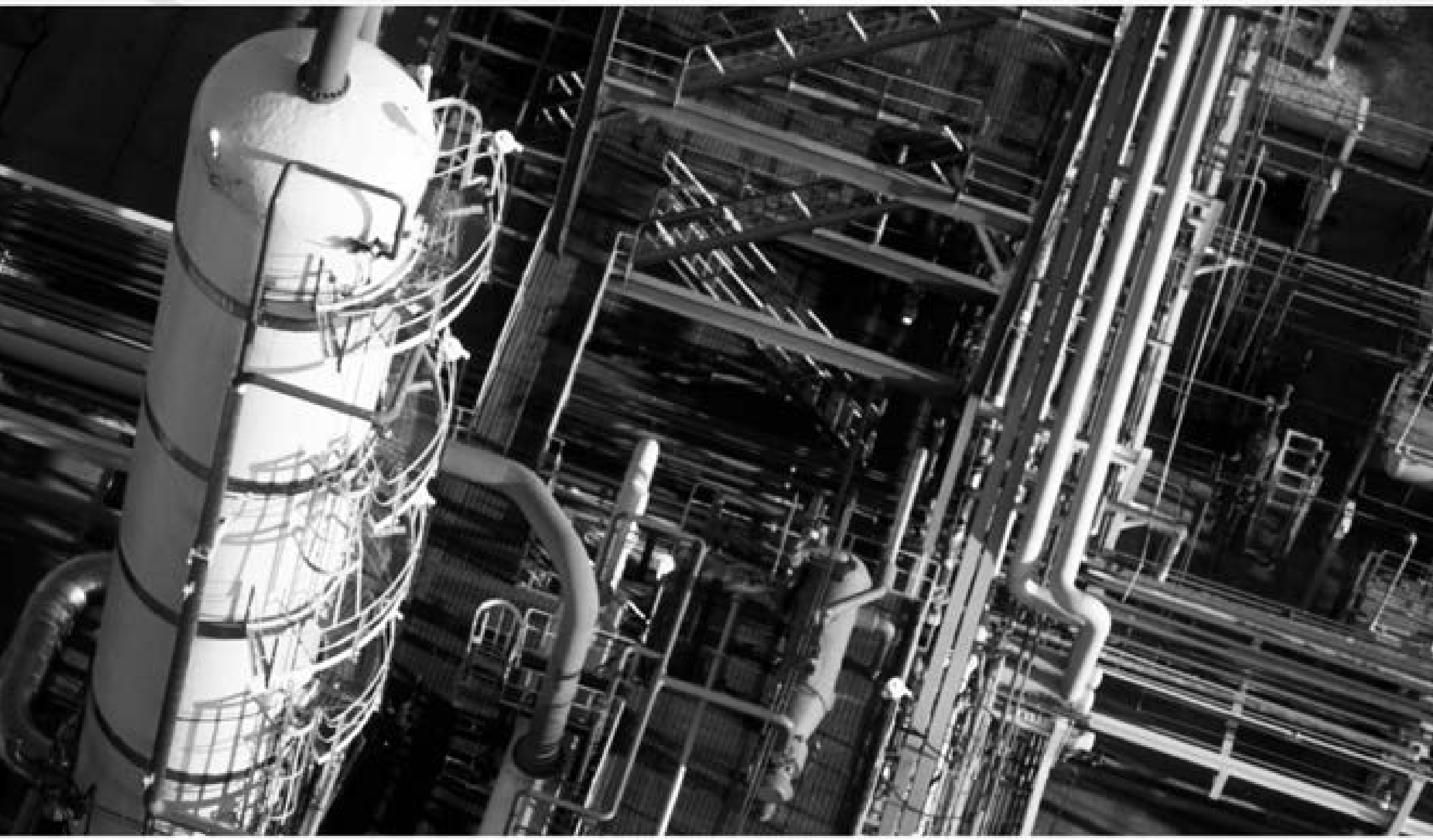
UNIMECH GROUP BERHAD
(Company No : 407580-X)

ANNUAL REPORT 2016

Contents



NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting ("AGM") of the Company will be held at Merbah Room, Hotel Equatorial Penang, No. 1 Jalan Bukit Jambul, 11900 Penang on Wednesday, 24 May 2017 at 11.00 a.m. for the following purposes:-

A G E N D A

1 To receive the Audited Financial Statements for the year ended 31 December 2016 together with the reports of the Directors and Auditors thereon. (Please refer to Note A)

2 To declare a First and Final Single Tier Dividend of 3.0 sen per share for the year ended 31 December 2016. Resolution 1

3 To re-elect the following Directors retiring under the respective provisions of the Constitution of the Company, and who, being eligible, offer themselves for re-election:-

(i)	Dato' Lim Cheah Chooi	Article 97(1)	Resolution 2
(ii)	Mr. Han Mun Kuan	Article 97(1)	Resolution 3
(iii)	En. Khairilanuar Bin Tun Abdul Rahman	Article 97(1)	Resolution 4
(iv)	Mr. Teh Eng Aun	Article 104	Resolution 5

4 To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. Resolution 6

SPECIAL BUSINESS

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

ORDINARY RESOLUTIONS

5.1 *Payment of Directors' Fees and benefits for the financial year ended 31 December 2016*

To approve the increase of Directors' Fees and benefits up to RM216,334.00 for the financial year ended 31 December 2016 and payment of such Fees and Benefits to the Directors of the Company. Resolution 7

5.2 *Authority to Issue Shares*

"THAT pursuant to section 76 of the Companies Act 2016 ("the Act") and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities." Resolution 8

5.3 *Renewal of Authority to Purchase its own Shares*

"THAT subject to the Act, provisions of the Constitution of the Company and the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:- Resolution 9

5.3.1 The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;

5.3.2 The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 31 December 2016, the audited retained profits of the Company stood at RM6,764,782;

5.3.3 The authority conferred by this resolution will be effective immediately upon the passing of this resolution; and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;

5.3.4 Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-

a) to cancel the shares so purchased; or
b) to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
c) to retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of the Company's shares in accordance with the Act, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

6 To transact any other business of which due notice shall have been given in accordance with the Act.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the First and Final Single Tier Dividend of 3.0 sen per share for the financial year ended 31 December 2016, if approved, will be paid on 13 July 2017 to depositors registered in the Records of Depositors on 29 June 2017.

A Depositor shall qualify for entitlement to the Dividend in respect of: -

a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 29 June 2017 in respect of transfers;

b) Securities bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities

By Order of the Board,

ANGELINA CHEAH GAIK SUAN (MAICSA 7035272)
LEE MEI MEI (MAICSA 7062284)
Secretaries
Penang

Dated: 27 April 2017

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING (Cont'd)

NOTES:

A. This Agenda item is meant for discussion only as the provision of section 244(2) of the Companies Act 2016 do not require a formal approval of the shareholders and hence, is not put forward for voting.

Proxy:

(i) A member entitled to attend and vote at a meeting of the Company is entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy.

(ii) To be valid, the proxy form duly completed must be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time fixed for holding the meeting.

(iii) A member is entitled to appoint up to two (2) proxies to attend and vote at the same meeting.

(iv) Where a member appoints up to two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

(v) Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(vi) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vii) If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

(viii) Kindly note that the date of the General Meeting Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the Twentieth Annual General Meeting shall be on 15 May 2017.

Explanatory Note On Special Business:

1. **Resolution 7**
The proposed resolution is in accordance with Article 71 of the Company's Constitution and if passed, will authorise the payment of Directors' Fees and benefits to the Directors of the Company for their services as Directors for the year ended 31 December 2016.

2. **Resolution 8**
The proposed resolution, if passed, will renew the authority to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The renewed mandate 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 future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Nineteenth Annual General Meeting held on 28 May 2016 which will lapse at the conclusion of the Twentieth Annual General Meeting.

3. **Resolution 9**
The proposed resolution, if passed, will empower the Directors of the Company to purchase the Company's own shares up to ten per centum (10%) of the total issued shares of the Company by utilising the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the proposed resolution is set out in the Share Buy-Back Statement in pages 6 to 12 of this Annual Report 2016.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS (EXCLUDING DIRECTORS STANDING FOR A RE-ELECTION)

Pursuant to Paragraph 8.27(2) of the Bursa Securities Listing Requirements for Main Market, no individual is seeking election as a Director at the Twentieth Annual General Meeting of the Company.

SHARE BUY-BACK STATEMENT

1. DISCLAIMER STATEMENT

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") prior to its issuance, and hence, takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

2. RATIONALE FOR THE PROPOSED PURCHASE BY UNIMECH GROUP BERHAD ("UGB" OR "THE COMPANY") OF ITS OWN ORDINARY SHARES ("SHARES") REPRESENTING UP TO 10% OF THE EXISTING SHARE CAPITAL ("PROPOSED SHARE BUY-BACK")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

i) The Proposed Share Buy-Back would enable the Company to utilise its surplus financial resources to purchase shares when appropriate, and at prices which the Board of Directors of the Company ("the Board") view as favourable to the Company;

ii) The Proposed Share Buy-Back would effectively reduce the number of shares carrying voting and participation rights unless the Shares which are purchased by the Company pursuant to the Proposed Share Buy-Back ("Purchased Shares") are resold on Bursa Securities or distributed as share dividends. Consequently, all else being equal, the earnings per share of the UGB Group ("the Group") may be enhanced as the earnings of the Group would be divided by a reduced number of Shares; and

iii) The Purchased Shares which will be retained as treasury shares may potentially be resold on Bursa Securities at a higher price and therefore realising a potential gain in reserves without affecting the total share capital of the Company. The treasury shares may also be distributed to shareholders as dividends and, if undertaken, would serve to reward the shareholders of the Company.

3. RETAINED PROFITS

Based on the audited financial statements of UGB as at 31 December 2016, the retained profits of the Company stood at RM6,764,782.

4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be funded from internally generated funds. The Group has adequate resources to undertake the Proposed Share Buy-Back in view that the Group has net cash and cash equivalent balance of approximately RM26,359,038 based on the audited financial statements of UGB as at 31 December 2016. Any funds utilised by UGB for the Proposed Share Buy-Back will consequentially reduce the resources available to UGB for its operations by a corresponding amount for shares bought back.

5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and substantial shareholders of UGB nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

Based on the Register of Directors and the Register of Substantial Shareholders of UGB as at 22 March 2017 and assuming that UGB implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors and substantial shareholders of UGB and persons connected to them are as follows:-

5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM (CONT'D)

5.1 Assuming none of the ICULS@ are converted and none of the Warrants# are exercised:-

	Existing as at 22 March 2017				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares**	**% ***	**No. of Shares**	**% ***	**No. of Shares**	**% ^**	**No. of Shares**	**% ^**
Directors								
Dato' Seri Dr. Kiew Kwong Sen	505,260	0.41	-	-	505,260	0.43	-	-
Han Mun Kuan	1,392,822	1.12	-	-	1,392,822	1.19	-	-
Lim Jun Lin	1,365,770	1.10	-	-	1,365,770	1.17	-	-
Sim Yee Fuan	325,500	0.26	-	-	325,500	0.28	-	-
Teh Eng Aun	-	-	-	-	-	-	-	-
Dato' Abdul Rafique Bin Abdul Karim	1,416,101	1.14	-	-	1,416,101	1.21	-	-
Khairilanuar Bin Tun Abdul Rahman	105,000	0.08	-	-	105,000	0.09	-	-
Directors and Substantial Shareholders								
Dato' Lim Cheah Chooi	37,970,623	30.53	-	-	37,970,623	32.44	-	-
Lim Kim Guan	8,494,749	6.83	2,005,250	1.61	8,494,749	7.26	2,005,250	1.71
Persons Connected To :-								
Dato' Lim Cheah Chooi	22,034,778(1)	17.72	-	-	22,034,778(1)	18.82	-	-
Lim Kim Guan	44,876,652(1)	36.08	-	-	44,876,652(1)	38.34	-	-
Lim Jun Lin	46,423,263(1)	37.32	-	-	46,423,263(1)	39.66	-	-
Han Mun Kuan	328,998(1)	0.26	-	-	328,998(1)	0.28	-	-
Sim Yee Fuan	420,000 (1)	0.34	-	-	420,000 (1)	0.36	-	-

* Percentage shareholding computed based on 124,382,324 Shares excluding 5,682,910 Shares held as treasury shares

^ Percentage shareholding computed based on 117,058,711 Shares excluding 13,006,523 Shares held as treasury shares and assuming the Proposed Share Buy-Back is carried out in full and all the Shares so purchased are held as treasury shares

(1) Being direct interest held by persons connected to Directors and/or Substantial Shareholders as defined under the Main Market Listing Requirements of Bursa Securities.

@ 5-year 5% Irredeemable Convertible Unsecured Loan Stock 2013/2018

\# Free detachable Warrants 2013/2018

SHARE BUY-BACK STATEMENT (Cont'd)

5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM (CONT'D)

5.2 Assuming full conversion of ICULS:-

Name	After full conversion of ICULS				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% *	No. of Shares	% *	No. of Shares	% ^	No. of Shares	% ^
Directors								
Dato' Seri Dr. Kiew Kwong Sen	505,260	0.33	-	-	505,260	0.35	-	-
Han Mun Kuan	1,724,446	1.13	-	-	1,724,446	1.21	-	-
Lim Jun Lin	1,690,953	1.10	-	-	1,690,953	1.18	-	-
Sim Yee Fuan	403,000	0.26	-	-	403,000	0.28	-	-
Teh Eng Aun	-	-	-	-	-	-	-	-
Dato' Abdul Rafique Bin Abdul Karim	1,753,268	1.15	-	-	1,753,268	1.23	-	-
Khairilanuar Bin Tun Abdul Rahman	105,000	0.07	-	-	105,000	0.07	-	-
Directors and Substantial Shareholders								
Dato' Lim Cheah Chooi	47,822,213	31.24	-	-	47,822,213	33.47	-	-
Lim Kim Guan	10,995,758	7.18	2,005,250	1.31	10,995,758	7.70	2,005,250	1.40
Persons Connected To :-								
Dato' Lim Cheah Chooi	26,532,152 (1)	17.33	-	-	26,532,152 (1)	18.57	-	-
Lim Kim Guan	55,872,534 (1)	36.50	-	-	55,872,534 (1)	39.10	-	-
Lim Jun Lin	57,537,386 (1)	37.59	-	-	57,537,386 (1)	40.27	-	-
Han Mun Kuan	407,330 (1)	0.27	-	-	407,330 (1)	0.29	-	-
Sim Yee Fuan	522,500 (1)	0.34	-	-	522,500 (1)	0.37	-	-

* Percentage shareholding computed based on 153,085,600 Shares excluding 5,682,910 Shares held as treasury shares.

^ Percentage shareholding computed based on 142,891,659 Shares excluding 15,876,851 Shares held as treasury shares and assuming the Proposed Share Buy-Back is carried out in full and all the Shares so purchased are held as treasury shares.

(1) Being direct interest held by persons connected to Directors and/or Substantial Shareholders as defined under the Main Market Listing Requirements of Bursa Securities.

5. **INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM (CONT'D)**

5.3 After full conversion of ICULS and assuming full exercise of Warrants:-

	After full conversion of ICULS and assuming full exercise of Warrants				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	% *	No. of Shares	% *	No. of Shares	% ^	No. of Shares	% ^
Directors								
Dato' Seri Dr. Kiew Kwong Sen	505,260	0.24	-	-	505,260	0.26	-	-
Han Mun Kuan	2,387,694	1.12	-	-	2,387,694	1.21	-	-
Lim Jun Lin	2,291,319	1.07	-	-	2,291,319	1.16	-	-
Sim Yee Fuan	558,000	0.26	-	-	558,000	0.28	-	-
Teh Eng Aun	-	-	-	-	-	-	-	-
Dato' Abdul Rafique Bin Abdul Karim	2,203,268	1.03	-	-	2,203,268	1.12	-	-
Khairilanuar Bin Tun Abdul Rahman	105,000	0.05	-	-	105,000	0.05	-	-
Directors and Substantial Shareholders								
Dato' Lim Cheah Chooi	54,687,893	25.61	-	-	54,687,893	27.72	-	-
Lim Kim Guan	15,932,556	7.46	2,005,250	0.94	15,932,556	8.08	2,005,250	1.02
Persons Connected To :-								
Dato' Lim Cheah Chooi	32,876,634 (1)	15.40	-	-	32,876,634 (1)	16.67	-	-
Lim Kim Guan	63,545,532 (1)	29.76	-	-	63,545,532 (1)	32.21	-	-
Lim Jun Lin	64,403,066 (1)	30.17	-	-	64,403,066 (1)	32.65	-	-
Han Mun Kuan	563,994 (1)	0.26	-	-	563,994 (1)	0.29	-	-
Sim Yee Fuan	727,500 (1)	0.34	-	-	727,500 (1)	0.37	-	-

* Percentage shareholding computed based on 213,499,952 Shares excluding 5,682,910 Shares held as treasury shares.

^ Percentage shareholding computed based on 197,264,576 Shares excluding 21,918,286 Shares held as treasury shares and assuming the Proposed Share Buy-Back is carried out in full and all the Shares so purchased are held as treasury shares.

(1) Being direct interest held by persons connected to Directors and/or Substantial Shareholders as defined under the Main Market Listing Requirements of Bursa Securities.

SHARE BUY-BACK STATEMENT (Cont'd)

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of this Statement.

6.2 Potential disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back are as follows:-

i) The Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forgo better future investment or business opportunities and/or any interest income that may be derived from the deposit of such funds in interest bearing instruments; and

ii) The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to shareholders of UGB in the immediate future.

However, the financial resources of the Group may increase pursuant to the resale of the Purchased Shares held as treasury shares at prices higher than the purchase price. In this connection, the Board will be mindful of the interests of the Group and shareholders of UGB in implementing the Proposed Share Buy-Back and in subsequent resale of the treasury shares on Bursa Securities, if any.

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Assets ("NA"), working capital, earnings, dividends and the substantial shareholders' shareholdings in UGB are set out below:

7.1 Share Capital

The Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company as Shares purchased are to be retained as treasury shares. While the UGB's shares purchased remain as treasury shares, the Companies Act 2016, prohibits taking into account of such shares in calculating the number or percentage of shares in the Company for any purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings and the result of votes on resolutions.

As at 22 March 2017, the capital of UGB was RM65,032,617 comprising 130,065,234 Shares including 5,682,910 Shares held as treasury shares. In the event that the maximum number of shares authorised under the Proposed Share Buy-Back are purchased and cancelled, the effects on the share capital are illustrated as follows:-

			Assuming Full Conversion of ICULS		**After full conversion of ICULS and Assuming Full Exercise of Warrants**	
	No. of Shares	**Amount (RM)**	**No. of Shares**	**Amount (RM)**	**No. of Shares**	**Amount (RM)**
Existing issued and paid-up share capital as at 22 March 2017	130,065,234	65,032,617	130,065,234	65,032,617	130,065,234	65,032,617
Assuming full conversion of the ICULS	-	-	28,703,276	14,351,638	28,703,276	14,351,638
Assuming full exercise of the Warrants	-	-	-	-	60,414,352	30,207,176
	130,065,234	**65,032,617**	**158,768,510**	**79,384,255**	**219,182,862**	**109,591,431**
Less:						
Maximum number of Shares to be purchased and cancelled pursuant to the Proposed Share Buy-Back	(13,006,523)	(6,503,261)	(15,876,851)	(7,938,425)	(21,918,286)	(10,959,143)
Enlarged issued and paid-up capital	**117,058,711**	**58,529,356**	**142,891,659**	**71,445,830**	**197,264,576**	**98,632,288**

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

7.2 NA

The effects of the Proposed Share Buy-Back on the consolidated NA per share of the UGB Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to UGB to finance the Purchased Shares or any loss in interest income to UGB.

The Proposed Share Buy-Back will reduce the consolidated NA per share at the time of purchase if the purchase price exceeds the consolidated NA per share and conversely will increase the consolidated NA per share at the time of purchase if the purchase price is less than the consolidated NA per share.

Should the Purchased Shares be resold, the consolidated NA per share will increase if the Company realises a capital gain from the resale, and vice-versa. However, the quantum of the increase in NA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

7.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to UGB to finance the Purchased Shares or any loss in interest income to UGB.

In view that the Purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the Earnings Per Share ("EPS") pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 December 2017.

Should the Purchased Shares be resold, the extent of the impact to the EPS of the UGB Group will depend on the actual selling price, the number of treasury shares resold, and any effective funding cost from the Proposed Share Buy-Back.

7.5 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of UGB (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2017 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by UGB in the future would depend on, inter-alia, the profitability and cash flow position of the Group.

7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the substantial shareholders in the Company. Please refer to Section 5 of this Statement for further details.

SHARE BUY-BACK STATEMENT (Cont'd)

8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 (THE "CODE")

In the event that the Proposed Share Buy-Back results in any substantial shareholder and/or persons acting in concert with him/her holding more than 33% of the voting shares of the Company, pursuant to the Code, the affected substantial shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining Shares not held by him/her.

In the event that the Proposed Share Buy-Back results in any substantial shareholder and/or persons acting in concert with him/her who already holds more than 33% of the voting shares of the Company increasing by more than 2% in any six (6) months period, pursuant to the Code, the affected substantial shareholder and/or persons acting in concert with him/her will be obligated to make a mandatory offer for the remaining Shares not held by it.

However, the affected substantial shareholder and/or persons acting in concert with him/her may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission Malaysia under the Practice Note 2.9.10 of the Code.

9. PURCHASES MADE BY THE COMPANY OF ITS OWN SHARES IN THE LAST FINANCIAL YEAR

The information on the purchases made by the Company of its own shares during the financial year ended 31 December 2016 is as set out on page 36 of this Annual Report.

10. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 22 March 2017, the public shareholding spread of the Company was approximately 46.85%. In this regard, the Board undertakes to purchase shares only to the extent that the public shareholding spread of UGB shall not fall below 25% of the issued and paid-up share capital of the Company at all times pursuant to the Proposed Share Buy-Back, in accordance with paragraph 12.14 of the Main Market Listing Requirements.

11. DIRECTORS' STATEMENT

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

12. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Twentieth Annual General Meeting to give effect to the Proposed Share Buy-Back.

