



UMW

UMW HOLDINGS BERHAD
(90278-P)

REALIGNING OUR

FOCUS

ANNUAL REPORT 2017

/ AUTOMOTIVE /

/ EQUIPMENT /

/ MANUFACTURING & ENGINEERING /

YEAR 100 + 1

IN THE TURN OF THE CENTURY FOR
THE COMPANY, WE TOOK OUR FIRST
MAJOR DECISION: TO OPTIMISE.

TO RETURN TO **OUR CORES.**



/ AUTOMOTIVE /

/ EQUIPMENT /

/ MANUFACTURING & ENGINEERING /

WE BELIEVE BY FOCUSING ON
WHAT WE DO BEST, WE CAN KEEP
THE COMPANY MOVING FORWARD -
AND BEYOND.

**HERE'S FOR ANOTHER
100 YEARS.**



AUTOMOTIVE



EQUIPMENT



MANUFACTURING & ENGINEERING

CONTENTS

- 5 Our Promise
- 6 About this Report
- 7 Notice of Annual General Meeting

SECTION

01

ABOUT UMW

- 13 Corporate Information
- 14 UMW Group Structure

SECTION

02

KEY MESSAGES

- 16 Chairman's Message
- 20 Management Discussion & Analysis

SECTION

03

PERFORMANCE REVIEW

- 48 Summary of Group Results
- 48 Financial Calendar
- 49 Five-Year Group Summary Results

SECTION

04

OUR LEADERSHIP

- 50 Board of Directors
- 52 Directors' Profile
- 63 Management Committee

SECTION

05

HOW WE ARE GOVERNED

- 68 Group Chairman's Introduction to Corporate Governance
- 70 Corporate Governance Overview Statement
- 84 Audit Committee Report
- 94 Statement on Risk Management & Internal Control

SECTION

06

OUR SIGNIFICANT EVENTS AND ACCOLADES

- 104 Calendar of Events
- 108 Awards & Accolades

SECTION

07

- 111 Financial Statements

SECTION

08

OTHER INFORMATION

- 249 Statistics on Shareholdings
- 252 Additional Compliance Information
- 255 Top Ten Properties Held by the UMW Group

NOTICE AND FORM

- Personal Data Protection Notice
- Form of Proxy

OUR PROMISE

OUR BUSINESS

We are an international conglomerate that develops industries, manages partnerships and facilitates growth.

OUR PROMISE

Together, we play a leading role in shaping the future of our industries globally. We do this by inspiring vibrant ideas, nurturing potential, pioneering partnerships and delivering excellence in everything we do, the rewards of which contribute to the progress and well-being of all our stakeholders.

BEYOND BOUNDARIES®

In tandem with UMW's growing presence in the global arena, its workforce has embraced the rallying call – Beyond Boundaries®. Going beyond boundaries is not only about crossing geographical or physical borders. It is also about redefining the boundaries in our minds and doing new things in a better way. It is about eliminating all barriers and achieving new heights.

OUR VALUES

PRINCIPLES UNDERLYING EVERYTHING WE DO:



HONOURABLE

Our enduring commitment to integrity and trust.



VIBRANT

Our contagious energy and appreciation of fresh thinking.



UNSHAKEABLE

Our unwavering resolve and commitment in everything we do.



PIONEERING

Our visionary approach to developing and shaping our industries.

ANNUAL GENERAL MEETING



36th

ANNUAL GENERAL MEETING

THURSDAY
24 MAY 2018
10.00 A.M.

**UMW Auditorium
UMW Holdings Berhad**

No. 3, Jalan Utas (15/7),
Batu Tiga Industrial Estate,
40200 Shah Alam,
Selangor Darul Ehsan,
Malaysia.

ABOUT THIS REPORT

COVER RATIONALE

Realigning our Focus

The cover of our Annual Report and Sustainability Report delivers a clear and simple message, which we boldly place in the centre to emphasise its central position in our overall strategy.

The icons represent our three core businesses. Enclosed by a circle, we show that while our operations may be separate, they are united in working together to achieve our organisation's common goal.

Realigning our Focus conveys our determination to fulfill the task which lies ahead. We temper our ambition with pastel shades which speak of our humanity. We are a team and we respect each other and this drives the sustainability of our success.

OUR REPORTS

UMW Holdings Berhad produces the following corporate reports which contain specific and in-depth information to cater to the varied requirements of our broad stakeholder base as well as the general public. These reports are prepared to provide accurate updates pertaining to our business operations, corporate governance and sustainability management.



**ANNUAL REPORT
2017**



**SUSTAINABILITY REPORT
2017**

Objective

Provides comprehensive report of the Group's performance, activities and outlook.

Frameworks applied

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Companies Act 2016
- Malaysian Code on Corporate Governance 2017

Cross-referencing

UMW Holdings Berhad website
www.umw.com.my

Objective

Provides detailed disclosure of our management of sustainability risks and opportunities in the areas of Economic, Environment and Social.

Frameworks applied

- Global Reporting Initiatives GRI G4
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Cross-referencing

UMW Holdings Berhad website
www.umw.com.my

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 36th Annual General Meeting (**AGM**) of the Company will be held at the UMW Auditorium, **UMW Holdings Berhad**, No. 3, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, on Thursday, 24 May 2018 at 10.00 a.m. to transact the following businesses -

ORDINARY BUSINESS

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

Please refer to Explanatory Note A

2. To re-elect the following Directors who retire pursuant to Article 109 of the Company's Constitution and, being eligible, have offered themselves for re-election -

- (a) Datin Paduka Kartini Hj Abdul Manaf
- (b) Salwah Abdul Shukor
- (c) Dr Veerinderjeet Singh a/l Tejwant Singh
- (d) Mohd Shahazwan Mohd Harris
- (e) Lim Tze Seong

Resolution 1
Resolution 2
Resolution 3
Resolution 4
Resolution 5

Please refer to Explanatory Note B

3. To re-elect Khalid Sufat who retires pursuant to Articles 123 and 125 of the Company's Constitution and, being eligible, has offered himself for re-election.

Resolution 6

Please refer to Explanatory Note C

4. To re-elect Dato' Siow Kim Lun @ Siow Kim Lin, who would have served as an Independent Non-Executive Director for a cumulative term of nine (9) years on 10 July 2018, to continue to act as a Senior Independent Non-Executive Director until the conclusion of the next AGM of the Company.

