TURBO-MECH BERHAD

(Company No. 863263-D)

2017 ANNUAL REPORT

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninth 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, 21 May 2018 at 9:00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. **(Note 7)**

2. To approve a final single-tier dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2017. **(Ordinary Resolution 1)**

3. To re-elect Ms Chan Bee Eie who retires by rotation in accordance with the Articles of Association of the Company. **(Ordinary Resolution 2)**

4. To re-elect Encik Azhar Bin Mohamad who retires by rotation in accordance with the Articles of Association of the Company. **(Ordinary Resolution 3)**

5. To approve the payment of Directors' fees and benefits payable to Directors totalling RM127,000/- for the financial year ended 31 December 2017. **(Ordinary Resolution 4)**

6. To approve the Directors' fees and benefits payable of up to RM160,000/- to Directors for the financial year ending 31 December 2018 and up to the date of the next Annual General Meeting, to be paid monthly in arrears. **(Ordinary Resolution 5)**

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

As Special Business

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

8. **Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

   "THAT pursuant to Sections 75 and 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 7)**

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of 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 20 April 2018 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 Renewal of Shareholders' Mandate during the financial year on the type of Recurrent Transactions made, the names of the related parties involved in each type of Recurrent Transactions and their relationships with the Company.

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

a. the conclusion of the next Annual General Meeting of the Company following the Ninth Annual General Meeting of the Company at which the Proposed Renewal of 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 Proposed Renewal of Shareholders' Mandate, as the Directors of the Company, in their absolute discretion, shall deem fit." **(Ordinary Resolution 8)**

10. **Proposed Adoption of New Constitution of the Company**

"THAT the proposed adoption of a new Constitution of the Company, details as set out in Part B of the Circular to Shareholders dated 20 April 2018, be and is hereby approved in substitution for and to the exclusion of the whole of the existing Memorandum and Articles of Association of the Company thereof." **(Special Resolution)**

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final single-tier dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2017, if approved, will be paid on 27 June 2018. The entitlement date for the payment is 6 June 2018.

A depositor shall qualify for entitlement only in respect of:-

a. Shares transferred into the Depositor's Securities Accounts before 4.00 p.m. on 6 June 2018 in respect of transfer; and

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

By Order of the Board

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

Company Secretaries

Selangor Darul Ehsan
Date: 20 April 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES:-

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

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

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

4. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority shall be deposited at the Company's Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time 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.

5. In respect of deposited securities, only members whose names appear on the record of Depositors on 11 May 2018 (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 Ninth 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 7 - Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

   The Company had, during its Eighth Annual General Meeting ("AGM") held on 22 May 2017, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 76 of the Companies Act 2016 ("the Act"). The Company did not issue any shares pursuant to this mandate obtained.

   Ordinary Resolution 7 proposed under item 8 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 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 8 - Proposed Renewal of Shareholders' Mandate**

   For further information on Ordinary Resolution 8, please refer to the Circular to Shareholders dated 20 April 2018 accompanying the Company's Annual Report for the financial year ended 31 December 2017.

10. **Special Resolution – Proposed Adoption of New Constitution of the Company**

    The proposed Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016 which came into force on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and provide greater clarity and consistency throughout.

    Details of which as set out in the Part B of the Circular to Shareholders dated 20 April 2018.

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
Chairperson

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

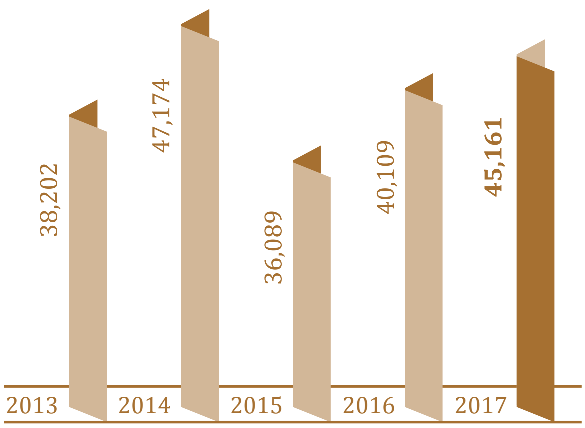
TURBO-MECH BERHAD

- 100% Turbo-Mech Asia Pte. Ltd.
  - 100% Rotodyne Phils. Inc.
  - 100% PT Turbo-Mech Indonesia
  - 50% TM-Elflow Pte. Ltd.
  - 75% Scallop (S) Pte. Ltd.
  - 99.8% 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.

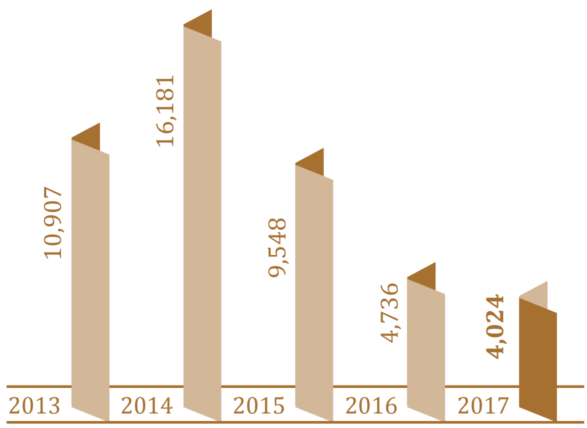
FINANCIAL HIGHLIGHTS

	FY 2017 **RM**	FY 2016 RM	FY 2015 RM	FY 2014 RM	FY 2013 RM
Revenue	**45,160,549**	40,108,623	36,088,790	47,174,270	38,201,521
Profit before tax	**4,023,972**	4,735,842	9,548,173	16,180,743	10,906,873
Profit for the year attributable to owners of the parent	**3,095,829**	4,182,080	8,382,607	14,273,697	9,821,617
Earnings per shares attributable to owners of the parent (sen per share)	**2.87**	3.87	7.76	13.21	9.09

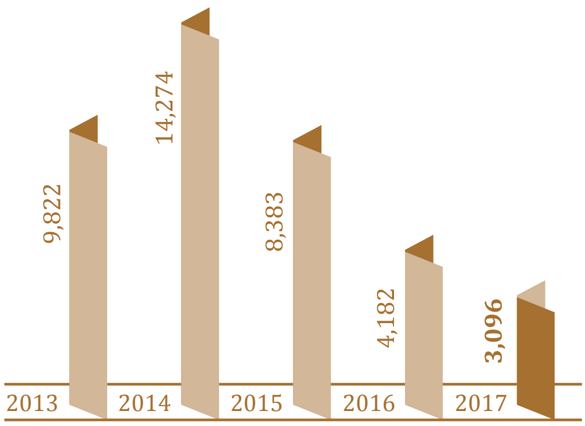
Revenue
(RM Thousand)



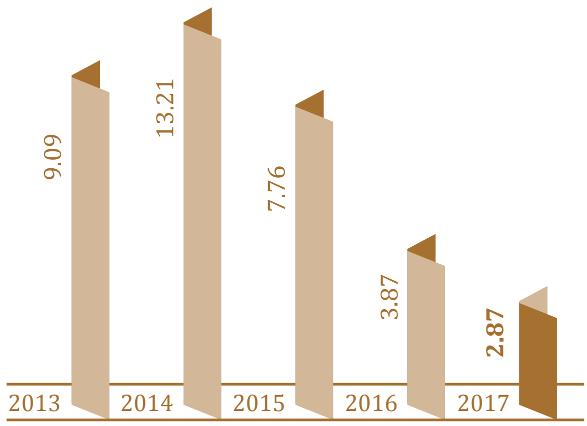
Profit before tax
(RM Thousand)



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, Indonesia, Philippines, Thailand 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.

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

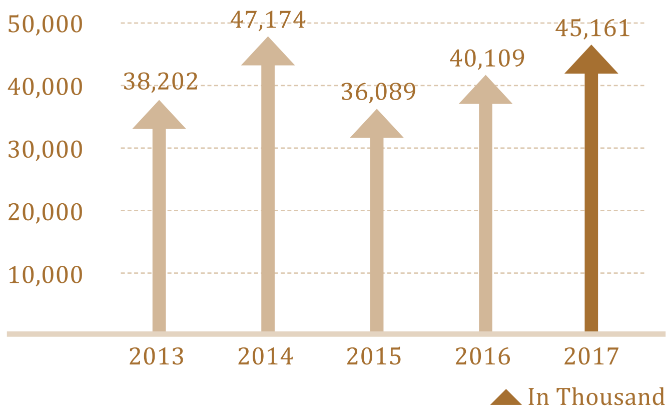
Revenue

In 2017, the Group recorded RM45.2 million in revenue, 12.7% improved compared to the results of RM40.1 million in 2016.

Oil and gas industry remain volatile, the pricing environment continued to deteriorate in 2017 in this market. Customers have cut their capital expenditures and operating costs, leading to significant overcapacity in the industry. This tends to make companies more aggressive in terms of pricing. Nevertheless, we have remained resilient in such complex market environment and able to improve our revenue compared with prior year. It is also a result of collaborative effort from management and marketing personnel in striving to achieve better.

As a supplier to the oil and gas industry, we are close to the end of the value chain. When international or national oil companies start investing again, this trend usually transforms into orders to us six to eight months later. This means that the commercial rebound for our products and services will occur only if the supply and demand of petrol can be rebalance for a sustainable period. Like many market participants, our subsidiaries generally continue to face lower realised sales price and lesser sales order for rotating equipment products and services. Our improved sales performance are bound to good strategy in expanding our sales in maintenance services and lowered realised margin in trading sales during the year.

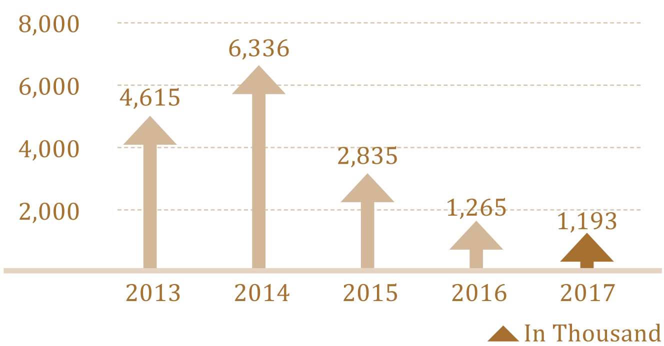
Group Sales Revenue 2013-2017



Share of result of associates

The shares of net profit from the associated companies decrease by 6.3% to RM1.19 million from RM1.27 million in the previous year. Such drop in contribution from associates in Malaysia and Brunei was inevitable as the volatilities in oil and gas market in South East Asia region is persisted. Bayu Purnama Sdn Bhd being the main contributor of associates result has pulled through a very difficult year in 2017 to emerge still profitable. Petronas, being the largest Oil and Gas Company in Malaysia has experienced continued volatility, and in response to the deteriorating market environment as a result of price downcycle, Petronas has introduced a series of sequential steps to face the difficult periods. These included a reduction in capital investments from 2016 to 2019, which has adversely affected all its suppliers including our associate in Malaysia in 2017.

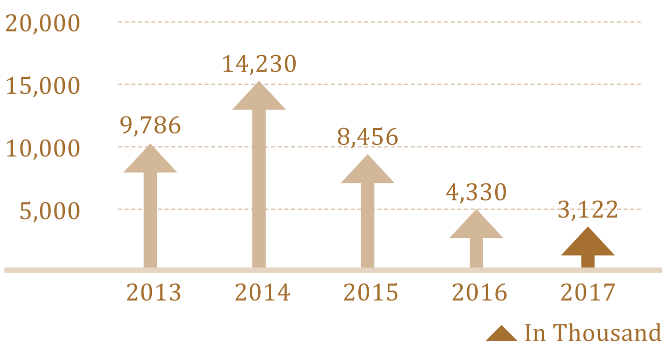
Group Share of Results of Associates 2013-2017



Profit after Tax

The Group has pulled through a very difficult year in 2017 to emerge still profitable and has recorded net profit after tax of RM3.12 million, which represents 6.9% net profit margin as compared with 10.8% 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, unrealised losses in foreign exchanges and generally increases in other operating expenses.

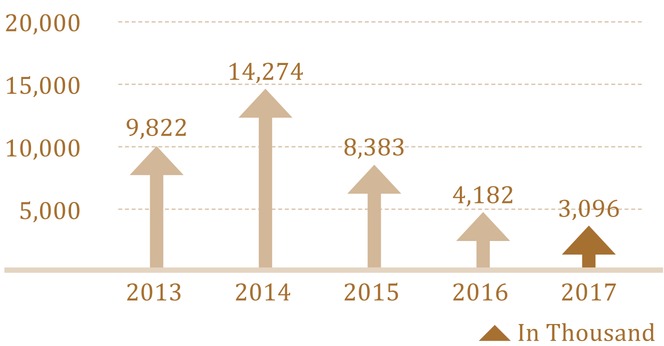
Group Profit After Tax 2013-2017



Attributable Net Profit

The Group's net profit attributable to shareholders was amounting at RM3.10 million in the financial year, as compared to the previous financial year of RM4.18 million. As a result, the Group's earnings per share stood at 2.87 sen compared to 3.87 sen for the previous financial year.

Group Profit After Tax Attributable to Shareholders 2013-2017



Financial Position

At 31 December 2017, the Group's shareholders' fund rose from RM99.5 million recorded at the end of 2016 to RM100.5 million and net assets per share increased from RM0.96 to RM0.97.

The Group continues to maintain a healthy financial position with a cash position of RM40 million or net cash per share of 37 sen and current ratio of more than 9 times as at 31 December 2017.

The Group has during the year repaid in full on the outstanding bank loan of approximately RM10.7 million. This is to curb the deteriorating market environment by minimising interest expenses and manage our group cash flow in a more efficient way.

While our core net income per share was down, we demonstrated our strong cash generation ability despite considerable market volatilities. The Board of Directors is therefore pleased to propose an ordinary dividend of 1 sen per ordinary share at the Annual General Meeting on 21 May 2018.

REVIEW OF OPERATING ACTIVITIES

In December 2016, OPEC decided to cut its oil output and triggered a number of non-OPEC nations to follow this decision. And this followed by OPEC decided to extend the production cut to March 2018, and further extend the output to end of 2018. This prospect strengthened the rebound of oil prices over USD50, a good development for our industry. But we have remained cautious as the oil production is still surpassing demand and we have not seen an impact on our commercial pipeline. The commercial rebound we are expecting is not just a question of absolute oil prices; it also hinges on the confidence of oil companies in a sustainable recovery of the market. 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 prolonged volatile in oil prices in recent years has damaged the confidence in oil companies.

Oil companies' capital investment has been lowered down in recent years and this has cast a pessimistic cloud over the sector. Customers are now 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. Customers are looking for service providers who possess the tool, equipment, and expertise to make sure their machine is running reliably and efficiently at optimised costs. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Our performance in 2017 was commendable and we must keep the momentum going.

On corporate exercise area, we have acquired 24.8% of shares in Turbo-Mech Thailand Co Ltd ("TMT") on 1 Jan 2018. Upon acquisition, TMT has now become 99.8% owned subsidiary of Turbo-Mech Group. As the businesses of TMT are likely to project further growth in the near future, it was timely to make the acquisition of the remaining 24.8% equity interest. We would then be able to consolidate 99.8% of the results of TMT and fully capitalise on their growth potential.