13. FURTHER INFORMATION

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in this Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Seri Dr. Kiew Kwong Sen
Independent Non-Executive Chairman

Dato' Lim Cheah Chooi
Chief Executive Officer

Lim Kim Guan
Deputy Chief Executive Officer

Han Mun Kuan
Executive Director

Lim Jun Lin
Executive Director

Sim Yee Fuan
Executive Director

Teh Eng Aun
Senior Independent Non-Executive Director
(Appointed on 1 August 2016)

Dato' Abdul Rafique Bin Abdul Karim
Non-Independent Non-Executive Director

Khairilanuar Bin Tun Abdul Rahman
Independent Non-Executive Director

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Senior Independent Non-Executive Director
(Resigned on 5 July 2016)

Lee Yoke Khay
Independent Non-Executive Director
(Retired on 30 May 2016)

REGISTERED OFFICE

Suite S-21-H, 21st Floor, Menara Northam
55, Jalan Sultan Ahmad Shah
10050 Penang.
Tel : 04-210 7118
Fax : 04-210 7111

SHARE REGISTRAR

Plantation Agencies Sdn. Berhad
Standard Chartered Bank Chambers
Lebuh Pantai, 10300 Penang.
Tel : 04-262 5333
Fax : 04-262 2018

COMPANY SECRETARIES

Angelina Cheah Gaik Suan (MAICSA 7035272)
Lee Mei Mei (MAICSA 7062284)

PRINCIPAL BANKERS

Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
AM Islamic Bank Berhad
Affin Bank Berhad
PT Bank Mandiri (Persero) Tbk

SOLICITORS

Wong Beh & Toh

AUDITORS

UHY
Chartered Accountants

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK CODE / STOCK NAME

7091 / Unimech

CORPORATE WEBSITE

www.unimechgroup.com

CORPORATE STRUCTURE
AS AT 25 APRIL 2017

UNIMECH GROUP BERHAD
(Company No : 407580-X)

- **UNIMECH ENGINEERING (M) SDN. BHD. 100%**
  - Unimech Flow System Sdn. Bhd. 100%
  - Unimech International Sdn. Bhd. 100%
  - UME Service & Trading Sdn. Bhd. 85%
  - Unimech Engineering (Vietnam) Sdn. Bhd. 81%
  - Inventive Potentials Sdn. Bhd. 75%
  - Unimech Engineering (Aust) Pty. Ltd. 61%
  - Unimech Engineering Group (Thailand) Co. Ltd. 29%
- **UNIMECH ENGINEERING (J.B.) SDN. BHD. 100%**
  - Unimech Engineering (Kuantan) Sdn. Bhd. 100%
  - Hebei Arita Valve Industries Co. Ltd. 50.1%
  - Unimech Engineering Group (Thailand) Co. Ltd. 20%
- **ARITA ENGINEERING SDN. BHD. 100%**
  - PT Arita Prima Indonesia Tbk 14.05%
- **UNIMECH ENGINEERING (K.L.) SDN. BHD. 100%**
  - TCE Casting Sdn. Bhd. 51%
    - Puremech Coating Sdn. Bhd. 35%
- **UNIMECH CAPITAL SDN. BHD. 100%**
  - Bells Marketing Sdn. Bhd. 100%
  - Bells Saga Sdn. Bhd. 100%
  - Fajar Untung Sdn. Bhd. 100%
    - PT Arita Prima Indonesia Tbk 4.77%
  - Unimech Marine Equipment Sdn. Bhd. 100%
  - Bangga Kencana Sdn. Bhd. 100%
    - PT Arita Prima Indonesia Tbk 3.97%
  - Uni Media Studio Sdn. Bhd. 100%
  - Unimech Polymer Engineering Sdn. Bhd. 80%
  - Unimech Instruments & Control Sdn. Bhd. 80%
  - Tri Axis Technology (M) Sdn. Bhd. 80%
  - Arita System Sdn. Bhd. 60%
  - Icontronic Sdn. Bhd. 60%
  - Icontronic Technology Sdn. Bhd. 60%
  - Unimech Bersatu Malaysia Sdn. Bhd. 49%
  - TTS Valve Technologies Sdn. Bhd. 40%
  - Puremech Coating Sdn. Bhd. 35%
  - MKT Marketing Sdn. Bhd. 24%
- **UNIMECH INDONESIA HOLDINGS SDN. BHD. 100%**
  - PT Arita Global 85%
    - PT Arita Prima Indonesia Tbk 57.84%
      - PT Arita Prima Kalbar 99%
      - PT Amanah Nusantara Sejahtera 99%
      - PT EPC Technology System 67%
      - Arita System Sdn. Bhd. 40%

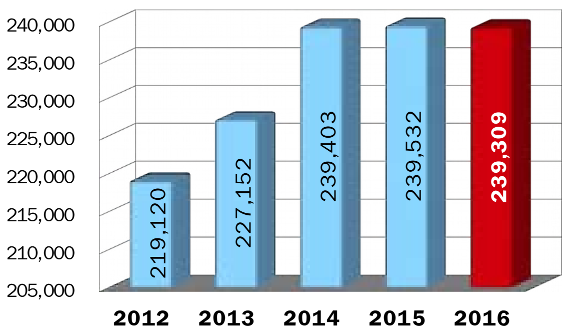
- **100% UNIMECH WORLDWIDE (SHANGHAI) SDN. BHD.**
  - 100% Unimech (Shanghai) Co. Ltd.
  - 60% Sumitech Engineering Solutions Ltd.
    - 100% Dongguan Sumitech Automation Technology Co. Ltd.
- **100% Q-FLEX INDUSTRIES (M) SDN. BHD.**
- **100% MULTIPLEX CONTROL & ENGINEERING SERVICES PTE. LTD.**
  - 35% Arita New Valve (Huangshan) Co. Ltd.
  - 30% M.E.T. Resources Pte. Ltd.
- **100% ARITA VALVE MFG. (M) SDN. BHD.**
- **100% ARITA FLANGES INDUSTRIES SDN. BHD.**
- **100% ARITA VALVE (TIANJIN) CO. LTD.**
- **100% UNIMAX SANITARIO (M) SDN. BHD.**
- **100% UNIMECH MANAGEMENT SDN. BHD.**
- **100% UNIMECH VENTURE SDN. BHD.**
  - 100% Unimech Vietnam Co. Ltd.
  - 97% Unimech Holdings (Thailand) Co. Ltd.
    - 95.55% TM Unimech Co. Ltd.
  - 19% Unimech Engineering (Vietnam) Sdn. Bhd.
- **61% UNIMECH CAPITAL (AUST) SDN. BHD.**
  - 100% Unimech (Asia Pacific) Pty. Ltd.
- **51% M.E.T. MOTION HOLDING SDN. BHD.**
  - 100% M.E.T. Motion Engineering & Trading Sdn. Bhd.
  - 100% M.E.T. Motion (Alor Star) Sdn. Bhd.
  - 70% M.E.T. Motion (Ipoh) Sdn. Bhd.
  - 70% M.E.T. Resources Pte. Ltd.
- **51% UNIJIN INSTRUMENTS INDUSTRIES SDN. BHD.**
- **35% PREMIUM HEIGHTS SDN. BHD.**

FINANCIAL HIGHLIGHTS

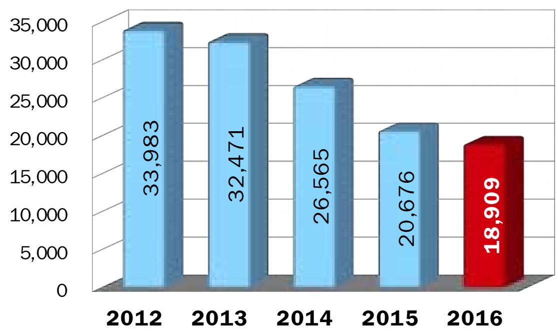
For The Financial Year Ended 31 December

(RM'000)	2012	2013	2014	2015	2016
Revenue	219,120	227,152	238,572	239,532	**239,309**
Profit Before Tax	33,983	32,471	26,565	20,742	**18,909**
Profit Attributable to Owners of the Parent	21,878	20,597	15,213	9,596	**8,665**
Earnings Per Share (sen)	18.13	17.05	12.74	8.07	**7.11**
Net Dividend Per Share (sen)	6.000	6.000	4.500	3.500	**3.500**
Total Equity Attributable to Owners of the Parent	177,835	213,881	224,273	238,572	**245,334**
Return On Equity (Average Equity)	12.8%	10.5%	6.9%	4.1%	**3.6%**

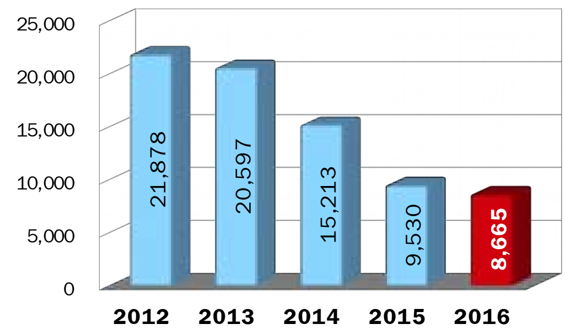
Revenue (RM'000)



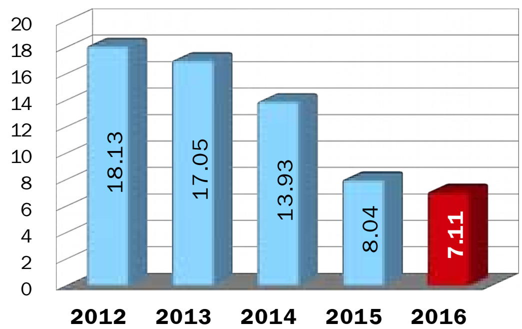
Profit Before Tax (RM'000)



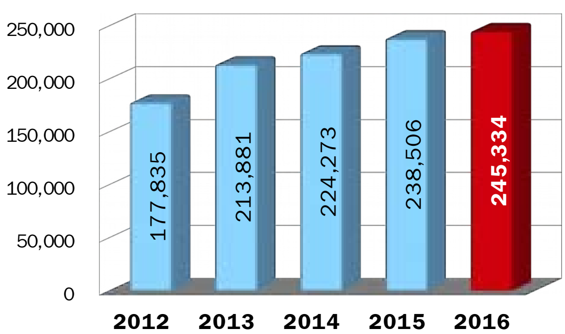
Profit Attributable to Owners of The Parent (RM'000)



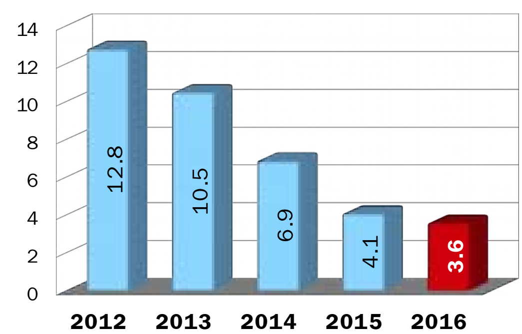
Earnings Per Share (sen)



Total Equity Attributable to Owners of The Parent (RM'000)



Return On Equity (Average Equity) (%)



PROFILE OF DIRECTORS

DATO' SERI DR. KIEW KWONG SEN
Independent Non-Executive Chairman

Aged 69, male, a Malaysian, is the Independent Non-Executive Chairman of Unimech Group Berhad ("UGB"). He was appointed to the Board of UGB on 1 March 2016 as Independent Non-Executive Chairman and member of the Nominating Committee.

Dato' Seri Dr. Kiew Kwong Sen has a Bachelor of Science in Mechanical Engineering Degree from National Taiwan University and Master of Science in Industrial Engineering Degree from the University of California, Berkeley, USA. He was awarded Honorary Doctorate Degree by Toyohashi University of Technology in 2014.

Currently, he is the Chairman/Independent Non-Executive Director of ViTrox Corporation Berhad, Chairman and President of Mini-Circuits Technologies Malaysia, President of Gibraltar Semiconductor, San Jose, California, President of Blue Cell Technologies, Sacramento, California and Chairman of Mini-Circuits Taiwan Ltd. and a Director of ACX Ceramic Taiwan. He has worked in various technical and management positions in Multi-National Companies in Malaysia, Singapore and USA.

He was an Independent Non-Executive Director of Pentamaster Corporation Berhad.

He has been serving as a member of Penang Competitiveness Committee since 2003. He was also the Vice Chairman of the Board of Invest Penang Berhad until March 2008. Currently, he is the Chairman of the Penang SME Management Council, Director of Penang Science Council and Penang Green Council.

DATO' LIM CHEAH CHOOI
Chief Executive Officer

Aged 68, male, a Malaysian, is the Chief Executive Officer ("CEO") of UGB. He was appointed to the Board of UGB on 6 March 2000 as Executive Chairman and Managing Director and was re-designated to CEO on 18 March 2013. He is the Chairman of the Remuneration Committee and Risk Management Committee

Dato' Lim is the founder of Unimech Group. He has good business acumen and entrepreneurship and has more than forty-one (41) years of experience in manufacturing, trading and engineering in relation with the valves, pipe fitting, burner application and steam engineering systems. His invaluable business experience and vast management knowledge coupled with the business connections established in Malaysia and overseas over the years, has led the Group to become one of the main players in the industry. He is responsible for the long-term strategic planning and development of the Group's goals and objectives. He also sits on the Board of several private limited companies.

He is the brother of Mr. Lim Kim Guan and the father of Mr. Lim Jun Lin.

LIM KIM GUAN
Deputy Chief Executive Officer

Aged 63, male, a Malaysian, is the Deputy CEO of UGB. He was appointed to the Board of UGB on 6 March 2000. He obtained a Bachelor Degree of Science from Science University of Malaysia. He has been with UGB Group for more than thirty-three (33) years and has been instrumental in developing the growth of UGB through his vast experience and technical expertise in marketing strategies and product development. He is the Managing Director of Unimech (Shanghai) Co. Ltd. He also sits on the Board of several private limited companies.

He is the brother of Dato' Lim Cheah Chooi and uncle of Mr. Lim Jun Lin.

PROFILE OF DIRECTORS (Cont'd)

HAN MUN KUAN
Executive Director

Aged 64, male, a Malaysian, is an Executive Director of UGB. He was appointed to the Board of UGB on 6 March 2000. With over thirty-five (35) years of experience in the Group, he has gained vast experience in the maintenance, installation and testing of valves and piping systems. He is responsible for the overall business operation of the Group and the southern region of Peninsular Malaysia. He is the Managing Director of Unimech Engineering (J.B.) Sdn. Bhd. and sits on the Board of several private limited companies.

LIM JUN LIN
Executive Director

Aged 43, male, a Malaysian, is an Executive Director of UGB. He was appointed to the Board on 10 August 2005. He obtained a Bachelor Degree in Commerce from Deakin University, Australia. He commenced his career in 1997 by joining UGB as a Manager. He also oversees the business development of overseas subsidiaries and manufacturing operations of the Group. He sits on the Board of several private limited companies. He is a member of the Risk Management Committee.

He is the son of Dato' Lim Cheah Chooi and nephew of Mr. Lim Kim Guan.

SIM YEE FUAN
Executive Director

Aged 51, male, a Malaysian, is an Executive Director of UGB. He was appointed to the Board of UGB on 4 January 2010. He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained accounting professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with Malaysia Institute of Accountants (MIA). He is a member of the Risk Management Committee.

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Foreign Exchange Administration Department and Banking Supervision Department. During 1995 to 2006, he was attached to public listed companies on Bursa Securities where his job responsibilities were mainly in the areas of accounting, finance and corporate management. He joined UGB as Group Accountant in 2006. Presently he is the Group General Manager of UGB and sits on the Board of several private limited companies. He is an Independent Non-Executive Director of Saudee Group Berhad, Eurospan Holdings Berhad and SCH Group Berhad.

PROFILE OF DIRECTORS (Cont'd)

TEH ENG AUN
Senior Independent Non-Executive Director

Aged 66, male, a Malaysian, is a Senior Independent Non-Executive Director of UGB. He was appointed to the Board on 1 August 2016. He is the Chairman of the Audit Committee and Nominating Committee.

Mr. Teh obtained his Bachelor of Commerce from the University of Newcastle, New South Wales, Australia in 1975 and practiced as a Chartered Accountant in public accounting firm between 1981 and 1995. In 1996, he joined a stock broking firm as a dealer's representative. He has over 20 years of experience in corporate consultancy, financial management and auditing. He is presently a member of the Penang Chinese Chamber of Commerce and a member of the Malaysian Institute of Accountants. Presently he is an Independent Non-Executive Director of Muar Ban Lee Group Bhd. He also sits on the Board of several private limited companies.

DATO' ABDUL RAFIQUE BIN ABDUL KARIM
Non-Independent Non-Executive Director

Aged 61, male, a Malaysian, is a Non-Independent Non-Executive Director of UGB. He was appointed to the Board of UGB on 6 March 2000 as Independent Non-Executive Director and was re-designated to Non-Independent Non-Executive Director on 14 March 2011. He is a member of the Remuneration Committee, Nominating Committee and Audit Committee.

Dato' Abdul Rafique is an experienced businessman. After completing his Higher School Certificate in 1974, he joined his family business. In 1975, he set up Syarikat Manora Sdn. Bhd. for venturing into construction and property development businesses. In 1983, owing to his active involvement in the local commercial community, he was selected by the government to undertake an Entrepreneurial Development Course at the International Small Business Institute of Management in United States of America. In 1988, he was elected to the Committee of the Penang Malay Chamber of Commerce and appointed as Vice President in 1990. He subsequently served as Deputy President from 1995 until early 2004. He was also an Executive Council Member of the National Malay Chamber of Commerce from 1998 to 2004. In year 2007, he was appointed as the Honorary Consul General of Pakistan to Penang. He is also the Honorary Advisor of Penang Xiamen Friendship Association, Vice Chairman of Penang State Consultative Goodwill Council and an active member of various business and social organizations. He sits on the Board of several private limited companies.

KHAIRILANUAR BIN TUN ABDUL RAHMAN
Independent Non-Executive Director

Aged 52, male, a Malaysian, is an Independent Non-Executive Director of UGB. He was appointed to the Board of UGB on 1 October 2013. He is a member of the Audit Committee and Remuneration Committee

Mr. Khailrilanuar graduated from Institute of Technology Mara in 1988. He was trained as an entrepreneur by Medec unit of UITM in 1989 and started to manage a petrol kiosk. Subsequently, he established his own transport company supplying bonded trucks to multinational freight forwarder in Penang Free Trade Zone. He was a committee member of UMNO Youth in the Kepala Batas Division from 2001 until 2004 and treasurer from 2004 to 2008 in the Youth Wing. He has been a committee member of UMNO in the Kepala Batas Division since 2004 until 2013. Presently he is an Independent Non-Executive Director of Muar Ban Lee Group Berhad, Farlim Group (Malaysia) Bhd. and Pensonic Holdings Bhd.

Notes:

1) Save as disclosed above, none of the Directors of UGB have any family relationship with any director or substantial shareholder of the Company.
2) None of the Directors of UGB have been convicted of any offences other than traffic offences (if any) in the past five (5) years and no public sanction or penalty imposed by the relevant regulatory body during the financial year.
3) Other than those disclosed in the financial statements, there is no conflict of interest that the Directors have with the Group.

PROFILE OF KEY SENIOR MANAGEMENT

LIEW KUE LEN

Aged 67, male, a Malaysian, is the Executive Director of Unimech Engineering (M) Sdn. Bhd., a wholly owned subsidiary of UGB in Malaysia ("UME(M)").

He started his career in 1970 with Eastern Wine Merchant in Ipoh as Store Supervisor and later joined Morrison Wine Sdn. Bhd. in 1975 as Sales Executive before serving Ewein Winery Sdn. Bhd. in 1980 as Marketing Manager until 1995.

He joined UME(M) in 1995 as Inventory Manager and subsequently was promoted to Senior Business Manager in 1998. With over forty-five (45) years of experience in inventory and distribution management, he is responsible for the administration of inventory, purchasing, liaison and negotiation with suppliers, inventory control, delivery scheduling and material procurements for projects undertaken by the Group in Malaysia.

LOW YEW LEAN

Aged 51, male, a Malaysian and a permanent resident of Indonesia, is the President Director of P.T. Arita Prima Indonesia Tbk., an indirect subsidiary company of UGB which is listed on Indonesia Stock Exchange ("API").

He holds a Diploma in Marketing, he worked with Concept Engineering Sdn. Bhd. from 1991 to 1993 as a Sales Executive. He joined UME(M) in 1994 as a Marketing Executive and was responsible for promoting the Company's overseas business ventures. In year 1995, he was transferred to Arita Engineering Sdn. Bhd and assumed the position as an Executive Director and General Manager. He was in charge of project and marketing operations of the Company in Klang Valley.

In year 2000, he set up API and serves as President Director until now. He is primarily responsible for the business venture and development activities of the Group's operation in Indonesia. He brings with him twenty-three (23) years of extensive experience and knowledge in valve and instruments.

TAY KHEOK JIN

Aged 58, male, a Singaporean, is the Managing Director of Multiplex Control & Engineering Services Pte. Ltd., a wholly owned subsidiary company of UGB in Singapore ("MCES").

He holds a Diploma in Advances Electrical Technology from the City & Guild, U.K. and has over twenty-two (22) years of experience in advanced instrumentation technology from his service as an Installation and Commissioning Engineer with GEO Services (SEA) Pte. Ltd from 1983 to 1986 and as Instrument Engineer with SEA Automation Pte. Ltd. from 1986 to 1988. He was with LK Nes GEO (SEA) Pte. Ltd. as Sales and Service Manager from 1988 to 1993 before joining MCES as General Manager. Under his management, MCES has ventured into the provision of high technology products and services for marine, oil & gas and petro-chemical industries in Singapore.

LAU CHONG GEE

Aged 56, male, a Malaysian and a permanent resident of Australia, is the Managing Director of Unimech (Asia Pacific) Pty. Ltd. ("UAP") and Unimech Engineering (Aust) Pty. Ltd. ("UEA") both are indirect subsidiary companies of UGB in Australia.

He graduated from University of Ottawa, Canada with BSC (Computer Science) in 1983. He has twenty (20) years of senior management experience with international company. In year 2004, he joint venture with UME(M) to form UEA. In 2013 UAP was incorporated and he was appointed as the Managing Director.

He is responsible for the overall business operation in Australia.

YEW KOK JIN

Aged 29, male, a Malaysian, is the Executive Director of TM Unimech Co. Ltd. ("TMU"), an indirect subsidiary company of UGB in Thailand.

He obtained a Bachelor of Engineering in Electrical Engineering from the University of Hong Kong. He joined UME(M) in year 2012 as a Project & Sales Engineer. In year 2015, he was promoted and transferred to TMU as a General Manager. He is responsible for the overall business operation of TMU.

Notes:

1) None of the Senior Managements of UGB has any family relationship with any director or substantial shareholder of the Company.

2) None of the Senior Managements of UGB have been convicted of any offences other than traffic offences (if any) in the past five (5) years and no public sanction or penalty imposed by the relevant regulatory body during the financial year.

3) Other than those disclosed in the financial statements, there is no conflict of interest that the Senior Managements have with the Group.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Unimech Group Berhad's ("the Group" or "UGB") Annual Report for the financial year ended 31 December 2016 ("FY2016").

FINANCIAL REVIEW

For the FY2016, the Group's revenue decreased marginally by 0.1% to RM239,309 million compared to prior year's RM239,532 million. However, the profit before tax dropped by 8.6% from financial year ended 31 December 2015 ("FY2015") of RM20.676 million to FY2016 of RM18.897 million.

The decrease in revenue was mainly due to the decrease in the valves, instrumentation and fittings ("VIF") business. However the profit before tax recorded a drop mainly due to higher operating expenses incurred, bad debts written off and allowance for inventories obsolescence.

Earnings per share for FY2016 of 7.11 sen has declined by 11.57% compared to prior year's 8.04 sen.

CORPORATE DEVELOPMENT

Consistent with the Group's policy of rewarding and enhancing shareholders value, at least 30% of the Group's profits were distributed to shareholders as dividends whereas some part of the Group's profits were used to repurchase undervalued shares to restore them back to their intrinsic value. Also, the Group has distributed treasury shares.

The shareholders had approved the renewal of authority for the Group to purchase its own shares on 30 May 2016. Consequently, during the FY2016, the Group purchased 2,026,800 of its own shares from the open market for RM2.268 million with an average purchase price of RM1.119 per share. The Group also re-sold 900,000 treasury shares in the open market for RM1.103 million at an average disposal price of RM1.225 per share and distributed 5,958,256 treasury shares as share dividend. As at 31 December 2016, the Company still held a total of 4,875,410 treasury shares, representing 3.75% of the issued and paid up share capital of the Company.

PROSPECTS

On the local front, the FY2016 had been a challenging year for the Group and will likely to remain challenging for the year 2017 particularly with the escalation of operating costs due to inflation, the weakening of Ringgit against major foreign currencies and the fluctuation of foreign currency exchange rates.

Whereas on the global front, regional events such as the forthcoming policy changes by the new Administration of the USA, the decision by the United Kingdom of Great Britain to leave the European Union (or "Brexit"), the recurrence of the debt crisis in Greece, more severe problems in the banking sector within the European Union, the European refugee crisis that heightened the perception of terrorism, the rise of right wing populism and the rising specter of war between the USA and North Korea, all contribute considerable uncertainties to the global trade.

The Group will continue to focus on operational efficiency to enhance its competitiveness and market share. It will also continue to develop its own brands at competitive prices for a better market positioning.

As the countries that the Group operates in have strong underlying economic fundamentals, it is envisioned that their economies will continue to grow albeit at a moderate pace. Except in the event of a disastrous change to the global economy, the Group's core business in valves, instruments and fittings are not expected to be adversely affected.

Barring unforeseen circumstances, the Board is cautiously optimistic of a better performance in the next financial year.

DIVIDEND

The Board is pleased to recommend a first and final tax single tier dividend of 3.0 sen per ordinary share for the FY2016 to be approved by the shareholders at the forthcoming Twentieth Annual General Meeting. The proposed first and final single tier dividend, if approved, would amount to approximately RM3.755 million.

APPRECIATION

On behalf of the Board and management, I wish to express our appreciation for the dedication and hard work by all staff. I am thankful to the Board of Directors for their guidance. I also wish to record my appreciation to our valued shareholders, customers, bankers, business associates and local authorities for your support and confidence in our Group, all of which resulted in a commendable financial result amidst these challenging times.

Dato' Seri Dr. Kiew Kwong Sen
Independent Non-Executive Chairman
25 April 2017

MANAGEMENT DISCUSSION AND ANALYSIS BY THE CHIEF EXECUTIVE OFFICER ("CEO")

On behalf of the Management of Unimech Group Berhad ("the Group" or "UGB"), I am pleased to present the management discussion and analysis of the Group's operations for the financial year ended 31 December 2016 ("FY16").

GLOBAL AND REGIONAL ECONOMIES

The global economic growth had slowed due to declined trade growth, slowed pace of global investment and high debt levels. In addition, conflict and geopolitical tensions had reduced the economic prospects in several regions.

The prolonged weak global demand had resulted to the continuous decline in demand for commodities such as crude oil, metal and agricultural products from commodity-exporting developing countries which in return, reduced the private sector to investments.

In addition the increasing interest rates in the United States of America ("USA") had resulted in higher borrowing costs that triggered risk aversion sentiment, weakened domestic currencies and reduced the capital flows to developing countries.

Whereas, many developed countries with high debt levels in Europe and Japan, had curtailed public investments and social services. Some of these countries had introduced untested monetary policy instruments such as negative interest rate policies that could lead to deterioration of banks' balance sheet and destabilize undercapitalised banks.

However, for some other developing countries in East and South Asia and parts of Africa, their weaker private sector investments had been partially offset by an expansion of their governments' infrastructure projects. The Group's domestic operations in Malaysia and its main regional operations in Indonesia, Australia, Thailand, Singapore and China were resilient in facing these challenges and going forward, the Group is expected to remain healthy due to these countries' sustainable domestic demands.

CORPORATE DEVELOPMENT

The shareholders had approved the renewal of authority for the Group to purchase its own shares on 30 May 2016. Consequently, during the FY2016, the Group purchased 2,026,800 of its own shares from the open market for RM2.268 million with an average purchase price of RM1.119 per share. The Group also re-sold 900,000 treasury shares in the open market for RM1.103 million at an average disposal price of RM1.225 per share. The Group also distributed 5,958,256 treasury shares as share dividend to the shareholders on the basis of one (1) treasury share for every twenty (20) shares held. As at 31 December 2016, the Company still held a total of 4,875,410 treasury shares, representing 3.75% of the issued and paid up share capital of the Company.

DELIVERING A COMMENDABLE FINANCIAL RESULTS

Amid the challenging economic conditions, the Group has delivered commendable results for FY2016. For FY2016, the Group's revenue decreased marginally by 0.1% from RM239.532 million to RM239.309 million and a drop of its profit before tax ("PBT") of 8.6% from RM20.676 million to RM18.909 million. The decrease in revenue was mainly due to the decrease in the valve, instrumentation and fittings ('VIF") business whereas the decrease in profit before tax was mainly due to the higher operating expenses incurred, bad debts written off and allowance for inventories obsolescence.