Resolution 7

Please refer to Explanatory Note C

5. To approve the payment of the following Directors' fees from 25 May 2018 to the next AGM of the Company -

Resolution 8

- (a) RM25,000 per month to the Non-Executive Chairman and RM12,500 per month to each Non-Executive Director of the Company; and
- (b) RM2,000 per annum to each Non-Executive Director who sits on the Board of Directors of subsidiaries.

Please refer to Explanatory Note D

6. To approve the payment of benefits payable to the Non-Executive Chairman and Non-Executive Directors up to an amount of RM1,550,000 from 25 May 2018 to the next AGM of the Company.

Resolution 9

Please refer to Explanatory Note E

7. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration.

Resolution 10

Please refer to Explanatory Note F

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution -

8. Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature (**Shareholders' Mandate**)

Resolution 11

"THAT the mandate granted by shareholders on 25 May 2017 pursuant to Paragraph 10.09 of the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries (**UMW Group**) to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.3(b)(i) of Part A of the Circular to Shareholders dated 25 April 2018 (**Circular**), with the related parties mentioned therein, which are necessary for the day-to-day operations of the UMW Group, be renewed, AND THAT approval be given for a new mandate for the UMW Group to enter into additional recurrent transactions of a revenue or trading nature as set out in Section 2.3(b)(ii) of Part A of the Circular with the related parties mentioned therein, PROVIDED THAT such transactions are entered into in the ordinary course of business and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

THAT the Shareholders' Mandate shall continue to be in force and effect until -

- (a) the conclusion of the next AGM of the Company, at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;
- (b) the expiration of the period within which the Company's next AGM is required to be held, pursuant to Section 340(1) and (2) of the Companies Act 2016 (**CA 2016**) (but shall not extend to any extension as may be allowed pursuant to Section 340(4) of the CA 2016); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest;

AND THAT the Board of Directors of the Company be empowered and authorised to complete and do such acts and things as they may think expedient or necessary (including executing such documents as may be required) to give effect to the Shareholders' Mandate."

Please refer to Explanatory Note G

To consider and, if thought fit, to pass the following Special Resolution -

9. Proposed Adoption of the New Constitution of the Company

Resolution 12

"THAT approval be given to revoke the existing Constitution (previously referred to as the Memorandum and Articles of Association) of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in Appendix II of the Circular to Shareholders dated 25 April 2018, be adopted as the Constitution of the Company AND THAT the Directors of the Company be authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

Please refer to Explanatory Note H

NOTICE OF ANNUAL GENERAL MEETING

10. To transact any other business for which due notice has been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 36th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd pursuant to Article 75(a) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors (**ROD**) as at 17 May 2018. Only a depositor whose name appears on the ROD as at 17 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

MOHD NOR AZAM MOHD SALLEH (MAICSA 7028137)
Group Secretary

Shah Alam, Selangor Darul Ehsan.
25 April 2018

NOTES

Proxy and/or Authorised Representatives

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, is allowed to 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.
3. The Form of Proxy must be signed by the appointer or his/her attorney or in the case of a corporation, executed under its common seal or under the hand of the attorney duly authorised in writing.
4. All Forms of Proxy must be deposited at the Registered Office of the Company at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, not less than twenty-four (24) hours before the time to set for the taking of the poll or before any adjournment thereof.
5. A corporation which is a member, may by resolution of its directors or other governing body authorises such person as it thinks fit to act as its representative at the meeting, in accordance with Article 95 of the Company's Constitution.
6. Only members whose names appear in the ROD as at 17 May 2018 shall be entitled to attend and vote at the meeting or appoint proxies to attend and vote on his/her behalf.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by poll.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY BUSINESSES

Explanatory Note A

The Audited Financial Statements are for discussion only and do not require formal approval of shareholders, pursuant to Section 340(1)(a) of the Companies Act 2016 (**CA 2016**) and hence, will not be put for voting.

Explanatory Note B

Article 109 of the Company's Constitution provides that new Directors appointed by the Board shall hold office until the conclusion of the next AGM following their appointment and shall be eligible for re-election.

Accordingly, Datin Paduka Kartini Hj Abdul Manaf, Salwah Abdul Shukor, Dr Veerinderjeet Singh and Mohd Shahazwan Mohd Harris, who were appointed Directors on 15 June 2017 and Lim Tze Seong, who was appointed Director on 1 January 2018, retire and being eligible, have offered themselves for re-election.

Except for Lim Tze Seong, all Directors underwent a comprehensive annual performance evaluation carried out by the Nomination & Remuneration Committee (**NRC**) and the Board to assess the performance and contribution of each individual Director, taking into consideration among others, character, integrity, professionalism and competency. The Board is satisfied that the retiring Directors have discharged their functions, duties and responsibilities well, and agreed that they are eligible to stand for re-election at this AGM.

With regard to the assessment of independence and effectiveness of Dr Veerinderjeet Singh and Mohd Shahazwan as Independent Directors, the Board is satisfied with the level of independence demonstrated by Dr Veerinderjeet Singh and Mohd Shahazwan and their ability to act in the best interest of the Company. Both Independent Directors are expected to continue to provide independent views, advice and judgement to ensure a balanced and unbiased decision-making process at the Board. The Board is satisfied that Dr Veerinderjeet Singh and Mohd Shahazwan have complied with the criteria of an Independent Director as defined under MMLR.

Profiles of Datin Paduka Kartini, Salwah, Dr Veerinderjeet Singh, Mohd Shahazwan and Lim Tze Seong are set out on pages 58 to 62 of this Annual Report.

Explanatory Note C

Article 123 of the Company's Constitution provides that at least one-third of the Directors are subject to retirement by rotation at each AGM while Article 125 of the Company's Constitution further provides that the Directors shall be eligible for re-election. Dato' Siow Kim Lun (appointed on 10 July 2009) and Khalid Sufat (appointed on 1 September 2010) are subject to retirement at this AGM under Articles 123 and 125, and both of whom have offered themselves for re-election at this AGM.

Similarly, the assessment of independence and effectiveness of Dato' Siow and Khalid Sufat as Independent Directors was carried out and the Board is satisfied with their level of independence and ability to act in the best interest of the Company. The Board is satisfied that Dato' Siow and Khalid Sufat have complied with the criteria of an Independent Director as defined under MMLR.