PROSPECTS

The Group envisages that the oil and gas market will remain challenging in 2018 despite OPEC and its allies outside the group agreed to maintain oil production cuts until the end of 2018. The agreement does not include U.S. shale oil producers, and there are concerns that rising oil prices, largely due to the oil output cut, has allowed U.S. producers to come back online. Any volatility in oil price will not help the industry as all these uncertainties will halt our customers' confidence in capital investment. As long as our customers remain low capital investment in the industry, we will continue to face pricing pressure. However, we maintain focus our businesses to services and we are optimistic the sales performances contributing from maintenance related services will improve progressively. We believe such improvement will drive the Group to achieve greater in 2018.

The Group will continue to 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 42 | Male

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

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

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

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

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

He is the brother-in-law of Chan Bee Eie, a Non-Independent Non-Executive Director of the Company. He is a major shareholder of the Company. Save as disclosed, he does not have any other family relationships with any other director and/or major shareholder of the Company. He attended all the four Board Meetings held during the financial year ended 31 December 2017.

NASARUDDIN BIN MOHAMED ALI

Malaysian | aged 54 | 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 family relationships with any director and/or major shareholder of the Company. He attended all the four Board Meetings held during the financial year ended 31 December 2017.

DIRECTORS' PROFILE

OMAR BIN MOHAMED SAID

Malaysian |aged 35 | 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 family relationships with any director and/or major shareholder of the Company. He attended all the four Board Meetings held during the financial year ended 31 December 2017.

AZHAR BIN MOHAMAD

Malaysian |aged 53 | 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 family relationships with any director and/or major shareholder of the Company. He attended all the four Board Meetings held during the financial year ended 31 December 2017.

CHAN BEE EIE

Malaysian | aged 38 | 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, Chief Financial Officer and major shareholder of the Company. Save as disclosed, she does not have any other family relationships with any other director and/or major shareholder of the Company. She attended all the four Board Meetings held during the financial year ended 31 December 2017.

TAM JUAT HONG

Malaysian | aged 66 | 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 family relationships with any director and/or major shareholder of the e Company. He attended all the four Board Meetings held during the financial year ended 31 December 2017.

OTHER INFORMATION

a. Conflict of Interest
The Company has entered into recurrent related party transactions with parties in which the director of the Company, namely Omar Bin Mohamed Said, has indirect interest.

b. Conviction of Offences
None of the Directors have any conviction for offences within the past 5 years (other than traffic offence, if any) and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

SUSTAINABILITY STATEMENT

1. SCOPE AND BOUNDARY

As one of the leading engineering and trading company specialising in rotating equipment for the oil and gas and petrochemical industries, we firmly believe in engaging the principles of sustainable development in our business operations and throughout our value chain.

We have embarked on this journey to implement strategic sustainability initiatives to further the Group's positive impact on the local economy, environment and community and to assure our stakeholders, i.e. investors, clients, regulators, management and employees.

In line with the Practice 9: Risk Management and internal Control, Corporate Governance and Sustainability Statement of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad issued on October 2015, we are pleased to present our inaugural sustainability statement which addresses our operations in Singapore and Malaysia.

Moving forward, we aim to work towards developing a sustainable business model while continuing to maintain a lean organisation and flexible culture in order to be responsive to the markets' requirements.

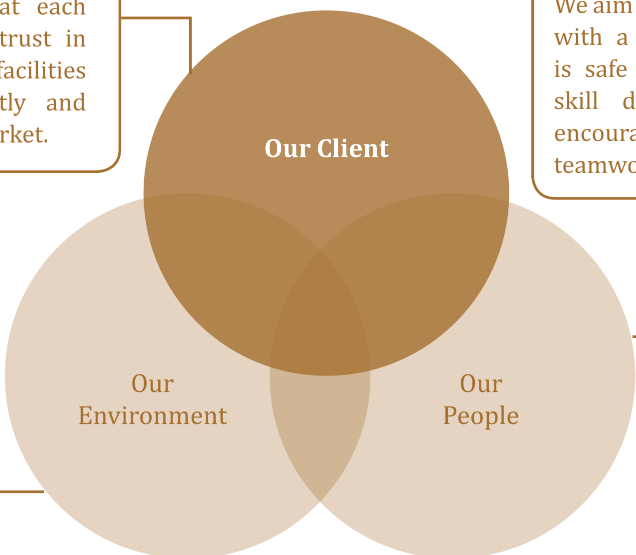
2. SUSTAINABILITY STRATEGY AND ROAD MAP

In building towards our vision to be a premier leader in the supply, maintenance and overhaul service of rotating equipment in South East Asia, we have formalised our sustainability commitment in the effective minimisation of our environmental footprint, enhancement of our service quality and occupational health and safety.

Being strategically positioned as a solution provider in between manufacturers and end users in the oil and gas and petrochemical industries, Turbo Mech Berhad concentrates on 3 intrinsic areas.

We aim to provide excellent customer service and treat each client with empathy and trust in order to allow our clients' facilities to operate more efficiently and strive in the competitive market.

We aim to provide all our employees with a working environment that is safe and healthy, that provides skill development training, and encourages diversity, integrity and teamwork.



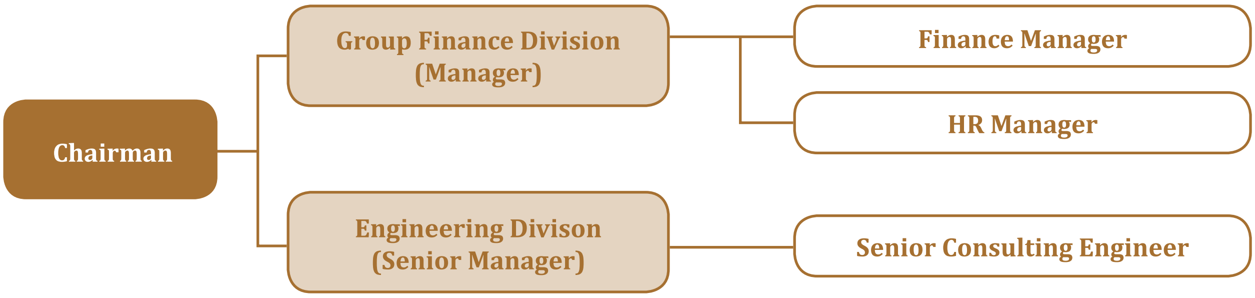
We aim to introduce measures to move beyond compliance in mitigating the Group's environmental impact.

3. CORPORATE GOVERNANCE ON SUSTAINABILITY

Towards achieving our vision for sustainability and implementing the Group's sustainability strategy, we have established an ad-hoc Sustainability Committee. The Committee will oversee and ensure the implementation of the Group's sustainability measures. The Board of Directors (the "Board") is fully committed to maintaining the highest standards of professionalism and integrity in the Group's governance practices and to safeguard and enhance shareholders' value and performance of the Group. We fully subscribe to the principles and best practices promoted by the Malaysian Code of Corporate Governance.

3. CORPORATE GOVERNANCE ON SUSTAINABILITY (CONT'D.)

Each of the Committee members will play an important role in monitoring the Group's economic, environmental and social ("EES") performance and proposing sustainability initiatives to the Chairman of the Committee. This approach ensures that sustainability values, principles and policy commitments of the Group are embedded throughout its value chain.



Turbo Mech Berhad's Sustainability Governance Structure

The Finance and Engineering Divisions will be play a key role in steering the Group towards sustainability.

Finance:

- Assess budgeting and planning in order to define strategies and solutions that will strengthen the Group's financial sustainability;
- Strengthen operations and guide decision-making based on a robust framework that analyses the Group's progressive direct and indirect economic impact;
- Ensure regulatory compliance towards mitigating financial and other related risks; and
- Measure the economic impact of the Group on the local economy, on local communities and on its workforce.

Engineering:

- Promote innovative technology and equipment to improve environmental performance;
- Suggest strategy and plans to embed sustainability practices in engineering operations;
- Ensure regulatory compliance towards mitigating environmental and other related risks; and
- Measure and monitor the impact of engineering activities against EES criteria.

4. ETHICS AND INTEGRITY

The Board is mindful of its role in establishing a corporate culture that inculcates ethical conduct throughout the Group. Our Code of Conduct reflects the ethics and principles by which our employees make business decisions across all our operations. This culture secures the trust and loyalty of stakeholders, improves operational efficiency and promotes a sense of mutual trust among the staff.

In line with our commitment to promote transparency and accountability, a Whistleblowing Policy has been established. This Policy encourages the voluntary disclosure of any malpractice by any of our employee without fear of reprisal and the whistleblowing e-form is used for such disclosures.

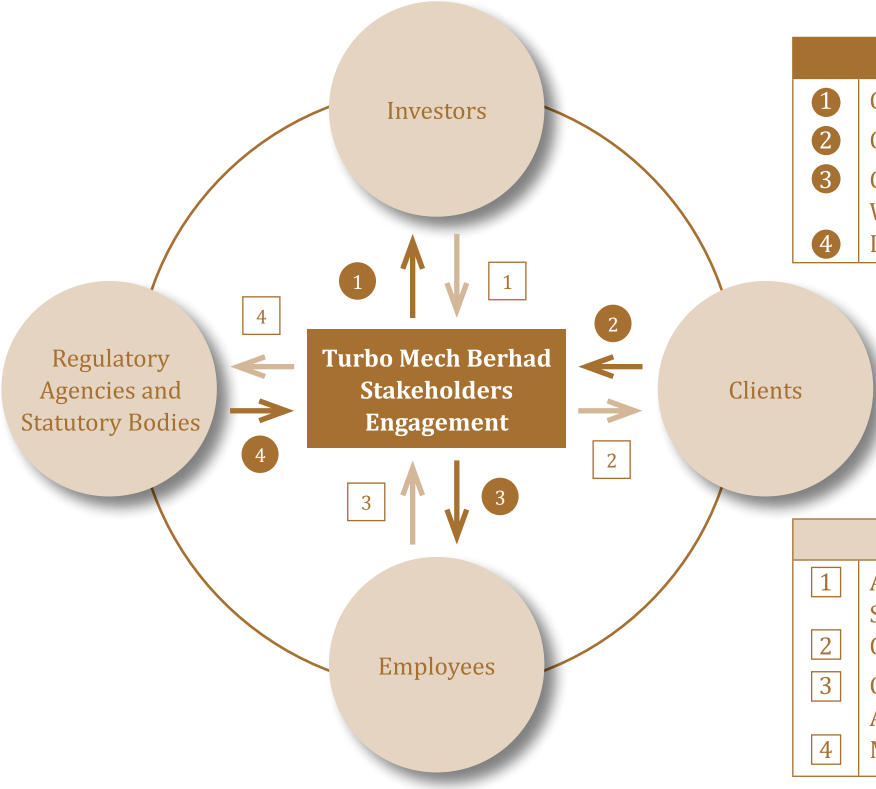
Furthermore, our subsidiaries in Singapore and Philippines and associated companies in Malaysia and Brunei are TRACE certified organisations. Having completed a comprehensive due diligence process administered by TRACE[1], we are confident that our Code of Conduct Policy reflects our strong stance against bribery and facilitating payments, kick-backs, conflict of interest, political contributions, unlawful philanthropic contributions and extortions, with respect to all commercial transactions, whether local or international.

[1]TRACE is a globally recognised anti-bribery business organisation and leading provider of cost effective third party risk management solutions.

SUSTAINABILITY STATEMENT

5. STAKEHOLDER ENGAGEMENT

We believe that proactive engagement with our stakeholders is essential for our growth. Stakeholder engagement is also integral as to how we assess most material issues towards our sustainability performance.



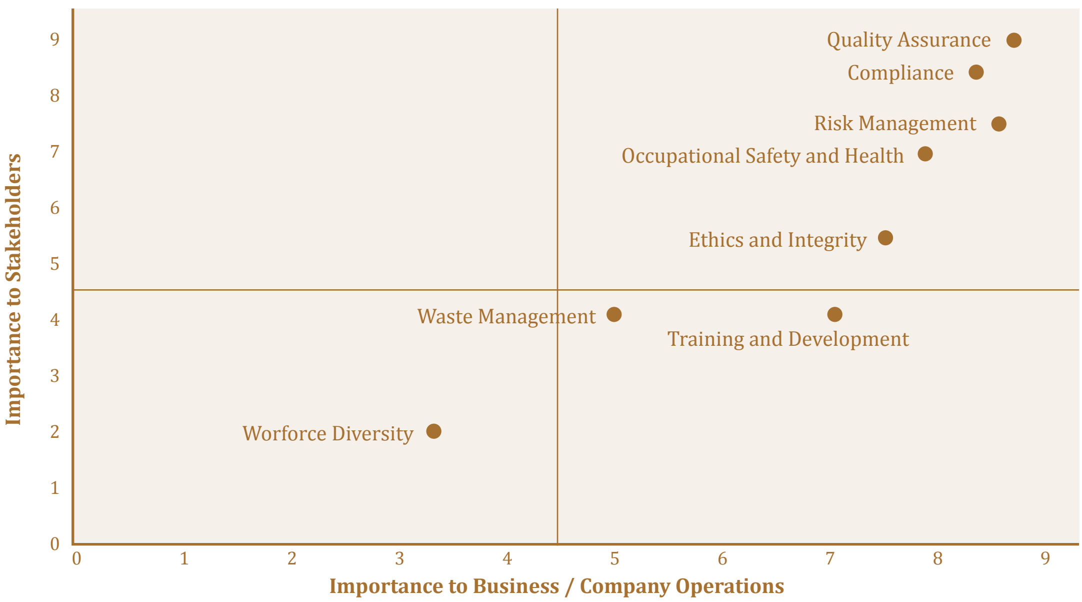
Areas of Concern	
1	Corporate Financial Performance
2	Corporate Governance
3	Career Developmenr, Safe & Healthy Working Environment
4	Labour Practices & Compliance

Methods of Engagement	
1	Annual General Meetings & Financial Statements
2	Corporate Website
3	OSH Trainings & Performance Appraisals
4	Meetings & Discussions

Stakeholder Engagement

6. MATERIALITY ASSESSMENT

Material sustainability matters refer to those matters that reflect the organisation's significant EES risks and opportunities that potentially or currently impact or influence business operations and stakeholder decision making. We conducted a materiality assessment and developed a materiality matrix that prioritised the EES elements of relevance to our business.



Materiality Matrix

7. EMPLOYMENT

7.1 Employee Remuneration

The Group together with its subsidiaries and associated companies currently employ a total of 125 employees. We believe that our employees' commitment and efforts are fundamental for the growth, innovation and economic sustainability of our business. We continuously strive to be an ideal employer placing emphasis on personal development by establishing a dynamic and exciting environment.

As part of our employee relations enhancement approach, we are committed to fostering a workplace that values diversity and inclusion, learning and development, constant engagement and active collaboration – with the recognition that our employees hold the key to our Group's continued success. Our competitive remuneration package and reward scheme aims to motivate employees towards better performance by instilling in them a sense of ownership.