OPERATIONS REVIEW

Business Segments

Remained focus on core business of VIF business segment

In FY2016, the VIF remained as the Group's main business segment. It had contributed revenue of RM180.511 million and PBT of RM22.451 million. It represented 75.4% to the Group's revenue. Compared to financial year 2015's ("FY2015's") revenue of RM189.013 million and PBT of RM24.966 million, the revenue and PBT decreased by 4.5% and 10.1% respectively. The slight decrease in PBT was mainly due to higher expenses incurred.

MANAGEMENT DISCUSSION AND ANALYSIS BY THE CHIEF EXECUTIVE OFFICER ("CEO") (Cont'd)

Going forward, the Group will continue its focus on expanding its VIF business through geographical expansion, widening the product range and improve the market penetration of industries such as oil and gas industries, water works, marine and ship building industries.

Pumps, electronic and others business segments collectively contributed 24.6% to the Group's total revenue

The second largest contributor to the revenue was the pump business segment that had contributed RM26.427 million in revenue and PBT of RM2.241 million, which accounted for 11.04% of the Group's total revenue and 11.85% of the Group's PBT. Compared to FY2015's revenue of RM22.970 million and PBT of RM2.463 million, the revenue had increased by 15.05% whilst PBT generated from this business segment had decreased by 9.01% respectively.

The electronic segment and others business segments which consists of manufacturing of metal stamped parts and tools, spraying, coating, silk screening in metal, die casting and sanitary ware and others, contributed RM32.372 million in revenue, which accounted for 13.53% of the Group's total revenue. Compared to FY2015's revenue of RM27.550 million, the revenue increased by 17.50%.

Geographical Market Segments

Malaysian Market

The Malaysian market still remained as the Group's main market, contributing 57.94% or RM138.649 million to the Group's revenue. Compared to FY2015 of RM141.199 million, the revenue contribution from Malaysian market had decreased marginally by 1.81% mainly due to lower demand and slowdown in the growth of Malaysian economy.

The Malaysian economic growth dropped from 5.0% in year 2015 to 4.2% in year 2016 amid the lower commodity prices, worsening net export trade and reduced domestic consumer spending due to higher cost of living and the introduction of the GST in year 2015 and lastly from a weakened Ringgit. Going forward, its domestic demand will continue to drive its growth with some support from net exports. Malaysian investment activity is projected to remain resilient and its overall export growth is likely to remain modest.

Overseas Markets

The Group has international presence in Singapore, Indonesia, Thailand, China, Vietnam, Australia, USA and other countries. The Group's overseas revenue, driven by Indonesia, Australia, Thailand and Singapore represented 38.97% of the Group's total revenue.

Indonesia's contribution to the group's revenue

The Indonesian market remained the Group's biggest overseas market which had contributed RM53.110 million or 22.19% of the total revenue of the Group. Compared to previous financial year end of RM58.859 million, the revenue from Indonesian market had decreased by RM5.749 million or 9.77%. The decrease was mainly due to the cautiously spending in the domestic market as a result of the drop in commodity prices.

The Indonesian economy had experienced a marginal growth of its Gross Domestic Product ("GDP") from 4.9% in 2015 to 5.0% in 2016. The increase was mostly due to lower inflation rate which allowed the Indonesian central bank to lower interest rates. In addition, policy measures such as higher minimum wages and increase in tax-free threshold had increased household's disposable incomes.

Australia, Thailand and Singapore's contribution to the group's revenue

Thailand's operations were the second largest overseas market for the Group and had contributed RM19.946 million or 8.33% of revenue as compared to RM10.974 million in FY2015. The increase of RM8.972 million or 81.76% was mainly due to refocusing on marketing its own brand products, rationalisation of its product ranges and exporting to neighbouring countries such as Myanmar (GDP at 8.3%), Cambodia (GDP at 7.0%) and Laos (GDP at 7.0%).

Thailand's growth had improved to 3.1% from 2.8% in FY2015. Under the current Thailand military rule, its policy uncertainties had dragged down private investments. However consumer sentiments had improved with the peaceful royal succession and news of impending general elections scheduled for next year. The increase in public sector salaries and improved consumer sentiments had encouraged more consumer spending, which coupled with Government's spending on large-scale infrastructure projects, had contributed to a better GDP.

The Australian operations had dropped to third largest overseas market for the Group and had contributed RM13.914 million or 5.81% of revenue to the Group. Compared to previous financial year end of RM13.745 million, the revenue from Australian market had marginally increased by RM0.168 million or 1.22% mainly due to lower global prices for commodities in this resource-rich nation which severely affected the mining industry and continued weakness in business investments.

The Singapore operations, being the fourth largest overseas market, had contributed RM6.281 million or 2.62% of revenue to the Group. Its revenue had decreased by RM0.857 million compared to previous year due to its export-dependent economy experiencing the effects of a global trade slowdown.

Other overseas markets

Other overseas markets comprising of China, USA and other foreign countries had contributed RM7.141 million in revenue to the Group as compared to RM7.618 million in FY2015. The decreased revenue contribution in these market segments was mainly due to the effect of the global trade slowdown which affected business investments.

STRATEGIES AND DIRECTIONS

As the Group continues its focus on heat, ventilation and air conditioning, oil and gas, marine and ship building, water and waste water industries, against the backdrop of a global trade slowdown, the Group will improve the effectiveness of its business operations and efficiency of its manufacturing processes for cost saving measures to enhance its profitability. The Group will also streamline operations that are not contributing to the Group's profitability.

Moving forward, the Group will continue to look for new opportunities to grow its businesses through a mix of capital expenditures and investments and to reward its loyal shareholders with our consistent dividend pay out.

Taking into consideration the abovementioned factors and subject to the global economic conditions, the Board of Directors is cautiously optimistic that the Group will report a satisfactory performance and growth for the next year.

DIVIDEND POLICY

Consistent with the Group's policy of enhancing shareholders value, 30% of the Group's profits were distributed to shareholders as dividends whereas some part of the Group's profits were used to repurchase undervalued shares to restore them back to their intrinsic value.

The Board is pleased to recommend a first and final tax single tier dividend of 3.0 sen per ordinary share of RM0.50 each for the FY2016 to be approved by the shareholders at the forthcoming Twentieth Annual General Meeting. The proposed first and final single tier dividend, if approved, would amount to approximately RM3.755 million.

APPRECIATION

On behalf of the Board of Directors and the Management, we thank our Staff for their adaptability and teamwork in facing these challenging global economic conditions. Our thanks also go to our shareholders for having confidence in the Board's stewardship of the Group and for your far-sighted long-term investment in our Group. We are also appreciative of the continuous support from our stakeholders and various governmental agencies.

Last but not least, I would like to convey my gratitude to our Board of Directors for their wise counsel given to our Group.

Dato' Lim Cheah Chooi
Chief Executive Officer
25 April 2017

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") fully appreciates the importance of adopting a high standard of corporate governance within the Company and its subsidiaries ("the Group"). Thus, the Group is committed to ensure that the highest standards of corporate governance will be practiced in the Group towards enhancing business prosperity and corporate accountability with the ultimate aim of enhancing shareholders' value. The principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("the Code") have been complied by the Group wherever possible in observing the highest standard of transparency, accountability and integrity.

The Board is pleased to explain the manner in which the Company has applied the principles and recommendations set out in the Code.

(A) BOARD OF DIRECTORS

(i) Composition and Balance

The Board presently has nine (9) members comprising five (5) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Board's composition represents a mix of knowledge, skills, expertise, experience and core competencies to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. Representation on the Board is reflective of the extent of shareholdings of various parties in the Company. The Board is of the view that its three (3) Independent Directors who have extensive knowledge and experience are justifiable to represent the investment of the public and minority interests.

The Board considers that the current size of the Board is adequate and facilitate effective decision making. The Nominating Committee had reviewed the present composition of the Board and the existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

The presence of the Independent Non-Executive Directors will ensure an independent and unbiased view at Board deliberations and fair judgement to safeguard the interest of the Group and the shareholders.

In this regard, the Board had undertaken an assessment of its Independent Directors. In making a determination regarding a director's independence, the Board has considered all relevant facts and circumstances including the director's commercial and financial dependency and such other criteria. The Board is of the view that the current Independent Directors are able to exercise independent judgements and act in the best interests of the Group.

(ii) Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholders' value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including setting the strategic direction, establishing goals for Management, monitoring the achievement of these goals and ensuring that the Group's internal control system and reporting procedures are adequate.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer ("CEO"). The Chairman of the Company has no executive function and is responsible for orderly conduct and proceedings of meetings. In addition, the Chairman is also responsible to promote a culture of openness and active participations in meetings and ensures an overall effective communications. The CEO of the Company is responsible for the overall operation and financial performance of the Group. The CEO is assisted by the Management team in running the day-to-day operation of the Group.

The Executive Directors are responsible for making and implementing operational and corporate decisions. They are directly involved in the management of the Group's business and resources with their vast knowledge and extensive experience in the industry, they give added strength to the leadership, and have contributed immensely to the Group's growth.

The Independent Non-Executive Directors play their role by giving objective and independent view, advice and judgement to take into account of the interests of all stakeholders and ensuring a practice of a balanced Board's decision making process. Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision-making process. The Independent Non-Executive Directors are also actively involved in various Board Committees and contribute significantly in areas such as performance monitoring and enhancement of corporate governance and controls. They provide a broader view and a check and balance for the Executive Directors.

(A) BOARD OF DIRECTORS (cont'd)

(iii) Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct through its Code of Conduct and Ethics, which summarises what the Company must endeavour to do proactively in order to increase corporate value and which describes the areas in daily activities that require caution in order to minimise any risks that may occur.

The code of Conduct and Ethics for Directors was adopted on 30 November 2016 and will be reviewed from time to time. A copy of the Code of Ethics is available at the Company's website at www.unimechgroup.com

(iv) Board Charter

The Board has adopted the Board Charter on 30 November 2016. This Board Charter sets out the composition, balance, roles, responsibilities, operations and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties.

A copy of the Board Charter is available at the Company's website at www.unimechgroup.com

(v) Directorship in Other Public Listed Companies / Time Commitments

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed the number as prescribed in Rule 15.06 of the Listing Requirements. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. The Director is required to notify and obtain consent from the Board before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and they could fulfill their roles and responsibilities effectively. They must not hold directorship in more than five (5) public listed companies at any one point of time.

(vi) Whistle Blowing Policy

The Company has implemented a Whistle-Blowing Policy. The policy is a specific mean by which an employee can exercise his responsibility to report or disclose through established channels, his legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with Company's policies and regulatory requirements in a responsible and sensible manner.

The objectives of the policy are:-

- Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
- To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
- To uphold the moral duty being a Company by protecting the interest of all its stakeholders.

A copy of the Whistle Blowing Policy is available at the Company's website at www.unimechgroup.com

Stakeholders, who have suspected fraud, misconduct or any integrity concerns, are encouraged to fill up a Whistle Blowing Report Form and email to:-

Attention	: Mr. Teh Eng Aun
Designation	: Audit Committee Chairman
Address	: Suite S-21-H,21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

(A) BOARD OF DIRECTORS (cont'd)

(vii) Meetings

The Board meets on a scheduled basis, at least four (4) times a year. Additional meetings will be conveyed as and when required. During the financial year under review, there were seven (7) Board meetings and the attendance record of each Director is as follows:

Executive Directors	Attendance
Dato' Lim Cheah Chooi	6 / 7
Lim Kim Guan	7 / 7
Han Mun Kuan	6 / 7
Lim Jun Lin	6 / 7
Sim Yee Fuan	7 / 7
Independent Non-Executive Directors	
Dato' Seri Dr. Kiew Kwong Sen (Appointed on 1 March 2016)	5 / 6
Lee Yoke Khay (Retired on 30 May 2016)	2 / 3
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (Resigned on 5 July 2016)	4 / 4
Khairilanuar Bin Tun Abdul Rahman	6 / 7
Teh Eng Aun (Appointed on 1 August 2016)	3 / 3
Non-Independent Non-Executive Director	
Dato' Abdul Rafique Bin Abdul Karim	6 / 7

(viii) Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators and they ensures that the Company's Constitution, procedures, statutory obligations, policies and regulations are complied with in a timely manner. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required.

(ix) Board Committees

The Board delegates certain responsibilities to the Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee in order to enhance business and operational efficiency as well as efficacy.

All Committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations, where appropriate. The chairman of the various Committees will report the outcome of the Committees' meetings to the Board.

(x) Supply of Information

Scheduled Board meetings are structured with a pre-set agenda. Prior to the Board meetings, all Directors are provided with the Board papers containing information relevant to the business of the meeting.

All Directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advise in furtherance of their duties at the Group's expense, if required. In addition, all Directors have access to the advice and service of the Company Secretary.

(xi) Directors' Training

The Board, as a whole, ensures that it recruits to the Board only individual who has the character, experience, integrity, competence and time to fulfill the duties of a Director appropriately. As at the date of this statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme. The Directors will continue to undergo other relevant training programmes to enhance their skills and knowledge, where relevant.

(A) BOARD OF DIRECTORS (cont'd)

(xi) Directors' Training (cont'd)

During the financial year ended 31 December 2016, the conferences, seminars, courses, briefings and/or trainings attended by the Board encompasses the followings topics:

Name of Director	Programmes
Dato' Seri Dr. Kiew Kwong Sen	➢ Strategic Approach to Risk Based Thinking by Neville-Clarke (M) Sdn. Bhd. ➢ Practical Environmental Aspect Determination by Neville-Clarke (M) Sdn. Bhd.
Dato' Lim Cheah Chooi	➢ The importance of ERP to the Business Operation by Penang Chinese Chamber of Commerce
Lim Kim Guan	➢ Tax Seminar and Planning Opportunities by SH Tax Services Sdn. Bhd.
Han Mun Kuan	➢ Tax Seminar and Planning Opportunities by SH Tax Services Sdn. Bhd. ➢ National Entrepreneurs Convention by Great Vision Associates Sdn. Bhd.
Lim Jun Lin	➢ The importance of ERP to the Business Operation by Penang Chinese Chamber of Commerce ➢ Tax Seminar and Planning Opportunities by SH Tax Services Sdn. Bhd. ➢ Sirim LCA Seminar by Sirim Bhd, Penang
Sim Yee Fuan	➢ Cash Management / Consumer Banking and Property Outlook & Trends Updates by CIMB Bank ➢ Global Market Outlook by UOB Bank ➢ Conference on THB Local Currency Settlement Framework by Bank Negara Malaysia
Teh Eng Aun	➢ Market Misconduct & Prevention of Insider Trading by Inter-Pacific Securities Sdn. Bhd.
Dato' Abdul Rafique Bin Abdul Rafique	➢ Tax Seminar and Planning Opportunities by SH Tax Services Sdn. Bhd.
Khairilanuar Bin Tun Abdul Rahman	➢ Corporate Governance Breakfast Series with Directors by Bursa Malaysia ➢ Launch of The AGM Guide & CG Breakfast Series by Bursa Malaysia

(xii) Re-election of Directors

According to the Constitution of the Company, an election of Directors shall take place each year and all Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election at the Annual General Meeting ("AGM"). The Constitution also provide that at least one-third of the Directors be subject to re-election by rotation at each AGM.

The Directors retiring by rotation and who are eligible for re-election also undergo assessment on their contributions to the Company before being recommended for re-election.

(xiii) Appointment to the Board

As at the date of this statement, the Nominating Committee comprises the following Directors:

Chairman	:	**Teh Eng Aun**	*Senior Independent Non-Executive Director*
Members	:	**Dato' Seri Dr. Kiew Kwong Sen**	*Independent Non-Executive Chairman*
		Dato' Abdul Rafique Bin Abdul Karim	*Non-Independent Non-Executive Director*

The Nominating Committee is responsible for making recommendations on the appointments of new Directors to the Board, assessing the effectiveness of the Board, its Committee and the contribution of each individual Director on an annual basis.

The final decision on the appointment of a candidate recommended by Nominating Committee rests with the whole Board. The Board is entitled to the services of the Company Secretary who would ensure that all the appointments are properly made upon obtaining all necessary information from the directors.

During the financial year, the Nominating Committee met once, attended by all members to assess the balance composition of Board members based on merits, directors' contribution and Board effectiveness. The Company has no policy on gender diversity or target set but believes in merits and commitment of its Board members. The Nominating Committee assesses the Board members annually on an objective basis based on evaluation papers conducted on an individual basis as well as their independence (where applicable).

CORPORATE GOVERNANCE STATEMENT (Cont'd)

(A) BOARD OF DIRECTORS (cont'd)

(xiv) Boardroom Diversity

The Board is aware of the importance of boardroom diversity and is supportive of recommendation of the Code to the establishment of the boardroom and workforce gender diversity policy. However, the Board does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting new target for female candidates in the Group. The Group basically evaluates the suitability of candidates as new Board Member or as a member of workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organization. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future. Currently, our Board does not comprise of any female director.

(B) DIRECTORS' REMUNERATION

Remuneration Committee

As at the date of this statement, the Remuneration Committee comprises the following Directors:

Chairman	:	**Dato' Lim Cheah Chooi**	*Chief Executive Officer*
Members	:	**Khairilanuar Bin Tun Abdul Rahman**	*Independent Non-Executive Director*
		Dato' Abdul Rafique Bin Abdul Karim	*Non-Independent Non-Executive Director*

The Remuneration Committee is responsible for drawing up the policy framework and for making recommendations to the Board on remuneration packages and benefits annually as extended to the Directors. The Board as a whole determines the remuneration package of the Directors with the Director concerned abstaining from participating on decisions in respect of his individual remuneration.

With the annual approval of the shareholders, the Company pays its Directors an annual fee.

Details of the nature and amount of each major element of the remuneration of the Directors of the Company, during the financial year, are as follows:

Group

Directors	Fees (RM)	Salaries and Other Emoluments * (RM)	Total (RM)
Executive	95,000	1,647,448	1,742,448
Non-Executive	91,334	7,200	98,534

* Other emoluments include the meeting allowance for the Directors' attendance in Board Meeting.

Company

Directors	Fees (RM)	Salaries and Other Emoluments * (RM)	Total (RM)
Executive	95,000	38,100	133,100
Non-Executive	91,334	7,200	98,534

* Other emoluments include the meeting allowance for the Directors' attendance in Board Meeting.

(B) DIRECTORS' REMUNERATION (cont'd)

The number of Directors whose remuneration falls into the following bands comprises:

Range of remuneration (RM)	Number of Directors			
	Company		Group	
	Executive	Non-Executive	Executive	Non-Executive
Below 50,000	5	6	-	6
50,001 – 100,000	-	-	1	-
300,001 – 350,000	-	-	2	-
350,001 – 400,000	-	-	1	-
600,001 – 650,000	-	-	1	-

Individual remuneration of each Director is not disclosed as the Directors are of the view that the disclosure by bands above provides sufficient information.

(C) SHAREHOLDERS

The Company acknowledges the importance of communicating with its shareholders and investors. Quarterly announcements and release of financial results provides the shareholders and the investing public with an overview of the Group's performance and operations.

The AGM and Extraordinary General Meeting are the principal forums for dialogue with shareholders. Notice of the general meetings and the annual report are sent to shareholders at least twenty one (21) days before the date of the meeting.

The shareholders are encouraged to ask questions during the general meetings on the resolutions being proposed or about the Group's operations in general.

In line with Rule 8.31A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

The Company had set a dividend policy to distribute 30% of group net profits to shareholders with effect from the financial year ended 31 December 2010. In setting this dividend policy, the Board had taken into consideration the Group's future earnings growth as well as capital expenditure requirements for the upcoming years. The Board is of the view that the dividend policy demonstrates the Group's commitment to ensuring consistent returns for the shareholders.

In addition, the Company makes various announcements through Bursa Malaysia Securities Berhad ("Bursa Securities"). Members of the public can also obtain the full financial results and the Company's announcements from Bursa Securities' website or the Company's website.

(D) RECOGNISE AND MANAGE RISKS OF THE GROUP

The Company has established a Risk Management Committee ("RMC") and is headed by the CEO and consists of members who are the Executive Directors of the Company. The Board delegates to the RMC the responsibility for evaluating, reviewing and monitoring the vital enterprise risks affecting the business and operations as an on-going basis. The RMC is committed to the development and implementation of an effective Enterprise Risk Management framework ("ERM") to assist the Group to manage all key businesses risk with the intent to strengthening the risk management and internal control system as a whole.

As at the date of this statement, the RMC comprises the following Directors:

Chairman	:	**Dato' Lim Cheah Chooi**	*Chief Executive Officer*
Members	:	**Lim Jun Lin**	*Executive Director*
		Sim Yee Fuan	*Executive Director*

Continuous efforts will be made to monitor and re-assess the existing ERM framework in regards to maintaining a proper system of managing risks as well as the related control activities.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

(E) ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board always endeavours to present the annual report, annual audited financial statements and quarterly announcements to shareholders and the public as balanced and understandable assessment of the Group's financial performance and prospects. Audit Committee assists the Board in overseeing the Group's financial reporting processes and quality of its financial reporting. The Audit Committee ensures the accuracy and timely dissemination of financial and corporate announcement made to the Bursa Securities.

(ii) Directors' Responsibilities Statement in Financial Reporting

The Directors are satisfied that for the financial year ended 31 December 2016, the annual audited financial statements presented give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group and the Company. In preparing the annual audited financial statements, the Directors have ensured that the approved accounting standards in Malaysia and provisions of the Companies Act 2016 have been applied.

(iii) State of Internal Controls

The Board is aware of its responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board's responsibilities for the Group's system of internal controls cover not only the financial aspect but also operational and compliance controls as well as risk management.

The Board of Directors has received assurance from the CEO that the Group's system of the internal controls and risk management are operating adequately and effectively in all material aspects.

The Statement on Risk Management and Internal Control set out on pages 34 to 35 of this Annual Report provides an overview of the state of internal controls within the Group.

(iv) Relationship with External Auditors

The Company has always maintained a formal and transparent professional relationship with the external auditors. The external auditors report their findings which are included as part of the Company's financial report with respect to each year's audit on the statutory financial statements.

The external auditors meet the Board at least once a year to discuss the conduct and concern arising from their audit without the presence of the Executive Directors and the Management.

(v) Compliance Statement

The Board is satisfied and has to the best of its ability and knowledge that the Company has, in all material aspect complied with the recommendations of the Code throughout the financial year under review.

(F) SUSTAINABILITY

The Board ensures that the Group's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of business which under sustainability. The Board understands that balancing ESG aspects with interests of various stakeholders is essential to enhance investors' perception and trust.

Disclosures on corporate social responsibility are presented under "Corporate Sustainability Statement" of this Annual Report.

This statement is issued in accordance with a resolution of Directors dated 25 April 2017.

CORPORATE SUSTAINABILITY STATEMENT

The Group is driven by the belief that in pursuit of any business objective, the Group needs to strike a balance between profitability and contributions to the social and environmental responsibilities. With such belief, the Group is committed and uses its best endeavour, on an ongoing basis, to integrate corporate social practices into its day to day business operations.

Employee Welfare

The Group is committed in its social responsibilities at the workplace via compliance and respect to Human Rights which includes employment of employees under fair and equitable terms as well as offering equal opportunity for career advancement based on performance. Continuous learning and development programmes were carried out throughout the year to equip the employees with relevant skills, knowledge and experience which would enhance the individual employee's competency and eventually add value to the Group.

Environmental Awareness

The Group acknowledges the responsibility to care for the environment. The Group considers safety and environmental factors in all operating decisions and explores feasible opportunities to minimise any adverse impact from manufacturing operation and waste disposal.

Marketplace

At the marketplace, the Group maintains high integrity of corporate governance practices as well as enhancing the shareholders' value through strategic business planning and management accounting practices. In achieving its corporate goals, business ethical values will not be compromised.

Social Awareness

The Group continues its social roles to support the community by contributing to several needy and charitable organizations through donations. Employees are encouraged and supported to actively participate in social work and community service.

AUDIT COMMITTEE REPORT

The present membership of the Audit Committee consists of:

Chairman	:	**Teh Eng Aun**	*Senior Independent Non-Executive Director*
Members	:	**Dato' Abdul Rafique Bin Abdul Karim**	*Non-Independent Non-Executive Director*
		Khairilanuar Bin Tun Abdul Rahman	*Independent Non-Executive Director*

TERMS OF REFERENCE

Members

The Audit Committee shall consist of at least three (3) members appointed by the Board from amongst the Directors, all of whom shall be Non-Executive Directors. The majority of the Audit Committee members shall be Independent Directors. None of the Alternate Directors shall be appointed as a member of the Audit Committee. The members of the Audit Committee shall select a Chairman from amongst the Independent Non-Executive Directors.

At least one (1) member of the Audit Committee must:-

i. be a member of the Malaysian Institute of Accountants; or

ii. have at least three (3) years working experience and:-

- Must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967, or
- Must be a member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

If a Member of the Audit Committee for any reason ceases to be a Member of the Committee with the result that the number of Member is reduced below three (3), the Board shall within three (3) months of that event, appoint such number of new Member as may be required to make up the minimum number of three (3) Members.

Meetings

The Audit Committee shall regulate its own proceedings. The Audit Committee shall meet not less than four (4) times a year. Additional meetings may be held at the discretion of the Audit Committee or at the request of external auditors.

The quorum of the meeting is two (2) and majority of Members present must be Independent Directors.

Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Audit Committee is also authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary.

Term of Reference

A copy of the Audit Committee's term of reference is available at the Company's website at www.unimechgroup.com

MEETING AND ACTIVITIES

During the financial year ended 31 December 2016, a total of six (6) meetings were held and the attendances of the Members of the Committee are as follows:-

Directors	Attendance
Dato' Abdul Rafique Bin Abdul Karim	5 / 6
Khairilanuar Bin Tun Abdul Rahman	5 / 6
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (Resigned on 5 July 2016)	4 / 4
Lee Yoke Khay (Retired on 30 May 2016)	2 / 3
Teh Eng Aun (Appointed on 1 August 2016)	2 / 2

MEETING AND ACTIVITIES (CONT'D)

During the financial year under review, the Audit Committee carried out the following activities:

- Reviewed the quarterly reports and annual audited financial statements with the Management for compliance with the listing requirements of Bursa Securities and the applicable accounting standards issued by the Malaysian Accounting Standards Board.