Dato' Siow, the Senior Independent Director of the Company, would exceed the 9-year term on 11 July 2018. Dato' Siow has indicated his willingness to continue to act as a Senior Independent Non-Executive Director of the Company and has offered himself for re-election at this AGM, and to continue to be in office until the next AGM.

Pursuant to the Board Charter and in line with the Malaysian Code on Corporate Governance 2017 (**MCCG 2017**), if the Board wishes to retain an Independent Director beyond nine (9) years, it should provide justifications and seek annual shareholders' approval.

NOTICE OF ANNUAL GENERAL MEETING

The Board via the NRC has assessed the independence and suitability of Dato' Siow to continue to act as a Senior Independent Director of the Company. The Board has formed a view that as a Senior Independent Non-Executive Director, Dato' Siow continues to exercise strong independent and objective judgements to Board deliberations and the decision-making process as a whole, besides actively seeking clarification and challenging management on the conduct of the Group's business and other issues raised at various Board and Board Committee meetings. The Board is of the view that Dato' Siow's length of service on the Board and Board Committees does not in any way interfere with his exercise of independent judgement in the interest of the Group and its stakeholders.

Dato' Siow's vast professional experience and knowledge in corporate finance and capital market regulation continue to add to the right mix of skills and expertise to the Board. His valuable insight and knowledge of the Group's core business operations would continue to enable him to discharge his duties and role as a Senior Independent Non-Executive Director effectively and without fear and favour, especially during this critical time where the Group is at its turnaround and transformation phase.

Profiles of Dato' Siow and Khalid Sufat are set out on pages 54 and 55 of this Annual Report.

Explanatory Note D

Pursuant to Section 230(1) of CA 2016, any fees and benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. Accordingly, shareholders' approval is sought at this AGM for the payment of Directors' fees to the Non-Executive Directors (**NEDs**) of the Company and to NEDs who sit on the Board of Directors of subsidiaries as follows -

For the Company -

	Monthly Payment (RM)	Period
Chairman	25,000	From 25 May 2018 to the next AGM
NED	12,500	

For subsidiaries -

	Annual Payment (RM)	Period
Chairman/NED	2,000	From 25 May 2018 to the next AGM

The Board is not proposing for any revision to the existing Directors' fees payable.

Explanatory Note E

The Directors' benefits payable (excluding Directors' fees) to NEDs from 25 May 2018 to the next AGM of the Company, comprises benefits-in-kind and other emoluments as set out below -

Description	Chairman	NEDs
Benefits-in-kind	Leave passage, medical coverage worldwide, car and petrol, club memberships, mobile phone, telephone expenses and security services, etc.	Medical coverage worldwide, car and petrol, telephone expenses, etc.
Other emoluments -		
• Meeting allowance (per meeting)	RM1,500	RM1,000
- Board		
- Board Committees		
- Subsidiaries		
• Per Diem (per day)	RM500	RM500

NOTICE OF ANNUAL GENERAL MEETING

Payment of benefits to NEDs is to be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred.

In determining the estimated amount of benefits payable to the NEDs, the Board considered various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board Committees, as well as the number of NEDs involved in these meetings.

The amount of benefits payable to NEDs for the period from 25 May 2018 to the next AGM is up to an amount of RM1,550,000.

Explanatory Note F

The Audit Committee (**AC**) had carried out an annual assessment of the external auditors to evaluate their suitability, effectiveness and independence as recommended under Principle B of MCCG 2017. The annual evaluation of external auditors provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance, covering among others, the adequacy of the audit team, degree of independence, performance level and audit scope. Based on the evaluation conducted, the AC is satisfied with the external auditors' performance, technical competence and audit independence.

The external auditors, Messrs Ernst & Young, have provided written assurance to the AC that they have been independent throughout the audit engagement for 2017. The external auditors have also expressed their willingness to be re-appointed at this AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESSES

Explanatory Note G

The Board proposes to renew the mandate granted by shareholders at the AGM held on 25 May 2017 and to approve a new mandate for additional recurrent related party transactions (**RRPTs**). The Proposed Shareholders' Mandate, if passed, will enable the UMW Group to enter into RRPTs of a revenue or trading nature, which are necessary for the UMW Group's day-to-day operations, and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public.

Details of the Proposed Shareholders' Mandate are set out in Section 2.3(b)(i) of Part A of the Circular to Shareholders dated 25 April 2018. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Explanatory Note H

The proposed Resolution 12, if passed, will bring the new Company's Constitution in line with the enforcement of CA 2016 and the amended MMLR, which will enhance the Company's administrative efficiency. The proposed new Constitution is set out in Appendix II of the Circular to Shareholders dated 25 April 2018.

ABSTENTION FROM VOTING

1. All Directors standing for re-election, who are also shareholders of the Company (direct or indirect), will abstain from voting on Resolutions 1, 2, 3, 4, 5, 6 and 7 in respect of their re-elections at this AGM.
2. All NEDs, who are also shareholders of the Company (direct or indirect), will abstain from voting on Resolutions 8 and 9 in respect of the approval of Directors' fees and benefits payable to NEDs at this AGM.

CORPORATE INFORMATION

AS AT 31 MARCH 2018

BOARD OF DIRECTORS

TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN

Group Chairman

Non-Independent Non-Executive Director

BADRUL FEISAL ABDUL RAHIM

President & Group Chief Executive Officer

Executive Director

DATO' SIOW KIM LUN @ SIOW KIM LIN

Senior Independent Non-Executive Director

KHALID SUFAT

Independent Non-Executive Director

TAN SRI HASMAH ABDULLAH

Independent Non-Executive Director

DATO' ESHAH MEOR SULEIMAN

Independent Non-Executive Director

DATIN PADUKA KARTINI

HJ ABDUL MANAF

Non-Independent Non-Executive Director

SALWAH ABDUL SHUKOR

Non-Independent Non-Executive Director

DR VEERINDERJEET SINGH

A/L TEJWANT SINGH

Independent Non-Executive Director

MOHD SHAHAZWAN MOHD HARRIS

Independent Non-Executive Director

LIM TZE SEONG

Non-Independent Non-Executive Director

BOARD COMMITTEES

AUDIT COMMITTEE

Khalid Sufat (*Chairman*)

