX EXPENSE

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	
	2016 RM	2015 RM
Foreign		
Unutilised business losses	96,326	96,326
Potential foreign deferred tax benefits at 17% (2015: 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.

29. 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	
	2016 RM	2015 RM
Profit net of tax attributable to owners of the parent used in the computation of basic and diluted earnings per share	4,182,080	8,382,607

	Number of shares	
	2016	2015
Weighted average number of ordinary shares for basic and diluted earnings per share computation	108,000,000	108,000,000

	Sen per share	
	2016	2015
Basic and diluted earnings per share for profit for the financial year (sen per share)	4	8

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.

30. 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income received from:				
- subsidiary	-	-	1,860,960	-
- associate	-	-	-	4,250,000
Sale of goods and services to:				
- associates	459,124	167,672	-	-
Purchase of goods from associate	-	25,878	-	-
Expenses reimburse from associate	(39,955)	(40,608)	-	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2016 and 31 December 2015 are disclosed in Notes 11 and 16.

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30. RELATED PARTY TRANSACTIONS (CONTD.)

(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 25.

31. COMMITMENTS

(a) Capital Commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2016 RM	2015 RM
Capital expenditure		
Approved and contracted for:		
Renovation work	123,444	956,214

(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 twenty two (22) years with no renewal option or contingent rent provision included in the contracts. There are no restrictions place 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 2016 amounted to RM469,472 (2015: RM445,797).

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	
	2016 RM	2015 RM
Not later than one (1) year	273,096	478,471
Later than one (1) year but not later than five (5) years	908,887	1,001,797
More than five (5) years	3,240,260	4,090,669
	4,422,243	5,570,937

(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	
	2016 RM	2015 RM
Not later than one (1) year	665,696	615,371
Later than one (1) year but not later than five (5) years	563,114	19,314
	1,228,810	634,685

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32. 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.

As at reporting date, no official feedback and comment from BIR on the case. The Directors believe that Rotodyne is not liable to pay any tax demanded. Accordingly, no provision for this claim has been made in the financial statements.

33. 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			
	2016		2015	
By Country:	RM	% of total	RM	% of total
Malaysia	91,522	1%	77,535	1%
Singapore	4,190,640	36%	1,399,202	12%
Philippines	804,518	7%	907,444	8%
Indonesia	4,189,145	36%	110,972	1%
Brunei	1,065,728	9%	-	0%
Thailand	1,407,773	12%	-	0%
Vietnam	-	0%	345,254	3%
Others	23,104	0%	236,486	2%
	11,772,430	100%	3,076,893	100%

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33. 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 11 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 11 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 2016	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	12,612,187	-	-	12,612,187
Cash and bank balances	51,482,562	-	-	51,482,562
Total undiscounted assets	64,094,749	-	-	64,094,749
Financial Liabilities:				
Trade and other payables	5,635,253	-	-	5,635,253
Obligations under finance leases	22,029	63,602	-	85,631
Term loans	1,424,399	5,697,596	5,576,866	12,698,861
Total undiscounted liabilities	7,081,681	5,761,198	5,576,866	18,419,745
Total net undiscounted financial assets	57,013,068	(5,761,198)	(5,576,866)	45,675,004
Company				
Financial Assets:				
Trade and other receivables	4,545	-	-	4,545
Dividend receivables	1,860,960	-	-	1,860,960
Cash and bank balances	1,138,815	-	-	1,138,815
Total undiscounted assets	3,004,320	-	-	3,004,320
Financial Liabilities:				
Trade and other payables	2,189,655	-	-	2,189,655
Total undiscounted liabilities	2,189,655	-	-	2,189,655
Total net undiscounted financial assets	814,665	-	-	814,665

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

(b) Liquidity Risk (Contd.)

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

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
Obligations under finance leases	14,498	52,103	-	66,601
Term loans	1,394,089	5,576,354	6,849,600	13,820,043
Total undiscounted liabilities	4,335,817	5,628,457	6,849,600	16,813,874
Total net undiscounted financial assets	51,513,002	(5,628,457)	(6,849,600)	39,034,945
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

(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.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit for the financial year would have been RM11,528 (2015: 917) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS
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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(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").