- Reviewed the internal audit reports, internal audit recommendations made and Management responses to these recommendations.

- Reviewed the functions and resources of the internal audit division for adequacy in carrying out the audits.

- Reviewed the Statement on Risk Management and Internal Control, Audit Committee Report and Statement of Corporate Governance for recommended for the Board's approval.

- Reviewed the related party transaction of the Group, where applicable.

- Reviewed the performance and fees of the external auditors prior to recommending their re-appointment to the Board.

- Reviewed the share buy-back transactions carried out by the Company.

INTERNAL AUDIT FUNCTION

The Company has engaged the services of an independent professional firm of consultant to carry out enterprise risk management exercise and internal audit services. The in-house internal audit department also assists the Board in monitoring and managing risks and internal controls. The internal audit functions also assist the Audit Committee in discharging its duties and responsibilities.

The principal responsibility of the internal audit functions is to undertake independent, regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is also the responsibility of the internal audit functions to provide the Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance with the Group's established policies and procedures as well as the relevant statutory requirements.

During the financial year under review, the internal auditors conducted audit on certain operating units in accordance with the approved risk-based internal audit plan. The findings and recommendation for improvements were presented to the Audit Committee for deliberations.

The cost incurred for the internal audit function in respect of the financial year 31 December 2016 was approximately RM95,000.

SUMMARY OF INTERNAL AUDIT ACTIVITIES

The summary of activities for the year under review is as follows:

- Prepared the audit plan that focused on high risk areas.

- Performed internal audit reviews in accordance with the approved audit plan.

- Issued reports on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to Management for further action.

- Attended Audit Committee meetings to table and discuss the audit reports and follow-up on matters raised.

- Followed-up on the implementation of corrective action plans or best practices agreed with the Management.

- Reviewed the appropriateness of the disclosure statements on the compliance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 and the state of internal controls.

STATEMENT ON SHARE ISSUANCE SCHEME

The Company has not granted any option under the Share Issuance Scheme to the Directors and eligible employees of the Group for the financial year ended 31 December 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of Unimech Group Berhad ("Group") is pleased to present herewith the Statement on Risk Management and Internal Control as guided by the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers and taking into consideration the recommendations underlying Principle 6 of the Malaysian Code on Corporate Governance 2012 in compliance with paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

With this, the Board of Directors is committed to maintaining sound internal control in the Group and is pleased to provide the following statements which outline the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2016.

BOARD RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. The Board of Directors recognises the importance of good corporate governance and is committed to maintaining a good system of risk management and internal control. The system of internal control is designed to identify and manage the principal risks faced by the businesses rather than eliminate the risks of failure in achieving the Group's business objective.

The internal control system serves to provide reasonable but not absolute assurance against the risk of material misstatement or loss. The internal control system covers inter alia, risk management and financial, organisational, operational and compliance controls.

The Group's system of internal control involves the management and staff from each business units of its respective subsidiaries. The Board of Directors is responsible for determining key strategies and policies for significant risks and control issues, whilst functional managers of the subsidiaries are responsible to implement the Board's policies effectively by designing, operating, monitoring and managing risks and control processes.

RISK MANAGEMENT FRAMEWORK

The Board of Directors maintains an ongoing commitment to strengthen the Group's risk management framework. Risk management is regarded by the Board of Directors to be an integral part of the business operations. Senior Management and Head of Department of the Group appraises significant risks affecting the achievement of the Group's business on an ongoing basis, and considers the appropriateness of controls having regards to cost and benefit, materiality and the likelihood of the crystalisation of risks. In order to enhance the risk management practices, the Group has established a risk management framework which involved identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives.

INTERNAL AUDIT FUNCTION

The Company has engaged the services of an independent professional firm of consultant, to carry out the internal audit services for the financial year ending 31 December 2017 for its major subsidiary companies.

The Audit Committee, assisted by the in-house Internal Audit Department, provides the Board of Directors with the assurance it requires on the adequacy and integrity of the system of internal controls. The cost incurred for the Internal Audit Department in respect of this financial year ended 31 December 2016 stood at RM95,000. The Internal Audit Department independently reviews the risk identification procedures and control processes implemented by the management, conducts audits that encompass reviewing risk areas that the Group faces, and reports to the Audit Committee on a quarterly basis.

The Internal Audit Department, which is independent of the activities they audit, maintains their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the Audit Committee who reviews and approves the Internal Audit Department's annual audit plan, financial budget and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.

The Internal Audit Department also carried out internal control reviews in accordance with the annual internal audit plan that was presented and approved by the Audit Committee on key activities of the Group's business. The Internal Audit Function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group.

During the financial year ended 31 December 2016, the Internal Audit Department conducted audits on majority of the subsidiary companies of the Group and gained a generally satisfactory result of the operations and internal control of these subsidiary companies and has not reported any significant control weaknesses which may result in any material losses, uncertainties or contingencies that would require disclosure in the Group's Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from the risk management and internal audit, to maintain a sound system of internal control, other key elements of internal control have been put in place throughout the Group.

The key elements of the Group's existing system of internal controls are described below:-

- The organisation structure is defined by means of organisation charts and main job function and responsibilities are communicated to all levels.

- Internal policies and procedures set out in a series of Standard Operating Procedures, which are currently being reviewed for improvement to reflect changes in business structures and processes.

- The Audit Committee examines the effectiveness of the Group's system of internal control on behalf of the Board of Directors. This is accomplished through the review of the internal audit department's work, which adopts a series of audit program in identifying areas of priority and which is carried out in accordance with the audit plan.

- Regular internal audit visits, which provide independent assurance on the effectiveness of the Group's system of internal control and advising management on areas for further improvement.

REVIEW OF STATEMENT BY EXTERNAL AUDITOR

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Group for the financial year ended 31 December 2016 in accordance to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in the reviewing of the adequacy and integrity of internal control of the Group. RPG 5 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

For the financial year under review and up to date of approval of the Statement on Risk Management and Internal Control, the Board of Directors is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system and is in view that the Group shall continue to maintain and improve the sound system of internal control and risk management practices to safeguard shareholders' investments and the Group's assets.

As the development of a sound system of internal controls is an on-going process, the Board and the Management maintain on-going commitment and continue to take appropriate measures to strengthen the internal control environment of the Group.

The Board of Directors has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's systems of the internal controls and risk management are operating adequately and effectively in all material aspects. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's systems.

This statement is issued in accordance with a resolution of Directors dated 25 April 2017.

OTHER INFORMATION

(Pursuant to Paragraph 9.25 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Utilisation of Proceeds Raised from Corporate Proposal

Not applicable as none was proposed during the financial year ended 31 December 2016.

Share Buy-Back

All the shares so purchased during the financial year were retained as treasury shares. As at the end of the financial year ended 31 December 2016, a total of 4,875,410 repurchased shares were held as treasury shares and carried at cost of RM4,797,305.

The details of share buy-back during the financial year ended 31 December 2016 are as follows:

Month	No. of shares repurchased	Lowest price paid RM	Highest price paid RM	Average price paid RM	Total consideration paid RM
January 2016	81,900	1.180	1.280	1.223	100,169
February 2016	144,000	1.170	1.210	1.210	174,198
March 2016	180,500	1.150	1.180	1.162	209,715
April 2016	29,000	1.260	1.280	1.277	37,022
May 2016	8,800	1.180	1.190	1.189	10,464
June 2016	114,400	1.170	1.200	1.189	136,019
July 2016	25,000	1.150	1.180	1.172	29,297
October 2016	363,000	1.100	1.123	1.123	407,633
November 2016	220,400	1.090	1.130	1.107	243,947
December 2016	859,800	1.020	1.110	1.070	920,033
	2,026,800			1.119	2,268,497

The details of the resale of treasury shares during the financial year ended 31 December 2016 are as follows:

Month	No. of shares resold	Lowest price received RM	Highest price received RM	Average price received RM	Total amount received RM
January 2016	900,000	1.230	1.230	1.225	1,102,928

In respect of the financial year ended 31 December 2016, the Company had distributed a total of 5,958,256 treasury shares as share dividend on 11 October 2016 which carried a cost of RM5,599,569 on the basis of one (1) treasury share for every twenty (20) existing ordinary shares held by the shareholders of the Company, fractions of treasury shares being disregarded.

Options or Convertible Securities

<u>Irredeemable Convertible Unsecured Loan Stock 2013/2018 (“ICULS”)</u>

On 19 September 2013, the Company issued 30,207,176 5-year 5% ICULS at a nominal value of RM1.00 each.

In respect of the financial year ended 31 December 2016, 1,489,800 number of ICULS were converted by the registered ICULS holders to 1,489,800 new ordinary shares.

<u>Warrants 2013/2018 (“Warrants”)</u>

On 19 September 2013, the Company issued 60,414,352 Warrants at an exercise price of RM1.50 per Warrant.

No Warrants were exercised during the financial year.

OTHER INFORMATION (Cont'd)

(Pursuant to Paragraph 9.25 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Depository Receipt Programme

The Company does not sponsor any depository receipt programme.

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2016.

Audit and Non-Audit Fees

During the financial year ended 31 December 2016, the amount of audit and non-audit fee paid/payable to the external auditors by the Company and the Group respectively were as follows:-

	Group (RM)	Company (RM)
Audit Services Rendered	498,144	61,700
Non Audit Services Rendered		
• Review on Statement on Risk Management and Internal Control	5,000	5,000

Variations of results

There was no profit estimation, forecast or projection made or released by the Company during the financial year ended 31 December 2016. There were no variances of 10% or more between the results for the financial year and the unaudited results.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2016.

Material Contracts

There were no material contracts of the Company and its subsidiaries that involve the Directors' and Major Shareholders' interest.

Contracts Relating to Loan

There were no material contracts relating to loans entered into by the Company and its subsidiaries that involve the Directors' and Major Shareholders' interest.

Recurrent Related Party Transactions of Revenue or Trading Nature

The Group does not have any material recurrent related party transactions of revenue or trading nature during the financial year ended 31 December 2016.

REPORTS AND FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal Activities

The principal activities of the Company are those of investment holding and provision of management services to its subsidiary companies and associate companies. The principal activities of the subsidiary companies and associates are disclosed in Notes 5 and 6 to the financial statements.

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

Financial Results

	Group RM	Company RM
Profit before tax	18,908,662	2,757,034
Taxation	(7,350,417)	(15,000)
Net profit for the financial year	11,558,245	2,742,034
Attributable to:		
Owners of the Parent	8,664,740	2,742,034
Non-controlling interests	2,893,505	-
	11,558,245	2,742,034

Reserves and Provisions

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

Dividends

Since the end of the last financial year, the Company paid:

	RM
A first and final single tier dividend of 3.5 sen on 119,205,868 ordinary shares of RM0.50 each in respect of financial year ended 31 December 2015	4,172,205
Share dividend (equivalent to 0.94 sen per share) via distribution of 5,958,256 treasury shares on the basis of 1 treasury share for every 20 existing ordinary shares held, credited into entitled depositors' securities accounts maintained with Bursa Malaysia Depository Sdn Bhd on 11 October 2016	5,599,569
	9,771,774

The Directors recommend the payment of a final single tier dividend of 3 sen per ordinary share in respect of the current financial year ended 31 December 2016, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Issue of Shares and Debentures

There was no issuance of shares or debenture during the financial year.

Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and Warrants

On 26 August 2013, the Company issued RM30,207,176 units of 5% 5-year ICULS of RM1.00 nominal value on the basis of one (1) ICULS for every four (4) ordinary shares of RM0.50 each together with 60,414,352 free detachable warrants on the basis of two (2) warrants for every one (1) ICULS subscribed for.

The details of the ICULS and warrant are disclosed in Notes 16 and 18 of the financial statements respectively.

Treasury Shares

During the financial year, the Company repurchased 2,026,800 ordinary shares of RM0.50 each of its issued share capital from the open market. The average price paid for the shares repurchased was RM1.12 per share. The total consideration paid for the repurchase, including transaction costs, was RM2,268,497. The repurchased transactions were financed by internal generated funds.

900,000 treasury shares of RM0.50 each was resold to open market at average price of RM1.23 per share during the year. Total proceeds from the disposal was RM1,102,928.

During the financial year, the Company declared and approved a share dividend in respect of financial year ended 31 December 2016 via distribution of 5,958,256 treasury shares on the basis of one treasury share for every 20 existing shares held. The share dividend was distributed on 11 October 2016.

Transactions on treasury shares were transacted in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2016, the Company held 4,875,410 treasury shares out of the total 130,051,134 issued ordinary shares. Further relevant details are disclosed in Note 17 to the financial statements.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

The Directors in office since the date of the last report are :

Dato' Seri Dr. Kiew Kwong Sen	
Dato' Lim Cheah Chooi	
Lim Kim Guan	
Han Mun Kuan	
Lim Jun Lin	
Sim Yee Fuan	
Teh Eng Aun	(Appointed on 1 August 2016)
Dato' Abdul Rafique Bin Abdul Karim	
Lee Yoke Khay	(Retired on 30 May 2016)
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	(Resigned on 5 July 2016)
Khairilanuar Bin Tun Abdul Rahman	

Directors' Interests

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	**Acquired**	**Disposed**	**At 31.12.2016**
The Company				
Direct interest				
Dato' Seri Kiew Kwong Sen	500,000	24,060	(18,800)	505,260
Dato' Lim Cheah Chooi	38,162,500	1,808,123	(2,000,000)	37,970,623
Lim Kim Guan	10,000,000	499,749	(2,005,000)	8,494,749
Han Mun Kuan	1,326,498	66,324	-	1,392,822
Lim Jun Lin	1,300,734	65,036	-	1,365,770
Sim Yee Fuan	310,000	15,500	-	325,500
Dato' Abdul Rafique Bin Abdul Karim	1,348,668	67,433	-	1,416,101
Khairilanuar Bin Tun Abdul Rahman	100,000	5,000	-	105,000

Directors' Interests (Cont'd)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
Indirect interest				
Dato' Lim Cheah Chooi [1]	6,035,134	2,401,757	-	8,436,891
Lim Kim Guan [1]	1,634,638	2,086,981	-	3,721,619
Han Mun Kuan [1]	313,332	15,667	-	328,999
Sim Yee Fuan [1]	400,000	20,000	-	420,000

Note:
[1] *Deemed interest through spouse and children*

By virtue of his interest in the shares of the Company, Dato' Lim Cheah Chooi is also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

None of the other Director in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

	Number of 5% ICULS 2015/2018 of RM1.00 nominal value each			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
The Company				
Direct interest				
Dato' Seri Kiew Kwong Sen	-	-	-	-
Dato' Lim Cheah Chooi	9,851,590	-	-	9,851,590
Lim Kim Guan	2,500,999	-	-	2,500,999
Han Mun Kuan	331,624	-	-	331,624
Lim Jun Lin	325,183	-	-	325,183
Sim Yee Fuan	77,500	-	-	77,500
Teh Eng Aun	-	-	-	-
Dato' Abdul Rafique Bin Abdul Karim	337,167	-	-	337,167
Khairilanuar Bin Tun Abdul Rahman	-	-	-	-

	Number of warrants			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
The Company				
Direct interest				
Dato' Seri Kiew Kwong Sen	-	-	-	-
Dato' Lim Cheah Chooi	13,875,680	-	(4,810,000)	9,065,680
Lim Kim Guan	4,936,798	-	-	4,936,798
Han Mun Kuan	663,248	-	-	663,248
Lim Jun Lin	600,366	-	-	600,366
Sim Yee Fuan	155,000	-	-	155,000
Teh Eng Aun	-	-	-	-
Dato' Abdul Rafique Bin Abdul Karim	450,000	-	-	450,000
Khairilanuar Bin Tun Abdul Rahman	-	-	-	-

DIRECTORS' REPORT (Cont'd)

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 30 to the financial statements.

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

Other Statutory Information

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

(i) to ascertain that 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 have been written off and that adequate allowance 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 have 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:

(i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

(iv) 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.

(c) 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.

(d) In the opinion of the Directors:

(i) no contingent liability 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 Company to meet its obligations as and when they fall due;

(ii) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2017.

DATO' LIM CHEAH CHOOI	SIM YEE FUAN

PENANG

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 49 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 35 to the financial statements on page 132 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2017.

DATO' LIM CHEAH CHOOI

SIM YEE FUAN

PENANG

STATUTORY DECLARATION

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

I, SIM YEE FUAN, being the Director primarily responsible for the financial management of Unimech Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 49 to 131 are 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 at Georgetwon in the State of)
Penang on 25 April 2017)

SIM YEE FUAN

Before me,

Haji Mohamed Yusoff Bin Mohd. Ibrahim
No.: P156
Commissioner For Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF **UNIMECH GROUP BERHAD** (Company No. 407580-X)

Report on the Financial Statements

Opinion

We have audited the financial statements of Unimech Group Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 131.

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

Basis for Opinion

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

Independence and Other Ethical Requirements

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 IESBA Code.

Key Audit Matters

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

Key Audit Matters	How we addressed the key audit matters
1. Inventory Valuation	
The Group's assessment of the carrying value of the inventories, being the lower of cost and net realizable value and this involved significant judgements in determining the net realizable value. The net realiable value is estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.	We reviewed the Group's policy on inventory valuation that are in accordance with MFRS 102 Inventories. We evaluated the operating effectiveness of key controls over the inventory system in recording the cost of inventory on first-in-first-out basis. We reviewed and verified the value of a sample of inventory item by comparing the unit price used in the final inventory listing summary to current price lists, recent sales invoices, or recent vendor invoices to ensure inventories are stated at the lower of cost and net realisable value. We assessed the adequacy of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT (Cont'd)

TO THE MEMBERS OF **UNIMECH GROUP BERHAD** (Company No. 407580-X)

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
2. Impairment of trade receivables The carrying amount of the Group's trade receivables was amounted to RM79,593,438. During the financial year, the Group assessed the impairment of trade receivables and the assessment of impairment involves significant estimation uncertainty subjective assumptions and the application of significant judgement.	We obtained and evaluated the appropriateness of the Group's policy on management of credit risk and its credit exposures. We reviewed and evaluated the design, implementation and operating effectiveness of key controls over the administration and monitoring processes of credit control. We assessed the reasonableness of the methods and assumptions used by management in estimating the recoverable amount and impairment loss; and tested the accuracy and completeness of the data used by the management. We reviewed the adequacy of the amount of impairment loss and enquired the management regarding the recoverability of a sample of trade receivables that are pass due but not impaired accounts and review of customers' correspondence. We reviewed the appropriateness of the indicators of impairment and disclosures made in accordance with MFRS 136 *Impairment of Assets*.

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 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 Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

INDEPENDENT AUDITORS' REPORT (Cont'd)

TO THE MEMBERS OF **UNIMECH GROUP BERHAD** (Company No. 407580-X)

Report on Other Legal and Regulatory Requirements (Cont'd)

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 35 on page 132 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

LOH CHYE TEIK
Approved Number: 1652/08/2018 (J)
Chartered Accountant

PENANG

25 April 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Assets					
Non-Current Assets					
Property, plant and equipment	4	112,856,285	109,218,644	282	126
Investment in subsidiary companies	5	-	-	47,033,172	53,836,180
Investment in associates	6	14,434,524	12,891,255	2,625,000	2,625,000
Investment securities	7	7,501,684	5,471,457	165,820	145,919
Intangible assets	8	7,457,366	7,822,012	-	292,302
Deferred tax assets	9	1,122,854	1,319,864	618,877	928,515
		143,372,713	136,723,232	50,443,151	57,828,042
Current Assets					
Inventories	10	169,661,275	169,557,922	-	-
Trade receivables	11	79,593,438	87,655,129	-	-
Other receivables	12	24,428,968	35,218,426	223,221	230,670
Amount due from subsidiary companies	13	-	-	67,509,415	60,138,704
Tax recoverable		814,766	374,442	5,818	4,568
Fixed deposits with licensed banks	14	5,585,609	4,065,030	2,230,279	2,180,993
Cash and bank balances		27,109,498	28,202,942	591,679	3,544,775
		307,193,554	325,073,891	70,560,412	66,099,710
Total Assets		450,566,267	461,797,123	121,003,563	123,927,752

STATEMENTS OF FINANCIAL POSITION (Cont'd)
AS AT 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Equity					
Share capital	15	65,025,567	64,280,667	65,025,567	64,280,667
Share premium		13,867,861	12,851,993	13,867,861	12,851,993
Irredeemable Convertible Unsecured Loans Stocks "ICULS"	16	26,240,269	26,491,515	26,240,269	26,491,515
Treasury shares	17	(4,797,305)	(8,960,337)	(4,797,305)	(8,960,337)
Reserves	18	16,007,437	11,664,131	4,080	-
Retained earnings		128,989,980	132,177,894	6,764,782	13,794,522
Equity attributable to owners of the parent		245,333,809	238,505,863	107,105,254	108,458,360
Non-controlling interests		28,914,173	26,927,945	-	-
Total Equity		274,247,982	265,433,808	107,105,254	108,458,360
Liabilities					
Non-Current Liabilities					
Finance lease payables	19	3,108,140	3,221,381	-	-
ICULS liability	16	3,096,384	4,644,576	3,096,384	4,644,576
Bank borrowings	20	14,510,353	16,585,347	-	-
Deferred tax liabilities	9	407,831	500,184	-	-
		21,122,708	24,951,488	3,096,384	4,644,576
Current Liabilities					
Trade payables	21	29,558,266	40,030,738	-	-
Other payables	22	20,907,982	18,591,445	687,588	706,998
Amount due to subsidiary companies	13	-	-	1,926	3,530
Finance lease payables	19	2,011,328	2,716,099	-	-
Bank borrowings	20	101,286,123	108,661,571	10,112,411	10,114,288
Tax payable		1,431,878	1,411,974	-	-
		155,195,577	171,411,827	10,801,925	10,824,816
Total Liabilities		176,318,285	196,363,315	13,898,309	15,469,392
Total Equity and Liabilities		450,566,267	461,797,123	121,003,563	123,927,752

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	23	239,309,476	239,532,391	5,965,712	7,268,032
Cost of sales		(140,709,649)	(138,396,209)	-	-
Gross profit		98,599,827	101,136,182	5,965,532	7,268,032
Other income		3,331,823	3,351,786	5,767	285,803
Administrative expenses		(41,400,030)	(45,290,293)	(925,681)	(544,727)
Selling and distribution expenses		(13,996,795)	(18,082,473)	(135,281)	(119,442)
Other expenses		(16,957,890)	(7,653,818)	(30,297)	(34,961)
Profit from operations		29,576,935	33,461,384	4,880,220	6,854,705
Finance costs	24	(11,614,425)	(13,348,091)	(2,123,186)	(2,178,355)
Share of profits after tax of associates		946,152	563,106	-	-
Profit before tax	25	18,908,662	20,676,399	2,757,034	4,676,350
Taxation	26	(7,350,417)	(8,382,905)	(15,000)	70,250
Profit for the financial year		11,558,245	12,293,494	2,742,034	4,746,600

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Available-for-sale financial assets:					
- current year (losses)/gains		(740,592)	111,773	4,080	-
- reclassification to profit or loss		(96,987)	(35,288)	-	-
Exchange translation differences		5,180,885	6,524,786	-	-
Other comprehensive income for the financial year		4,343,306	6,601,271	4,080	-
Total comprehensive income for the financial year		15,901,551	18,894,765	2,746,114	4,746,600
Profit for the financial year attributable to:					
Owners of the parent		8,664,740	9,530,100	2,742,034	4,746,600
Non-controlling interests		2,893,505	2,763,394	-	-
		11,558,245	12,293,494	2,742,034	4,746,600
Total comprehensive income attributable to:					
Owners of the parent		13,008,046	16,131,371	2,746,114	4,746,600
Non-controlling interests		2,893,505	2,763,394	-	-
		15,901,551	18,894,765	2,746,114	4,746,600
Earnings per share attributable to owners of the parent:					
Basic (sen)	27	7.11	8.04		
Diluted (sen)	27	4.75	5.33		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to Owners of the Parent											
		<— Non-Distributable						—>	Distributable				
Group	Note	Share Capital RM	Share Premium RM	ICULS Equity RM	Treasury Shares RM	Fair Value Reserve RM	Currency Translation Reserve RM	Warrant Reserve RM	Capital Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
2016													
At 1 January		64,280,667	12,851,993	26,491,515	(8,960,337)	368,640	10,403,691	20,945,656	(20,053,856)	132,177,894	238,505,863	26,927,945	265,433,808
Profit for the financial year		-	-	-	-	-	-	-	-	8,664,740	8,664,740	2,893,505	11,558,245
Other comprehensive income for the financial year													
Available-for-sale financial assets:													
- Current year losses		-	-	-	-	(740,592)	-	-	-	-	(740,592)	-	(740,592)
- Reclassification to profit or loss		-	-	-	-	(96,987)	-	-	-	-	(96,987)	-	(96,987)
Foreign exchange translation reserve		-	-	-	-	-	5,180,885	-	-	-	5,180,885	-	5,180,885
Total other comprehensive income for the financial year		-	-	-	-	(837,579)	5,180,885	-	-	-	4,343,306	-	4,343,306
Total comprehensive income for the financial year		-	-	-	-	(837,579)	5,180,885	-	-	8,664,740	13,008,046	2,893,505	15,901,551