Dato' Siow Kim Lun

Tan Sri Hasmah Abdullah

Dr Veerinderjeet Singh

NOMINATION & REMUNERATION COMMITTEE

Dato' Siow Kim Lun (*Chairman*)

Khalid Sufat

Dato' Eshah Meor Suleiman

Datin Paduka Kartini Hj Abdul Manaf

INVESTMENT COMMITTEE

Dato' Siow Kim Lun (*Chairman*)

Khalid Sufat

Datin Paduka Kartini Hj Abdul Manaf

Mohd Shahazwan Mohd Harris

Badrul Feisal Abdul Rahim

RISK MANAGEMENT COMMITTEE

Tan Sri Hasmah Abdullah (*Chairperson*)

Dato' Eshah Meor Suleiman

Salwah Abdul Shukor

Mohd Shahazwan Mohd Harris

WHISTLE-BLOWING COMMITTEE

Tan Sri Hasmah Abdullah (*Chairperson*)

Khalid Sufat

Dato' Eshah Meor Suleiman

Salwah Abdul Shukor

GROUP SECRETARY

Mohd Nor Azam Mohd Salleh

(MAICSA 7028137)

REGISTERED OFFICE

UMW Holdings Berhad (90278-P)

3rd Floor, The Corporate,

No. 10, Jalan Utas (15/7),

Batu Tiga Industrial Estate,

40200 Shah Alam,

Selangor Darul Ehsan, Malaysia.

Telephone : (603) 5163 5000

Facsimile : (603) 5519 3890

REGISTRAR

Securities Services (Holdings) Sdn Bhd

(36869-T)

Level 7, Menara Milenium,

Jalan Damanlela,

Pusat Bandar Damansara,

50490 Kuala Lumpur, Malaysia.

Telephone : (603) 2084 9000

Facsimile : (603) 2094 9940

AUDITORS

Ernst & Young (AF 0039)

Level 23A, Menara Milenium,

Jalan Damanlela,

Pusat Bandar Damansara,

50490 Kuala Lumpur, Malaysia.

Telephone : (603) 7495 8000

Facsimile : (603) 2095 5332

PRINCIPAL BANKERS

Malayan Banking Berhad Group

CIMB Bank Berhad

Affin Bank Berhad

Export-Import Bank of Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

Securities Berhad

Stock Name : UMW

Stock Code : 4588

WEBSITE

www.umw.com.my

UMW GROUP STRUCTURE

AS AT 31 MARCH 2018



UMW HOLDINGS BERHAD

UMW CORPORATION SDN BHD (100%)

AUTOMOTIVE

UMW Toyota Motor Sdn Bhd

- Assembly Services Sdn Bhd
- Automotive Industries Sendirian Berhad
- Toyota Boshoku UMW Sdn Bhd

Otomobil Sejahtera Sdn Bhd

UMW Toyotsu Motors Sdn Bhd

Perusahaan Otomobil Kedua Sdn Bhd

- Perodua Sales Sdn Bhd
- Perodua Auto Corporation Sdn Bhd
 - Perodua Manufacturing Sdn Bhd
 - Perodua Engine Manufacturing Sdn Bhd
 - Perodua Global Manufacturing Sdn Bhd

PROPERTY

UMW Land Sdn Bhd

UMW Development Sdn Bhd

EQUIPMENT

UMW Equipment Sdn Bhd

UMW (East Malaysia) Sdn Bhd

UMW Niugini Limited, Papua New Guinea

UMW Engineering Services Limited, Myanmar

UMW Machinery Limited, Myanmar

UMW Industries (1985) Sdn Bhd

UMW Industrial Power Sdn Bhd

UMW Industrial Power Services

Sdn Bhd

(f.k.a. UMW Synergistic Generation Sdn Bhd)

- UMW SG Power Systems Sdn Bhd
- UMW SG Engineering & Services Sdn Bhd

UMW Equipment & Engineering Pte Ltd, Singapore

UMW Equipment Systems Pte Ltd, Singapore

- UMW Equipment Systems (Vietnam) Company Limited, Vietnam

UMW Industrial Trading (Shanghai) Co Ltd, China

UMW Industrial Equipment (Shanghai) Co Ltd, China

Vision Fleet Equipment Leasing (Shanghai) Co Ltd, China

TECHNOLOGY

UMW Technology Sdn Bhd

- UMW IT Services Sdn Bhd
- UTech Americas Inc, USA
- U-Spark LLC, USA

MANUFACTURING & ENGINEERING

UMW M&E Sdn Bhd

UMW Aerospace Sdn Bhd

- Lubetech Sdn Bhd
- UMW Pennzoil Distributors Sdn Bhd
- UMW Grantt International Sdn Bhd
- PT UMW International
- PT Pusaka Bersatu