During the financial year, the Group's entire sales (2015: entire sales) are denominated in foreign currencies whilst the entire costs (2015: 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 12.

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 for the year to a reasonably possible change in the JPY, EURO, USD, Singapore Dollar ("SGD"), Philippines Peso ("PHP"), Indonesian Rupiah ("IDR") and Thailand Baht ("THB") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2016 RM Profit for the year	2015 RM Profit for the year
SGD/RM	- strengthened 5% (2015: 5%)	1,106,760	1,528,484
	- weakened 5% (2015: 5%)	(1,106,760)	(1,528,484)
USD/RM	- strengthened 5% (2015: 5%)	690,178	737,785
	- weakened 5% (2015: 5%)	(690,178)	(737,785)
JPY/RM	- strengthened 5% (2015: 5%)	114,847	99,008
	- weakened 5% (2015: 5%)	(114,847)	(99,008)
PHP/RM	- strengthened 5% (2015: 5%)	19,463	23,300
	- weakened 5% (2015: 5%)	(19,463)	(23,300)
IDR/RM	- strengthened 5% (2015: 5%)	175,024	8,346
	- weakened 5% (2015: 5%)	(175,024)	(8,346)
THB/RM	- strengthened 5% (2015: 5%)	782,120	-
	- weakened 5% (2015: 5%)	(782,120)	-
EURO/RM	- strengthened 5% (2015: 5%)	213	1,129
	- weakened 5% (2015: 5%)	(213)	(1,129)

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

(d) Foreign Currency Risk (Contd.)

The net unhedged financial assets and liabilities of the Group as at 31 December 2016 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 2016				
Functional Currency of the Group in Ringgit Malaysia				
Singapore Dollars	21,928,345	2,058,163	(1,851,312)	22,135,196
United State Dollars	11,765,750	3,892,617	(1,854,815)	13,803,552
Japanese Yen	2,000,479	418,717	(122,266)	2,296,930
Philippines Peso	164,455	488,760	(263,953)	389,262
Indonesian Rupiah	111,544	4,249,095	(860,152)	3,500,487
Thailand Baht	14,269,450	1,500,290	(127,334)	15,642,406
Euro Dollars	63,538	-	(59,279)	4,259
Others	40,186	-	-	40,186
	50,343,747	12,607,642	(5,139,111)	57,812,278
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
Philippines Peso	46,320	755,861	(336,174)	466,007
Indonesian Rupiah	40,910	292,036	(166,021)	166,925
Thailand Baht	-	-	-	-
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

34. 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.

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34. FINANCIAL INSTRUMENTS (CONTD.)

(a) Fair value hierarchy (cont'd)

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 2016 and 31 December 2015.

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.

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

	Group	
	Carrying amount RM	Fair value RM
At 31 December 2016		
Financial liability		
Finance lease payable	75,756	72,190
At 31 December 2015		
Financial liability		
Finance lease payable	57,251	57,251

35. 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 2016 and 31 December 2015.

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	2016 RM	2015 RM
Finance lease payable	18 (a)	75,756	57,251
Term loan	18 (b)	11,222,593	12,054,526
		11,298,349	12,111,777
Equity attributable to the owners of the parent		99,490,060	97,738,668
Gearing ratio		11%	12%