Our operations in Malaysia comply with the wage regulations as stipulated by the country's Minimum Wages Order 2016 and Employment Act, 1955.

7.2 Local Representation at Senior Management Level

In Malaysia, 100% of our senior management are Malaysians while in Singapore, 60% of senior management are sourced locally.

Local Representation in Senior Management

Percentage of Locals versus Non-Locals in Senior Management (Singapore Division)

7.3 Workforce Distribution

We recognise that our employees are our most valuable resource. We believe that our employees, equipped with the skills they develop from professional training and learning on-the-job, can help achieve the Group's strategic goals, implement its growth business plans successfully and ensure long term competitiveness.

We currently employ a total of 88 male and 37 female employees across our subsidiaries and associated companies. Throughout our operations, we value fairness and equal opportunity especially with regard to recruitment, promotions, benefits, training and overall performance, regardless of gender.

Employee Distribution by Gender

Gender Distribution of Employees

The majority of our employees, i.e. 55.2% of employees fall within the 30 to 50 years age bracket, while 30.4% are below 30 years and only 14.4% are above 50 years.

Employee Distribution by Age Group

Age Distribution of Employees

While sourcing experienced talent contributes towards developing a strong and sophisticated presence for the Group, we also believe in recruiting young talent as they bring fresh and innovative ideas to overcome the new and modern challenges posed by a fast-moving market. We invest in nurturing these talents and create opportunities for them to become better leaders of tomorrow.

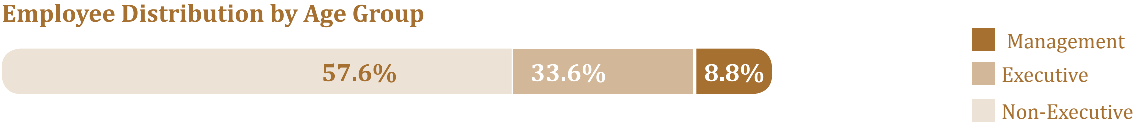
SUSTAINABILITY STATEMENT

7. EMPLOYMENT (CONT'D.)

7.3 Workforce Distribution (Cont'd.)

In our current workforce, 85.6% of our employees constitute those below 30 years and between 30 and 50 years of age. 8.8% of our employees represent management, 33.6% hold executive positions and 57.6% are represent non-executives.

Employee Distribution by Age Group



Employee Distribution by Employment Category

8. ENVIRONMENTAL MANAGEMENT

8.1 Waste Management

Effective waste management practices have been implemented at our maintenance workshops in Singapore and Malaysia. The waste produced at the workshops include waste oil generated from cleaning equipment and domestic waste. In Singapore, we have engaged waste management contractors licensed by the National Environment Agency ("NEA") for the collection, recovery and disposal of waste oil environmental recovery services.

Domestic waste generated from our offices in Malaysia and Singapore are disposed by local contractors engaged by the respective municipal councils.

8.2 Air Emissions

With regard to air emissions, we currently apply a non-destructive method; ELBLAST™ specifically for the on-line dry chemical cleaning of the air coolers' fan fins. Formulated sodium bicarbonate (baking soda) with compressed air is propelled through a nozzle of a blasting unit onto the fan fins. Typically, this process is used for extremely friable material to avoid damaging the surface of the thin metal sheet of fins.

The ELBLAST™ process is a self-contained system that includes a blast generator, high pressure compressed air, a moisture decontamination system, a remote-controlled blast hose and a blast nozzle capable of handling the blasting material. The benefits of this process are further outlined below:

i. Safety and Environment:

- No entry into plenum chambers required;
- No risk of accidents due to heat stress;
- No risk of accidents due to running fans;
- No high-pressure application required; and
- Non-toxic and biodegradable formulation (no treatment of liquid waste required).

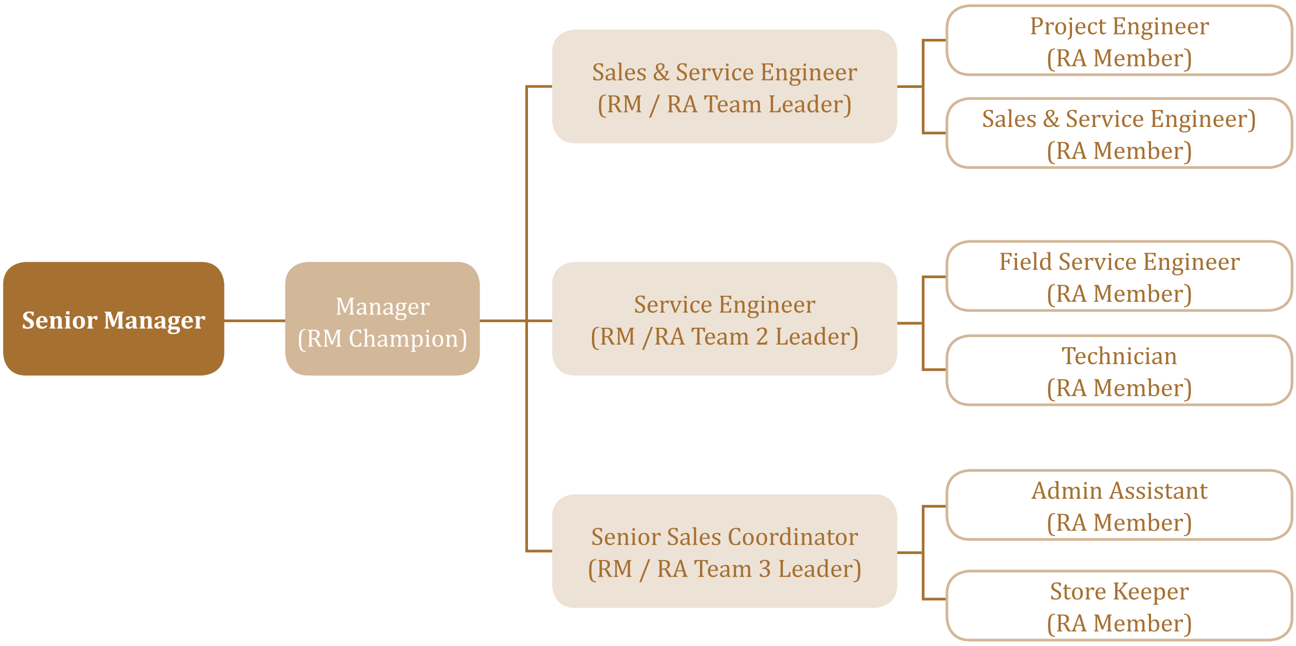
ii. Cost Effective:

- No production losses as the process involves online cleaning;
- No more lengthy motor isolation procedures required;
- No scaffolding and wooden boards required;
- No damage on fins due to spray jetting as the work pressure is low (8-10 bar);
- No lengthy issuance of entry permit required;
- No damage on pumps, motor and bearings due to water; and
- No Estimated Environmental Concentration ("EEC") classification for transportation or storage required.

9. OCCUPATIONAL SAFETY AND HEALTH

Given the nature of our business, safety is of utmost importance. Our operations in Singapore is certified by the Workplace Safety and Health ("WSH") Council as a bizSAFE Level 3 category and have established a Risk Assessment ("RA") Team and a Risk Management ("RM") Champion.

> **Our Code of Conduct**
> "The Company is committed to ensuring the health, safety and welfare of its employees. The Company shall comply with all occupational health and safety legislations and provide all employees with a safe working environment."



Risk Assessment Team

The roles and responsibilities of a RM Champion include:

i. Assessing the condition of the workplace and its effect to the safety or health of the employees;
ii. Reviewing and monitoring the risk management implementation plan;
iii. Implementing risk communication among RA Team Members and all employees periodically;
iv. Carrying out inspection of the scene of any incident/accident or dangerous occurrence or near misses in the interest of the safety and health of the employees;
v. Conducting risk management meetings periodically;
vi. Maintaining the records of risk assessment and safe work procedures as stipulated under the Ministry of Manpower legal requirement, WSH Risk Management Regulations;
vii. Reviewing the risk assessment as stipulated under the Ministry of Manpower legal requirement, WSH Risk Assessment Regulations; and
viii. Alerting Management to immediately intervene for those activity processes assessed and classified as "High Risk".

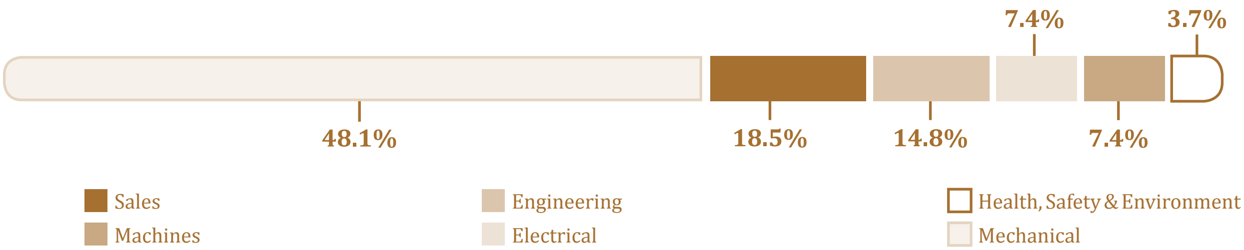
We consider risk management and workplace safety to be matters of high priority and we strive towards complying with the local safety regulations. We provide extensive on-the-job training relevant to occupational safety and health ("OSH") to our employees as we believe that employee training and development is a strategic investment that significantly contributes to the sustainable success of our Group.

9. OCCUPATIONAL SAFETY AND HEALTH (CONT'D)

Our employees from the sales, electrical, machines, health, safety and environment, engineering and mechanical departments of our Malaysian division have been certified with the following external OSH training programmes:

i. Oil and Gas Safety Passport– Level 2;
ii. Authorised Entrant and Standby Person for Confined Space;
iii. Petronas Carigali Sdn. Bhd. Permit to Work;
iv. Working Safely at Height;
v. Tropical Basic Offshore Safety Induction & Emergency Training; and
vi. Construction Industry Development Board.

Department Distribution of OSH Training Attendees



Department Distribution of OSH Training (Malaysian Division)

At our Singapore operations, 61% of our employees have participated in various OSH training programmes and the average training hour per employee is 52.3 hours.

Average Training Hours per Employee at the Singapore Division

Training Hours	1,464
Total Number of Employees	28
Average Training Hours per Employee	52.3

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("the Board") of Turbo-Mech Berhad ("Turbo" or the "Company") and its subsidiaries (hereinafter referred to as the "Group") recognises the importance of good corporate governance and 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 Group. The Board believes that good corporate governance is in delivering shareholders' value.

This Corporate Governance Overview Statement provides the summary of the Company's corporate governance practices during the financial year with reference to the three (3) principles set out in the Malaysian Code on Corporate Governance ("MCCG").

This Corporate Governance Overview Statement is supported with a Corporate Governance Report, based on a prescribed format as outlined in paragraph 15.25(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") so as to provide the detailed application of the Company's corporate governance practices against the MCCG. The Corporate Governance Report is available on the Company's website at www.turbomech.com.my as well as via an announcement on the website of Bursa Securities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. Clear roles and responsibilities

The Board is accountable and responsible for the overall performance and affairs of the Group by overseeing and appraising the Group's strategies, policies and performance.

The Board assumes, amongst others, the following duties and responsibilities:-

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 Board is guided by a Board Charter which sets out the duties and responsibilities of the Board. The Board Charter serves as a reference point for Board's activities and promotes good corporate governance. The Board reviews its Board Charter periodically and updates the Board Charter to ensure it complies with legislations and best practices, and remains relevant and effective in light of the Board's objectives. The Board Charter was recently reviewed on 20 November 2017 in line with the practices in the MCCG and is made available on the Company's website at www.turbomech.com.my.

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.

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. The Board has also established Whistleblowing Policy to foster an ethical culture throughout the Company and allow legitimate ethical concerns to be raised in confidence without the risk of reprisal. The Code of Conduct and Whistleblowing Policy are reviewed periodically by the Board. These policies are available on the Company's website at www.turbomech.com.my.

2. Separation of positions of the Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and Chief Executive Officer cum Executive Director for ensuring there is a balance of power and authority in the Company. The Chairman is responsible for the effective functioning of the Board. He is responsible for the implementation of the Board's policies and decisions. Whilst, the Chief Executive Officer cum Executive Director is responsible for managing the day-to-day business operations of the Group with powers, discretions and delegations authorised from time to time by the Board.

The detail of the responsibilities of the Chairman and Chief Executive Officer is clearly set out in the Board Charter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

I. BOARD RESPONSIBILITIES (CONTD.)

3. Supply of and Access to Information

All Directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs in a timely manner to enable them to discharge their duties effectively.

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. All information with regards to the agenda and Board papers are circulated seven (7) days prior to the meetings to give Directors sufficient time to deliberate on issues to be raised at the Board meetings.

4. Supported by Competent Company Secretary

The Board is supported by qualified and competent Company Secretaries. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.

The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group and are advised on the proposed contents and timing of material announcements to be made to regulatory authorities.

The Company Secretaries attended all Board and Board Committee meetings and are responsible for ensuring the meeting procedures are followed including disseminating complete and accurate meeting materials in a timely manner to allow Board members to have sufficient time to review the relevant documents prior to meetings. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Management.

The information of the Company Secretaries' qualification can be found in Corporate Information of the Annual Report.

II. BOARD COMPOSITION

1. Board Composition and Balance

The strength of the Board lies in the composition of its members. The current members of the Board have a wide range of expertise, extensive experience and come from diverse backgrounds. 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 MMLR. 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.

The current composition of the Board reflects the current shareholding structure of the Company. Although the Board does not comprise at least 50% of Independent Directors as recommended in the MCCG, 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.

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.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors and found them to be independent and objective during Board's deliberations.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

II. BOARD COMPOSITION (CONTD.)

1. Board Composition and Balance (Contd.)

The Board recognises the importance of having a Senior Independent Director to serve as a sounding board for the Chair and as an effective conduit for other Independent Directors to voice their concern. 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.

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 Constitution, 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 9th AGM, Ms Chan Bee Eie and Encik Azhar Bin Mohamad shall retire from office and be eligible for re-election pursuant to Constitution of the Company. Their profiles are set out in the section on Directors' Profile of this Annual Report.

2. Directors' Commitment

The Board endeavors to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company as all the Directors had attended all the Board Meetings under the financial year review. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.

The Board met four (4) times during the financial year under review. The details of Directors' attendance are set out as follows:-

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

3. Board Committee

To assist in the discharge of its duties and responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

- Nomination Committee ("NC");
- Remuneration Committee ("RC");
- Audit Committee ("AC"); and
- Risk Management Committee ("RMC").

Each Committee operates its functions within their approved terms of reference by the Board which are periodically reviewed by the Board and the Board appoints the Chairman and members of each Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

II. BOARD COMPOSITION (CONTD.)

3. Board Committee (Contd.)

All Board Committees have written terms of reference which is approved by the Board. The respective Chairmen of the NC, RC, AC and RMC report to the Board accordingly subsequent to the respective Committee meetings. The ultimate responsibility for decision making lies with the Board.

a. Audit Committee

The details of the Audit Committee are set out in Audit Committee Report on pages 34 to 36 of the Annual Report.

b. Nomination Committee

The Nomination Committee consists of the following members:-

Name	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; and
- 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.