UMW Aero Assets Sdn Bhd

UMW Advantech Sdn Bhd

KYB-UMW Malaysia Sdn Bhd

- KYB-UMW Steering Malaysia Sdn Bhd

UMW Lubricant International Sdn Bhd

Lubritech International Holdings Limited, Hong Kong

- Lubritech Limited, China

UMW M&E Limited

OTHERS

UMW Training Centre Sdn Bhd

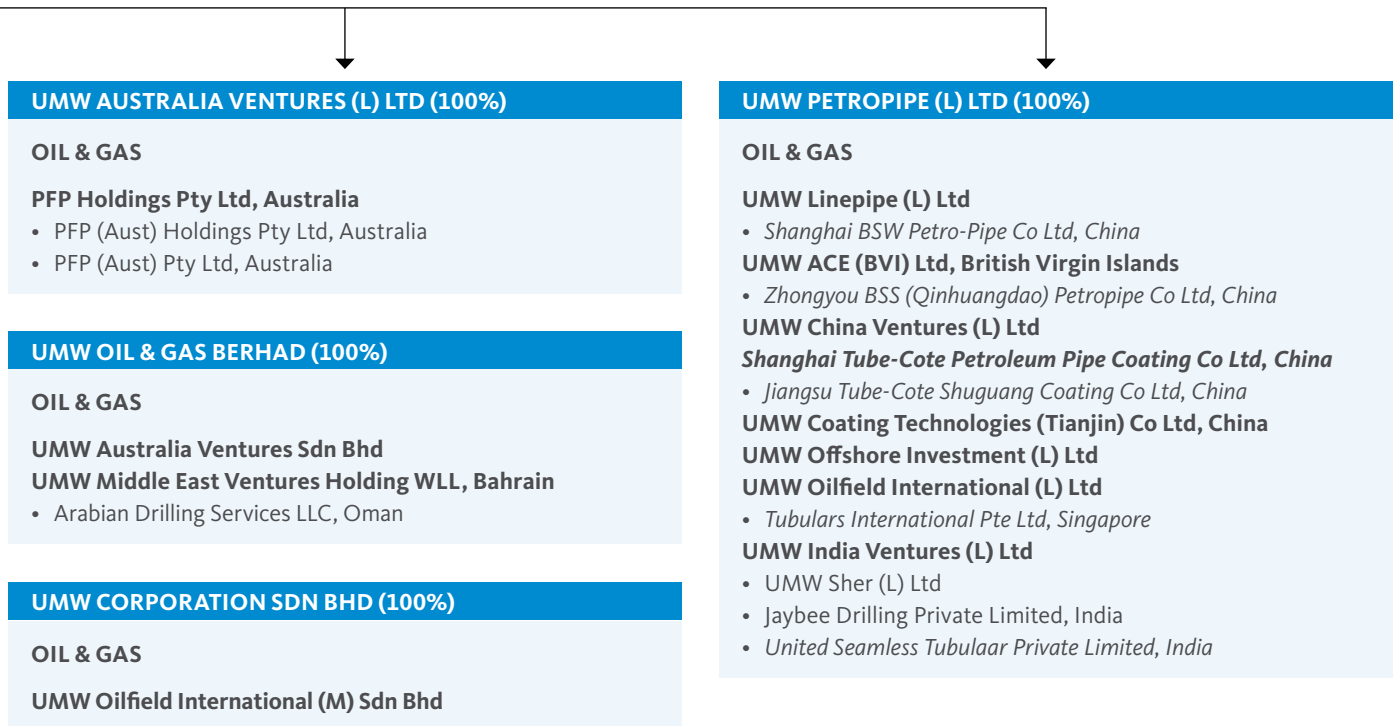
U-TravelWide Sdn Bhd

Toyota Capital Malaysia Sdn Bhd

- Seabanc Kredit Sdn Bhd
- Toyota Capital Acceptance Malaysia Sdn Bhd
- Toyota Lease Malaysia Sdn Bhd
- E-Lock Corporation Sdn Bhd

UMW GROUP STRUCTURE

AS AT 31 MARCH 2018



Notes:

Companies in italics are associated companies of the Group

CHAIRMAN'S MESSAGE

TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN

GROUP CHAIRMAN

“It is with great pleasure that I present our Annual Report for 2017. The financial year ended 31 December 2017 has been a remarkable and historic year for the UMW Group. This year, we celebrated our 100th year anniversary and we are immensely proud of the goals we have accomplished so far in our corporate journey.”



CHAIRMAN'S MESSAGE



Tan Sri Dato' Sri Hamad Kama Piah Che Othman seen here with Badrul Feisal Abdul Rahim and other guests at the "Raikan 100 Tahun UMW" carnival launching platform

Dear valued shareholders,

It is with great pleasure that I present our Annual Report for 2017. The financial year ended 31 December 2017 has been a remarkable and historic year for the UMW Group. This year, we celebrated our 100th year anniversary and we are immensely proud of the goals we have accomplished so far in our corporate journey.

2017 will also be remembered as a year of positive realignment for UMW. We completed the divesture of our listed Oil & Gas (O&G) investments and by the end of the 2018, we target and endeavour to achieve a complete exit from the O&G segment.

The Board of Directors and management are confident that this decision, despite being a difficult choice, was the optimal strategic option for the overall financial health of the Group.

We will now refocus our energy and resources on strengthening our three core businesses of Automotive, Equipment and Manufacturing & Engineering (M&E) to lead our Group into the future as an organisation that is much stronger and better equipped to face future challenges.

UMW's strategy of refocusing on our core businesses is already making great strides. UMW Toyota Motor Sdn Bhd's new cutting-edge production plant in Bukit Raja, Klang, Selangor is on track for production by early 2019, from where we will assemble a range of

innovative new completely knocked-down models while increasing our presence in the growing market for Energy Efficient Vehicles (EEV).

In the M&E Division, we achieved a significant milestone in November 2017 with the delivery of the first Trent 1000 TEN fan case to Rolls-Royce Plc as part of our long-term agreement to supply fan cases for the Trent 1000 TEN and Trent 7000 engines. The delivery was achieved just 27 months after the contract was signed and is recognised as one of the fastest aerospace engine component development programmes of its kind. This was a historic achievement for the UMW Group, making us the first ever Malaysian-owned company to become a Tier-1 supplier to the British engine maker. The buoyant aerospace industry, underpinned by robust demand for commercial aircraft such as the Dreamliner family, which is powered by the Trent 1000 TEN engine, and the Airbus A330neo, which is powered by the Trent 7000 engine, augurs well for our emerging business. Our aerospace production facility in Serendah, Selangor is expected to reach full production in 2021.

To consolidate our entry into the high-value manufacturing sector, we are also developing our 861-acre land bank in Serendah into Malaysia's first integrated industrial park. The UMW High Value Manufacturing Park will be the future home to companies in high technology sectors such as aerospace, medical equipment, rail and automotive. We are grateful to the Malaysia External Trade Development Corporation (MATRADE) and the Malaysian Investment Development Authority (MIDA) for their continued support for this project.

CHAIRMAN'S MESSAGE



YB Datuk Ahmad Maslan, Deputy Minister of International Trade and Industry (MITI) at the maiden Trent 1000 TEN fan case roll out ceremony at UMW Aerospace Sdn Bhd

Whilst we continue to focus on future-proofing UMW Group for the long term by moving from labour-intensive production to high-value manufacturing, we also realise that our business operations are susceptible to shorter-term factors, such as domestic and external economic conditions and currency fluctuations. To address such challenges, we have embarked on a comprehensive efficiency improvement programme by closely monitoring and improving our cost structures throughout the Group. We are also actively exploring potential expansion and enhancements to our range of products and services, which we trust will put the Group on a firm footing to achieve improved financial performance in 2018.

We remain mindful of the fact that a future-oriented UMW will require a highly competent and dynamic workforce, equipped with innovative and forward-thinking mindset and skills. In 2017, we continued to invest in the development of a high-performance culture throughout our organisation by launching the Group Human Resource Strategic Roadmap, a five-year agenda that will help transform the Group into a Best in Class organisation by 2021.