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

		Attributable to Owners of the Parent											
		<— Non-Distributable						—>	Distributable				
Group	Note	Share Capital RM	Share Premium RM	ICULS Equity RM	Treasury Shares RM	Fair Value Reserve RM	Currency Translation Reserve RM	Warrant Reserve RM	Capital Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
2016 (Cont'd)													
Transaction with owners:													
- Conversion of ICULS	15,16	744,900	744,900	(1,489,800)	-	-	-	-	-	-	-	-	-
- Right issue of ICULS and warrants	16	-	-	1,238,554	-	-	-	-	-	-	1,238,554	-	1,238,554
- Shares repurchased	17	-	-	-	(2,268,497)	-	-	-	-	-	(2,268,497)	-	(2,268,497)
- Own shares sold	17	-	270,968	-	831,960	-	-	-	-	-	1,102,928	-	1,102,928
- Changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	-	(2,080,880)	(2,080,880)	(58,773)	(2,139,653)
- Dividends on ordinary shares	28	-	-	-	5,599,569	-	-	-	-	(9,771,774)	(4,172,205)	-	(4,172,205)
- Dividends from subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(848,504)	(848,504)
Total transactions with owners		744,900	1,015,868	(251,246)	4,163,032	-	-	-	-	(11,852,654)	(6,180,100)	(907,277)	(7,087,377)
At 31 December		65,025,567	13,867,861	26,240,269	(4,797,305)	(468,939)	15,584,576	20,945,656	(20,053,856)	128,989,980	245,333,809	28,914,173	274,247,982

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to Owners of the Parent											
		<---- Non-Distributable							---->	Distributable			
Group	Note	Share Capital RM	Share Premium RM	ICULS Equity RM	Treasury Shares RM	Fair Value Reserve RM	Currency Translation Reserve RM	Warrant Reserve RM	Capital Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
2015													
At 1 January		64,280,667	12,454,233	25,252,961	(7,729,257)	335,095	810,029	20,945,656	(20,053,856)	127,977,571	224,273,099	26,915,560	251,188,659
Profit for the financial year		-	-	-	-	-	-	-	-	9,530,100	9,530,100	2,763,394	12,293,494
Other comprehensive income for the financial year													
Available-for-sale financial assets:		-	-	-	-	-	-	-	-	-	-	-	-
- Reclassification to profit or loss		-	-	-	-	33,545	-	-	-	-	33,545	-	33,545
Foreign exchange translation reserve		-	-	-	-	-	9,593,662	-	-	-	9,593,662	-	9,593,662
Total other comprehensive income for the financial year		-	-	-	-	33,545	9,593,662	-	-	-	9,627,207	-	9,627,207
Total comprehensive income for the financial year		-	-	-	-	33,545	9,593,662	-	-	9,530,100	19,157,307	2,763,394	21,920,701

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to Owners of the Parent											
		<---- Non-Distributable							----> Distributable				
Group	Note	Share Capital RM	Share Premium RM	ICULS Equity RM	Treasury Shares RM	Fair Value Reserve RM	Currency Translation Reserve RM	Warrant Reserve RM	Capital Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
2015 (Cont'd)													
Transaction with owners:													
- Right issue of ICULS and warrants	16	-	-	1,238,554	-	-	-	-	-	-	1,238,554	-	1,238,554
- Shares repurchased	17	-	-	-	(2,043,870)	-	-	-	-	-	(2,043,870)	-	(2,043,870)
- Own shares sold	17	-	397,760	-	812,790	-	-	-	-	-	1,210,550	-	1,210,550
- Changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	(1,354,603)	(1,354,603)
- Dividends on ordinary shares	28	-	-	-	-	-	-	-	-	(5,329,777)	(5,329,777)	-	(5,329,777)
- Dividends from subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,396,406)	(1,396,406)
Total transactions with owners		-	397,760	1,238,554	(1,231,080)	-	-	-	-	(5,329,777)	(4,924,543)	(2,751,009)	(7,675,552)
At 31 December		64,280,667	12,851,993	26,491,515	(8,960,337)	368,640	10,403,691	20,945,656	(20,053,856)	132,177,894	238,505,863	26,927,945	265,433,808

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

		<----	----	----	Non-Distributable	----	----	---->	Distributable	
	Note	Share Capital RM	Share Premium RM	ICULS Equity RM	Treasury Shares RM	Warrant Reserve RM	Capital Reserve RM	Fair Reserve RM	Retained Earnings RM	Total Equity RM
2016										
Company										
At 1 January		64,280,667	12,851,993	26,491,515	(8,960,337)	20,945,656	(20,945,656)	-	13,794,522	108,458,360
Profit for the financial year		-	-	-	-	-	-	-	2,742,034	2,742,034
Other comprehensive income										
Available-for-sale financial assets:										
- Current year gain		-	-	-	-	-	-	4,080	-	4,080
Total comprehensive income for the financial year		-	-	-	-	-	-	4,080	2,742,034	2,746,114
Transactions with owners:										
- Conversion of ICULS	15,16	744,900	744,900	(1,489,800)	-	-	-	-	-	-
- Right issue of ICULS and warrants	16	-	-	1,238,554	-	-	-	-	-	1,238,554
- Shares repurchased	17	-	-	-	(2,268,497)	-	-	-	-	(2,268,497)
- Own shares sold	17	-	270,968	-	831,960	-	-	-	-	1,102,928
- Dividends on ordinary shares	28	-	-	-	5,599,569	-	-	-	(9,771,774)	(4,172,205)
Total transactions with owners		744,900	1,015,868	(251,246)	4,163,032	-	-	-	(9,771,774)	(4,099,220)
At 31 December		65,025,567	13,867,861	26,240,269	(4,797,305)	20,945,656	(20,945,656)	4,080	6,764,782	107,105,254

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

	Note	<---------- Non-Distributable						---------->	Distributable	
		Share Capital RM	Share Premium RM	ICULS Equity RM	Treasury Shares RM	Warrant Reserve RM	Capital Reserve RM	Fair Reserve RM	Retained Earnings RM	Total Equity RM
2015										
Company										
At 1 January		64,280,667	12,454,233	25,252,961	(7,729,257)	20,945,656	(20,945,656)	2,395	14,377,699	108,638,698
Profit for the financial year		-	-	-	-	-	-	-	4,746,600	4,746,600
Other comprehensive income										
Available-for-sale financial assets:										
- Current year gain		-	-	-	-	-	-	(2,395)	-	(2,395)
Total comprehensive income for the financial year		-	-	-	-	-	-	(2,395)	4,746,600	4,744,205
Transactions with owners:										
- Right issue of ICULS and warrants	16	-	-	1,238,554	-	-	-	-	-	1,238,554
- Shares repurchased	17	-	-	-	(2,043,870)	-	-	-	-	(2,043,870)
- Own shares sold		-	397,760	-	812,790	-	-	-	-	1,210,550
- Cancellation of treasury shares		-	-	-	-	-	-	-	-	-
- Dividends on ordinary shares	28	-	-	-		-	-	-	(5,329,777)	(5,329,777)
Total transactions with owners		-	397,760	1,238,554	(1,231,080)	-	-	-	(5,329,777)	(4,924,543)
At 31 December		64,280,667	12,851,993	26,491,515	(8,960,337)	20,945,656	(20,945,656)	-	13,794,522	108,458,360

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit before tax		18,908,662	20,676,399	2,757,034	4,676,350
Adjustments for:					
Allowance for inventories obsolescence		3,263,508	244,676	-	-
Amortisation of intangible assets		449,307	8,170	292,302	-
Depreciation of property, plant and equipment		7,760,505	7,660,408	144	760
Dividend income		(194,018)	(37,732)	(5,894,676)	(7,175,503)
Fair value adjustment on investment securities		(328,556)	1,953	-	-
(Gain)/ Loss on disposal of:					
- property, plant and equipment		(344,181)	(169,652)	-	-
- investment securities		(383,735)	(24,638)	(3,574)	-
- subsidiary companies		(34,288)	1	-	-
Impairment losses on:					
- investment securities		85,919	72,308	16,914	23,685
- trade and other receivables		2,277,363	2,439,652	-	-
Inventories written-down		968,747	450,000	-	-
Interest expenses		11,614,425	13,348,091	2,123,186	2,178,355
Interest income		(260,870)	(704,233)	(71,036)	(92,529)
Reversal of impairment loss on:					
- trade and other receivables		(573,622)	(528,715)	-	-
Reversal of inventories written down		(274,281)	(30,056)	-	-
Share of profit after tax of associates		(946,152)	(563,106)	-	-
Written off of:					
- associated companies		3	-	-	-
- bad debts		1,206,669	327,045	28,782	17,942
- goodwill		-	312,562	-	-
- inventories		-	240,000	-	-
- property, plant and equipment		41,079	115,928	-	-
Unrealised (gain)/loss on foreign exchange		(476,551)	863,074	-	-
Operating profit/(loss) before working capital changes		42,759,933	44,702,135	(750,924)	(370,940)

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Changes in working capital:					
Inventories		(9,109,901)	(22,652,096)	-	-
Receivables		14,340,006	(225,886)	(21,333)	1,339,073
Payables		(6,714,565)	13,303,308	(19,410)	69,987
Subsidiary companies		-	-	(7,372,315)	(2,711,526)
		(1,484,460)	(9,574,674)	(7,413,058)	(1,302,466)
Cash generated from operations		41,275,473	35,127,461	(8,163,982)	(1,673,406)
Tax paid		(8,434,214)	(8,751,228)	(16,250)	-
Tax refunded		177,159	202,973	-	15,001
Interest paid		(11,614,425)	(13,348,091)	(2,123,186)	(2,178,355)
		(19,871,480)	(21,896,346)	(2,139,436)	(2,163,354)
Net cash generated from/(used in) operating activities		21,403,993	13,231,115	(10,303,418)	(3,836,760)
Cash Flows From Investing Activities					
Acquisition of:					
- intangible assets		(76,812)	(40,915)	-	-
- non-controlling interest	5	(444,428)	(160,000)	-	-
- subsidiary, net of cash		-	5,709	-	-
Changes in ownership interest in subsidiaries undertaken by non-controlling interest		(2,080,880)	(1,260,892)	-	-
Dividend received		194,018	37,732	5,894,676	7,175,503
Interest received		260,870	704,233	71,036	92,529
Disposal of subsidiaries, net of cash disposed	5	457,683	-	6,803,008	-
Proceeds from disposal of:					
- investment securities		32,209,705	167,750	53,973	-
- property, plant and equipment		1,156,005	395,076	-	-
Purchase of:					
- investment in associate		-	(461,165)	-	-
- investment securities		(34,451,139)	(333,837)	(83,134)	-
- property, plant and equipment	4(b)	(7,438,115)	(6,713,314)	(300)	-
Net cash (used in)/ generated from investing activities		(10,213,093)	(7,659,623)	12,739,259	7,268,032

STATEMENTS OF CASH FLOWS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Cash Flows From Financing Activities					
Proceeds from sales of treasury shares		1,102,928	1,210,550	1,102,928	1,210,550
Repayment of bank borrowings		-	-	(1,877)	610
Repurchase of treasury shares	17	(2,268,497)	(2,043,870)	(2,268,497)	(2,043,870)
Net repayment of hire purchase		(2,343,152)	(3,229,437)	-	-
Net changes of bank borrowings		(6,516,007)	(3,000,559)	-	-
Dividends paid to shareholders and non-controlling interests		(5,020,709)	(6,726,183)	(4,172,205)	(5,329,777)
Net cash used in financing activities		(15,045,437)	(13,789,499)	(5,339,651)	(6,162,487)
Net decreased in cash and cash equivalents		(3,854,537)	(8,218,007)	(2,903,810)	(2,731,215)
Effect on currency translation difference		4,191,996	(4,003,289)	-	-
Cash and cash equivalents at beginning of the financial year		26,021,579	38,242,875	3,725,768	6,456,983
Cash and cash equivalents at the end of the financial year		26,359,038	26,021,579	821,958	3,725,768
Cash and cash equivalents at end of the financial year comprise:					
Fixed deposits with licensed banks		5,585,609	4,065,030	2,230,279	2,180,993
Cash and bank balances		27,109,498	28,202,942	591,679	3,544,775
Bank overdrafts		(4,336,069)	(4,246,393)	-	-
		28,359,038	28,021,579	2,821,958	5,725,768
Less: Deposits not for short-term funding requirements		(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
		26,359,038	26,021,579	821,958	3,725,768

The accompanying notes form an integral part of the financial statements.

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

1. Corporate Information

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

The principal place of business of the Company is located at Wisma Unimech, 4934, Jalan Chain Ferry, 12100 Butterworth, Penang.

The registered office of the Company is located at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiary companies and associates are disclosed in Notes 5 and 6 to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

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

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
Amendment to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and measurement of Share-based payment Transactions	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:
* Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

(i) <u>MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)</u>

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(iii) MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes noncancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires 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.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgments, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Useful lives of property, plant and equipment (Note 4)

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 8.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 9.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10.

Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 11 and 12 respectively.

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2016, the Group has tax recoverable and payable of RM814,766 (2015: RM374,442) and RM1,431,878 (2015: RM1,411,974) respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgments, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 32(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Subsidiary companies are consolidated using the acquisition method of accounting, except for the following subsidiaries which were accounted for using the merger method of accounting as the business combination of this subsidiary company involved an entity under common control:

- Unimech Engineering (M) Sdn. Bhd.
- Unimech Engineering (K.L.) Sdn. Bhd.
- Unimech Engineering (J.B.) Sdn. Bhd.
- Arita Valve Mfg. (M) Sdn. Bhd.
- Arita Flanges Industries Sdn. Bhd.
- Q-Flex Industries (M) Sdn. Bhd.
- Arita Engineering Sdn. Bhd.
- Multiplex Control & Engineering Services Pte. Ltd.

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*,is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(l) to the financial statements on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Significant Accounting Policies (Cont'd)

(b) Investments in associates

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

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

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

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

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

After application of the equity method, the Group applies MFRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single assets, 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.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l) to the financial statements on impairment of non-financial assets.

(c) Foreign currency translation

(i) Foreign currency translations and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

3. Significant Accounting Policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

The assets and liabilities of foreign operations denominated in functional currencies other than RM are translated to RM at the rate of exchange prevailing at the reporting date and income and expenses, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

Goodwill and fair value adjustment which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non- controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Significant Accounting Policies (Cont'd)

(d) Property, Plant and Equipment (Cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land and capital work-in-progress are not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Long term leasehold land	Over the remaining lease period
Buildings	2% - 5%
Furniture, fittings and office equipment	5% - 33%
Heavy moving equipment and motor vehicles	10% - 20%
Plant, machinery, moulds and equipment	5% - 33%
Electrical installation and renovation	10% - 20%

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(e) Leases

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

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between 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 recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3. Significant Accounting Policies (Cont'd)

(f) Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(l) to the financial statements on impairment of non-financial assets for intangible assets.

(g) Financial assets

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

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

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Significant Accounting Policies (Cont'd)

(g) Financial assets (cont'd)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

After initial recognition, financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and though the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

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

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

(h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

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

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination or financial liabilities designated into this category upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives financial instruments that are not designated as effective hedging instruments. Separated embedded derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

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

3. Significant Accounting Policies (Cont'd)

(h) Financial liabilities (Cont'd)

(ii) Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

(i) Offsetting of financial instruments

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

(j) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material is determined on a first-in-first-out basis. Cost of finished goods and work-in-progress consist of direct materials, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies and associates, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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 in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

Significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value of equity instrument, if any, subsequent to impairment loss is recognised other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the Group's share of net assets or the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(m) Share capital

(i) Ordinary shares

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. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares in the statement of changes in equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied as a reduction of the share premium account or the distributable retained earnings or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Significant Accounting Policies (Cont'd)

(m) Share capital (Cont'd)

(iii) Warrants

Warrants are classified as equity instrument and its value is allocated based on the closing price of the first trading day, if the warrant is listed, or estimated using option pricing models, if the warrant is not listed.

The issuance of the ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(o) Revenue recognition

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

(iii) Dividend income

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

(iv) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(v) Management fees

Management fee is recognised on accrual basis when services are rendered.

3. Significant Accounting Policies (Cont'd)

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Significant Accounting Policies (Cont'd)

(s) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when 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 each end of the 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.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(t) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component. Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(u) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

4. Property, Plant and Equipment

Group	Long term leasehold land RM	Freehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Heavy moving equipment and motor vehicles RM	Plant, machinery, moulds and equipment RM	Electrical installation and renovation RM	Capital work-in-progress RM	Total RM
2016									
At cost									
At 1 January 2016	11,735,971	55,840,583	23,553,112	13,971,393	13,966,293	33,590,278	4,697,749	-	157,355,379
Additions	-	4,396,844	490,092	438,706	2,112,361	1,347,192	165,527	-	8,950,722
Disposals	-	-	-	(9,401)	(1,258,076)	(1,412,549)	-	-	(2,680,026)
Written off	-	-	-	(446,715)	-	(226,878)	(19,565)	-	(693,158)
Disposal in subsidiary	-	-	-	(103,784)	(235,283)	(1,052,316)	-	-	(1,391,383)
Reclassification	-	(319,751)	88,380	-	-	-	87,120	144,251	-
Exchange difference	68,221	2,891,965	677,242	173,943	223,864	135,174	(129,921)	-	4,040,488
At 31 December 2016	11,804,192	62,809,641	24,808,826	14,024,142	14,809,159	32,380,901	4,800,910	144,251	165,582,022
Accumulated depreciation									
At 1 January 2016	2,296,059	-	5,978,884	8,110,693	10,591,547	18,273,899	2,885,653	-	48,136,735
Charge for the financial year	318,931	-	1,235,265	1,335,768	2,121,844	2,323,737	424,960	-	7,760,505
Disposals	-	-	-	(4,834)	(1,126,241)	(737,127)	-	-	(1,868,202)
Written off	-	-	-	(431,658)	-	(215,529)	(4,892)	-	(652,079)
Disposal in subsidiary	-	-	-	(93,650)	(220,419)	(870,954)	-	-	(1,185,023)
Exchange difference	30,003	-	112,303	167,092	196,785	71,712	(44,094)	-	533,801
At 31 December 2016	2,644,993	-	7,326,452	9,083,411	11,563,516	18,845,738	3,261,627	-	52,725,737
Carrying amount									
At 31 December 2016	9,159,199	62,809,641	17,482,374	4,940,731	3,245,643	13,535,163	1,539,283	144,251	112,856,285

4. Property, Plant and Equipment (Cont'd)

Group	Long term leasehold land RM	Freehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Heavy moving equipment and motor vehicles RM	Plant, machinery, moulds and equipment RM	Electrical installation and renovation RM	Capital work-in-progress RM	Total RM
2015									
At cost									
At 1 January 2015	7,457,247	50,322,552	23,368,118	12,557,961	13,018,824	30,474,250	4,357,953	66,304	141,623,209
Additions	20,720	2,518,849	1,636,763	998,892	1,407,420	1,060,254	382,152	-	8,025,050
Disposals	-	-	-	(13,550)	(924,785)	(109,930)	-	-	(1,048,265)
Written off	-	-	-	(105,028)	(6,467)	(263,934)	(103,108)	-	(478,537)
Reclassification	-	(344,948)	287,817	-	-	-	-	57,131	-
Exchange difference	4,258,004	3,344,130	(1,739,586)	533,118	471,301	2,429,638	60,752	(123,435)	9,233,922
At 31 December 2015	11,735,971	55,840,583	23,553,112	13,971,393	13,966,293	33,590,278	4,697,749	-	157,355,379
Accumulated depreciation									
At 1 January 2015	738,870	2,778	5,509,124	6,434,681	8,970,241	15,157,389	2,811,063	-	39,624,146
Charge for the financial year	308,494	-	1,039,674	1,230,445	2,067,512	2,589,352	424,931	-	7,660,408
Disposals	-	-	-	(13,550)	(728,769)	(80,522)	-	-	(822,841)
Written off	-	-	-	(82,125)	(3,651)	(263,934)	(12,899)	-	(362,609)
Reclassification	-	(2,778)	2,778	247,673	(6,789)	126,459	(367,343)	-	-
Exchange difference	1,248,695	-	(572,692)	293,569	293,003	745,155	29,901	-	2,037,631
At 31 December 2015	2,296,059	-	5,978,884	8,110,693	10,591,547	18,273,899	2,885,653	-	48,136,735
Carrying amount									
At 31 December 2015	9,439,912	55,840,583	17,574,228	5,860,700	3,374,746	15,316,379	1,812,096	-	109,218,644

4. Property, Plant and Equipment (Cont'd)

Company	Furniture, fittings and office equipment RM
2016	
At cost	
At 1 January	45,751
Additions	300
At 31 December	46,051
Accumulated depreciation	
At 1 January	45,625
Charge for the financial year	144
At 31 December	45,769
Carrying amount	
At 31 December	282
2015	
At cost	
At 1 January/31 December	45,751
Accumulated depreciation	
At 1 January	44,865
Charge for the financial year	760
At 31 December	45,625
Carrying amount	
At 31 December	126

(a) Assets acquired by means of finance lease liabilities

The aggregate additional cost of the property, plant and equipment of the Group during the financial year under finance lease and cash payments are as follows:

	Group 2016 RM	Group 2015 RM
Aggregate costs	8,950,722	8,025,050
Less: Lease and hire purchase financing	(1,512,607)	(1,311,736)
Cash payments	7,438,115	6,713,314

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Property, Plant and Equipment (Cont'd)

(b) Assets held under finance leases

	Group	
	2016	2015
	RM	RM
Furniture, fittings and office equipment	48,533	-
Plant and machinery	3,752,261	6,077,722
Heavy moving equipment and motor vehicles	2,820,525	2,609,317
	6,621,319	8,687,039

Leased assets are pledged as security for the related finance lease liabilities.

(c) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 20 to the financial statements are as follows:

	Group	
	2016	2015
	RM	RM
Long term leasehold land	6,762,771	6,994,827
Freehold land	7,030,319	5,506,300
Buildings	16,879,252	17,155,667
	30,672,342	29,656,794

(d) Long term leasehold land

The long term leasehold land of the Group has unexpired lease term of more than 50 years (2015: more than 50 years).