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

Name	Number of meetings attended
Azhar bin Mohamad	1/1
Chan Bee Eie	1/1
Tam Juat Hong	1/1

c. Remuneration Committee

The Remuneration Committee consists of the following members:-

Name	Designation
Chan Bee Eie	Non-Independent Non-Executive Director (Chairperson)
Omar Bin Mohamed Said	Non-Independent Non-Executive Director
Azhar Bin Mohamad	Senior 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.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

II. BOARD COMPOSITION (CONTD.)

3. Board Committee (Contd.)

c. Remuneration Committee (Contd.)

The Remuneration Committee met once during the year ended 31 December 2017 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. There was no RC meeting held subsequent to his appointment.

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

d. Risk Management Committee

The Risk Management Committee consists of the following members:-

Name	Designation
Gan Kok Ten	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 2017 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

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.

4. Continuing Education and Development

In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Nomination Committee and Directors will continue to identify and attend appropriate seminars, conferences and courses to keep abreast of changes in market, legislations and regulations affecting the Group. The Directors are also committed to continue to undergo other relevant training programmes and seminars whether in-house or external to keep abreast with the developments of the business environment and further enhance their skills and knowledge.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

II. BOARD COMPOSITION (CONTD.)

4. Continuing Education and Development (Contd.)

During the financial year ended 31 December 2017, the Directors have attended various training programmes and seminars, amongst others, the following :-

- Bursa Risk Management Programme - "I Am Ready to Manage Risks"
- Companies Act 2016 - Key revamp updates
- Case Study Workshop for Independent Directors
- Briefing on new Malaysian code on corporate governance
- Social media marketing and digital technology
- Companies Act 2016 and its implications on Capital Market
- Impact of M-Commerce on Capital Market services industry
- FIDE Core Programme - Module B (Insurance)
- Workshop on Strategic Thinking & Planning

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time and update the Board on the same at Board meeting. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

5. Board Assessment and Annual Evaluation

The Nomination Committee reviews annually the required mix of skills and experience of Directors; effectiveness of the Board as a whole; succession plans and boardroom diversity, including gender, age, ethnicity, diversity; training courses for Directors and other qualities of the Board, including core-competencies which Non-Executive Directors should bring to the Board.

The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The assessment and comments by Directors are summarized in a questionnaire regarding the effectiveness of the Board and its Board Committees and discussed at the Nomination Committee meeting and reported at the Board Meeting by the Nomination Committee Chairman.

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.

III. REMUNERATION

Board 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.

The remuneration and benefit-in-kind payable to Directors are subject to shareholders' approval at the Annual General Meeting.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTD.)

III. REMUNERATION (CONTD.)

Board Remuneration (Contd.)

Details of Directors' remuneration (both the Company and the Group) who served during the financial year ended 31 December 2017 are as follows:-

The Group

Category	Remuneration					
	Fees (RM)	Salary (RM)	Bonus (RM)	Benefits-in-kind (RM)	Emoluments (RM)	Total (RM)
Executive Directors						
Gan Kok Ten	-	257,728	35,028	24,290	-	317,046
Nasaruddin Bin Mohamed Ali	20,000	-	-	-	-	20,000
Non-Executive Directors						
Omar Bin Mohamad Said	18,000	-	-	-	6,000	24,000
Chan Bee Eie	18,000	-	-	-	10,000	28,000
Azhar Bin Mohamad	18,000	-	-	-	9,000	27,000
Tam Juat Hong	18,000	-	-	-	10,000	28,000
Total	**92,000**	**257,728**	**35,028**	**24,290**	**35,000**	**444,046**

The Company

Category	Remuneration					
	Fees (RM)	Salary (RM)	Bonus (RM)	Benefits-in-kind (RM)	Emoluments (RM)	Total (RM)
Executive Directors						
Gan Kok Ten	-	-	-	-	-	-
Nasaruddin Bin Mohamed Ali	20,000	-	-	-	-	20,000
Non-Executive Directors						
Omar Bin Mohamad Said	18,000	-	-	-	6,000	24,000
Chan Bee Eie	18,000	-	-	-	10,000	28,000
Azhar Bin Mohamad	18,000	-	-	-	9,000	27,000
Tam Juat Hong	18,000	-	-	-	10,000	28,000
Total	**92,000**				**35,000**	**127,000**

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee comprises all non-executive directors and majority of its members are independent directors, and all of them are financial literate and have sufficient understanding of the Group's business. 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 MMLR.

The composition of Audit Committee, including its roles and responsibilities, number of meetings and attendance of Audit Committee, summary of Audit Committee activities and Internal Auditors' activities during the financial year under review as set out in Audit Committee Report on pages 34 to 36 of the Annual Report.

The Chairman of the Audit Committee is not the Chairman of the Board, ensuring that the impairment of objectivity on the Board's review of the Audit Committee's findings and recommendation remains intact.

The Audit Committee's terms of reference have adopted a terms of reference which sets out its goals, objectives, duties, responsibilities and criteria on the composition of the Audit Committee which includes a former key audit partner of the Group to observe a cooling-off period of at least two (2) years before being able to be appointed as a member of the Audit Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTD.)

I. AUDIT COMMITTEE (CONTD.)

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 2017 without the presence of the Executive Directors and Management.

The Board upholds the integrity of financial reporting by the Company and 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.

The Audit Committee 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 Audit Committee 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 2018.

For the financial year ended 31 December 2017, fees paid to the external auditors, Messrs Ernst & Young and its affiliated firms by the Company and the Group are RM70,000 and RM296,199 respectively.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board established a Risk Management Committee to oversee the company risk management framework and policies.

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, UHY Advisory (KL) Sdn. Bhd.. 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.

Further information may be found in the Statement of Risk Management and Internal Control on pages 31 to 33 of this Annual Report.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of maintaining good relationship with both the shareholders and other stakeholders and will take the responsibility to always improve the communication with the shareholders and the 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 Securities 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, Code of Conduct and Whistleblowing Policy.

II. CONDUCT OF GENERAL MEETING

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee were present at the last AGM. All Directors will attend the upcoming AGM, which shall provide shareholders opportunities to enquire the Directors in person on the Company's performance and operations.

In line with the MMLR, the Company has implemented and will continue to implement poll voting for all proposed resolutions set out in the notice of any general meeting. An independent scrutineer will also be appointed to validate the votes cast at any general meeting of the Company.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTD.)

II. CONDUCT OF GENERAL MEETING (CONTD.)

To ensure shareholders have sufficient time to go through the Annual Report, it is circulated at least twenty-eight (28) clear days before the date of the AGM. Shareholders are encouraged to vote on the proposed motions by appointing a proxy in the event they are unable to attend the meeting.

Notice of the 8th AGM was circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed, which is in line with Section 316(2) of Companies Act 2016 and paragraph 7.15 of MMLR of Bursa Securities. Notice of AGM was also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Malaysia Berhad. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM.

The Company will circulate Notice of AGM at least twenty eight (28) days prior to the upcoming AGM.

During the year, the Board has escalated its efforts to the following key areas:-

1. Review of Board and Board Committees' policies and procedures

The Board undertook a review of its Board Charter alongside the Terms of Reference and Corporate Policies for each of the Board Committees during last year and early in year 2018. The documents were updated to provide guidance on governance and conduct of the Board, Board Committees and employees of the Company.

2. Company's Constitution

The Board have undertaken a review of the Company's Constitution and proposed to the shareholders for adoption of new Constitution, for the purpose of streamlining the Constitution to be in line with the Companies Act 2016, the MMLR, the prevailing statutory and regulatory requirements as well as to update the existing memorandum and articles of association of the Company, where relevant, to render consistency throughout in order to facilitate and further enhance administrative efficiency.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under the Companies Act 2016, the Directors on page 42 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 2017.

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.

The Board has also taken all such necessary steps to ensure that proper internal controls are in place to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

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

2. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for the services rendered to the Company and the Group by the External Auditors during the financial year under review are as follows:-

	Company (RM'000)	Group (RM'000)
Audit Services	70	331
Non-audit services	10	10
Total	**80**	**341**

3. Material Contracts

There were no material contracts entered by the Company and its subsidiaries involving Directors, Chief Executive who's not a Director or major shareholders' interest during the financial year ended 31 December 2017.

ADDITIONAL COMPLIANCE INFORMATION (CONTD.)

4. Key Senior Management

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

5. 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 22 May 2017 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	50,346

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

a. Bayu Purnama Sdn Bhd is a 42.5% associated company of TMB.
b. The family relationships of the Related Parties are as follows:-

Mother - Salmiah Binti Jantan
Son - Omar Bin Mohamed Said
Daughters - Hamimah Binti Mohamed Said and Hamizah Binti Mohamed Said

c. Salmiah Binti Jantan and Hamimah Binti Mohamed Said are both directors of Bayu Purnama.
d. The Related Parties' shareholding in Bayu Purnama Sdn Bhd is as follows:-

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

e. Salmiah Binti Jantan, Omar Bin Mohamed Said, Hamimah Binti Mohamed Said and Hamizah Binti Mohamed Said are deemed interested by virtue of their family relationships with each other.
f. The direct and indirect interest of the interest Director and persons connected to him are as follows:-

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	-	-

This Statement is made in accordance with a resolution of the Board dated 29 March 2018.

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 Board delegate oversight of risk management to Risk Management Committee. 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 has 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 day-to-day operations by 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 was 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 (CONTD.)

1. RISK MANAGEMENT SYSTEM (Contd.)

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 and Risk Management Committee. 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 are reviewed and monitored by the Management team. 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

- Board of Director and Audit Committee
  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.

- Organisation Structure & Authorisation Procedures
  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.

- Periodical and/or Annual Budget
  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.

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

- Human Resource Policy
  Comprehensive guidelines on employment and retention of employees are in place to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONTD.)

2. INTERNAL CONTROL SYSTEM (Contd.)

- 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 2017, 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 2017 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 2017. Their review was performed in accordance with recommended AAPG 3: 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 30 March 2018.

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 2017.

1. COMPOSITION AND ATTENDANCE

The Audit Committee met four times during the financial year on 24 February 2017, 22 May 2017, 14 August 2017 and 20 November 2017. 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	4/4
Chan Bee Eie	Non-Independent Non-Executive Director	4/4
Azhar bin Mohamad	Senior Independent Non-Executive Director	4/4

The Audit Committee comprises all non-executive 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 29 March 2018.

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.

5. SUMMARY OF WORK DURING THE FINANCIAL YEAR

During the financial year ended 31 December 2017, the Audit Committee has met its responsibilities in discharging its duties and functions. The major work undertaken by the Audit Committes are 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.

5. SUMMARY OF WORK DURING THE FINANCIAL YEAR (CONTD.)

i. Internal Audit (Contd.)

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 two (2) AC meetings during the financial year. The functional areas and operating processes reviewed by the Internal Auditors were as follows: -

- Follow-up Review; and
- Procurement and Payment process.

The total cost incurred during the current financial year for the internal audit function of the Group was RM16,000 (2016: RM16,000).

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 22 May 2017, 14 August 2017, 20 November 2017 and 26 February 2018 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 2017 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 2016 at the AC meeting held on 24 February 2017. 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 2016;
d. Conducted independent meeting session with the External Auditors without the presence of the Executive Board Members and Management of the Company on 24 February 2017 and 20 November 2017;
e. Reviewed the Budget for the financial year ended 31 December 2017 prepared by Management during its first meeting held on 24 February 2017 and ensured that the assumptions and estimates were reasonable and prudent;
f. Reviewed and revised the Budget for the year ended 31 December 2017 during its 2nd meeting held on 14 August 2017, 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;

AUDIT COMMITTEE REPORT

5. SUMMARY OF WORK DURING THE FINANCIAL YEAR (CONTD.)

ii. Financial Reporting (Contd.)

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 20 November 2017 and during their presentation on Audit Planning Memorandum for the financial year ended 31 December 2017, had declared and confirmed that they were independent and would be independent through their audit engagement.

Subsequent to the financial year ended 31 December 2017, the AC met with the External Auditors in the absence of Management on one (1) occasion on 26 February 2018. 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 2018.

iv. Other Significant Matter

The AC at its meetings held on 20 November 2017 had reviewed the financial term, basis of valuation, rationale and the impact to the related party transaction involving in the acquisition of additional 24.8% shareholding in Turbo-Mech Thailand Co. Ltd ("TMT"), resulting TMT becomes 99.8% owned subsidiary. The AC was satisfied with the terms and had recommended to the Board for approval.

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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 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Corporate 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 6 and Note 7 respectively to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit attributable to:		
Owners of the parent	3,095,829	1,451,523
Non-controlling interests	26,249	-
	3,122,078	1,451,523

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

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2017, on 108,000,000 ordinary shares, amounting to a dividend payable of RM1,080,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the 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

* The Director is also Director of the Company's subsidiaries.

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) 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 below) 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.

The Directors' benefits are as follows:

	Group 2017 RM	Company 2017 RM
Director of the Company		
Executive:		
Salaries and other emoluments	234,452	-
Fees - current year	20,000	20,000
Bonus	35,027	-
Defined contribution plan	47,567	-
Total Executive Directors' remuneration	337,046	20,000
Non-Executive:		
Fees - current year	72,000	72,000
Other emoluments	35,000	35,000
Total Non-Executive Directors' remuneration	107,000	107,000
	444,046	127,000
Director of the Subsidiaries		
Executive:		
Salaries and other emoluments	480,560	-
Bonus	50,828	-
Defined contribution plan	51,672	-
	583,060	-
Non-Executive:		
Fees	-	-
Total Directors' remuneration	1,027,106	127,000
Executive Directors' remuneration	920,106	20,000
Non-Executive Directors' remuneration	107,000	107,000

The Company has agreed to indemnify its Directors as part of the terms of their appointment against claims by third parties. No payment has been made to indemnify the Directors for the financial year ended 31 December 2017.

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			
The Company	**1 January 2017**	**Bought**	**Sold**	**31 December 2017**
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 DEBENTURES

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

SUBSEQUENT EVENT

Details of subsequent event are disclosed in Note 39 to the financial statements.

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.

OTHER STATUTORY INFORMATION (CONTD.)

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

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

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

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

(f) In the opinion of the Directors:

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

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

AUDITORS

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

Auditors' remuneration is as follows:

	Group 2017 RM	Company 2017 RM
Ernst & Young	296,199	70,000
Other auditors	34,978	-
	331,177	70,000

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young for the financial year ended 31 December 2017.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 March 2018.

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 47 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 March 2018.

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 47 to 106 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 30 March 2018.

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 2017 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 47 to 106.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group 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>Revenue Recognition</u>

Revenue for the year ended 31 December 2017 amounted to RM45,160,549.

<u>Sale of goods</u>

The Group's revenue recognition policy is to recognise the revenue upon the transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. 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. The timing of the transfer of the risks and rewards of the goods to the buyers is defined by the specific delivery terms agreed upon with the customers.