ACKNOWLEDGEMENTS

As I look back on 2017, I am deeply humbled by the support and commitment of all our stakeholders which proved crucial for the Group in overcoming the many challenges we faced throughout the year.

I extend my deepest appreciation to our Board of Directors for their guidance and also to management for their strong commitment to our vision and mission.

I would also like to welcome Datin Paduka Kartini Hj Abdul Manaf, Salwah Abdul Shukor, Dr Veerinderjeet Singh, Mohd Shahazwan Mohd Harris and Lim Tze Seong to the Board and I look forward to working with them and the rest of the Board to preserve the Group's legacy and build on our success.

CHAIRMAN'S MESSAGE



Tan Sri Dato' Sri Hamad Kama Piah Che Othman presents a memento to Tan Sri Abdul Wahid Omar, Group Chairman of Permodalan Nasional Berhad at the UMW Centenary Gala Dinner

I would like to place on record our appreciation for the services of Dr Leong Chik Weng, Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani, Dato' Mohd Nizam Zainordin and Rohaya Mohammad Yusof, who retired and/or resigned as Directors during the year under review.

“We will now refocus our energy and resources on strengthening our three core businesses of Automotive, Equipment and M&E to lead our Group into the future as an organisation that is much stronger and better equipped to face future challenges.”

I also thank all of our employees for their trust and dedication in helping us to realise the ambitious targets we continue to set ourselves and I express my gratitude to all of our shareholders, partners, customers, suppliers and other stakeholders for their belief and support in UMW.

It is my honour and privilege to serve you and I look forward to leading UMW to greater heights in the coming year.

TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN
GROUP CHAIRMAN

MANAGEMENT DISCUSSION & ANALYSIS

BADRUL FEISAL ABDUL RAHIM

PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER

“2017 was a challenging year for the UMW Group as we addressed continued currency fluctuations and the impact of the losses in our oil & gas segment. We are, however, optimistic that the worst is now behind us and we look forward to a better financial position and performance in 2018.”



MANAGEMENT DISCUSSION & ANALYSIS

AUTOMOTIVE

REVENUE

RM **8.97** BIL

2016: RM 8.45 BIL

PBT

RM **446.1** MIL

2016: RM496.9 MIL

EQUIPMENT

REVENUE

RM **1.46** BIL

2016: RM1.38 BIL

PBT

RM **141.8** MIL

2016: RM145.6MIL

MANUFACTURING & ENGINEERING

REVENUE

RM **645.1** MIL

2016: RM601.5 MIL

PBT

(RM **17.7** MIL)

2016: RM24.6 MIL

To our valued stakeholders,

The UMW Group has diverse and global interests in the automotive, equipment, manufacturing and engineering sectors. It is one of Malaysia's leading public-listed companies and its reach extends beyond Malaysia to Singapore, Indonesia, Myanmar, Vietnam, Papua New Guinea, China and India.

UMW is the single largest shareholder of Malaysia's second national car manufacturer, Perusahaan Otomobil Kedua Sdn Bhd (**Perodua**), holding a 38% stake in the company, and through a 35-year partnership with Toyota Motor Corporation (**TMC**) is the exclusive distributor of Toyota and Lexus models in Malaysia. Our Equipment Division distributes equipment from leading global brands for a range of industrial sectors, including logging, construction, mining and agriculture, whilst our Manufacturing & Engineering (**M&E**) Division manufactures products in the aerospace and automotive industries and distributes a range of renowned lubricants.

OPERATING ENVIRONMENT

	REVENUE		PROFIT/ (LOSS) BEFORE TAXATION	
	Financial year ended 31 Dec 2017 RM'000	Financial year ended 31 Dec 2016 RM'000	Financial year ended 31 Dec 2017 RM'000	Financial year ended 31 Dec 2016 RM'000
Consolidated total from continuing operations	11,066,638	10,436,797	266,573	(282,097)
Continuing operations				
Automotive	8,972,182	8,450,956	446,059	496,931
Equipment	1,458,901	1,382,815	141,831	145,620
M&E	645,075	601,460	(17,709)	24,619
Discontinued operations				
O&G (Listed)	214,186	321,053	(283,204)	(1,181,264)
O&G (Unlisted)	120,589	200,665	(520,203)	(666,865)

The year 2017 was a difficult year for the industry sectors in which UMW Group operates, with stiff pricing competition, an increasing number of players on the market, subdued consumer demand and weak oil prices impacting performance.

The automotive sector was challenged by a range of negative impacts, such as, intense competition from new launches, lower margins, weak consumer demand and high household debt. Stringent lending rules from financial institutions and subdued consumer sentiment have also put pressure on buying patterns and contributed to the decline in total industry volume (**TIV**) to 576,635 units in 2017. These factors have also led to a fall in demand for commercial vehicles. The weaker ringgit also adversely impacted margins leading to lower profitability in the segment.

MANAGEMENT DISCUSSION & ANALYSIS



UMW senior management welcomes the President of KYB Corporation, Yasusuke Nakajima during his maiden visit to UMW

In response to the adverse operating climate, the Automotive Division has focused on cost-reduction initiatives to increase efficiency and introduced a range of new features and technological enhancements to its product range. It also strived to heighten customer engagement and after sales service as part of a broader strategy to attract new consumer segments.

The performance of the Equipment Division was impacted by an overall cautious approach by customers throughout the year, largely due to a slowing down in both the transport engineering and the construction sectors. The slowdown in the heavy equipment segment was offset by a robust performance in the industrial equipment segment, particularly the leasing business. Performance of the heavy equipment business was impacted by factors such as the banning of bauxite mining in Malaysia and subdued iron ore prices that dampened mining activities. Whilst gold mining was stable, overall activities however, remained at small scale.

On the international front, the Group's business was affected by the lack of new demand for equipment from the jade mining industry. The industrial equipment segment, on the other hand, registered a robust performance for the year, particularly for its leasing business, and this helped to partially offset the slowdown in the heavy equipment business.