5. Investment in Subsidiary Companies

	Company	
	2016	2015
	RM	RM
At cost		
Unquoted shares in Malaysia	41,540,884	44,139,306
Unquoted shares outside Malaysia	5,587,288	9,791,874
	47,128,172	53,931,180
Less: Accumulated impairment losses	(95,000)	(95,000)
	47,033,172	53,836,180

5. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal activities
Direct holding:				
Unimech Engineering (M) Sdn. Bhd. ("UEM")	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Unimech Engineering (K.L.) Sdn. Bhd. ("UEKL")	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Unimech Engineering (J.B.) Sdn. Bhd. ("UEJB")	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Arita Valve Mfg. (M) Sdn. Bhd.	Malaysia	100	100	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers
Arita Flanges Industries Sdn. Bhd.	Malaysia	100	100	Engineering, design and manufacture of all type of steel flanges
Q-Flex Industries (M) Sdn. Bhd. ("QFIM")	Malaysia	100	100	Manufacture of rubber flexible joint and mould products
Arita Engineering Sdn. Bhd.	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Multiplex Control & Engineering Services Pte. Ltd. * ("MCES")	Singapore	100	100	Fabrication and installation of automation instruments/ systems and control panels, trading of level switches, gauges and related products
Unijin Instruments Industries Sdn. Bhd.	Malaysia	51	51	Manufacture and trading of pressure gauges and thermometers
Unimech Worldwide (Shanghai) Sdn.Bhd. ("UWS")	Malaysia	100	100	Investment holding
Arita Valve (Tianjin) Co. Ltd. *	The People's Republic of China	100	100	Manufacture of all kinds of steel and cast iron industrial valves

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal activities
Direct holding: (Cont'd)				
Unimax Sanitario (M) Sdn. Bhd.	Malaysia	100	100	Trading of sanitary and kitchen products
Suzhou Skyline Machinery Technology Corp. Ltd ("SSMT") *#	The People's Republic of China	-	76	Designing, fabricating, assembling, installing and commissioning of production automation facilities for manufacturing of electronic and electrical components industries
Unimech Management Sdn. Bhd.	Malaysia	100	100	Provision of management services
Unimech Capital Sdn. Bhd. ("UCSB")	Malaysia	100	100	Investment holding
Icontronic Technology Sdn. Bhd. ("ITSB") *	Malaysia	-	51	Design, fabricate and deal in industrial electronic automation control systems
M.E.T. Motion Holding Sdn. Bhd ("METMH")	Malaysia	51	51	Investment holding
Unimech Venture Sdn. Bhd. ("UVSB")	Malaysia	100	100	Investment holding
Unimech Indonesia Holdings Sdn. Bhd. ("UIH")	Malaysia	100	100	Investment holding
Unimech Capital (Aust) Sdn. Bhd. ("UCA")	Malaysia	61	61	Investment holding
Indirect holding:				
Subsidiary companies of UEM				
Unimech International Sdn. Bhd.	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems, heat and steam engineering
UME Service & Trading Sdn. Bhd.	Malaysia	85	85	Servicing and trading of burners

5. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective Interest 2016 %	2015 %	Principal activities
Indirect holding: (Cont'd)				
Subsidiary companies of UEM (Cont'd)				
Unimech Valve Technology Sdn. Bhd. #	Malaysia	100	100	In process of striking-off
Unimech Engineering (Aust) Pty. Ltd. *	Australia	61	61	Import and wholesale distribution of industrial valves
Inventive Potentials Sdn. Bhd.	Malaysia	75	75	Manufacture of metal stamped parts and design of dies casting mould
Unimech Engineering (Vietnam) Sdn. Bhd.	Malaysia	81	81	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Unimech Flow System Sdn. Bhd.	Malaysia	100	100	Trading of valves piping systems, engineering equipment, installation and maintenance of boilers and other related products
Subsidiary companies of UEKL				
TCE Casting Sdn. Bhd.* ("TCE")	Malaysia	51	51	Manufacture of metal stamped parts and dies casting
Unimech Engineering (Korea) Ltd. #	South Korea	51	51	Dissolved during the financial year
Subsidiary companies of UEJB				
Unimech Engineering (Kuantan) Sdn. Bhd.	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Hebei Arita Valve Industries Co. Ltd. *	The People's Republic of China	50.1	50.1	Manufacture of stainless steel valves and related products

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective Interest 2016 %	2015 %	Principal activities
Indirect holding: (Cont'd)				
Subsidiary companies of UWS				
Senior Industries Resources Co. Ltd. *#	The People's Republic of China	-	70	Designing, fabricating, installing, testing and commissioning of fluid and heat control system for the application of water, petrochemical, oil and gas industries
Unimech (Shanghai) Co. Ltd. *	The People's Republic of China	100	100	Trading, designing, fabricating, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries
Arita Engineering (Chengdu) Pte. Ltd.*#	The People's Republic of China	-	95	Trading, designing, fabricating, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, steam, petrochemical, oil and gas industries
Sumitech Engineering Solutions Ltd. * ("SESL")	Hong Kong Special Administrative Region of the People's Republic of China	60	60	Investment holding, marketing of automation solution and precision machinery and trading of electronic components
Subsidiary company of SESL				
Dongguan Sumitech Automation Technology Co. Ltd. *	The People's Republic of China	100	100	Research and development, marketing of automation solution and precision machinery and trading of electronic components
Subsidiary companies of UCSB				
Bangga Kencana Sdn. Bhd.	Malaysia	100	100	Investment holding
Bells Marketing Sdn. Bhd.	Malaysia	100	100	Supply and install insulation materials, valves and other engineering component
Bells Saga Sdn. Bhd.	Malaysia	100	100	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
Fajar Untung Sdn. Bhd.	Malaysia	100	100	Investment holding
Icontronic Technology Sdn. Bhd. ("ITSB") *	Malaysia	60	-	Design, fabricate and deal in industrial electronic automation control systems
Icontronic Sdn. Bhd.("ISB")*	Malaysia	60	51	Design, fabricate and deal in industrial electronic automation control systems

5. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal activities
Indirect holding: (Cont'd)				
Subsidiary companies of UCSB (Cont'd)				
MKT Venture Sdn. Bhd. # ("MKTV")	Malaysia	-	50.1	Dissolved during the financial year
Tri-Axis Technolgy (M) Sdn. Bhd. *	Malaysia	80	80	Supplies of automation solution, pneumatic and industrial components
Unimech FPC Sdn. Bhd. * #	Malaysia	80	80	In process of striking-off
Unimech Marine Equipment Sdn. Bhd.*	Malaysia	100	100	Trading, installing, testing and commissioning of marine and sanitary equipment and other engineering components
Uni Media Studio Sdn. Bhd. ("UMSSB")	Malaysia	100	51	Media advertising and related services
Unimech Polymer Engineering Sdn. Bhd.	Malaysia	80	80	Trading of rubber flexible joint, mould products, plastics and engineering products
Unimech Instruments & Control Sdn. Bhd.	Malaysia	80	80	Trading of instrument and control equipment for water, steam, petrochemical, oil and gas industries
Subsidiary companies of METMH				
M.E.T. Motion Engineering & Trading Sdn. Bhd.	Malaysia	100	100	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
M.E.T. Motion (Alor Star) Sdn. Bhd.	Malaysia	100	100	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
M.E.T Motion (Ipoh) Sdn. Bhd.	Malaysia	70	70	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
M.E.T. Resources Pte. Ltd. *	Singapore	70	70	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal activities
Indirect holding: (Cont'd)				
Subsidiary companies of UVSB				
Unimech Holdings (Thailand) Co. Ltd. * ("UHT")	Thailand	97	97	Investment holding
Unimech Vietnam Co Ltd. *	Vietnam	100	100	Import and distribution of valves, fittings and instrumentations
Subsidiary company of UHT				
TM Unimech Co. Ltd.*	Thailand	95.55	95.55	Trading, designing, fabricating, installing, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries
Subsidiary company of UCA				
Unimech (Asia Pacific) Pty. Ltd. *	Australia	100	100	Import and distribution of valves, fitting and instrumentations.
Subsidiary company of UIH				
PT Arita Global * ("AG")	Indonesia	85	85	Investment holding and provision of management services
Subsidiary of AG				
PT Arita Prima Indonesia Tbk * ("API")	Indonesia	57.84	57.88	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Subsidiary company of API				
PT Arita Prima Kalbar* ("APK")	Indonesia	99	99	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
PT EPC Technology System * ("ETS")	Indonesia	67	67	Dormant
PT Amanah Nusantara Sejahtera* (F.K.A. PT Arita Biotech International)	Indonesia	99	99	Import and supplies of fertiliser, chemical and related products.

5. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal activities
Indirect holding: (Cont'd)				
Joint shareholding by UCSB and TCE				
Puremach Coating Sdn. Bhd. * ("PCB")	Malaysia	52.85	52.85	Spraying, coating, powder coating, silk screening , hot stamping, general engineering in all kinds of metal, plastic, chemicals, minerals, substance and products
Joint shareholding by UCSB and API				
Arita System Sdn. Bhd.	Malaysia	100	100	System design, fabrication, installation, combustion equipment and piping systems for water, steam, petrochemical, oil and gas industries

Notes:

* Subsidiary companies are not audited by UHY.
\# Subsidiary companies de-consolidated during the year.

(a) Material partly-owned subsidiary companies

Set out below are the Group's subsidiary companies that have material non-controlling interests:

Name of Company	Proportion of ownership interests and voting rights held by non-controlling interests 2016 %	2015 %	Profit allocated to non-controlling interests 2016 RM'000	2015 RM'000	Accumulated non-controlling interests 2016 RM'000	2015 RM'000
API Group	28	28	1,854	1,344	20,685	20,574
Individually immaterial subsidiaries with non-controlling interests					8,229	6,354
Total non-controlling interests					28,914	26,928

Summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

(i) Summarised statements of financial position

	API Group 2016 RM'000	API Group 2015 RM'000
Total assets	132,671	131,202
Total liabilities	(60,465)	(62,592)
Net assets	72,206	68,610
Equity attributable to owners of the Company	51,521	48,036
Non-controlling interest	20,685	20,574
	72,206	68,610

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Investment in Subsidiary Companies (Cont'd)

(a) Material partly-owned subsidiary companies (cont'd)

(ii) Summarised statements of profit or loss and other comprehensive income

	API Group	
	2016 RM'000	2015 RM'000
Revenue	43,123	58,816
Profit before taxation	8,228	7,070
Taxation	(2,101)	(2,260)
Net profit for the financial year, representing total comprehensive income for the financial year	6,127	4,810

(iii) Summarised statements of cash flows

	API Group	
	2016 RM'000	2015 RM'000
Net cash generated from operating activities	10,833	3,635
Net cash used in investing activities	(8,566)	(5,656)
Net cash used in financing activities	(4,025)	(11,722)
Net decrease in cash and cash equivalents	(1,758)	(13,743)

(b) Acquisition of subsidiary companies

(i) On 9 May 2016, UCSB acquired additional 9% equity in ITSB, increasing its ownership from 51% to 60%. The purchase consideration for the acquisition is RM186,755.

(ii) On 9 May 2016, UCSB acquired additional 9% equity in ISB, increasing its ownership from 51% to 60%. The purchase consideration for the acquisition is RM134,673.

(iii) On 15 August 2016, UCSB acquired additional 49% equity in UMSSB, increasing its ownership from 51% to 100%. The purchase consideration for the acquisition is RM123,000.

	Group	
	2016 RM	2016 RM
Fair value of consideration transferred	444,428	160,000
Non-controlling interest, based on their propotionate interest in the recognised amounts of the assets and liabilities of the acquiree	982,011	93,711
Fair value of existing interest in the acquiree	1,380,801	281,135
Fair value of identifiable assets acquired and liabilities assumed	(2,706,765)	(468,557)
Goodwill	100,475	66,289

(c) Changes in ownership interest

(i) On 18 May 2016, UWS disposed of its 70% equity in Senior Industries Resources Co. Ltd. The total consideration for the disposal is RMB1 (equivalent to RM0.62)

(ii) On 24 June 2016, Unimech Engineering (Korea) Ltd had de-registered from Korea Department of Registrar of Companies.

(iii) On 30 August 2016, UGB transferred the whole 76% equity in SSMT to UCSB.

(iv) On 30 August 2016, UCSB disposed of its 76% equity in SSMT. The total consideration for the disposal is RMB1 (equivalent to RM0.62)

5. Investment in Subsidiary Companies (Cont'd)

(c) Changes in ownership interest (cont'd)

(v) On 1 December 2016, UGB transferred its 51% owned equity in ITSB to UCSB.

(vi) On 21 December 2016, UWS disposed of its 95% equity in Arita Engineering (Chengdu) Co. Ltd. The total consideration for the disposal is RMB1,230,000 (equivalent to RM785,109)

(vii) On 30 December 2016, Unimech Valve Technology Sdn Bhd had made a submission to Suruhanjaya Syarikat Malaysia ("SSM") for the strike-off of the Company and currently pending the approval from SSM.

(viii) On 30 December 2016, Unimech FPC Sdn Bhd had made a submission to Suruhanjaya Syarikat Malaysia ("SSM") for the strike-off of the Company and currently pending the approval from SSM.

The effect of the disposal of Senior Industries Resources Co. Ltd, SSMT and Arita Engineering (Chengdu) Co. Ltd on the financial position of the Group as at the date of disposal was as follows:

	2016 **RM**
Goodwill on consolidation	92,626
Property, plant and equipment	206,360
Inventories	1,561,606
Trade and other receivables	55,082
Cash and bank balances	327,427
Trade and other payables	(1,206,749)
Non-controlling interest	(285,530)
Group share of net assets	750,822
Gain on disposal of subsidiary	34,288
Proceeds from disposal	785,110
Less: Cash and cash equivalents disposed	(327,427)
Net cash inflow from disposal of investment in subsidiary companies	457,683

There was no disposal in the previous financial year.

6. Investment in Associates

	Group		**Company**	
	2016 **RM**	**2015** **RM**	**2016** **RM**	**2015** **RM**
At cost				
Unquoted shares in Malaysia	5,261,000	5,261,000	2,625,000	2,625,000
Unquoted shares outside Malaysia	2,585,909	2,124,744	-	-
	7,846,909	7,385,744	2,625,000	2,625,000
Additional investment	-	461,165	-	-
Share of post-acquisition reserves	6,263,873	5,317,721	-	-
	14,110,782	13,164,630	2,625,000	2,625,000
Less: Accumulated impairment losses	-	(77,877)	-	-
Less: Written off	(3)	-	-	-
Less: Exchange differences	323,745	(195,498)	-	-
	14,434,524	12,891,255	2,625,000	2,625,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Investment in Associates (Cont'd)

Details of the associates are as follows:

Name of company	Place of incorporation	Effective equity interest 2016 %	2015 %	Principal activities
Direct holding:				
Premium Heights Sdn. Bhd. #	Malaysia	35	35	Property development
Indirect holding:				
Associate of UEJB				
Unimech Engineering Group (Thailand) Co. Ltd. * ("UEGT")	Thailand	20	20	Trading, designing, fabricating, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries
Associate of UEM				
UEGT *	Thailand	29	29	Trading, designing, fabricating, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries
Associate of API				
Arita System Sdn. Bhd. ("ASM") *	Malaysia	40	40	System design, fabrication, installation, combustion equipment and piping systems for water, steam, petrochemical, oil and gas industries
Associates of MCES				
Multiplex Instrumentation and Control Equipment Services Phils Inc. #	The Philippines	-	38	Dissolved during the financial year
M.E.T. Resources Pte. Ltd. *	Singapore	30	30	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
Arita New Valve (Huangshan) Co. Ltd. *	The People's Republic of China	35	35	Designing, engineering and manufacturing of all type of oil and gas valves

6. Investment in Associates (Cont'd)

Details of the associates are as follows: (Cont'd)

Name of company	Place of incorporation	Effective equity interest 2016 %	Effective equity interest 2015 %	Principal activities
Indirect holding: (Cont'd)				
Associates of UCSB				
TTS Valve Technologies Sdn. Bhd. #	Malaysia	40	40	Supplying of control valves accessories
Unimech Bersatu Malaysia Sdn. Bhd.	Malaysia	49	49	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
MKT Marketing Sdn. Bhd. *	Malaysia	24	24	Trading in screws, bolts, nuts, fasteners and building related products for industrial and commercial purposes

Notes:

* Associate companies not audited by UHY
\# Equity accounted for based on management accounts.

(a) Changes in ownership interest

On 30 December 2016, Multiplex Instrumentation & Control Equipment Services Phils., Inc had de-registered from Securities and Exchange Commission of Philippines ("SEC").

Summarised financial information 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.

	Group 2016 RM	Group 2015 RM
Total assets	99,144,979	98,661,718
Total liabilities	63,634,625	66,127,055
Revenue	94,169,372	80,816,806
Net profit for the financial year	3,072,146	1,749,876

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Investment Securities

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Available-for-sale financial assets				
Equity instruments				
- Quoted in Malaysia	5,397,577	3,723,313	165,820	145,919
- Quoted outside Malaysia	1,684,107	1,328,144	-	-
- Unquoted in Malaysia	420,000	420,000	-	-
	7,501,684	5,471,457	165,820	145,919
Allowance for impairment losses				
At 1 January	382,561	310,253	71,394	47,709
Impairment losses recognised	85,919	72,308	16,914	23,685
At 31 December	468,480	382,561	88,308	71,394
At market value				
- Quoted in Malaysia	5,397,577	3,723,313	165,820	145,919
- Quoted outside Malaysia	1,684,107	1,328,144	-	-
	7,081,684	5,051,457	165,820	145,919

Investment in unquoted shares is carried at cost and represents other investment in company where the Group has no significant influence against the operating activities of the company.

8. Intangible Assets

	Goodwill RM	Group Trademarks and patents RM	Total RM
2016			
At cost			
At 1 January	8,176,986	1,197,807	9,374,793
Additions	100,475	76,812	177,287
Disposals	(1,175,508)	-	(1,175,508)
At 31 December	7,101,953	1,274,619	8,376,572
Accumulated amortisation			
At 1 January	-	114,752	114,752
Amortisation for the financial year	-	449,307	449,307
At 31 December	-	564,059	564,059
Accumulated impairment loss			
At 1 January	1,438,029	-	1,438,029
Disposals	(1,082,882)	-	(1,082,882)
At 31 December	355,147	-	355,147
Carrying Amount			
At 31 December	6,746,806	710,560	7,457,366

8. Intangible Assets (Cont'd)

	Group Goodwill RM	Trademarks and patents RM	Total RM
2015			
At cost			
At 1 January	8,110,697	1,156,892	9,267,589
Additions	66,289	40,915	107,204
At 31 December	8,176,986	1,197,807	9,374,793
Accumulated amortisation			
At 1 January	-	106,582	106,582
Amortisation for the financial year	-	8,170	8,170
At 31 December	-	114,752	114,752
Accumulated impairment loss			
At 1 January/ At 31 December	1,438,029	-	1,438,029
Carrying Amount			
At 31 December	6,738,957	1,083,055	7,822,012

	Company 2016 RM	2015 RM
Trademarks and patents, at cost		
At 1 January/31 December	292,302	292,302
Accumulated amortisation		
At 1 January	-	-
Amortisation for the financial year	292,302	-
At 31 December	292,302	-
Carrying Amount		
At 31 December	-	292,302

(a) Description of trademarks and patents

Trademarks and patents relate to the Group's rights in valves, instrumentation and fittings production that were acquired in the business combinations and have an average remaining amortisation period ranging from 10 to 20 years (2015: 10 to 20 years).

(b) Amortisation expense

The amortisation of trademarks and patents are included in the administrative expenses in the statements of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Intangible Assets (Cont'd)

(c) Impairment testing for cash generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management proposes.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	2016 RM	2015 RM
Group		
Valves, instrumentation and fittings	1,908,015	2,000,641
Electronic	1,733,976	1,633,501
Pumps	3,013,525	3,013,525
Others	91,290	91,290
	6,746,806	6,738,957

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

(i) Cash flows were projected based on actual operating results and a three-year business plan.

(ii) Revenue was projected at anticipated annual revenue growth of approximately 5% to 6% per annum.

(iii) Expenses were projected at annual increase of approximately 3% to 5% per annum.

(iv) A pre-tax discount rate of 7% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the Group plus a reasonable risk premium.

With regards to the assessments of value-in-use of these CGUs, management believes that no reasonably possible changes in any of the key assumptions. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources.

9. Deferred Tax (Assets)/Liabilities

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	(819,680)	(1,470,532)	(928,515)	(1,238,154)
Recognised in profit or loss	(486,218)	407,202	-	-
Transfer from equity	309,638	309,639	309,638	309,639
Foreign exchange translation difference	281,237	(65,989)	-	-
At 31 December	(715,023)	(819,680)	(618,877)	(928,515)

9. Deferred Tax (Assets)/Liabilities (Cont'd)

The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deferred tax liabilities	407,831	500,184	-	-
Deferred tax assets	(1,122,854)	(1,319,864)	(618,877)	(928,515)
	(715,023)	(819,680)	(618,877)	(928,515)

The components and movements of deferred tax liabilities and assets are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances
	RM
Group	
At 1 January 2016	500,184
Recognised in profit or loss	(92,353)
At 31 December 2016	407,831
At 1 January 2015	456,897
Recognised in profit or loss	43,287
At 31 December 2015	500,184

Deferred tax assets of the Group:

	Unabsorbed tax losses	Other timing differences	ICULS	Total
	RM	RM	RM	RM
Group				
2016				
At 1 January	(378,365)	(12,984)	(928,515)	(1,319,864)
Recognised in profit or loss	(112,628)	-	-	(112,628)
Transfer from equity	-	-	309,638	309,638
At 31 December	(490,993)	(12,984)	(618,877)	(1,122,854)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Deferred Tax (Assets)/Liabilities (Cont'd)

Deferred tax assets of the Group: (Cont'd)

	Unabsorbed tax losses	Other timing differences	ICULS	Total
	RM	RM	RM	RM
Group				
2015				
At 1 January	(689,275)	-	(1,238,154)	(1,927,429)
Recognised in profit or loss	310,910	(12,984)	-	297,926
Transfer from equity	-	-	309,639	309,639
At 31 December	(378,365)	(12,984)	(928,515)	(1,319,864)

Deferred tax assets of the Company

	Company	
	ICULS	ICULS
	RM	RM
At 1 January 2016/2015	(928,515)	(1,238,154)
Recognised in profit or loss	309,638	309,639
At 31 December 2016/2015	(618,877)	(928,515)

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

	Group	
	2016	2015
	RM	RM
Unabsorbed tax losses	4,359,284	7,223,828
Unabsorbed capital allowances	409,895	361,312
	4,769,179	7,585,140

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

10. Inventories

	Group	
	2016	2015
	RM	RM
At cost		
Raw materials	13,511,494	18,765,698
Work-in-progress	1,564,895	1,326,924
Finished goods	159,660,181	150,040,376
Accessories and parts	178,707	720,952
	174,915,277	170,853,950
Less: Allowance for inventories obsolescence	(3,835,255)	(846,028)
Less: Inventories written down	(1,418,747)	(450,000)
	169,661,275	169,557,922
Recognised in profit or loss:		
Inventories recognised as cost of sales	136,751,675	137,491,589
Inventories written down	968,747	450,000
Allowance for inventories obsolescence	3,263,508	244,676
Inventories written off	-	240,000
Reversal of allowance for inventories obsolescence	(274,281)	(30,056)

The reversal of allowance was made during the financial year when the related inventories were sold.

11. Trade Receivables

	Group	
	2016	2015
	RM	RM
Trade receivables:		
- Third parties	75,638,215	81,327,940
- Related party	-	21,000
- Associates	8,560,178	9,441,556
	84,198,393	90,790,496
Less: Accumulated impairment losses		
- Third parties	(4,604,955)	(3,135,367)
	79,593,438	87,655,129

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2015: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Related party is a company in which certain Directors have significant and controlling financial interests.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	2016	2015
	RM	RM
At 1 January	3,135,367	908,911
Impairment losses recognised	2,277,363	2,410,359
Amount written off	(312,221)	(55,333)
Impairment losses reversed	(573,622)	(143,706)
Exchange differences	78,068	15,136
At 31 December	4,604,955	3,135,367

Reversal of impairment losses are due to recover of trade receivable during the year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Trade Receivables (Cont'd)

Analysis of the trade receivables ageing as at the end of the financial year is as follow:

	Group	
	2016	**2015**
	RM	**RM**
Neither past due nor impaired	39,677,554	42,285,373
Past due but not impaired:		
Less than 30 days	16,841,389	19,876,096
31-60 days	11,704,333	13,189,670
More than 61 days	11,370,162	12,303,990
	39,915,884	45,369,756
	79,593,438	87,655,129
Impaired	4,604,955	3,135,367
	84,198,393	90,790,496

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 December 2016, trade receivables of RM39,915,884 (2015: RM45,369,756) were past due but not impaired. These related to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM4,604,955 (2015: RM3,135,367) respectively, related to customers that are in financial difficulties, have defaulted on payments and / or have disputed on the billings. These balances are expected to be recovered through the debts recovery process.

12. Other Receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Other receivables				
- Third parties, deposits and prepayments	23,316,655	30,494,497	-	44,270
- Amounts due from subsidiary companies	-	-	-	-
- Amounts due from associate companies	1,112,313	4,753,222	223,221	186,400
	24,428,968	35,247,719	223,221	230,670
Less: Accumulated impairment losses				
- Third parties	-	(29,293)	-	-
	24,428,968	35,218,426	223,221	230,670

Amount due from subsidiary companies and associate companies with non-interest bearing are unsecured and repayable on demand.

12. Other Receivables (Cont'd)

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
At 1 January	29,293	385,009	-	385,009
Impairment losses recognised	-	29,293	-	-
Impairment losses reversed	-	(385,009)	-	(385,009)
Written off	(29,293)	-	-	-
At 31 December	-	29,293	-	-

Reversal of impairment losses are due to recover of other receivable during the year.

Other 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.

13. Amount due from/(to) subsidiary companies

	Company	
	2016	**2015**
	RM	**RM**
Amount due from subsidiary companies		
Non-interest bearing, non-trade related	67,509,415	60,138,704
Amount due to subsidiary companies		
Non-interest bearing, non-trade related	(1,926)	(3,530)

Amount due from/(to) subsidiary companies with non-interest bearing are unsecured and repayable on demand.

14. Fixed Deposits with Licensed Banks

The interest rates and maturities of the fixed deposits range from 3% to 3.45% (2015: 2.80% to 3.25%) per annum and 30 to 365 days (2014: 30 to 365 days), respectively.

The fixed deposits of the Group and of the Company amounting to RM2,000,000 (2015: RM2,000,000 has been pledged with licensed banks as securities for credit facilities granted to subsidiaries as disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Share Capital

	Group/Company			
	Number of shares		Amount	
	2016	2015	2016	2015
	Units	Units	RM	RM
Ordinary shares of RM0.50 each				
Authorised				
At 1 January/At 31 December	300,000,000	300,000,000	150,000,000	150,000,000
Issued and fully paid				
At 1 January	128,561,334	128,561,334	64,280,667	64,280,667
Conversion of ICULS	1,489,800	-	744,900	-
At 31 December	130,051,134	128,561,334	65,025,567	64,280,667

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. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

16. ICULS Equity and ICULS Liability

ICULS Equity

	Group/Company	
	2016	2015
	RM	RM
At 1 January	26,491,515	25,252,961
Recognised in profit or loss	1,238,554	1,238,554
Conversion of ICULS	(1,489,800)	-
At 31 December	26,240,269	26,491,515

On 26 August 2013, the Company issued RM30,207,176 units of 5% 5-year ICULS of RM1.00 nominal value on the basis of one (1) ICULS for every four (4) ordinary shares of RM0.50 each together with 60,414,352 free detachable warrants on the basis of two (2) warrants for every one (1) ICULS subscribed for.

The ICULS matured in five (5) years from the date of the issuance of the ICULS. The holders of the ICULS are entitled to convert the ICULS into new ordinary shares of the Company after the third anniversary from the date of the issue of ICULS and the ICULS shall be converted into new ordinary shares automatically upon the maturity of the ICULS.

The fixed coupon rate of 5.00% per annum calculated on the nominal value of the ICULS is payable semi annually in arrears from the date of issuance of the ICULS.

ICULS Liability

	Group/Company	
	2016	2015
	RM	RM
At 1 January	4,644,576	6,192,769
Recognised in profit or loss	(1,548,192)	(1,548,193)
At 31 December	3,096,384	4,644,576

16. ICULS Equity and ICULS Liability (Cont'd)

Warrants

Each of the holders of the Warrants are entitled to subscribe for one (1) new ordinary shares of the Company at the exercise price of RM1.50 per ordinary shares at any time within five (5) years commencing from the date of the issue of the Warrants. The number of Warrants remained unexercised as at the financial year end are 60,414,352 (2015: 60,414,352) units.

17. Treasury Shares

The shareholders of the Company, by a resolution passed in the last Annual General Meeting held on 30 May 2016, renewed their approval for the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

	Group/Company			
	Number of shares		Amount	
	2016	2015	2016	2015
	Units	Units	RM	RM
At 1 January	9,706,866	9,143,966	8,960,337	7,729,257
Own shares acquired	2,026,800	1,462,900	2,268,497	2,043,870
Sales of treasury shares	(900,000)	(900,000)	(831,960)	(812,790)
Dividend on ordinary shares	(5,958,256)	-	(5,599,569)	-
At 31 December	4,875,410	9,706,866	4,797,305	8,960,337

During the financial year, the Company repurchased 2,026,800 (2015: 1,462,900) of its issued share capital from the open market at an average price of RM1.12 (2015: RM1.39) per share including transaction costs. The purchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

During the financial year, the Company has re-issued 900,000 (2015: 900,000) treasury shares by resale in the open market. The average resale price of the treasury shares was RM1.23 (2015: RM1.35) per share.