As the Group arranged shipment under various shipping terms across its operating markets, any lapse or delay in the monitoring of the shipment status will affect the timing of revenue recognition, resulting in misstatement of revenue recorded in the financial statements. Accordingly, as there is a risk that revenue could be misstated resulting from cut off issue, we have identified this matter as a key audit matter.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TURBO-MECH BERHAD

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

Key Audit Matters (Contd.)

Rendering of services

Revenue from services rendered are recognised upon services performed. The Group recognises its revenue in accordance with MFRS 118 Revenue, where it 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.

As the Group recognised revenue based on work done, any delay in the monitoring of service report status will affect the timing of revenue recognition, resulting in misstatement of revenue recorded in the financial statements. Accordingly, as there is a risk that revenue could be misstated resulting from cut off issue, we have identified this matter as a key audit matter.

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of management's internal controls over the revenue recognition process and placed specific attention on the timing of the revenue recognition. We tested on a sample basis, sales transactions taking place near to or after the reporting date by evaluating the agreed delivery terms or service report provided by the customer and the timing of revenue recognition, to assess whether the sales transactions were recognised in the appropriate financial year. We have also obtained external confirmations from trade receivables with significant balances outstanding as at year end. For material credit notes issued after the reporting date, we performed procedures to assess whether sales transactions were recognised in the correct financial year. In addition, we have also performed trend analysis over products by comparing against prior year, and assessed if the variances were within our expectations.

Information regarding the Group's revenue is disclosed in Notes 21 and 37 to the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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

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.

- 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TURBO-MECH BERHAD

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 6 to the financial statements.

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	30,229,568	31,817,021	2,326	3,246
Investment properties	4	1,609,815	1,926,701	-	-
Land use rights	5	3,028,462	3,167,905	-	-
Investment in subsidiaries	6	-	-	44,628,995	44,628,995
Investment in associates	7	18,416,517	17,179,344	8,639,755	8,639,755
Investment in joint ventures	8	196,550	140,100	-	-
Other investments	9	30,731	44,694	-	-
Deferred tax assets	10	6,218	765	-	-
		53,517,861	54,276,530	53,271,076	53,271,996
CURRENT ASSETS					
Inventories	11	1,494,575	2,679,300	-	-
Trade and other receivables	12	15,551,617	12,612,187	42,569	4,545
Dividend receivables		-	-	1,900,080	1,860,960
Prepayments		82,394	138,517	-	-
Tax recoverable		4,342	214	4,342	214
Cash and bank balances	13	39,904,863	51,482,562	540,943	1,138,815
		57,037,791	66,912,780	2,487,934	3,004,534
TOTAL ASSETS		110,555,652	121,189,310	55,759,010	56,276,530
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENTS					
Share capital	14	54,000,000	54,000,000	54,000,000	54,000,000
Retained earnings	15	26,634,745	23,538,916	1,538,398	86,875
Capital reserve	15	4,763,400	4,763,400	-	-
Retirement benefit obligation reserve	15	(6,309)	-	-	-
Statutory reserve	15	108,500	108,500	-	-
Foreign currency translation reserve	16	15,036,397	17,079,244	-	-
		100,536,733	99,490,060	55,538,398	54,086,875
Non-controlling interests		3,696,570	3,697,445	-	-
TOTAL EQUITY		104,233,303	103,187,505	55,538,398	54,086,875
NON-CURRENT LIABILITIES					
Loans and borrowings	19	45,236	10,156,318	-	-
Deferred tax liabilities	10	116,331	7,906	-	-
Retirement benefit obligation	20	117,126	-	-	-
TOTAL NON-CURRENT LIABILITIES		278,693	10,164,224	-	-
CURRENT LIABILITIES					
Trade and other payables	17	5,300,703	5,635,253	220,612	2,189,655
Other current liabilities	18	-	691,589	-	-
Loans and borrowings	19	21,145	1,142,031	-	-
Income tax payable		721,808	368,708	-	-
TOTAL CURRENT LIABILITIES		6,043,656	7,837,581	220,612	2,189,655
TOTAL LIABILITIES		6,322,349	18,001,805	220,612	2,189,655
TOTAL EQUITY AND LIABILITIES		110,555,652	121,189,310	55,759,010	56,276,530

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 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	21	45,160,549	40,108,623	1,900,080	1,860,960
Cost of sales	22	(28,661,514)	(25,366,053)	-	-
Gross profit		16,499,035	14,742,570	1,900,080	1,860,960
Interest income	23	309,420	403,557	8,319	24,071
Other income	24	1,675,696	1,528,131	109,552	-
Depreciation and amortisation expenses		(2,537,088)	(1,928,724)	(920)	(703)
Employee benefits expense	25	(7,136,931)	(6,988,912)	(254,199)	(260,287)
Other expenses		(5,695,436)	(3,943,625)	(310,287)	(323,167)
Operating profit		3,114,696	3,812,997	1,452,545	1,300,874
Finance cost	27	(344,181)	(327,860)	-	-
Share of results of associates		1,192,747	1,265,173	-	-
Share of results of joint ventures		60,710	(14,468)	-	-
Profit before taxation	28	4,023,972	4,735,842	1,452,545	1,300,874
Income tax expense	29	(901,894)	(406,150)	(1,022)	(4,958)
Profit for the financial year		3,122,078	4,329,692	1,451,523	1,295,916
Profit attributable to:					
Owners of the parent		3,095,829	4,182,080	1,451,523	1,295,916
Non-controlling interests		26,249	147,612	-	-
		3,122,078	4,329,692	1,451,523	1,295,916
Earnings per share attributable to owners of the parent (sen per share)					
Basic and Diluted	30	3	4		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Profit for the financial year	3,122,078	4,329,692	1,451,523	1,295,916
Other comprehensive income to be reclassified to profit or loss in subsequent period:				
Foreign currency translation	(2,069,971)	3,125,503	-	-
Other comprehensive income will not be reclassified to profit or loss in subsequent period:				
Remeasurement of defined benefit obligation	(6,309)	-	-	-
	(2,076,280)	3,125,503	-	-
Total comprehensive income for the financial year	1,045,798	7,455,195	1,451,523	1,295,916
Total comprehensive income for the financial year attributable to:				
Owners of the parent	1,046,673	7,151,392	1,451,523	1,295,916
Non-controlling interests	(875)	303,803	-	-
	1,045,798	7,455,195	1,451,523	1,295,916

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Distributable		Non-distributable						
	Share Capital (Note 14) RM	Retained Earnings (Note 15) RM	Capital Reserve (Note 15) RM	Retirement Benefit Obligation Reserve (Note 15) RM	Statutory Reserve (Note 15) RM	Foreign Currency Translation Reserve (Note 16) RM	Equity Attributable to Owners of the Parent RM	Non-controlling Interests RM	Total Equity RM
Group									
At 1 January 2016	54,000,000	24,756,836	4,763,400	-	108,500	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 38)	-	(5,400,000)	-	-	-	-	(5,400,000)	-	(5,400,000)
Arising from the acquisition of additional shares in an associate resulting into a subsidiary (Note 6)	-	-	-	-	-	-	-	3,393,642	3,393,642
At 31 December 2016	54,000,000	23,538,916	4,763,400	-	108,500	17,079,244	99,490,060	3,697,445	103,187,505
At 1 January 2017	54,000,000	23,538,916	4,763,400	-	108,500	17,079,244	99,490,060	3,697,445	103,187,505
Profit for the financial year	-	3,095,829	-	-	-	-	3,095,829	26,249	3,122,078
Other comprehensive income during the year	-	-	-	(6,309)	-	(2,042,847)	(2,049,156)	(27,124)	(2,076,280)
Total comprehensive income for the financial year	-	3,095,829	-	(6,309)	-	(2,042,847)	1,046,673	(875)	1,045,798
At 31 December 2017	54,000,000	26,634,745	4,763,400	(6,309)	108,500	15,036,397	100,536,733	3,696,570	104,233,303

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share Capital (Note 14) RM	Distributable Retained Earnings (Note 15) RM	Total Equity RM
Company			
At 1 January 2016	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 38)	-	(5,400,000)	(5,400,000)
At 31 December 2016	54,000,000	86,875	54,086,875
Profit for the financial year	-	1,451,523	1,451,523
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	1,451,523	1,451,523
At 31 December 2017	54,000,000	1,538,398	55,538,398

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	4,023,972	4,735,842	1,452,545	1,300,874
Adjustments for:				
Amortisation of land use rights	77,576	74,626	-	-
Depreciation of property, plant and equipment	2,331,104	1,729,072	920	703
Depreciation of investment properties	128,408	125,026	-	-
Dividend income	-	-	(1,900,080)	(1,860,960)
Gain on disposal of property, plant and equipment	-	(43,865)	-	-
Negative goodwill (Note 6 (c))	-	(287,777)	-	-
Impairment of investment in club membership	13,963	16,759	-	-
Interest income	(309,420)	(403,557)	(8,319)	(24,071)
Allowance for impairment loss on trade receivables	241,964	46,693	-	-
Interest expense	344,181	327,860	-	-
Inventories written down	105,506	74,475	-	-
Reversal of inventories written down	-	(47,212)	-	-
Share of results of associates	(1,192,747)	(1,265,173)	-	-
Share of results of joint venture	(60,710)	14,468	-	-
Retirement benefit obligation	110,817	-	-	-
Unrealised (loss)/gain on foreign currency translations	1,293,559	(327,508)	-	-
Operating profit/(loss) before changes in working capital	7,108,173	4,769,729	(454,934)	(583,454)
Changes in working capital:				
Inventories	1,079,219	(201,032)	-	-
Trade and other receivables	(3,181,394)	(6,436,468)	(38,024)	2,225
Prepayments	56,123	(127,141)	-	-
Trade and other payables	(334,550)	2,538,017	(1,969,043)	1,972,293
Other current liabilities	(691,589)	(154,621)	-	-
Cash generated from/(used in) operation	4,035,982	388,484	(2,462,001)	1,391,064
Interest paid	(344,181)	(327,860)	-	-
Income taxes paid	(449,520)	(1,213,358)	(5,150)	(8,400)
Net cash generated from/(used in)operating activities	3,242,281	(1,152,734)	(2,467,151)	1,382,664
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	41,314	45,712	-	-
Purchase of property, plant and equipment	(1,459,822)	(3,401,637)	-	(2,599)
Withdrawal/(placement) of fixed deposit with licensed bank	6,153,974	(660,828)	-	-
Withdrawal/(placement) of fixed deposits pledged with licensed banks	139,494	(378,389)	-	-
Net cash outflow from acquisition of a subsidiary (Note 6 (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	309,420	403,557	8,319	24,071
Dividend received from a subsidiary	-	-	1,860,960	-
Dividend received from an associate	-	4,250,000	-	4,250,000
Net cash flows generated from/(used in) investing activities	5,184,380	(1,956,674)	1,869,279	4,271,472

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	-	(5,400,000)	-	(5,400,000)
Repayment of term loan	(11,222,593)	(831,933)	-	-
Repayment of finance lease obligations	(24,291)	(8,324)	-	-
Net cash flows used in financing activities	(11,246,884)	(6,240,257)	-	(5,400,000)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(2,820,223)	(9,349,665)	(597,872)	254,136
Effect of exchange rate changes on cash and cash equivalents	(2,464,008)	1,960,748	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	26,676,322	34,065,239	1,138,815	884,679
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 13)	21,392,091	26,676,322	540,943	1,138,815

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2017

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 6 and Note 7 respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 30 March 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Company adopted new and revised MFRS which are mandatory for financial periods beginning on or after 1 January 2017 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.

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) Contractual arrangement with the other vote holders of the investee;

(iv) Rights arising from other contractual arrangements; and

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

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

(ii) Business Combinations (Contd.)

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 (2016: 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(c) Foreign Currency (Contd.)

(i) Foreign Currency Translation (Contd.)

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:

	2017 RM	2016 RM
Singapore Dollar	3.0392	3.1016
United States Dollar	4.0620	4.4858
Thailand Baht	0.1243	0.1252
100 Japanese Yen	3.6020	3.8441
100 Philippines Peso	8.1280	9.0514
100 Indonesian Rupiah	0.0300	0.0334
Euro Dollars	4.8510	4.7237

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(d) Property, Plant and Equipment (Contd.)

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) Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation of investment property is provided for on a straight-line basis to write off the cost of investment properties to its residual value over the estimated useful life at the following annual rate:

- Building	2%
- Renovation	20%

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost less accumulated depreciation and any accumulated impairment loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying cost at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(d) up to the date of change in use.

(f) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) 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(i).

(h) 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(i).

(i) 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.

(j) Subsidiaries

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

(i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) 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.

(l) 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 2017 and 31 December 2016.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(l) 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.

(m) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(n) 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.

(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 2017 and 31 December 2016.

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.

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) Defined Benefit Plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(r) Employee Benefits (Contd.)

(iii) Defined Benefit Plan (Contd.)

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

(iv) 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.

(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(t)(v).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(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) Rendering of Services

Revenue from services rendered are recognised upon services performed.

(iii) Interest Income

Interest income is recognised using the effective interest method.

(iv) Dividend Income

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

(v) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(u) Taxes (Contd.)

(ii) Deferred Tax (Contd.)

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

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

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

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

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

(iii) 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 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Current Versus Non-current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current 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 within 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 2017, the Group and Company adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2017.

Effective for financial periods beginning on or after 1 January 2017

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

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 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

Amendments to MFRS 3: Business Combinations (Annual improvements to MFRSs 2015–2017 Cycle)
Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 11: Joint Arrangements (Annual improvements to MFRSs 2015–2017 Cycle)
Amendments to MFRS 19: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 112: Income Taxes (Annual improvements to MFRSs 2015–2017 Cycle)
Amendments to MFRS 123: Borrowing Costs (Annual improvements to MFRSs 2015–2017 Cycle)
MFRS 16: Leases
MFRS 128: Long-term interests in Associates and Joint Ventures
IC Interpretation 23: Uncertainty over Income Tax Treatments

Effective for financial periods beginning on or after 1 January 2021

MFRS 17: Insurance Contracts

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

MFRS 9 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.

Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on an expected credit loss model and replace the MFRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting MFRS 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts MFRS 9 in 2018.

The adoption of MFRS 9 will not have any impact on the classification and measurement of the Group's financial assets.

MFRS 9 requires the Group to record expected credit losses on its trade and other receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects that adjustments to the Group's trade receivables will not be material.

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 has performed a preliminary impact assessment of adopting MFRS 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts MFRS 15 in 2018.

The Group plan to apply the changes in accounting policies retrospectively to each reporting year presented, using the modified retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017, and

- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparable year.

The Group is in the business of sales of rotating equipment and spare parts and provision of maintenance and overhaul services. On the adoption of MFRS 15, the Group expects that adjustments to the Group's revenue will not be material.

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will not be significant.

The Group is continuing to test the appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

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 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

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 standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RM4,171,602. However, the Group has not assessed if there are any adjustments which are necessary because of the different treatment of variable lease payments, extension or termination options. It is therefore not practicable at this juncture to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of MFRS 16 and how this may affect the Group's profit or loss and classification of cash flows going forward.

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) Critical Judgements Made in Applying Accounting Policies

There were no critical judgements made by management in the process of applying the Group's and the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements during the current financial year.