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36. 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	Thailand RM	Consolidation adjustments RM	Group RM
At 31 December 2016							
Revenue							
External sales	-	30,533,336	5,390,135	1,028,300	3,156,852	-	40,108,623
Inter-segment sales	-	2,878,212	-	-	-	(2,878,212)	-
Total revenue	-	33,411,548	5,390,135	1,028,300	3,156,852	(2,878,212)	40,108,623
Results							
Profit/(loss) from operations	(560,087)	2,090,707	1,862,609	(299,755)	661,838	57,685	3,812,997
Finance costs	-	(327,860)	-	-	-	-	(327,860)
Share of profit of associates						1,265,173	1,265,173
Share of loss of joint venture						(14,468)	(14,468)
Profit before taxation							4,735,842
Taxation							(406,150)
Profit for the financial year							4,329,692
Profit attributable to:							
Owners of the parent							4,182,080
Non-controlling interests							147,612
							4,329,692
Assets							
Segment assets	56,276,316	92,736,416	7,433,989	878,646	15,822,999	(51,960,035)	121,188,331
Unallocated assets	214	-	-	765	-	-	979
Total assets							121,189,310
Liabilities							
Segment liabilities	2,198,869	14,883,210	1,693,736	371,127	969,281	(2,482,031)	17,634,192
Unallocated liabilities	-	283,196	29,481	-	63,936	-	376,613
Total liabilities							18,010,805
Other information							
Capital expenditure	2,599	3,421,283	-	-	4,584	-	3,428,466
Depreciation of property, plant and equipment	703	1,506,560	268,562	45,336	4,521	-	1,825,682
Amortisation of land use rights	-	74,625	28,417	-	-	-	103,042
Other non-cash expenses	13,395	(497,336)	(111,211)	26,243	474	-	(568,435)

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36. SEGMENT INFORMATION (CONTD.)

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Thailand RM	Consolidation adjustments RM	Group RM
At 31 December 2015							
Revenue							
External sales	89,950	33,095,251	1,280,738	1,622,851	-	-	36,088,790
Inter-segment sales	-	1,863,082	-	-	-	(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
Finance costs	-	(28,025)	-	-	-	-	(28,025)
Share of profit of associates						2,834,721	2,834,721
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	83,041	(1,015,421)	(33,606)	2,246	-	-	(963,740)

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37. DIVIDENDS

	Dividend in respect of year		Dividend recognised in year	
	2016 RM	2015 RM	2016 RM	2015 RM
Group and Company				
Recognised during the financial year				
In respect of financial year ended 31 December 2014 - 10% tax exempt final single tier dividend (5.0 sen) on 108,000,000 ordinary shares paid on 26 June 2015	-	-	-	5,400,000
In respect of financial year ended 31 December 2015 - 10% tax exempt final single tier dividend (5.0 sen) on 108,000,000 ordinary shares paid on 27 June 2016	-	5,400,000	5,400,000	-
	-	5,400,000	5,400,000	5,400,000

	Group and Company	
	2016 RM	2015 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 per share	-	5,400,000

38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

(a) Acquisition of 26% Equity Interest in Turbo-Mech (Thailand) Company Limited

On 28 March 2016, the Company announced that Turbo-Mech Asia Pte Ltd, 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 RM3,241,611). Consequently, TMT has become a subsidiary where the Company will hold an effective interest of 75%.

(b) Joint Venture Agreement between Turbo-Mech Asia Pte Ltd and Elflow Asia BV

On 20 July 2016, the Turbo-Mech Asia Pte Ltd, a wholly-owned subsidiary of the Company had entered into a Joint Venture Agreement with Elflow Asia BV to establish a joint venture company, TM-Elflow Pte. Ltd. This joint venture is incorporated in the Republic of Singapore and is in the business of sales of air-cooled heat exchangers and products and services.

(c) Acquisition of 10% Equity Interest in Rotodyne Sendirian Berhad

During the financial year, a subsidiary of the Group has acquired an additional 10% equity interest in Rotodyne Sendirian Berhad ("RSB") comprising 10,000 unit share for a purchase consideration of RM77,540. As a result of this acquisition, the Group subsequently hold a 30% equity interest in RSB.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2016

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 2016 and 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of Turbo-Mech Berhad and its subsidiaries:				
- realised	28,685,776	28,401,557	86,875	4,190,959
- unrealised	320,367	1,100,493	-	-
	29,006,143	29,502,050	86,875	4,190,959
Total share of retained earnings from associates:				
- realised	8,282,377	7,750,802	-	-
- unrealised	131,454	422,915	-	-
	8,413,831	8,173,717	-	-
	37,419,974	37,675,767	86,875	4,190,959
Less: Consolidation adjustments	(13,772,558)	(12,810,431)	-	-
Total retained earnings as per statements of financial position	23,647,416	24,865,336	86,875	4,190,959