During the financial year, the Company declared and approved a share dividend in respect of financial year ended 31 December 2016 via distribution of 5,958,256 treasury shares on the basis of one treasury share for every 20 existing ordinary shares held. The shares dividend was distributed on 11 October 2016.

18. Reserves

		Group		Company	
		2016	2015	2016	2015
		RM	RM	RM	RM
Fair value reserve	(a)	(468,939)	368,640	4,080	-
Foreign currency translation reserve	(b)	15,584,576	10,403,691	-	-
Capital reserve	(c)	(20,053,856)	(20,053,856)	-	-
Warrant reserve	(d)	20,945,656	20,945,656	-	-
		16,007,437	11,664,131	4,080	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Reserves (Cont'd)

The nature of reserves of the Group and the Company is as follows:

(a) Fair value reserve

Fair value reserve represents the cumulative fair value changes of available-for-sale financial assets until they are derecognised of or impaired.

(b) Foreign currency translation reserve

The foreign 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.

(c) Capital reserve

Capital reserve arose from capitalisation of retained earnings of a subsidiary company in year 2001 and transfer to capital reserve for bonus issue by the subsidiary company in year 2002.

(d) Warrant reserve

The warrant reserve is in respect of the fair value for free warrant issued pursuant to the issuance of ICULS.

19. Finance Lease Payables

	Group	
	2016	2015
	RM	RM
Minimum lease and hire purchase payments:		
Within one year	2,278,476	3,057,303
Between one to five years	3,413,579	3,443,656
After five years	12,633	34,896
	5,704,688	6,535,855
Less: Future finance charges	(585,220)	(598,375)
Present value of minimum lease and hire purchase liabilities	5,119,468	5,937,480
Present value of minimum lease and hire purchase payments:		
Within one year	2,011,328	2,716,099
Between one to five years	3,099,751	3,188,072
After five years	8,389	33,309
	5,119,468	5,937,480
Analysed as:		
Repayable within twelve months	2,011,328	2,716,099
Repayable after twelve months	3,108,140	3,221,381
	5,119,468	5,937,480

The finance lease liabilities interest of the Group are ranged from 1.90% to 15.00% (2015: 1.90% to 18.00%) per annum.

The Group leases furniture, fittings and office equipment, plant and machineries, heavy moving equipment and motor vehicles under finance lease as disclosed in Note 4 to the financial statements. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

20. Bank Borrowings

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Secured				
Bank overdrafts	4,336,069	3,491,968	-	-
Bankers' acceptance	20,330,818	23,004,470	-	-
Revolving credits	66,744,910	68,779,787	10,112,411	10,114,288
Term loans	16,688,328	20,066,142	-	-
	108,100,125	115,342,367	10,112,411	10,114,288
Unsecured				
Bank overdrafts	-	754,425	-	-
Revolving credits	4,750,753	5,897,944	-	-
Trust receipts	2,945,598	3,252,182	-	-
	7,696,351	9,904,551	-	-
	115,796,476	125,246,918	10,112,411	10,114,288
Analysed as:				
Repayable within twelve months				
Secured				
Bank overdrafts	4,336,069	3,491,968	-	-
Bankers' acceptance	20,330,818	23,004,470	-	-
Revolving credits	66,744,910	58,665,499	10,112,411	10,114,288
Term loans	2,177,975	13,595,083	-	-
	93,589,772	98,757,020	10,112,411	10,114,288
Unsecured				
Bank overdrafts	-	754,425	-	-
Revolving credits	4,750,753	5,897,944	-	-
Trust receipts	2,945,598	3,252,182	-	-
	7,696,351	9,904,551	-	-
	101,286,123	108,661,571	10,112,411	10,114,288
Repayable after twelve months				
Secured				
Term loans	14,510,353	16,585,347	-	-
	115,796,476	125,246,918	10,112,411	10,114,288

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Bank Borrowings (Cont'd)

The bank borrowings obtained from the local and foreign banks are secured by the following:

(a) Legal charge over certain freehold and leasehold land as well as buildings of the Group as disclosed in Note 4;

(b) Pledged of certain fixed deposits with licensed banks of the Group and of the Company as mentioned in Note 14;

(c) Corporate guarantee by the Company; and

(d) Personal guarantee by certain Directors of the Company and Directors of the subsidiary companies.

The average effective interest rates per annum are as follows:

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Bank overdrafts	4.85 - 8.65	4.85 - 8.35	-	-
Term loans	1.65 - 12.00	1.55 - 12.00	-	-
Bankers' acceptance	3.02 - 7.60	3.02 - 5.62	-	-
Revolving credits	4.14 - 7.65	5.44 - 8.00	6.15 - 6.20	6.80
Trust receipts	7.60	7.60	-	-

21. Trade Payables

	Group	
	2016	2015
	RM	RM
Trade payables		
- Third parties	29,488,658	39,870,426
- Associates	69,608	160,312
	29,558,266	40,030,738

Credit terms of trade payables of the Group ranged from 30 to 90 (2015: 30 to 90) days, depending on the term of the contracts.

22. Other Payables

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other payables and accruals				
- Third parties	16,697,523	17,635,654	687,588	706,998
- Amounts due to Directors	4,210,459	955,791	-	-
	20,907,982	18,591,445	687,588	706,998

Amount due to Directors with non-interest bearing are unsecured and repayable on demand.

23. Revenue

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Sales of goods	238,843,942	238,772,857	-	-
Management fee	10,646	17,569	-	-
Interest income	260,870	704,233	71,036	92,529
Dividend income	194,018	37,732	5,894,676	7,175,503
	239,309,476	239,532,391	5,965,712	7,268,032

24. Finance Costs

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Interest expenses on:				
Bank overdrafts	283,258	420,240	-	-
Bankers' acceptance	977,299	2,151,538	-	-
ICULS	1,497,402	1,559,089	1,497,402	1,559,089
Trust receipts	210,628	120,950	-	-
Revolving credits	6,862,278	6,748,210	625,784	619,266
Letter of credits	707	383	-	-
Term loans	1,343,828	1,679,167	-	-
Finance lease	380,332	516,294	-	-
Others	58,693	152,220	-	-
	11,614,425	13,348,091	2,123,186	2,178,355

25. Profit Before Tax

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Auditors' remuneration				
- current year	483,947	368,295	50,000	35,000
- under provision in prior year	14,197	24,915	11,700	16,800
Allowance for inventories obsolescence	3,263,508	244,676	-	-
Amortisation of intangible assets	449,307	8,170	292,302	-
Non-executive Directors' remunerations				
- Fees	91,334	109,000	91,334	109,000
- Other emoluments	7,200	8,100	7,200	8,100

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Profit Before Tax (Cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Depreciation of property, plant and equipment	7,760,505	7,660,408	144	760
Fair value adjustment on investment securities	328,556	1,953	-	-
Impairment losses on:				
- investment securities	85,919	72,308	16,914	23,685
- trade and other receivables	2,277,363	2,439,652	-	-
Inventories written down	968,747	450,000	-	-
(Gain)/Loss on disposal of:				
- investment in subsidiary company	(34,288)	1	-	-
- investment securities	(383,735)	(24,638)	(3,574)	-
- property, plant and equipment	(344,181)	(169,652)	-	-
Written off of:				
- bad debts	1,206,669	327,045	28,782	17,942
- goodwill	-	312,562	-	-
- inventories	-	240,000	-	-
- investment in associates	3	-	-	-
- property, plant and equipment	41,079	115,928	-	-
Realised (gain)/loss on foreign exchange	(190,346)	12,526	(2,193)	-
Unrealised (gain)/loss on foreign exchange	(476,551)	863,074	-	-
Rental of:				
- machinery and equipment	15,148	12,496	-	-
- motor vehicles	35,138	39,370	-	-
- premises	2,253,760	1,818,106	-	-
Bad debts recovered	-	(37,704)	-	-
Interest income	(260,870)	(704,233)	(71,036)	(92,529)
Rental income	(113,881)	(100,706)	-	-
Dividend income	(194,018)	(37,732)	(5,894,676)	(7,175,503)
Reversal of allowance for inventories obsolescence	(274,281)	(30,056)	-	-
Reversal of impairment loss on trade and other receivables	(573,622)	(528,715)	-	-

26. Taxation

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Tax expense for the financial year:				
Current year provision	7,924,106	8,062,230	15,000	-
Overprovision in prior year	(87,471)	(86,527)	-	(70,250)
	7,836,635	7,975,703	15,000	(70,250)

26. Taxation (Cont'd)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Deferred tax:				
Relating to origination and reversal of temporary differences	(458,906)	(408,583)	-	-
(Under)/over provision in prior year	(27,312)	815,785	-	-
	(486,218)	407,202	-	-
	7,350,417	8,382,905	15,000	(70,250)

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Profit before tax	18,908,662	20,676,399	2,757,034	4,676,350
Tax at Malaysia of statutory tax rate of 24% (2015: 25%)	4,538,079	5,169,100	661,688	1,169,088
Effect on different tax rates in foreign jurisdiction	(51,952)	305,066	-	-
Income not subject to tax	(1,034,392)	(1,817,019)	(646,688)	(1,169,088)
Expenses not deductible for tax purposes	3,879,011	3,423,758	-	-
Tax exempt income	(408)	(18,099)	-	-
Utilisation of previous year deferred tax assets not recognised	(102,929)	(478,074)	-	-
Deferred tax assets not recognised during the year	237,791	1,069,605	-	-
Expenses eligible for double deduction	-	(690)	-	-
Overprovision of income tax expense in prior year	(87,471)	(86,527)	-	(70,250)
(Under)/Over provision of deferred tax in prior year	(27,312)	815,785	-	-
	7,350,417	8,382,905	15,000	(70,250)

The Group has estimated unabsorbed tax losses and unutilised capital allowances of RM4,359,000 (2015: RM3,499,000) and RM410,000 (2015: RM295,000) respectively carried forward, available for set-off against future taxable profit.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Earnings Per Share

(a) Basis earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2016	2015
	RM	RM
Profit attributable to owners of the parents for basic earnings	8,664,740	9,530,100
Weighted average number of ordinary shares in issue	130,051,134	128,561,334
Effect on treasury shares	(8,211,154)	(10,018,117)
Weighted average number of ordinary shares as at 31 December	121,839,980	118,543,217
Basic earnings per ordinary share (sen)	7.11	8.04

(b) Diluted earnings per share

Diluted earnings per share are calculated based on the adjusted consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group	
	2016	2015
	RM	RM
Profit attributable to owners of the parents for basic earnings	8,664,740	9,530,100
Weighted average number of ordinary shares used in the calculation of basic earings per share	121,839,980	118,543,217
Effect of potential exercise of warrants	60,414,352	60,414,352
Weighted average number of ordinary shares at 31 December (diluted)	182,254,332	178,957,569
Diluted earnings per shares (in sen)	4.75	5.33

28. Dividends

	Company	
	2016	2015
	RM	RM
A first and final single tier dividend of 3.5 sen on 119,205,868 ordinary shares of RM0.50 each in respect of financial year ended 31 December 2015	4,172,205	-
Share dividend (equivalent to 0.94 sen per share) via distribution of 5,958,256 treasury shares on the basis of 1 treasury share for every 20 existing ordinary shares held, credited into entitled depositors' securities accounts maintained with Bursa Malaysia Depository Sdn Bhd on 11 October 2016	5,599,569	-
A first and final single tier dividend of 4.5 sen on 118,439,469 ordinary shares of RM0.50 each in respect of financial year ended 31 December 2014	-	5,329,777
	9,771,774	5,329,777

28. Dividends (Cont'd)

The Directors recommend the payment of a final single tier dividend of 3 sen per ordinary shares in respect of the current financial year ended 31 December 2016, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed 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 2017.

29. Staff costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Salaries and other emoluments	35,019,625	31,293,674	215,695	187,537
Social security contributions	201,751	176,190	512	620
Defined contributions plan	2,445,420	2,063,069	5,395	6,448
Other benefits	959,822	348,232	220	2,150
	38,626,618	33,881,165	221,822	196,755

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Executive Directors				
Salaries and other emoluments	1,647,448	1,747,051	38,100	39,000
Fees	95,000	95,000	95,000	95,000
	1,742,448	1,842,051	133,100	134,000

30. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

The Group has related party relationships with its subsidiary companies and associates where certain Directors of the Company have significant and controlling financial interests as well as key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. Related Party Disclosures (Cont'd)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade. In addition to the related party balances disclosed elsewhere in the financial, the significant related party transactions of the Group and of the Company are as follows:

	Group	
	2016	**2015**
	RM	**RM**
(i) Transaction with subsidiary companies		
- Dividend received	5,894,496	7,175,503
(ii) Transactions with associates		
- Sales	1,142,394	955,811
- Purchases	288,644	289,988
- Management fee income	10,646	17,569
(iii) Transactions with companies in which certain Directors of the Company have substantial financial interest		
- Sales	53,729	179,853
- Purchases	3,748	31,267

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Salaries, fees and other emoluments	5,243,214	6,165,045	231,634	201,100
Social security contributions	41,847	13,020	-	-
Defined contributions plan	538,033	431,361	-	-
Estimated money in value of benefits by way of usage of the Group's and Company's assets	24,673	109,200	-	-
	5,847,767	6,718,626	231,634	201,100

31. Segmental Information

The Group has three major reporting segments, as described below, which are the Group's strategic business units. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's Executive Director reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Valves, instrumentation and fittings	System design, fabrication, manufacturing and distribution of all kinds of valves, instrumentation and fittings, maintenance of boilers, combustion
Electronic	Manufacture of electronic products and components and other related products
Pumps	System design, fabrication, assembly, distribution of all kinds of pumps and provision of related services

Other business segments include manufacture of metal stamped parts and tools, spraying, coating, silk screening in metal, plastic, chemicals etc., media advertising, supplies of automation components, trading of sanitary and kitchen products, as well as investment holding, none of which are of sufficient size to be reported separately.

Performance is measured based on segment profit before taxation, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Executive Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Segment assets and liabilities

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the Executive Director. Hence no disclosure is made on segment assets and liabilities.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segments assets on non-current assets are presented based on the geographical location of the assets.

	Revenue		Non-current assets	
	2016	2015	2016	2015
	RM	RM	RM	RM
Australia	13,913,551	13,745,256	108,282	152,975
Malaysia	138,648,659	141,198,927	48,294,979	52,190,542
Indonesia	53,110,006	58,858,998	57,484,450	49,997,746
Singapore	6,280,826	7,137,617	3,917,922	5,057,631
The People's Republic of China	4,913,363	5,091,779	10,467,444	9,541,927
Thailand	19,945,834	10,973,596	6,948	35,845
United States of America	1,232,200	1,529,732	-	-
Other foreign countries	1,265,037	996,486	33,626	63,990
	239,309,476	239,532,391	120,313,651	117,040,656

Non-current assets information presented above consist of the following items:

	Non-current assets	
	2016	2015
	RM	RM
Property, plant and equipment	112,856,285	109,218,644
Intangible assets	7,457,366	7,822,012
	120,313,651	117,040,656

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Segmental Information (Cont'd)

	Valves, instrumentation and fittings RM	Electronic RM	Pumps RM	Others RM	Elimination RM	Total RM
2016						
Revenue						
External revenue	180,511,263	11,164,470	26,426,527	21,207,216	-	239,309,476
Inter-segment revenue	51,965,635	961,942	3,014,423	7,668,029	(63,610,029)	-
Total revenue	232,476,898	12,126,412	29,440,950	28,875,245	(63,610,029)	239,309,476
Results						
Segment results	31,279,381	659,777	2,353,748	(121,974)	(4,593,997)	29,576,935
Finance costs	(8,977,997)	(224,477)	(112,631)	(2,425,707)	126,387	(11,614,425)
Share of profits after taxation of associates	149,312	-	-	-	796,840	946,152
Profit/(Loss) before tax	22,450,696	435,300	2,241,117	(2,547,681)	(3,670,770)	18,908,662
Taxation	(6,445,789)	(7,517)	(644,671)	(252,440)	-	(7,350,417)
Profit/(Loss) after tax	16,004,907	427,783	1,596,446	(2,800,121)	(3,670,770)	11,558,245
Non-controlling interests	(1,217,874)	169,706	(15,049)	(248,451)	(1,581,837)	(2,893,505)
Net profit/(loss) for the financial year, attributable to owners of the parent	14,787,033	597,489	1,581,397	(3,048,572)	(5,252,607)	8,664,740
Segment assets	426,237,389	23,247,437	23,829,539	190,480,762	(213,228,860)	450,566,267
Segment liabilities	204,492,740	26,070,599	12,347,785	81,426,149	(148,018,988)	176,318,285

31. Segmental Information (Cont'd)

	Valves, instrumentation and fittings RM	Electronic RM	Pumps RM	Others RM	Elimination RM	Total RM
2016						
Non-cash expenses/(income)						
Allowance for inventories obsolescence	3,151,916	-	-	111,592	-	3,263,508
Depreciation and amortisation	5,685,339	1,045,151	399,110	1,080,212	-	8,209,812
(Gain)/Loss on disposal of:						
- property, plant and equipment	(485,056)	140,866	-	9	-	(344,181)
- investment in subsidiaries	(1,187,286)	-	-	5,415,079	(4,262,081)	(34,288)
- investment securities	(89,741)	-	-	(293,994)	-	(383,735)
Impairment losses on:						
- investment securities	50,438	35,481	-	-	-	85,919
- trade and other receivables	1,894,846	22,499	324,700	35,318	-	2,277,363
Inventories written-down	968,747	-	-	-	-	968,747
Reversal of inventories obsolescence	(274,281)	-	-	-	-	(274,281)
Reversal of impairment losses on trade and other receivables	(556,452)	-	(17,170)	-	-	(573,622)
Written off of:						
- associates	3	-	-	-	-	3
- bad debts	1,941,466	5,171	-	1,943,656	(2,683,624)	1,206,669
- property, plant and equipment	23,786	16,987	91	215	-	41,079

31. Segmental Information (Cont'd)

	Valves, instrumentation and fittings RM	Electronic RM	Pumps RM	Others RM	Elimination RM	Total RM
2015						
Revenue						
External revenue	189,012,522	10,499,987	22,970,186	17,049,696	-	239,532,391
Inter-segment revenue	55,308,605	1,506,695	2,937,845	8,473,995	(68,227,140)	-
Total revenue	244,321,127	12,006,682	25,908,031	25,523,691	(68,227,140)	239,532,391
Results						
Segment results	35,507,567	(656,787)	2,568,324	3,301,609	(7,259,329)	33,461,384
Finance costs	(10,605,574)	(342,261)	(104,996)	(2,513,340)	218,080	(13,348,091)
Share of profits after taxation of associates	63,731	-	-	-	499,375	563,106
Profit/(Loss) before tax	24,965,724	(999,048)	2,463,328	788,269	(6,541,874)	20,676,399
Taxation	(7,508,459)	(243,439)	(601,971)	(29,036)	-	(8,382,905)
Profit/(Loss) after tax	17,457,265	(1,242,487)	1,861,357	759,233	(6,541,874)	12,293,494
Non-controlling interests	(73,583)	(1,564,813)	(86,971)	148,272	(1,186,299)	(2,763,394)
Net profit/(loss) for the financial year, attributable to owners of the parent	17,383,682	(2,807,300)	1,774,386	907,505	(7,728,173)	9,530,100
Segment assets	440,879,174	27,110,228	18,930,644	183,699,082	(208,822,005)	461,797,123
Segment liabilities	234,663,422	30,512,421	10,150,152	68,138,567	(147,101,247)	196,363,315

31. Segmental Information (Cont'd)

	Valves, instrumentation and fittings RM	Electronic RM	Pumps RM	Others RM	Elimination RM	Total RM
2015						
Non-cash expenses/(income)						
Allowance for inventories obsolescence	187,987	-	-	56,689	-	244,676
Bad debts recover	(10,019)	-	(27,599)	(86)	-	(37,704)
Depreciation and amortisation	5,430,362	1,217,244	260,466	760,506	-	7,668,578
(Gain)/Loss on disposal of:						
- property, plant and equipment	(138,591)	-	(35,690)	4,629	-	(169,652)
- investment in subsidiaries	-	-	-	1	-	1
- investment securities	(23,481)	-	-	(1,157)	-	(24,638)
Impairment losses on:						
- investment securities	48,623	-	-	23,685	-	72,308
- trade and other receivables	2,382,290	-	47,733	9,629	-	2,439,652
Inventories written-down	450,000	-	-	-	-	450,000
Reversal of inventories obsolescence	(14,000)	-	-	(16,056)	-	(30,056)
Reversal of impairment losses on trade and other receivables	(106,689)	-	(37,017)	(385,009)	-	(528,715)
Written off of:						
- bad debts	261,370	-	47,733	17,942	-	327,045
- goodwill	-	-	-	312,562	-	312,562
- inventories	240,000	-	-	-	-	240,000
- property, plant and equipment	113,915	-	-	2,013	-	115,928

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group				
2016				
Financial Assets				
Investment securities	7,501,684	-	-	7,501,684
Trade receivables	-	79,593,438	-	79,593,438
Other receivables	-	14,380,100	-	14,380,100
Amount due from subsidiary companies	-		-	-
Fixed deposit with licensed banks	-	5,585,609	-	5,585,609
Cash and bank balances	-	27,109,498	-	27,109,498
	7,501,684	126,668,645	-	134,170,329
Financial Liabilities				
Trade payables	-	-	29,558,266	29,558,266
Other payables	-	-	20,907,982	20,907,982
Finance lease payables	-	-	5,119,468	5,119,468
Bank borrowings	-	-	115,796,476	115,796,476
ICULS liability	-	-	3,096,384	3,096,384
	-	-	174,478,576	174,478,576

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group (Cont'd)				
2015				
Financial Assets				
Investment securities	5,471,457	-	-	5,471,457
Trade receivables	-	87,655,129	-	87,655,129
Other receivables	-	26,643,937	-	26,643,937
Fixed deposit with licensed banks	-	4,065,030	-	4,065,030
Cash and bank balances	-	28,202,942	-	28,202,942
	5,471,457	146,567,038	-	152,038,495
Financial Liabilities				
Trade payables	-	-	40,030,738	40,030,738
Other payables	-	-	18,591,445	18,591,445
Finance lease payables	-	-	5,937,480	5,937,480
Bank borrowings	-	-	125,246,918	125,246,918
ICULS liability	-	-	4,644,576	4,644,576
	-	-	194,451,157	194,451,157

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company				
2016				
Financial Assets				
Investment securities	165,820	-	-	165,820
Other receivables	-	223,221	-	223,221
Amount due from subsidiary companies	-	67,509,415	-	67,509,415
Fixed deposit with licensed banks	-	2,230,279	-	2,230,279
Cash and bank balances	-	591,679	-	591,679
	165,820	70,554,594	-	70,720,414
Financial Liabilities				
Other payables	-	-	687,588	687,588
Amount due to subsidiary companies	-	-	1,926	1,926
ICULS liability	-	-	3,096,384	3,096,384
Bank borrowings	-	-	10,112,411	10,112,411
	-	-	13,898,309	13,898,309

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company (Cont'd)				
2015				
Financial Assets				
Investment securities	145,919	-	-	145,919
Other receivables	-	214,420	-	214,420
Amount due from subsidiary companies	-	60,138,704	-	60,138,704
Fixed deposit with licensed banks	-	2,180,993	-	2,180,993
Cash and bank balances	-	3,544,775	-	3,544,775
	145,919	66,078,892	-	66,224,811
Financial Liabilities				
Other payables	-	-	706,998	706,998
Amount due from subsidiary companies	-	-	3,530	3,530
ICULS liability	-	-	4,644,576	4,644,576
Bank borrowings	-	-	10,114,288	10,114,288
	-	-	15,469,392	15,469,392

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and associates and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks and non-financial institutions for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM129,702,168 (2015: RM115,132,630), representing the outstanding banking facilities to the subsidiary Companies at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for loans to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

32. Financial Instrument (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risks (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2016						
Financial liabilities						
Trade payables	29,558,266	-	-	-	29,558,266	29,558,266
Other payables	20,907,982	-	-	-	20,907,982	20,907,982
Finance lease payables	2,278,476	1,417,797	1,995,782	12,633	5,704,688	5,119,468
Bank borrowings	105,720,242	2,508,378	5,405,948	10,347,337	123,981,905	115,796,476
Interest on ICULS	1,510,359	1,510,359	-	-	3,020,718	-
	159,975,325	5,436,534	7,401,730	10,359,970	183,173,559	171,382,192
2015						
Financial liabilities						
Trade payables	40,030,738	-	-	-	40,030,738	40,030,738
Other payables	18,591,445	-	-	-	18,591,445	18,591,445
Finance lease payables	2,769,336	2,370,423	1,361,200	34,896	6,535,855	5,937,480
Bank borrowings	108,629,097	4,340,227	5,414,703	10,172,134	128,556,161	125,246,918
Interest on ICULS	1,510,359	1,510,359	1,510,359	-	4,531,077	-
	171,530,975	8,221,009	8,286,262	10,207,030	198,245,276	189,806,581

32. Financial Instrument (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risks (Cont'd)

	On demand/ within 1 year / total contractual cash flows RM	Total carrying amount RM
Company		
2016		
Financial Liabilities		
Other payables	687,588	687,588
Amount due to subsidiary companies	1,926	1,926
Bank borrowings	10,112,411	10,112,411
	10,801,925	10,801,925
2015		
Financial Liabilities		
Other payables	706,998	706,998
Amount due to subsidiary companies	3,530	3,530
Bank borrowings	10,114,288	10,114,288
	10,824,816	10,824,816