(b) Key Sources of Estimation Uncertainty

There were no 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.

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Buildings RM	Land Improvement RM	Air Conditioner RM	Computers RM	Furniture and 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 2017											
Cost											
At 1 January 2017	29,988,393	67,091	119,366	433,786	641,854	1,162,146	407,627	4,572,959	1,795,562	1,336,790	40,525,574
Additions	-	-	-	34,393	115,491	1,407	81,571	79,703	1,162,173	-	1,474,738
Reclassification	-	-	-	-	-	-	-	1,336,790	-	(1,336,790)	-
Disposals	-	-	-	(22,795)	(16,847)	(83,247)	(52,018)	(132,006)	-	-	(306,913)
Exchange differences	(642,010)	(6,844)	(2,401)	(9,106)	(14,832)	(43,147)	(8,539)	(333,014)	(72,719)	-	(1,132,612)
At 31 December 2017	29,346,383	60,247	116,965	436,278	725,666	1,037,159	428,641	5,524,432	2,885,016	-	40,560,787
Accumulated Depreciation											
At 1 January 2017	2,313,923	52,555	42,473	358,832	362,074	970,066	267,887	3,399,235	941,508	-	8,708,553
Depreciation charge for the year	1,274,867	4,037	19,892	42,123	81,687	62,094	47,372	502,787	296,245	-	2,331,104
Disposals	-	-	-	(14,563)	(6,458)	(83,247)	(29,325)	(132,006)	-	-	(265,599)
Exchange differences	(108,055)	(5,536)	(1,333)	(7,799)	(8,640)	(37,620)	(5,342)	(234,435)	(34,079)	-	(442,839)
At 31 December 2017	3,480,735	51,056	61,032	378,593	428,663	911,293	280,592	3,535,581	1,203,674	-	10,331,219
Net Carrying Amount	25,865,648	9,191	55,933	57,685	297,003	125,866	148,049	1,988,851	1,681,342	-	30,229,568

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Leasehold Buildings RM	Land Improvement RM	Air Conditioner RM	Computers RM	Furniture and 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	29,329,000	67,817	33,857	641,231	124,390	933,299	245,247	4,112,555	1,160,427	-	36,647,823
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 6)	-	-	-	36,137	155,992	197,538	93,511	-	-	-	483,178
Disposals	-	-	-	(345,610)	-	-	(52,033)	(143,790)	(192,256)	-	(733,689)
Exchange differences	659,393	(726)	3,741	9,724	23,842	31,309	13,664	151,266	(192,417)	-	699,796
At 31 December 2016	29,988,393	67,091	119,366	433,786	641,854	1,162,146	407,627	4,572,959	1,795,562	1,336,790	40,525,574
Accumulated Depreciation											
At 1 January 2016	1,269,667	49,733	29,830	620,247	123,810	693,517	180,308	3,142,410	942,536	-	7,052,058
Depreciation charge for the year	985,215	3,223	11,476	46,623	67,998	53,230	37,326	314,787	209,194	-	1,729,072
Acquisition of a subsidiary (Note 6)	-	-	-	30,110	155,984	197,537	91,942	-	-	-	475,573
Disposals	-	-	-	(345,355)	-	-	(50,453)	(143,787)	(192,247)	-	(731,842)
Exchange differences	59,041	(401)	1,167	7,207	14,282	25,782	8,764	85,825	(17,975)	-	183,692
At 31 December 2016	2,313,923	52,555	42,473	358,832	362,074	970,066	267,887	3,399,235	941,508	-	8,708,553
Net Carrying Amount	27,674,470	14,536	76,893	74,954	279,780	192,080	139,740	1,173,724	854,054	1,336,790	31,817,021

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Computer RM	Office Equipment RM	Total RM
At 31 December 2017			
Cost			
At 1 January 2017/31 December 2017	6,146	2,700	8,846
Accumulated Depreciation			
At 1 January 2017/31 December 2017	3,980	1,620	5,600
Depreciation charge for the year	650	270	920
At 31 December 2017	4,630	1,890	6,520
Net Carrying Amount	1,516	810	2,326
At 31 December 2016			
At 1 January 2016	3,547	2,700	6,247
Disposals	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

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM1,474,738 (2016: RM3,428,466) of which RM14,916 (2016: RM26,829) 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 2017 RM	Group 2016 RM
Air conditioner	55,813	46,609
Computers	256,264	213,106
Furniture and fittings	260,947	252,494
Motor vehicles	729,913	715,534
Office equipment	321,999	245,480
Plant, machinery and instruments	2,024,226	2,242,716
Renovation	739,717	742,369
	4,388,879	4,458,308

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

	2017 RM	2016 RM
Office equipment	53,733	71,858

<u>Assets pledged as security</u>

The Group's leasehold building with a carrying amount of RM2,477,829 (2016: RM2,591,931) is pledged to secure the Group's trade banking facilities for letter of credit and bank guarantee as further disclosed in Note 13 and Note 19(c).

The Group's leasehold building with a carrying amount of RM23,323,447 (2016: RM24,785,991) is pledged to secure the Group's term loan as further disclosed in Note 19(b). The Group is currently in the process of getting the pledge discharged as the term loan was fully repaid during the financial year.

4. INVESTMENT PROPERTIES

Group	Leasehold Land RM	Leasehold Buildings RM	Total RM
At 31 December 2017			
Cost			
At 1 January	534,954	2,072,001	2,606,955
Exchange differences	(54,555)	(211,303)	(265,858)
At 31 December	480,399	1,860,698	2,341,097
Accumulated depreciation			
At 1 January	152,362	527,892	680,254
Depreciation charge for the year	29,185	99,223	128,408
Exchange differences	(17,358)	(60,023)	(77,381)
At 31 December	164,189	567,092	731,281
Net carrying amount	316,210	1,293,606	1,609,816
At 31 December 2016			
Cost			
At 1 January	507,065	1,711,549	2,218,614
Exchange differences	27,889	360,452	388,341
At 31 December	534,954	2,072,001	2,606,955
Accumulated depreciation			
At 1 January	115,535	358,144	473,679
Depreciation charge for the year	28,416	96,610	125,026
Exchange differences	8,411	73,138	81,549
At 31 December	152,362	527,892	680,254
Net carrying amount	382,592	1,544,109	1,926,701

	2017 RM	2016 RM
Fair value as at 31 December	2,218,614	2,218,614

The fair value of investment properties as at 31 December 2017 and 31 December 2016 has been arrived at based on valuation carried out by Directors using Directors' best estimate taking into account the prevailing market conditions.

(a) 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 14 years (2016: 15 years) and 10 years (2016: 11 years) respectively.

5. LAND USE RIGHTS

	Group	
	2017	2016
	RM	RM
Cost		
At 1 January	4,404,158	4,299,651
Exchange currency translation differences	(88,605)	104,507
At 31 December	4,315,553	4,404,158
Accumulated Amortisation		
At 1 January	1,236,253	1,131,867
Amortisation for the financial year	77,576	74,626
Exchange currency translation differences	(26,737)	29,761
At 31 December	1,287,092	1,236,254
Net Carrying Amount	3,028,462	3,167,905

(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 41 years (2016: 42 years).

(b) Assets pledged as security

The Group's land use rights with a carrying amount of RM3,028,462 (2016: RM3,167,9065) are pledged to secure the Group's trade banking facilities for letter of credit and bank guarantee as further disclosed in Note 13 and Note 19(c) respectively.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	RM	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		Proportion of Ownership Interest held by non-controlling interests	
			2017 (%)	2016 (%)	2017 (%)	2016 (%)
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	-	-

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6. INVESTMENT IN SUBSIDIARIES (CONTD.)

(a) Details of the subsidiaries are as follows: (Contd.)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group		Proportion of Ownership Interest held by non-controlling interests	
			2017 (%)	2016 (%)	2017 (%)	2016 (%)
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	75	25	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% (2016: 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

(b) 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 2016 RM	Carrying amount 2016 RM
Plant and equipment	7,605	7,605
Intangible asset - computer software		
Trade and other receivables	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

6. INVESTMENT IN SUBSIDIARIES (CONTD.)

(b) Acquisition of subsidiary (Contd.)

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 24)	(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 previous financial year. If the combination had taken place at the beginning of the previous financial year, the Group's profit for the previous financial year would increase by RM779,590 and revenue would increase by RM4,217,759.

(c) 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.

	2017 RM	2016 RM
Non-current assets	63,837	29,205
Current assets	16,188,924	15,783,555
Total assets	16,252,761	15,812,760
Current liabilities	1,458,089	1,022,979
Non-current liabilities	8,393	-
Total liabilities	1,466,482	1,022,979
Net assets	14,786,279	14,789,781
Equity attributable to owners of the Company	11,089,709	11,092,336
Non controlling interests	3,696,570	3,697,445
	14,786,279	14,789,781

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6. INVESTMENT IN SUBSIDIARIES (CONTD.)

(c) (ii) Summarised statement of comprehensive income

Turbo-Mech (Thailand) Co. Ltd.

	2017 RM	2016 RM
Revenue	3,296,545	3,156,825
Profit for the year	104,997	590,442
Profit attributable to owners of the Company	78,748	442,830
Profit attributable to the non-controlling interests	26,249	147,612
	104,997	590,442

(iii) Summarised cash flows

Turbo-Mech (Thailand) Co. Ltd.

	2017 RM	2016 RM
Net cash generated from operating activities	789,925	190,337
Net cash used in investing activities	(148,260)	(189,109)
Net cash used in financing activities	(3,114)	-
Net increase in cash and cash equivalents	638,551	1,228
Cash and cash equivalents at beginning of the year/date of acquisition	1,314,731	1,259,154
Effect on exchange rate changes on cash and cash equivalents	(74,283)	54,349
Cash and cash equivalents at end of financial year	1,878,999	1,314,731

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted equity shares, at cost	8,765,513	8,765,513	8,639,755	8,639,755
Share of post-acquisition profits	9,606,578	8,413,831	-	-
Exchange currency translation differences	44,426	-	-	-
	18,416,517	17,179,344	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 2017 (%)	Porportion of Ownership Interest 2016 (%)	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

7. INVESTMENT IN ASSOCIATES (CONTD.)

(a) Details of the associates are as follows: (Contd.)

Name of Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2017 (%)	2016 (%)	Accounting Model Applied
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.:					
Rotodyne Sendirian Berhad [2]	Negara Brunei Darussalam	Sales of rotating equipment and spare parts	30	30	Equity method

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

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

(i) Summarised statements of financial position

Bayu Purnama Sdn. Bhd.

	2017 RM	2016 RM
Non-current assets	2,561,658	2,220,381
Current assets	46,360,405	40,504,525
Total assets	48,922,062	42,724,906
Current liabilities	5,604,036	2,423,170
Net assets	43,318,027	40,301,736

(ii) Summarised statements of comprehensive income

	2017 RM	2016 RM
Revenue	33,157,836	29,976,396
Profit before tax from continuing operations	4,465,752	4,133,493
Profit for the year from continuing operations	3,016,291	3,009,535
Other comprehensive income	-	-
Total comprehensive income	3,016,291	3,009,535
Dividend received from the associate during the year	-	-

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7. INVESTMENT IN ASSOCIATES (CONTD.)

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

	2017 RM	2016 RM
Net assets at 1 January	40,301,736	37,292,201
Profit for the year	3,016,291	3,009,535
Other comprehensive income	-	-
Less: Dividend paid	-	-
Net assets at 31 December	43,318,027	40,301,736
Interest in associates	42.5%	42.5%
Carrying value of Group's interest in associate	18,410,161	17,128,238

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

	2017 RM	2016 RM
The Group's share of loss before tax from continuing operations	(28,154)	(208,159)
The Group's share of loss after tax from continuing operations	(52,498)	(235,485)
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive loss	(52,498)	(235,485)

8. INVESTMENT IN JOINT VENTURE

	Group 2017 RM	 2016 RM
Unquoted shares, at cost	155,080	155,080
Share of post-acquisition losses	45,730	(14,468)
Exchange currency translation differences	(4,260)	(512)
	196,550	140,100

(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 2017 (%)	2016 (%)	Proportion of Ownership Interest held by joint venture party 2017 (%)	2016 (%)
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	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.

8. INVESTMENT IN JOINT VENTURE (CONTD.)

(b) (i) Summarised statements of financial position

	2017 RM	2016 RM
Non-current assets	178,333	107,975
Current assets	250,126	184,353
Total assets	428,459	292,328
Current liabilities	35,322	12,091
Irredeemable, non-convertible preference shares	37	37
Net assets	393,100	280,200

(ii) Summarised statements of comprehensive income

	2017 RM	2016 RM
Revenue	225,632	66,501
Income/(loss) before tax from continuing operations	125,375	(28,936)
Income/(loss) for the year from continuing operations	121,420	(28,936)
Other comprehensive loss	-	-
Total comprehensive income/(loss)	121,420	(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

	2017 RM	2016 RM
Net assets at beginning of the year/date of incorporation	280,200	310,197
Irredeemable, non-convertible preference shares	-	(37)
Income/(loss) for the year	121,420	(28,936)
Exchange currency translation differences	(8,520)	(1,024)
Less: Dividend paid	-	-
Net assets at 31 December	393,100	280,200
Interest in joint venture	50.0%	50.0%
Carrying value of Group's interest in joint venture	196,550	140,100

9. OTHER INVESTMENTS

	Group 2017 RM	 2016 RM
Club memberships, at cost	61,441	61,441
Less: Impairment of club memberships (Note 28)	(30,722)	(16,759)
Net book value of club memberships	30,719	44,682
Irredeemable, non-convertible preference shares	12	12
	30,731	44,694

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

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10. DEFERRED TAX

	Group	
	2017 RM	2016 RM
At 1 January	7,141	11,723
Recognised in the statements of income	103,402	(5,583)
Exchange currency translation differences	(430)	1,001
At 31 December	110,113	7,141

Presented after offsetting as follows:

	2017 RM	2016 RM
Deferred tax assets	(6,218)	(765)
Deferred tax liabilities	116,331	7,906
	110,113	7,141

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM
At 1 January 2016	13,202
Recognised in the statements of income	(5,583)
Exchange currency translation differences	287
At 31 December 2016	7,906
Recognised in the statements of income	101,636
Exchange currency translation differences	6,789
At 31 December 2017	116,331

Deferred Tax Assets of the Group:

	Other deductible temporary differences RM
At 1 January 2016	1,479
Recognised in the statements of income	-
Exchange currency translation differences	(714)
At 31 December 2016	765
Recognised in the statements of income	(1,766)
Exchange currency translation differences	7,219
At 31 December 2017	6,218

11. INVENTORIES

	Group	
	2017 RM	2016 RM
Trading goods, at cost	1,494,575	2,679,300

(a) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM28,661,514 (2016: RM25,366,053).