Despite the overall challenging conditions, the Equipment Division remained resilient with individual units engaging in aggressive cost-cutting initiatives. The Division also enhanced its engagement with its principal suppliers in addressing the impact of currency volatility. In Malaysia, our operations benefited from higher construction and quarry activities throughout the year, which spurred equipment sales and product support. Better-than-expected crude palm oil prices have sustained the capital expenditure by plantation companies in acquiring new equipment and replacing used equipment.

The performance of the M&E Division was supported in part by positive contributions from the automotive components manufacturing business, although profitability was impacted by pre-operating expenses incurred by its aerospace unit. The lubricants business outperformed our targets, despite facing increased competition from lower-tiered brands. Throughout the year, the Division engaged in cost-cutting initiatives and turned to imports from cost-competitive sources in an effort to manage the rising cost of raw materials.

In the aerospace industry, business was buoyed by the overall strength of the broader commercial aviation sector and demand for the Boeing 787 Dreamliner family, which is powered by the Rolls-Royce Trent 1000 TEN engine. In 2017, UMW Aerospace Sdn Bhd (**UMW Aerospace**) delivered the first Trent 1000 TEN fan case to Rolls-Royce Plc (**Rolls-Royce**) under a long-term supply agreement to supply fan cases for its Trent 1000 TEN and Trent 7000 engines. The first Airbus A330neo, powered by the Rolls-Royce Trent 7000 engine, completed its maiden flight in October 2017.

The Group's listed and unlisted oil and gas (**O&G**) segment, the latter consisting of companies in the process of being divested, continued to register losses, mainly due to the continued weakness in oil prices which exerted downward pressure on project financing and feasibility. This led to many projects being deferred or postponed indefinitely. Throughout the year, the industry saw companies compete for a limited pool of contracts and despite extensive cost-cutting throughout the year, this severely impacted the financial and operating performance of our O&G segment.

At the beginning of 2017, the Group made the strategic decision to exit the O&G business to focus on the growth trajectory of its three core businesses.

MANAGEMENT DISCUSSION & ANALYSIS



Badrul Feisal Abdul Rahim, President & Group CEO addressing shareholders at the 2016 Annual General Meeting

OUR KEY ACHIEVEMENTS AND GOALS IN 2017

2017 remained a highly challenging year for UMW Group, largely due to the unfavourable exchange rate environment which was the key factor impacting our business and earnings throughout the year. Despite the ringgit strengthening against the US dollar for the full year in the second half of 2017, the average exchange rate remained relatively high, particularly in the first half of 2017, and thus negatively impacted the Group's earnings. At the same time, we were also exposed to the continuing losses registered by our listed O&G Division prior to the completion of our divestment from the segment on 11 July 2017.

On a more positive note, our core businesses recorded some noteworthy achievements in 2017. In the Automotive Division, UMW Toyota Motor Sdn Bhd (**UMWT**) bolstered its product offerings with the launch of new models which helped buoy sales volumes. UMW also embarked on a growth initiative for its Equipment Division with the signing of a Letter of Intent to form a strategic partnership with Komatsu Ltd (**Komatsu**) in August 2017. The M&E Division achieved a historic milestone with the successful delivery by UMW Aerospace of the first Trent 1000 TEN fan case to Rolls-Royce on 29 November 2017 under a long-term supply agreement.

The UMW Group's financial performance for 2017 was broadly in line with expectations, despite the losses incurred by UMW O&G Division and write-downs on the non-listed O&G assets.

Throughout the year, we continued to implement a range of initiatives to enhance our operational excellence. In the Automotive Division, UMWT announced a flagship plan to maintain best-in-class customer

satisfaction standards which will see most of its outlets transferred to existing Toyota dealers, to enable them to fully focus on delivering customer satisfaction. In the M&E Division, the Lube Group introduced a range of LEANAero™ projects to increase efficiency and maintain its adherence to the highest quality standards. Meanwhile, the Equipment Division is collaborating with Komatsu to introduce the smart construction solutions service in the Malaysian market in the near future.

In terms of the overall strategy, in the short-term, UMW plans to complete a full exit from the O&G sector with the planned divestment of all unlisted O&G investments which is part of a broader measure to rationalise our non-strategic assets. In the long-term, we will continue to develop and execute value-creation strategies, including digitisation and digitalisation initiatives to improve efficiency and productivity across all core businesses. We will also strengthen our Human Capital platform to enable Group Human Resource to play an even greater role in ensuring our competitiveness in the era of Industry 4.0 can be sustained.

Looking ahead, we have a range of plans to sustain our expansion. At the business unit level, we aim to widen the Equipment Division's geographical reach and product offerings and also diversify into the rental segment. In the M&E Division, we will continue to pursue our key long-term strategy by growing our home-grown Grantt lubricant brand, both domestically and overseas, with China and Indonesia among the target markets. The M&E Division will also strengthen its focus on high-value manufacturing (**HVM**) which will be facilitated in part by its access to government incentives. The expansion into HVM will be undertaken via both greenfield and brownfield investments.

MANAGEMENT DISCUSSION & ANALYSIS

OUR CHALLENGES AND RISKS

UMW is mindful of several challenges that we will have to overcome as we strive to realise our business objectives.

The key risks to the Group next year will be the anticipated volatility in the interest rate environment, which could increase our funding and borrowing costs and foreign currency fluctuations, which will have a particular impact on the Automotive Division and on the price of raw materials for UMW Aerospace's fan case supply contract with Rolls-Royce. We are also aware that UMW Aerospace delivers its fan cases exclusively to Rolls-Royce and is therefore wholly reliant on the latter for orders. To mitigate this risk, we plan to broaden our engagement with Rolls-Royce to include the production and supply of other aerospace engine parts and components and continue to strengthen our capabilities in order to secure supply contracts with new original equipment manufacturers (**OEM**).

Whilst we tailor our strategy to meet specific risks, UMW's overall strategy remains founded on our commitment to generate and deliver value in all the Group's assets and this includes unlocking or converting non-productive assets for value creation and improved cash flow.

UMW's balance sheet has been strengthened following our exit from the listed O&G segment and this in turn improves the Group's capacity to undertake additional borrowings, if required, to grow our core businesses. Nonetheless, UMW will continuously monitor the Group's funding requirements and pro-actively maintain an optimal capital structure.

In order for us to generate capital to achieve our business plan, each of our business unit must be able to raise sufficient cash flow to finance their operations before they implement and execute fresh business ventures. In the case of greenfield projects such as the UMW High Value Manufacturing Park in Serendah, the Group will actively engage with the government for support and incentives to facilitate the realisation and success of the new initiatives.