PARTICULAR OF PROPERTIES

As at 31 December 2016

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	19	5,775,722
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	37	24,980,165
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.	10	481,465
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	14	1,081,639

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2017

Total Number of Issued Shares	:	108,000,000
Type of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

Holdings	No. of Holders	%	Total Holdings	%
1 - 99	8	1.12	167	0.00
100 - 1,000	89	12.50	74,435	0.07
1,001 - 10,000	370	51.97	2,031,950	1.88
10,001 - 100,000	190	26.69	6,224,124	5.76
100,001 - 5,399,999 (*)	53	7.44	44,126,350	40.86
5,400,000 and above (**)	2	0.28	55,542,974	51.43
Total	712	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 2017

	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	3,020,000	2.80	3,986,468 (4)	3.69
Lai Siew Yoong	3,986,468	3.69	3,020,000 (5)	2.80

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 8(4) of the Companies Act 2016.

(2) Deemed interested by virtue of his shareholdings in Mosgan Holdings Sdn Bhd and the shareholdings of his sons pursuant to Section 8(4) of the Companies Act 2016.

(3) Deemed interested by virtue of the shareholdings of his father, brother and Mosgan Holdings Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

(4) Deemed interested by virtue of the shareholding of his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

(5) Deemed interested by virtue of the shareholding of her spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2017

LIST OF DIRECTORS' SHAREHOLDINGS

AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

Names	Direct shareholdings		Indirect shareholdings	
	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	-	-
Omar Bin Mohamed Said	-	-	-	-
Chan Bee Eie	-	-	100,000 [2]	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 8(4) of the Companies Act 2016.

[2] Deemed interested in the direct shareholding of her spouse, Gan Kok Tin, a substantial shareholder of the pursuant to Section 59(11)(c) of the Companies Act 2016.

LIST OF 30 LARGEST SHAREHOLDERS

AS AT 31 MARCH 2017

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 Yew Fong	4,011,355	3.71
5	Lai Siew Yoong	3,986,468	3.69
6	Salmiah Binti Jantan	2,827,564	2.62
7	Loo Kien Seng	2,721,020	2.52
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
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

ANALYSIS OF SHAREHOLDINGS
As At 31 March 2017

LIST OF 30 LARGEST SHAREHOLDERS (CONT'D)
AS AT 31 MARCH 2017

No.	Names	Shareholdings	%
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	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Leong Khai Cheong (PB)	500,000	0.46
21	Kok Choi Wah	500,000	0.46
22	Mohd Radzuan Bin Ab Halim	497,800	0.46
23	Yap Kim Loong	443,100	0.41
24	Liew Yoon Yee	380,300	0.35
25	Teh Bee Gaik	374,300	0.35
26	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Keng Hoe (005560637)	354,500	0.33
27	Siow Kim Lun @ Siow Kim Lin	350,000	0.32
28	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chang Joon	322,700	0.30
29	Chee Sau Foong	310,000	0.29
30	Liew Yoon Yee	304,900	0.28

PROXY FORM

TURBO-MECH BERHAD

(Company No. 863263-D)
(Incorporated in Malaysia)

No. of Shares Held	CDS Account No.

*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 Eighth 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 Monday, 22 May 2017 at 1.00 p.m. or at any adjournment thereof and to vote as indicated below:-

NO.	RESOLUTION		*FOR	*AGAINST
1.	To re-elect Encik Nasaruddin Bin Mohamed Ali as Director.	Resolution 1		
2.	To re-elect Encik Omar Bin Mohamed Said as Director.	Resolution 2		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2016.	Resolution 3		
4.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 4		
5.	Authority to Allot Shares pursuant to Section 76 of the Companies Act 2016.	Resolution 5		
6.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions.	Resolution 6		

*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 ______________ 2017.

____
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. 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 twenty-four (24) hours before the time set for holding the meeting or at adjournment thereof at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Any termination of a person's authority to act as a proxy shall be notified in writing and received by the Company at the Registered Office before the commencement of this Meeting.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 15 May 2017 (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.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Eighth Annual General Meeting will be put to vote by way of poll.

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.

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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)
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