(b) Inventories amounting to RM105,506 (2016: RM74,475) were written off against statement of income.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade Receivables				
Third parties	14,806,326	11,328,067	-	-
Amount due from related company	376,429	-	-	-
Amount due from associates	-	470,521	-	-
	15,182,755	11,798,588	-	-
Less: Allowance for impairment	(236,147)	(26,158)	-	-
	14,946,608	11,772,430	-	-
Other Receivables				
Amount due from a subsidiary	-	-	36,169	-
Amount due from related company	170,398	-	-	-
Amount due from an associate	-	3,239	-	-
Amount due from a joint venture	795	795	795	795
Staff advances	61,666	92,893	-	-
Refundable deposits	205,290	215,486	5,605	3,750
Interest receivables	87,751	113,028	-	-
Other receivables	79,109	414,316	-	-
	605,009	839,757	42,569	4,545
Total trade and other receivables	15,551,617	12,612,187	42,569	4,545
Add: Dividend receivables	-	-	1,900,080	1,860,960
Add: Cash and bank balances	39,904,863	51,482,562	540,943	1,138,815
Total loans and receivables	55,456,480	64,094,749	2,483,592	3,004,320

(a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2016: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	10,082	4,545	42,569	4,545
Singapore Dollars	4,384,004	2,058,163	-	-
United States Dollars	6,092,674	3,892,617	-	-
Japanese Yen	820,165	418,717	-	-
Philippines Peso	214,236	488,760	-	-
Indonesian Rupiah	2,132,007	4,249,095	-	-
Thailand Baht	1,531,381	1,500,290	-	-
Euro	367,068	-	-	-
	15,551,617	12,612,187	42,569	4,545

12. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade Receivables (Contd.)

Ageing analysis of trade receivables

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

	Group	
	2017	**2016**
	RM	**RM**
Neither past due nor impaired	6,335,197	7,534,701
1 to 30 days past due not impaired	2,425,114	2,659,233
31 to 60 days past due not impaired	1,887,980	478,693
61 to 90 days past due not impaired	267,682	458,094
More than 91 days past due not impaired	4,030,635	641,709
	8,611,411	4,237,729
Impaired	236,147	26,158
	15,182,755	11,798,588

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% (2016: 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 RM8,611,411 (2016: RM4,237,729) 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 8 (2016: 6) debtors represent 80% (2016: 81%) of total trade receivables.

Receivables that are impaired

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

	Group Individually Impaired	
	2017	**2016**
	RM	**RM**
Trade receivables - nominal amounts	236,147	26,158
Less: Allowance for impairment	(236,147)	(26,158)
	-	-

12. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade Receivables (Contd.)

Movement in allowance accounts:

	Group	
	2017	2016
	RM	RM
Movement in allowance accounts		
As at 1 January	26,158	53,706
Charge for the financial year (Note 27)	241,964	46,693
Written off	(26,158)	(74,427)
Exchange currency translation differences	(5,817)	186
As at 31 December	236,147	26,158

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.

13. CASH AND BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash at banks and in hand	16,431,088	11,965,612	540,943	1,138,815
Fixed deposits with licensed banks	23,473,775	39,516,950	-	-
Cash and bank balances	39,904,863	51,482,562	540,943	1,138,815
Less: Fixed deposits pledged with licensed bank	(12,964,019)	(13,103,513)	-	-
Less: Long term fixed deposits with licensed bank	(5,548,753)	(11,702,727)	-	-
Cash and cash equivalents	21,392,091	26,676,322	540,943	1,138,815

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 eight months depending on the immediate cash requirements of the Group and of the Company, and earns interest ranging from 0.1% to 1.25% (2016: 0.1% to 0.85%) per annum during the year.

The weighted average effective rates of deposits of the Group were 1.36% (2016: 1.04%) per annum.

The weighted average maturities of deposits of the Group in the current year were 166 (2016: 240) days.

Fixed deposits with licensed banks of the Group amounting to RM12,964,019 (2016: RM13,103,513) 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 19(c) respectively are secured by the above fixed deposits and leasehold building (Note 3) and land use rights (Note 5).

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

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	540,943	1,138,815	540,943	1,138,815
Singapore Dollars	17,628,085	21,928,345	-	-
United States Dollars	11,716,879	11,765,750	-	-
Japanese Yen	1,447,950	2,000,479	-	-
Philippines Peso	21,663	164,455	-	-
Indonesian Rupiah	1,222,365	111,544	-	-
Euro Dollars	132,167	63,538	-	-
Thailand Baht	7,154,660	14,269,450	-	-
Others	40,151	40,186	-	-
	39,904,863	51,482,562	540,943	1,138,815

14. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	2017	2016	2017 RM	2016 RM
Authorised:				
At 1 January / 31 December	* -	200,000,000	* -	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 Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

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.

15. RETAINED EARNINGS AND CAPITAL RESERVE

Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2017 and 31 December 2016 under the single tier system.

Capital Reserve

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

Retirement Benefit Obligation Reserve

The reserve arose from remeasurement of the net defined benefit liability arising from actuarial gains and losses from increases or decreases in the present value of the defined benefit obligation.

Statutory Reserve

The statutory reserve relates to the appropriation of reserves from the net profits of a subsidiary company established in Thailand. In accordance with the Thailand local laws, before dividends for a particular year are declared, companies are required to appropriate 5% of their profit before taxation reported in the statutory accounts for that year to a statutory reserve. The maximum balance of the reserve is capped at 10% of the registered capital. This reserve can only be distributed to the shareholders upon liquidation of the company or utilised in the event of a reduction in share capital.

16. 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.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade Payables				
Third parties	2,986,661	2,704,895	-	-
Other Payables				
Amount due to a subsidiary	-	-	-	2,019,861
Amount due to a joint venture	5,950	512	-	-
Amount due to related party	14,011	-	-	-
Advance from customers	244,242	261,134	-	-
Accruals	1,432,409	1,638,625	220,612	169,794
Net GST payables	316,186	84,819	-	-
Other payables	301,244	945,268	-	-
	2,314,042	2,930,358	220,612	2,189,655
Total trade and other payables	5,300,703	5,635,253	220,612	2,189,655
Add: Loans and borrowings (Note 19)	66,381	11,298,349	-	-
Less: Net GST payables	(316,186)	(84,819)	-	-
Total financial liabilities carried at amortised cost	5,050,898	16,848,783	220,612	2,189,655

(a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2016: 30 to 60 days) terms.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	220,612	496,142	220,612	2,189,655
Singapore Dollars	2,198,878	1,851,312	-	-
United States Dollars	1,310,209	1,854,815	-	-
Japanese Yen	105,977	122,266	-	-
Philippines Peso	98,726	263,953	-	-
Indonesian Rupiah	184,179	860,152	-	-
Thailand Baht	1,116,448	127,334	-	-
Euro Dollars	65,674	59,279	-	-
	5,300,703	5,635,253	220,612	2,189,655

(b) Other Payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 90 days (2016: 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.

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18. OTHER CURRENT LIABILITIES

	Group	
	2017 RM	2016 RM
Advance billings	-	691,589

19. LOANS AND BORROWINGS

		Group	
	Maturity	2017 RM	2016 RM
Current			
Secured:			
Obligations under finance lease (Note (a))	2018	21,145	17,785
Term loan (Note (b))	-	-	1,124,246
		21,145	1,142,031
Non-current			
Secured:			
Obligations under finance lease (Note (a))	2019-2021	45,236	57,971
Term loan (Note (b))	-	-	10,098,347
		45,236	10,156,318
Total		66,381	11,298,349

(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:

	2017 RM	2016 RM
Future minimum lease payments:		
On demand or within one (1) year	25,342	22,029
More than one (1) year and less than two (2) years	25,342	22,029
More than two (2) years and less than five (5) years	23,457	41,573
Total minimum future lease payments	74,141	85,631
Less: Future finance charges	(7,760)	(9,875)
Present value of finance lease liabilities	66,381	75,756
Analysis of present value of finance lease liabilities:		
On demand or within one (1) year	21,145	17,785
More than one (1) year and less than two (2) years	22,760	18,944
More than two (2) years and less than five (5) years	22,476	39,027
	66,381	75,756
Less: Amount due within 12 months	(21,145)	(17,785)
Amount due after 12 months	45,236	57,971

The finance lease bears interest at the reporting date ranging from 5.69% to 12.68% (2016: 5.69% to 6.56%) per annum.

19. LOANS AND BORROWINGS (CONTD.)

(b) Term loan

	Maturity	Group 2017 RM	Group 2016 RM
Current			
Secured:			
Term loan	-	-	1,124,246
		-	1,124,246
Non-current			
Secured:			
Term loan	-	-	10,098,347
		-	10,098,347
		-	11,222,593

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

	Group 2017 RM	Group 2016 RM
On demand or within one (1) year	-	1,124,246
More than one (1) year and less than two (2) years	-	1,156,153
More than two (2) years and less than five (5) years	-	3,669,085
Five (5) years or more	-	5,273,109
	-	11,222,593

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.

The term loan was fully repaid during the financial year.

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

	Group 2017 RM	Group 2016 RM
Bank guarantee granted to third parties, secured	-	162,400

20. RETIREMENT BENEFIT OBLIGATION

	Group 2017 RM
Defined benefit obligations	117,126

Defined benefit plans

The Group operates a defined benefit plans covering all regular full-time employees in a subsidiary, Rotodyne Phil. Inc. It is unfunded but accrues the estimated cost of post-employment benefits, actuarially determined.

20. RETIREMENT BENEFIT OBLIGATION (CONTD.)

The amount included in the Group's statement of financial position arising from the Group's obligations in respect of its defined benefit plans is as follows:

	Group 2017 RM
Present value of defined benefit obligations	117,126
Fair value of plan assets	-
Net defined benefit liabilities	117,126

Changes in present value of the defined benefit obligations are as follows:

	Group 2017 RM
At date of implementation	81,616
Benefit paid	-
Current service costs	18,937
Interest costs	10,264
Remeasurement (loss)/gain on defined benefit plans	
Actuarial (loss)/gain arising from:	
- changes in financial assumptions	5,283
- changes in demographic assumptions	-
- experience adjustments	1,026
	6,309
Exchange differences	-
At 31 December 2017	117,126

Analysed as:

	Group 2017 RM
Current	-
Non-current	
Later than one (1) year but not later than two (2) years	-
Later than two (2) years but not later than five (5) years	-
Later than five (5) years	117,126
	117,126
	117,126

These amounts are recognised in "Employee benefits expense" line item in the statement of income.

20. RETIREMENT BENEFIT OBLIGATION (CONTD.)

The components of amounts recognised in profit or loss and in other comprehensive income in respect of the defined benefit plans are as follows:

Reported in statement of income

	Group 2017 RM
At date of implementation	81,616
Current service costs	18,937
Interest costs	10,264
Return on plan assets	-
	110,817

Reported in other comprehensive income

Return on plan assets	-
Actuarial (loss)/gain arising from:	-
- Changes in financial assumptions	6,309
- Experience adjustments	-
	6,309

The cost of defined benefit plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the obligations for the defined benefit plans are shown below:

	Group 2017 %
Discount rates	5.8%
Expected rate of future salary increases	2.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase/ (decrease)	Group 2017 RM
Discount rates	1.00%	(11,206)
	(0.50%)	12,662
Expected rate of future salary increases	0.75%	11,765
	(1.25%)	(10,662)

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21. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales of goods	34,578,700	35,375,851	-	-
Service income	10,581,849	4,732,772	-	-
Dividend income from a subsidiary	-	-	1,900,080	1,860,960
	45,160,549	40,108,623	1,900,080	1,860,960

22. COST OF SALES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cost of inventories sold	28,661,514	25,366,053	-	-

23. INTEREST INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from fixed deposits with licensed banks	309,420	403,557	8,319	24,071

24. OTHER INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Net realised gain on foreign currency translations	41,760	-	41,760	-
Net unrealised gain on foreign currency translations	-	327,508	-	-
Rental income	1,414,501	614,044	-	-
Gain on disposal of property plant and equipment	-	43,865	-	-
Negative goodwill (Note 6(c))	-	287,777	-	-
Reversal of write-down of inventories	-	47,212	-	-
Others	219,435	207,725	67,792	-
	1,675,696	1,528,131	109,552	-

25. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, bonuses and other emoluments	5,688,790	5,651,310	145,232	135,970
Director fees	92,000	101,000	92,000	101,000
Contributions to defined contribution plan	594,821	527,453	16,093	16,172
Increase in liability for defined benefit plan	110,817	-	-	-
Other benefits	650,503	709,149	874	7,145
	7,136,931	6,988,912	254,199	260,287

Included in employee benefits expense of the Group and of the Company are Directors' remuneration amounting to RM1,027,106 (2016: RM924,099) and RM127,000 (2016: RM152,000) respectively.

26. DIRECTORS' REMUNERATION

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Director of the Company				
Executive:				
Salaries and other emoluments	234,452	219,639	-	-
Fees - current year	20,000	20,000	20,000	20,000
Bonus	35,027	24,534	-	-
Defined contribution plan	47,567	44,021	-	-
Total Executive Directors' remuneration	337,046	308,194	20,000	20,000
Non-Executive:				
Fees - current year	72,000	81,000	72,000	81,000
Other emoluments	35,000	51,000	35,000	51,000
Total Non-Executive Directors' remuneration	107,000	132,000	107,000	132,000
	444,046	440,194	127,000	152,000
Director of the Subsidiaries				
Executive:				
Salaries and other emoluments	480,560	401,581	-	-
Bonus	50,828	35,260	-	-
Defined contribution plan	51,672	47,064	-	-
	583,060	483,905	-	-
Non-Executive:				
Fees	-	-	-	-
Total Directors' remuneration	1,027,106	924,099	127,000	152,000
Executive Directors' remuneration	920,106	792,099	20,000	20,000
Non-Executive Directors' remuneration	107,000	132,000	107,000	132,000

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 2017				
RM0 - RM50,000	1	4	2	4
RM300,001 – RM350,000	1	-	-	-
At 31 December 2016				
RM0 - RM50,000	1	5	2	5
RM400,001 – RM450,000	1	-	-	-

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27. FINANCE COST

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Interest expense on obligations under finance lease	6,011	3,803	-	-
Interest expense on term loans	338,170	324,057	-	-
	344,181	327,860	-	-

28. PROFIT BEFORE TAXATION

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration:				
- statutory audits				
- current year	331,177	278,839	70,000	65,000
- non-statutory audits	10,000	10,000	10,000	10,000
Amortisation of land use rights	77,576	74,626	-	-
Depreciation of property, plant and equipment	2,331,104	1,729,072	920	703
Depreciation of investment property	128,408	125,026	-	-
Non-Executive Directors'remuneration	107,000	132,000	107,000	132,000
Impairment on investment in club membership	13,963	16,759	-	-
Allowance for impairment loss on financial assets:				
- trade receivables	241,964	46,693	-	-
Inventories written-down	105,506	74,475	-	-
Unrealised loss on foreign currency translations	1,293,559	-	-	-
Realised loss on foreign currency translations	188,945	444,726	-	-
Retirement benefit obligations	110,817	-	-	-
Operating lease:				
Rental on land	198,292	222,483	-	-
Rental on properties	139,606	139,004	-	-
Rental on office equipment	6,851	4,943	-	-

29. INCOME TAX EXPENSE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current income tax:				
- Malaysian income tax	1,658	5,777	1,658	5,777
- Foreign income tax	826,079	406,775	-	-
- Over provision in respect of previous financial years	(29,245)	(819)	(636)	(819)
	798,492	411,733	1,022	4,958
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	103,402	(5,583)	-	-
	901,894	406,150	1,022	4,958

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiaries of the Group was 17% (2016: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

29. INCOME TAX EXPENSE (CONTD.)

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before taxation	4,023,972	4,735,842	1,452,545	1,300,874
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	965,753	1,136,602	348,611	312,210
Different tax rates in other countries	(380,926)	(627,076)	-	-
Adjustments:				
Non-deductible expenses	759,348	267,123	109,066	140,197
Income not subject to taxation	-	-	(456,019)	(446,630)
Effect of partial exemption and tax relief	(111,874)	(137,573)	-	-
Share of results of associates	(290,841)	(234,567)	-	-
Share of results of joint venture	(10,321)	2,460	-	-
Over provision of income tax expense in prior financial year	(29,245)	(819)	(636)	(819)
Income tax expense recognised in the statements of income	901,894	406,150	1,022	4,958

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	
	2017 RM	2016 RM
Foreign		
Unutilised business losses	96,326	96,326
Potential foreign deferred tax benefits at 17% (2016: 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.