(iii) Market risk

(a) Foreign currency exchange risk

The Group incurs foreign currency risk on transactions that are denominated in foreign currencies. The currencies giving rise to this risk are primarily the United States Dollar ("USD"), Singapore Dollar ("SGD"), Thai Baht ("THB") and Euro ("EURO). The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency exchange risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	The Group's currency exposure profiles (RM)				
The Group's functional currency	**SGD**	**THB**	**USD**	**EURO**	**Total**
Financial Assets					
2016					
Trade receivables					
RMB	-	-	1,035,376	-	1,035,376
SGD	-	-	209,055	-	209,055
	-	-	1,244,431	-	1,244,431
Deposits, bank and cash balances					
RM	-	6,280	82,309	-	88,589
RMB	-	-	609,424	-	609,424
IDR	-	183,400	39,279	-	222,679
SGD	261	-	434,419	2,803	437,483
VND	-	-	11,828	-	11,828
	261	189,680	1,177,259	2,803	1,370,003
Total	261	189,680	2,421,690	2,803	2,614,434
Financial Liabilities					
Trade payables					
RM	-	-	701,027	-	701,027
IDR	-	-	4,746,547	-	4,746,547
SGD	-	-	309,336	-	309,336
AUD	-	-	2,492,376	-	2,492,376
THB	-	-	2,467,233	-	2,467,233
VND	-	-	118,708	-	118,708
	-	-	10,835,227	-	10,835,227
Bank borrowings					
IDR	-	-	6,511,445	-	6,511,445
Total	-	-	17,346,672	-	17,346,672

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency exchange risk (Cont'd)

	The Group's currency exposure profiles (RM)				
The Group's functional currency	**SGD**	**THB**	**USD**	**EURO**	**Total**
Financial Assets					
2015					
Trade receivables					
RMB	-	-	709,955	-	709,955
SGD	-	-	1,031,080	-	1,031,080
	-	-	1,741,035	-	1,741,035
Deposits, bank and cash balances					
RM	-	6,280	82,270	-	88,550
RMB	-	-	1,283,331	-	1,283,331
IDR	73,397	-	332,615	-	406,012
SGD	-	-	414,174	3,376	417,550
VND	-	-	37,747	-	37,747
	73,397	6,280	2,150,137	3,376	2,233,190
Total	73,397	6,280	3,891,172	3,376	3,974,225
Financial Liabilities					
Trade payables					
RM	-	-	352,490	-	352,490
IDR	-	-	4,141,732	-	4,141,732
SGD	-	-	308,637	-	308,637
AUD	-	-	1,777,712	-	1,777,712
THB	-	-	2,047,070	-	2,047,070
VND	-	-	53,710	-	53,710
	-	-	8,681,351	-	8,681,351
Bank borrowings					
IDR	-	-	7,972,499	-	7,972,499
Total	-	-	16,653,850	-	16,653,850

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax, rounded to nearest thousand to a reasonably possible change in the in the major foreign currencies' exchange rates against the functional currency of the Group, with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency exchange risk (Cont'd)

The following table demonstrates the sensitivity of the Group's profit before tax, rounded to nearest thousand to a reasonably possible change in the in the major foreign currencies' exchange rates against the functional currency of the Group, with all other variables held constant. (Cont'd)

	Change in currency rate	Effect on profit before tax
Group		**RM'000**
2016		
USD/RM	Strengthened 10%	-62
	Weakened 10%	+62
USD/IDR	Strengthened 10%	-1,122
	Weakened 10%	+1,122
2015		
USD/RM	Strengthened 10%	-27
	Weakened 10%	+27
USD/IDR	Strengthened 10%	-1,178
	Weakened 10%	+1,178

(iv) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iv) Interest rate risk (Cont'd)

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2016	**2015**
	RM	**RM**
Financial asset		
Fixed deposit with licensed banks	5,585,609	4,065,030
Finance lease payables	5,119,468	5,937,480
ICULS liability	3,096,384	4,644,576
Floating rate instrument		
Bank borrowings	115,796,476	125,246,918

	Company	
	2016	**2015**
	RM	**RM**
Fixed rate instruments		
Fixed deposit with licensed banks	2,230,279	2,180,993
ICULS liability	3,096,384	4,644,576
Floating rate instrument		
Bank borrowings	10,112,411	10,114,288

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group' and the Company's profit before tax by RM1,157,965 and RM101,124 (2015: RM1,252,469 and RM101,143) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2016										
Financial assets										
Investment securities	7,081,684	-	-	7,081,684	420,000	-	-	420,000	7,501,684	7,501,684
Financial liabilities										
ICULS liability	-	-	-	-	-	3,096,384	-	3,096,384	3,096,384	3,096,384
Finance lease payable	-	-	-	-	-	2,984,762	-	2,984,762	2,984,762	3,108,140
Bank borrowings	-	-	-	-	-	14,510,353	-	14,510,353	14,510,353	14,510,353
	-	-	-	-	-	20,591,499	-	20,591,499	20,591,499	20,714,877
2015										
Financial assets										
Investment securities	5,051,457	-	-	5,051,457	420,000	-	-	420,000	5,471,457	5,471,457
Financial liabilities										
ICULS liability	-	-	-	-	-	4,644,576	-	4,644,576	4,644,576	4,644,576
Finance lease payable	-	-	-	-	-	3,209,400	-	3,209,400	3,209,400	3,221,381
Bank borrowings	-	-	-	-		16,585,347		16,585,347	16,585,347	16,585,347
	-	-	-	-	-	24,439,323	-	24,439,323	24,439,323	24,451,304

32. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Company										
2016										
Financial assets										
Investment securities	165,820	-	-	165,820	-	-	-	-	165,820	165,820
Financial liabilities										
ICULS liability	-	-	-	-	-	3,096,384	-	3,096,384	3,096,384	3,096,384
2015										
Financial assets										
Investment securities	145,919	-	-	145,919	-	-	-	-	145,919	145,919
Financial liabilities										
ICULS liability	-	-	-	-	-	4,644,576	-	4,644,576	4,644,576	4,644,576

32. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

(i) Policy on transfer between levels

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

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of ICULS, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

33. Capital Management

The Group's management manages its capital to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Total loans and borrowings	120,915,944	131,184,398
Less: Cash and cash equivalents	(32,695,107)	(32,267,972)
Net debts	88,220,837	98,916,426
Total equity attributable to owners of the parent	245,333,809	238,505,863
Gearing ratio (times)	0.36	0.41

There were no changes in the Group's approach to capital management during the financial year.

34. Date of Authorisation for Issue

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Supplementary information on the disclosure of realised and unrealised profits or losses

The following analysis of realised and unrealised retained earnings of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total retained profits of the Company and its subsidiary companies				
- Realised	174,546,996	174,021,362	6,764,782	13,794,522
- Unrealised	(13,712,169)	(14,589,020)	-	-
	160,834,827	159,432,342	6,764,782	13,794,522
Total share of retained profits from associates				
- Realised	6,263,873	5,317,721	-	-
- Unrealised	-	-	-	-
	6,263,873	5,317,721	-	-
Total retained profits before consolidated adjustments	167,098,701	164,750,063	6,764,782	13,794,522
Less: Consolidated adjustments	(38,108,721)	(32,572,169)	-	-
	128,989,980	132,177,894	6,764,782	13,794,522

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

LIST OF MATERIAL PROPERTIES
AS AT 31 DECEMBER 2016

Registered / Beneficial Owner	Address / Location	Description / Existing use	Tenure / (Approximate age of building) Year	Approximate land area / (built up area) sq. m.	Audited net book value as at 31.12.16 RM	Date of Acquisition / (Revaluation)
APII	Lot 4 -6, 8 - 9, 12, 14, 17 - 22, 27 -32, 45, 58 & 59, Ciparungsari, Cibatu, Purwakarta, Jawa Barat, Indonesia.	Industrial land / Vacant	20 years lease expiring in Mar 2033 / Sept 2033 / Oct 2034 / Dec 2034	243,263	15,196,577 / IDR45,635,366,000	27.03.13 / 21.09.13 / 03.10.14 / 05.12.14
APII	Lot B1, Jalan Boulevard, Jakarta Garden City, Cakung, Jakarta Timur, Indonesia	Commercial land / Vacant	20 years lease expiring in Jun 2034	2,998	12,654,000 / IDR38,000,000,000	16.06.14
APII	Jalan Danau Sunter Utara, Kompleks Ruko Sunter Permai, Blok C, No. 7 & 8, Sunter, Jakarta Utara, 14350 Indonesia.	2 units of 4 storey shophouse / Office	20 years lease expiring in Aug 2026 (17 years)	198 / (792)	2,652,158 / IDR7,964,437,052	25.04.13
UME(M)	Wisma Arita, 1033, Jalan Chain Ferry, Taman Inderawasih, 13600 Perai, Penang.	A single and double storey warehouse cum double storey office building / Office and warehouse	Freehold / (23 years)	7,136 / (3,611)	7,098,749	21.12.09
UME(M)	Wisma Unimech, 4934, Jalan Chain Ferry, 12100 Butterworth, Penang.	Three storey office building with an attached single storey warehouse at the rear / Office and warehouse	Freehold / (21 years)	881 / (1,711)	2,097,000	(22.12.09)
UME(KL)	No. 12G, Jalan Tandang, Seksyen 51, 46050 Petaling Jaya, Selangor.	2 ½ storey warehouse cum office / Office and warehouse	99 years lease expiring in May 2109 (7 years)	1,410 / (1,247)	5,776,863	29.04.11
MCES	87, Second Lok Yang Road, Singapore 638163.	1 ½ storey terrace factory / Office and warehouse	60 years lease expiring in Mar 2032 / (44 years)	1,395 / (1,115)	2,669,545 / SGD860,977	20.11.07
AV(Tianjin)	No. 11, Nan Caiyuan Road, Wuqing Development Area, Tianjin 301700, China.	Industrial factory / Office and factory	50 years expiring in Jan 2053 (14 years)	13,580 / (2,085)	2,532,885 / RMB3,922,697	01.01.03
IPSB	Lot 519, Lencongan Timur, Kawasan Perusahaan Cendana, 08000 Sungai Petani, Kedah.	1 ½ storey industrial building / Office and factory	Freehold / (9 years)	3,594 / (2,137)	1,963,238	02.12.07
TCE	Plot 10.15 & Plot 10.16, Jalan PKNK 1/2 , Kawasan Perusahaan Sungai Petani (LPK), 08000 Sungai Petani, Kedah.	2 continuous units of 1 ½ storey semi-detached factory / Office and factory	60 years lease expiring in Apr 2052 / (24 years)	4,606 / (1,990)	1,726,979	09.06.10

ANALYSIS OF SHAREHOLDINGS
AS AT 22 MARCH 2017

Issued and Paid-Up Capital	:	RM62,196,162 divided into 124,382,324 ordinary shares #
No. of Shareholders	:	2,181
Voting Rights	:	one vote per ordinary share

The issued and paid-up capital is as per Record of Depositors as at 22 March 2017 exclusive of 5,682,910 ordinary shares held as treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	243	12,252	0.01
100 - 1,000	108	40,474	0.03
1,001 - 10,000	1,239	4,954,909	3.98
10,001 - 100,000	473	12,122,401	9.75
100,001 to less than 5% of Ordinary Shares	116	88,666,589	71.29
5% and above of Ordinary Shares	2	18,585,699	14.94
Total	2,181	124,382,324	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%
Dato' Lim Cheah Chooi	37,970,623 *	30.53	-	-
Lim Kim Guan	8,494,749 *	6.83	2,005,250	1.61

Note:

* certain shares are held through nominee companies.

ANALYSIS OF SHAREHOLDINGS (Cont'd)
AS AT 22 MARCH 2017

DIRECTORS' DIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

Shares held in the Company

	Direct			Indirect	
Name	**No. of Shares**		**%**	**No. of Shares**	**%**
Dato' Seri Dr. Kiew Kwong Sen	505,260		0.41	-	-
Dato' Lim Cheah Chooi	37,970,623	*	30.53	-	-
Lim Kim Guan	8,494,749	*	6.83	2,005,250	1.61
Han Mun Kuan	1,392,822		1.12	-	-
Lim Jun Lin	1,365,770	*	1.10	-	-
Sim Yee Fuan	325,500	*	0.26	-	-
Teh Eng Aun	-		-	-	-
Dato' Abdul Rafique Bin Abdul Karim	1,416,101	*	1.14	-	-
Khairilanuar Bin Tun Abdul Rahman	105,000		0.08	-	-

Note:

* certain shares are held through nominee companies.

Shares Held in Related Corporations

In accordance with section 8 of the Companies Act 2016, Dato' Lim Cheah Chooi, by virtue of his interest of more than 20% in the shares of the Company, is also deemed to have interest in the shares of all its subsidiaries to the extent the Company has interest.

Other than as disclosed above, no other director of the Company has interest, direct or indirect in the Company and its related corporations.

ANALYSIS OF SHAREHOLDINGS (Cont'd)
AS AT 22 MARCH 2017

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 22 MARCH 2017

No	Name	No. of Shares	%
1	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	12,075,699	9.71
2	ABB NOMINEE (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	6,510,000	5.23
3	HO KIONG CHAN	5,372,850	4.32
4	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR LIM CHEAH CHOOI (MP0259)	3,675,000	2.95
5	SMC CAPITAL SDN. BHD.	3,622,815	2.91
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	3,529,400	2.84
7	LIM CHEAH CHOOI	3,376,324	2.71
8	LIM KIM GUAN	3,302,061	2.65
9	KATYE SDN. BHD.	3,202,500	2.57
10	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM KIM GUAN	3,150,000	2.53
11	LIM KA HUAT	3,066,264	2.47
12	AMSEC NOMINEES (TEMPATAN) SDN. BHD. - AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI (SMART)	2,885,000	2.32
13	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. – DEUTSCHE BANK AG SINGAPORE YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)	2,875,000	2.31
14	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI (472635)	2,401,700	1.93
15	SIM KIM HEOH	2,100,000	1.69
16	STAR WEALTH MANAGEMENT SDN. BHD.	2,005,250	1.61
17	YEOH CHENG TWAN @ YEOH KONG LIANG	1,768,000	1.42
18	LIM CHEAH CHOOI	1,470,000	1.18
19	HAN MUN KUAN	1,392,822	1.12
20	AMANAHRAYA TRUSTEES BERHAD - BSN DANA DIVIDEN AL-IFRAH	1,220,200	0.98
21	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SIM KIM HEOH (006064757)	1,155,000	0.93
22	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR LIM KIM GUAN (MP0257)	1,120,001	0.90
23	AMANAHRAYA TRUSTEES BERHAD - BSN DANA DIVIDEN AL-JADID	1,107,500	0.89
24	OOI SOO HING	1,066,800	0.86
25	LIM YEAN YIN	1,050,000	0.84
26	HLB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	1,050,000	0.84
27	CHAN HOOI LING	1,050,000	0.84
28	SIM AH CHYE	1,050,000	0.84
29	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI (E-BMM)	997,500	0.80
30	LIM YEAN SHUE	945,000	0.76
	TOTAL:	**79,592,686**	**63.99**

Total Issued Shares As At 22 March 2017:	130,065,234
Treasury Shares As At 22 March 2017:	5,682,910
Issued Shares Excluding Treasury Shares As At 22 March 2017:	124,382,324

ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK ("ICULS") HOLDINGS

AS AT 22 MARCH 2017

Issued Size	:	30,207,176 norminal value of RM1.00 2013/2018 ICULS
Conversion Price	:	RM1.00
Maturity Date of ICULS	:	18 September 2018
No. of ICULS Holders	:	724

DISTRIBUTION OF ICULS HOLDINGS

Range of Shareholdings	No. of ICULS Holders	No. of ICULS Holdings	% of ICULS Holdings
less than 100 ICULS	10	300	#
100 to 1,000 ICULS	221	150,793	0.53
1,001 to 10,000 ICULS	332	1,186,361	4.13
10,001 to 100,000 ICULS	120	3,976,748	13.85
100,001 to less than 5% of ICULS	37	10,653,939	37.12
5% and above of ICULS	4	12,735,135	44.37
Total	724	28,703,276	100.00

Note:

Negligible

DIRECTORS' DIRECT INTERESTS IN ICULS AS AT 22 MARCH 2017

	Direct		
Name	**No. of ICULS**		**%**
Dato' Seri Dr. Kiew Kwong Sen	-		-
Dato' Lim Cheah Chooi	9,851,590	*	34.32
Lim Kim Guan	2,500,999	*	8.71
Han Mun Kuan	331,624		1.16
Lim Jun Lin	325,183	*	1.13
Sim Yee Fuan	77,500	*	0.27
Teh Eng Aun	-		-
Dato' Abdul Rafique Bin Abdul Karim	337,167	*	1.17
Khairilanuar Bin Tun Abdul Rahman	-		-

Note:

* certain ICULS are held through nominee companies.

ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK ("ICULS") HOLDINGS (Cont'd)

AS AT 22 MARCH 2017

THIRTY LARGEST ICULS HOLDERS AS AT 22 MARCH 2017

No	ICULS Holders	ICULS Holdings	%
1	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	6,912,790	24.08
2	LIM KIM GUAN	2,014,645	7.02
3	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. – DEUTSCHE BANK AG SINGAPORE YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)	2,012,700	7.01
4	ABB NOMINEE (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	1,795,000	6.25
5	HO KIONG CHAN	1,279,250	4.46
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	905,300	3.15
7	KATYE SDN. BHD.	762,500	2.66
8	LIM KA HUAT	626,591	2.18
9	SMC CAPITAL SDN. BHD.	453,025	1.58
10	PRIORITY CREATIONS SDN. BHD.	361,025	1.26
11	HAN MUN KUAN	331,624	1.16
12	AFFIN HWANG NOMINEES (ASING) SDN. BHD. - DBS VICKERS SECS (S) PTE LTD FOR LIM MEE HWA	300,000	1.05
13	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SIM KIM HEOH (006064757)	275,000	0.96
14	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR LIM KIM GUAN (MP0257)	266,667	0.93
15	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR TEO AH SENG (PB)	259,100	0.90
16	CHAN HOOI LING	250,000	0.87
17	SIM AH CHYE	250,000	0.87
18	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI (E-BMM)	237,500	0.83
19	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR PHUA KIAP WITE (E-KTN)	230,000	0.80
20	LIM JUN LIN	225,000	0.78
21	LIM YEAN SHUE	225,000	0.78
22	SIM KIM HEOH	225,000	0.78
23	GINA GAN	224,700	0.78
24	LIM KIM GUAN	219,687	0.77
25	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR KOH BOON KHENG (MP0256)	219,493	0.76
26	SYARIKAT PERKAPALAN SOO HUP SENG SDN. BHD.	200,000	0.70
27	DENVER CORPORATION SDN. BHD.	189,200	0.66
28	KOH BOON KHENG	189,166	0.66
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM YEAN TIAN (016177923)	187,500	0.65
30	KOH MENG SENG	181,500	0.63
	TOTAL:	**21,808,963**	**74.57**

ANALYSIS OF WARRANTS HOLDINGS
AS AT 22 MARCH 2017

No. of Warrants Issued	:	60,414,352 Warrants 2013/2018
Execise Price of Warrants	:	RM1.50
Expiry Date of Warrants	:	18 September 2018
No. of Warrants Holders	:	836

DISTRIBUTION OF WARRANTS HOLDINGS

Range of Shareholdings	No. of Warrants Holders	No. of Warrants Holdings	% of Warrants Holdings
less than 100 Warrants	4	160	#
101 to 1,000 Warrants	61	45,562	0.08
1,001 to 10,000 Warrants	433	1,825,366	3.02
10,001 to 100,000 Warrants	254	9,762,480	16.16
100,001 to less than 5% of Warrants	80	34,276,694	56.74
5% and above of Warrants	4	14,504,090	24.01
Total	836	60,414,352	100.00

Note:

Negligible

DIRECTORS' INTERESTS IN WARRANTS AS AT 22 MARCH 2017

	Direct		
Name	No. of Warrants		%
Dato' Seri Dr. Kiew Kwong Sen	-		-
Dato' Lim Cheah Chooi	6,865,680	*	11.36
Lim Kim Guan	4,936,798	*	8.17
Han Mun Kuan	663,248		1.10
Lim Jun Lin	600,366	*	0.99
Sim Yee Fuan	155,000	*	0.26
Teh Eng Aun	-		-
Dato' Abdul Rafique Bin Abdul Karim	450,000	*	0.74
Khairilanuar Bin Tun Abdul Rahman	-		-

Note:

* certain Warrants are held through nominee companies

ANALYSIS OF WARRANTS HOLDINGS (Cont'd)

AS AT 22 MARCH 2017

THIRTY LARGEST WARRANT HOLDERS AS AT 22 MARCH 2017

No	Warrant Holders	Warrant Holdings	%
1	LIM KIM GUAN	3,964,090	6.56
2	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. – DEUTSCHE BANK AG SINGAPORE YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)	3,750,000	6.21
3	ABB NOMINEE (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	3,590,000	5.94
4	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR ANG AH TEE (MY2408)	3,200,000	5.30
5	HO KIONG CHAN	2,558,500	4.23
6	ONG HOCK HIN	2,365,900	3.92
7	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - CHUA ENG HO WA'A @ CHUA ENG WAH	2,194,700	3.63
8	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR FONG JONG HAN (CEB)	2,000,000	3.31
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI	1,810,600	3.00
10	KATYE SDN. BHD.	1,525,000	2.52
11	LIM CHEAH CHOOI	990,080	1.64
12	WONG KOK MENG	942,800	1.56
13	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW (E-KLG/BTG)	880,800	1.46
14	HLIB NOMINEES (TEMPATAN) SDN. BHD. - HONG LEONG BANK BHD FOR LIM SOON AIK	829,700	1.37
15	HAN MUN KUAN	663,248	1.10
16	SOH ENG JOO	593,800	0.98
17	LIM KA HUAT	590,000	0.98
18	KONG JIT CHONG	553,500	0.92
19	LIM SEW MUEI	540,000	0.89
20	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR LIM KIM GUAN (MP0257)	533,334	0.88
21	LIM KIAN CHONG	520,000	0.86
22	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR TEO AH SENG (PB)	518,200	0.86
23	AFFIN HWANG NOMINEES (ASING) SDN. BHD. - DBS VICKERS SECS. (S) PTE. LTD. FOR LIM MEE HWA	500,000	0.83
24	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEAH CHOOI (E-BMM)	475,000	0.79
25	LIM KIM GUAN	439,374	0.73
26	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB BANK FOR KOH BOON KHENG (MP0256)	428,986	0.71
27	LIM JUN LIN	400,000	0.66
28	SYARIKAT PERKAPALAN SOO HUP SENG SDN. BHD.	400,000	0.66
29	SIM AH CHYE	390,800	0.65
30	KOH BOON KHENG	378,332	0.63
	TOTAL	**38,526,744**	**63.77**

PROXY FORM

NO. OF SHARES HELD

I/We ______________________________ (*NRIC No./Company No. ______________________)
of ______________________________
being a member/members of **UNIMECH GROUP BERHAD** hereby appoint *the Chairman of the meeting or ______________________
______________________________ (*NRIC No./ Passport No. ______________________)
of ______________________________
and/or failing him, ______________________________ (*NRIC No./ Passport No. ______________________)
of ______________________________
as my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Twentieth Annual General Meeting of the Company to be held at Merbah Room, Hotel Equatorial Penang, No. 1 Jalan Bukit Jambul, 11900 Penang on Wednesday, 24 May 2017 at 11.00 a.m. and at any adjournment thereof.

* My/our proxy/proxies is/are to vote on either on a show of hands or on a poll as indicated below with an "X".

	RESOLUTIONS	*FOR	*AGAINST
1.	To declare a First and Final Single Tier Dividend of 3.00 sen per share for the year ended 31 December 2016.		
2.	To re-elect the following Directors retiring under the respective provisions of the Constitution of the Company, and who, being eligible offer themselves for re-election:- Dato' Lim Cheah Chooi		
3.	Mr Han Mun Kuan		
4.	En Khairilanuar Bin Tun Abdul Rahman		
5.	Mr Teh Eng Aun		
6.	To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration		
7.	To pass the following resolutions as Special Business:- **Ordinary Resolutions** To approve the increase of Directors' Fees and benefits up to RM216,334.00 for the financial year ended 31 December 2016 and payment of such Fees and Benefits to the Directors of the Company.		
8.	Authority to Issue Shares pursuant to section 76 of the Companies Act 2016.		
9.	Renewal of Authority to Purchase the Company's own shares.		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

The proportions of *my/our holdings to be represented by *my/our proxy/proxies *is/are as follows:-

First Proxy : ______________%
Second Proxy : ______________%
100 %

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

* Strike out whichever is not desired.

As witness my hand this .... day of ...., 2017.

....
Signature of Member(s)

Notes:

(i) *A member entitled to attend and vote at a meeting of the Company is entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy.*

(ii) *To be valid, the proxy form duly completed must be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time fixed for holding the meeting.*

(iii) *A member is entitled to appoint up to two (2) proxies to attend and vote at the same meeting.*

(iv) *Where a member appoints up to two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*

(v) *Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(vi) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

(vii) *If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.*

Please fold across the line and close

Please fold across the line and close

Stamp

The Company Secretaries

UNIMECH GROUP BERHAD (407580-X)
Suite S-21-H, 21st Floor, Menara Northam,
55, Jalan Sultan Ahmad Shah,
10050 Penang.

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- Malaysia
- Singapore
- Indonesia
- Thailand
- China
- Australia
- Vietnam
- Hong Kong

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