30. 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	
	2017 RM	2016 RM
Profit net of tax attributable to owners of the parent used in the computation of basic and diluted earnings per share	3,095,829	4,182,080

	Number of shares	
	2017	2016
Weighted average number of ordinary shares for basic and diluted earnings per share computation	108,000,000	108,000,000

30. EARNINGS PER SHARE (CONTD.)

	Sen per share	
	2017	2016
Basic and diluted earnings per share for profit for the financial year (sen per share)	3	4

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.

31. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Dividend income received from:				
- subsidiary	-	-	1,900,080	1,860,960
Rental income received from:				
- related party	435,974	-	-	-
Sale of goods and services to:				
- associates	386,282	459,124	-	-
- related party	353,785	-	-	-
Expenses reimbursed to related party	73,234	-	-	-
Expenses reimbursed by associate	(39,292)	(39,955)	-	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 and 31 December 2016 are disclosed in Notes 12 and 17.

(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 26.

32. COMMITMENTS

(a) Capital Commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2017 RM	2016 RM
Capital expenditure		
Approved and contracted for:		
Renovation work	50,147	123,444

32. COMMITMENTS (CONTD.)

(b) Operating Lease Commitments - Lessee

In addition to the investment properties and land use rights disclosed in Note 4 and Note 5 respectively, 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 depreciation of investment properties and amortisation of land use rights recognised in statements of income for the financial year ended 31 December 2017 amounted to RM451,510 (2016: RM469,472).

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	
	2017 RM	2016 RM
Not later than one (1) year	261,760	273,096
Later than one (1) year but not later than five (5) years	833,567	908,887
More than five (5) years	3,076,275	3,240,260
	4,171,602	4,422,243

(c) Operating Lease Commitments - Lessor

The Group has entered into commercial property leases on one of its properties. 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	
	2017 RM	2016 RM
Not later than one (1) year	609,329	665,696
Later than one (1) year but not later than five (5) years	18,280	563,114
	627,609	1,228,810

33. 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.

On 18 April 2017, Rotodyne has agreed with BIR on the final assessment on the tax deficiency amounting to Php994,645 (approximately RM86,200). The amount has been paid on 4 May 2017.

34. 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 trade receivables at the reporting date are as follows:

	Group			
	2017		2016	
By Country:	**RM**	**% of total**	**RM**	**% of total**
Malaysia	1,196,518	8%	91,522	1%
Singapore	6,682,538	45%	4,190,640	36%
Philippines	668,138	4%	804,518	7%
Indonesia	4,845,470	32%	4,189,145	35%
Brunei	2,893	0%	1,065,728	9%
Thailand	1,482,279	10%	1,407,773	12%
Others	68,772	0%	23,104	0%
	14,946,608	100%	11,772,430	100%

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 12. 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 12.

(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.

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

(b) Liquidity Risk (Contd.)

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 2017	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	15,551,617	-	-	15,551,617
Cash and bank balances	39,904,863	-	-	39,904,863
Total undiscounted assets	55,456,480	-	-	55,456,480
Financial Liabilities:				
Trade and other payables	5,300,703	-	-	5,300,703
Obligations under finance leases	25,342	48,799	-	74,141
Retirement benefit obligation	-	-	117,126	117,126
Total undiscounted liabilities	5,326,045	48,799	117,126	5,491,970
Total net undiscounted financial assets/(liabilities)	50,130,435	(48,799)	(117,126)	49,964,510
Company				
Financial Assets:				
Trade and other receivables	42,569	-	-	42,569
Dividend receivables	1,900,080	-	-	1,900,080
Cash and bank balances	540,943	-	-	540,943
Total undiscounted assets	2,483,592	-	-	2,483,592
Financial Liabilities:				
Trade and other payables	220,612	-	-	220,612
Total undiscounted liabilities	220,612	-	-	220,612
Total net undiscounted financial assets	2,262,980	-	-	2,262,980

31 December 2016

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/(liabilities)	57,013,068	(5,761,198)	(5,576,866)	45,675,004

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

(b) Liquidity Risk (Contd.)

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

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
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

(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 RM12,070 (2016: RM11,528) 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.

(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 United States Dollar ("USD"), Japanese Yen ("JPY") and EURO Dollar ("EURO").

During the financial year, the Group's entire sales (2016: entire sales) are denominated in foreign currencies whilst the entire costs (2016: 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 13.

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.

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

(d) Foreign Currency Risk (Contd.)

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 USD, JPY and EURO exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2017 RM Profit for the year	2016 RM Profit for the year
USD/RM	- strengthened 5% (2016: 5%)	824,967	690,178
	- weakened 5% (2016: 5%)	(824,967)	(690,178)
JPY/RM	- strengthened 5% (2016: 5%)	108,107	114,847
	- weakened 5% (2016: 5%)	(108,107)	(114,847)
EURO/RM	- strengthened 5% (2016: 5%)	21,678	213
	- weakened 5% (2016: 5%)	(21,678)	(213)

The net unhedged financial assets and liabilities of the Group as at 31 December 2017 that are transacted in their functional currencies other than RM, SGD, PHP and IDR are as follows:

	Cash and Bank Balances RM	Receivables RM	Payables RM	Total RM
Group				
At 31 December 2017				
United States Dollars	11,716,879	6,092,674	(1,310,209)	16,499,344
Japanese Yen	1,447,950	820,165	(105,977)	2,162,138
Euro Dollars	132,167	367,068	(65,674)	433,561
	13,296,996	7,279,907	(1,481,860)	19,095,043
At 31 December 2016				
United States 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
Euro Dollars	63,538	-	(59,279)	4,259
	13,829,767	4,311,334	(2,036,360)	16,104,741

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2017

35. FINANCIAL INSTRUMENTS

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

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

(a) Fair value hierarchy

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

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

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

The Group and the Company does not have any financial instruments classified as Level 1 to Level 3 as at 31 December 2017 and 31 December 2016.

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 2017		
Financial liability		
Finance lease payable	66,381	62,357
At 31 December 2016		
Financial liability		
Finance lease payable	75,756	72,190

36. 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 2017 and 31 December 2016.

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	2017 RM	2016 RM
Finance lease payable	19 (a)	66,381	75,756
Term loan	19 (b)	-	11,222,593
		66,381	11,298,349
Equity attributable to the owners of the parent		100,536,733	99,490,060
Gearing ratio		0%	11%

37. 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 its business 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2017

37. SEGMENT INFORMATION (CONTD.)

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Thailand RM	Consolidation adjustments RM	Group RM
At 31 December 2017							
Revenue							
External sales	-	41,184,066	328,877	351,087	3,296,519	-	45,160,549
Inter-segment sales	-	1,458,997	-	-	-	(1,458,997)	-
Total revenue	-	42,643,063	328,877	351,087	3,296,519	(1,458,997)	45,160,549
Results							
Profit/(loss) from operations	(447,533)	3,211,914	588,447	(547,529)	135,211	174,186	3,114,696
Finance costs	-	(342,431)	-	-	(1,750)	-	(344,181)
Share of profit of associates						1,192,747	1,192,747
Share of loss of joint venture						60,710	60,710
Profit before taxation							4,023,972
Taxation							(901,894)
Profit for the financial year							3,122,078
Profit attributable to:							
Owners of the parent							3,095,829
Non-controlling interests							26,249
							3,122,078
Assets							
Segment assets	55,754,668	88,687,245	5,814,601	399,565	16,252,762	(56,363,749)	110,545,092
Unallocated assets	4,342	-	6,218	-	-	-	10,560
Total assets							110,555,652
Liabilities							
Segment liabilities	220,612	11,660,415	187,308	481,882	1,449,602	(8,515,609)	5,484,210
Unallocated liabilities	-	783,269	14,200	23,787	16,883	-	838,139
Total liabilities							6,322,349
Other information							
Capital expenditure	-	1,429,011	-	1,744	43,983	-	1,474,738
Depreciation of property, plant and equipment	920	2,102,440	177,892	42,581	7,271	-	2,331,104
Depreciation of investment properties	-	-	128,408	-	-	-	128,408
Amortisation of land use rights	-	77,576	-	-	-	-	77,576
Other non-cash expenses	46,201	1,361,355	10,993	347,259	-	-	1,765,808

37. SEGMENT INFORMATION (CONTD.)

	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	2,189,868	14,883,210	1,693,736	371,127	969,281	(2,482,031)	17,625,191
Unallocated liabilities	-	283,196	29,482	-	63,936	-	376,614
Total liabilities							18,001,805
Other information							
Capital expenditure	2,599	3,421,283	-	-	4,584	-	3,428,466
Depreciation of property, plant and equipment	703	1,506,560	171,952	45,336	4,521	-	1,729,072
Depreciation of investment properties	-	-	125,026	-	-	-	125,026
Amortisation of land use rights	-	74,626	-	-	-	-	74,626
Other non-cash expenses	13,395	(497,336)	(111,211)	26,243	474	-	(568,435)

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2017

38. DIVIDENDS

	Dividend in respect of year		Dividend recognised in year	
	2017 RM	2016 RM	2017 RM	2016 RM
Group and Company				
Recognised during the financial year				
In respect of financial year ended 31 December 2015				
- Final single tier dividend (5.0 sen)				
on 108,000,000 ordinary paid on 27 June 2016	-	-	-	5,400,000
	-	-	-	5,400,000

	Group and Company	
	2017 RM	2016 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 single-tier dividend for 2017:		
1 sen per share	1,080,000	-

At the forthcoming Annual General Meeting, a final single-tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2017, on 108,000,000 ordinary shares, amounting to a dividend payable of RM1,080,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

39. SUBSEQUENT EVENT

Acquisition of additional 24.8% Equity Interest in Turbo-Mech (Thailand) Company Limited

On 21 November 2017, 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 248,000 ordinary shares of Thai Baht ("THB") 100 each in Turbo-Mech (Thailand) Company Limited ("TMT"), representing 24.8% equity interest in TMT, for a total cash consideration of THB28,941,000 (or approximately RM3,668,000). The SPA is signed on 1 January 2018 and TMT has become a 99.8% owned sub-subsidiary of the Company.

PARTICULAR OF PROPERTIES
AS AT 31 DECEMBER 2017

No	Location	Description and Existing Use	Tenure	Land Area/ Built-up	Approximate Age of Buildings (years)	Net Book Valued as at 31.12.17 (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	20	5,506,289
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	38	23,323,448
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 5 years expiring on 1 August 2031	807 sq. ft/ 2,421 sq. ft.	11	402,392
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	15	1,207,424

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2018

Total Number of Issued Shares	:	108,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	687

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2018

Holdings	No. of Holders	%	Total Holdings	%
1 - 99	9	1.31	102	0.00
100 - 1,000	87	12.66	70,500	0.07
1,001 - 10,000	355	51.67	1,953,950	1.81
10,001 - 100,000	185	26.94	6,094,024	5.64
100,001 - 5,399,999 (*)	49	7.13	44,338,450	41.05
5,400,000 and above (**)	2	0.29	55,542,974	51.43
Total	687	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 23 MARCH 2018

	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 23 MARCH 2018

LIST OF DIRECTORS' SHAREHOLDINGS
AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 23 MARCH 2018

	Direct shareholdings		Indirect shareholdings	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Gan Kok Ten	19,497,632	18.05	41,030,698 [1]	37.99
Nasaruddin Bin Mohamed Ali	940,876	0.87	-	-
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 Company pursuant to Section 59(11)(c) of the Companies Act 2016.

LIST OF 30 LARGEST SHAREHOLDERS
AS AT 23 MARCH 2018

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	Gan Kok Ten	2,605,782	2.41
8	Loo Kien Seng	2,512,020	2.33
9	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Leong Khai Cheong (PBCL - 0G0029)	2,500,000	2.31
10	Lim Yoke Sim	2,307,200	2.14
11	Gan Ching Lai	2,279,574	2.11
12	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Eng Tong	1,976,300	1.83
13	Lai Siew Ngoh	1,645,302	1.52
14	Tay Hwee Leck	1,126,524	1.04

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2018

LIST OF 30 LARGEST SHAREHOLDERS (CONTD.)
AS AT 23 MARCH 2018

No.	Names	Shareholdings	%
15	Leong Choong Wah	911,329	0.84
16	Ong Chiow Hock	900,000	0.83
17	Nasaruddin Bin Mohamed Ali	840,876	0.78
18	Loke Kah Kheon	773,800	0.72
19	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Sai Mun	608,300	0.56
20	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Sai Mun (E-KLC)	521,100	0.48
21	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Leong Khai Cheong (PB)	500,000	0.46
22	Kok Choi Wah	500,000	0.46
23	Mohd Radzuan Bin Ab Halim	479,800	0.44
24	Yap Kim Loong	443,100	0.41
25	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Khor Shen Chieh (MY1522)	363,300	0.34
26	Siow Kim Lun @ Siow Kim Lin	350,000	0.32
27	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chang Joon	322,700	0.30
28	Wong Siew Ting	300,002	0.28
29	Teh Bee Gaik	292,700	0.27
30	Chau Mooi Fei	280,800	0.26

PROXY FORM

No. of Shares Held	CDS Account No.

TURBO-MECH BERHAD

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

*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 Ninth 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, 21 May 2018 at 9:00 a.m. or at any adjournment thereof and to vote as indicated below:-

	RESOLUTION	*FOR	*AGAINST
Resolution 1	To approve a final single-tier dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2017.		
Resolution 2	To re-elect Ms Chan Bee Eie as Director.		
Resolution 3	To re-elect Encik Azhar Bin Mohamad as Director.		
Resolution 4	To approve the payment of Directors' fees and benefits payable to Directors totalling RM127,000/- for the financial year ended 31 December 2017.		
Resolution 5	To approve the Directors' fees and benefits payable of up to RM160,000/- for the financial year ending 31 December 2018 and up to the date of the next Annual General Meeting, to be paid monthly in arrears.		
Resolution 6	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 7	Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		
Special Resolution	Proposed Adoption of New Constitution of the Company.		

* 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 _______________ 2018.

____
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 forty-eight (48) 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.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 11 May 2018 (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

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