OUR STRATEGIES AND OBJECTIVES

UMW remains steadfast in its aspirations to be a forward-leaning conglomerate with exceptional and sustainable core businesses anchored by deep organisational and management expertise and long-term strategic partnerships with industry leaders. The Group has also taken strategic initiatives to further position itself as an agile, high-performing conglomerate with a proven capacity for innovation and excellence. Our goal is to remain financially strong and in a position to continually embark on investments to maintain our market leadership and grow new businesses and competencies. In doing so, UMW will continue to uphold and adhere to the highest standards of corporate governance and integrity in achieving its desired objectives.

We recognise that our human assets are critical to our success and to this end we are committed to offering our employees a working environment which fosters a dynamic and performance-driven culture to drive our competitive advantage and enhance our unique value proposition.

Our exit from the listed O&G segment generated a significant and positive financial impact for the Group. If we had not successfully completed the exit, we would have had to continue to bear the listed entity's full-year loss and as the major shareholder, we would also have to participate in UMW O&G's recapitalisation exercise. This would have negatively impacted the Group's cash flow and financial health. UMW is now working to fully divest its non-listed O&G assets and from 2018 onwards, we should no longer be financially affected by these investments.

We look forward to strengthen our focus on our three core businesses of Automotive, Equipment and M&E and grow these operations through value-creation exercises, including inorganic expansion, joint ventures, geographical expansion and enhancement to our product range.

“UMW remains steadfast in its aspirations to be a forward-leaning conglomerate with exceptional and sustainable core businesses anchored by deep organisational and management expertise and long-term strategic partnerships with industry leaders. The Group has also taken strategic initiatives to further position itself as an agile, high-performing conglomerate with a proven capacity for innovation and excellence.”

MANAGEMENT DISCUSSION & ANALYSIS



UMW Aerospace rolls out its maiden fan case for Rolls-Royce's Trent 1000 TEN

OUR OUTLOOK AND FUTURE STRATEGY

We are confident that 2018 will be a positive year for UMW. We anticipate a more favourable exchange rate environment which will drive improved earnings across all our business units. Our ongoing cost optimisation measures, including our procurement initiatives should also make a positive contribution to our financial performance.

For the Automotive Division, the primary thrust for UMWT is to enhance and optimise profitability. This objective will be supported by the scheduled commissioning of its second assembly plant in Bukit Raja, Klang, Selangor in early 2019, which will see the rollout of fresh and exciting completely knocked-down (CKD) models, including those that meet market demand for energy efficient vehicles. In an effort to address foreign exchange risk and offer more competitively-priced vehicles, the new plant will also increase localisation activities.

Our business outlook for 2018 is expected to be boosted by the prospects of better margins on the strengthening of the ringgit. UMWT is targeting sales of more than 70,000 units in 2018, a goal which will be supported by our plans to launch several exciting models. To widen its consumer base and promote a more youthful and sporty identity, UMWT is involved in variety of initiatives, such as the TOYOTA GAZOO Racing Festival, a weekend festival that offers entertainment and challenges, and the opportunity to test drive and purchase new Toyota models. Meanwhile, robust demand for entry level vehicles is expected to anchor Perodua's sales goal of 209,000 units in 2018.

On a latest development, we had on 9 March 2018, announced our intention to raise our stake in Perodua by acquiring 50.07% equity interest in MBMR Resources Berhad (**MBMR**) and additional 10.00% equity interest in Perodua from PNB Equity Resource Corporation Sdn Bhd, and the resultant proposed mandatory take-over offer for all the remaining MBMR shares (**Proposed MO**) not already owned by UMW (collectively referred to as the **Proposed Acquisition**).

The Proposed Acquisitions will allow UMW to increase its strategic stake in Perodua which continues to be the leading marque in Malaysia with successful recent launches. After the completion of the proposed MBMR acquisition and assuming the full acceptance of the Proposed MO, the Group's effective interest in Perodua will increase from 38.00% to 60.60%, which will further increase to 70.60% after the completion of the entire exercise.

In addition to strengthening its exposure in the Perodua marque, UMW will also increase its exposure in the commercial vehicle segment via MBMR's multi brand dealerships. MBMR's auto parts manufacturing business, namely its wheels manufacturing, safety products and noise, vibration and harshness products, will also widen UMW's offerings in the manufacturing segment.

The Proposed Acquisitions are consistent with UMW's strategy to enhance its core businesses in the automotive, equipment, manufacturing and engineering segments. It will allow the Group to further improve its prospects in the automotive segment via leveraging on Perodua's strength in the national car segment, coupled with our existing presence in the non-national car segment via the Toyota marque. The Proposed Acquisitions are also expected to allow UMW to benefit from economies of scale and create synergies, with an aim to enhance the Group's financial performance and shareholders' value.

MANAGEMENT DISCUSSION & ANALYSIS



Badrul Feisal Abdul Rahim briefing the Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamed at Malaysia Aerospace Summit 2017 (MyAero'17)

On 13 March 2018, we announced that UMW has proposed to undertake a renounceable rights issue of ordinary shares to raise gross proceeds of up to RM1.1 billion to primarily repay a bridging facility to be obtained to finance the proposed acquisition of the MBMR shares and the Proposed MO.

Further information on the above proposals can be obtained via UMW's announcements to Bursa Malaysia Securities Berhad dated 9, 13, 26 and 28 March 2018 and 3 April 2018.

In the Equipment Division, our priorities are to expand our products and markets and to do so, we will continue to leverage on the strength of leading partners, such as Komatsu and Toyota Industries Corporation and we are optimistic that our operations in key ASEAN markets such as Vietnam and Myanmar will continue to benefit from the countries' favourable growth prospects. We will also enhance our value-added services to strengthen our capacity and expertise as a total solutions provider.

As well as continuing with the expansion of our core businesses, the M&E Division will also focus on increasing our presence in the HVM sector. We view HVM as a catalytic platform for our transformative shift to a future environment of high margins and increased capacity in high-precision engineering. We believe that our ascension of the manufacturing value chain will be a major contributor to our sustainable earnings. Our contract to supply fan cases to Rolls-Royce

is key to our HVM programme and the contribution of the aerospace sector to our HVM ambitions is expected to increase. We are also exploring other opportunities to venture into non-aerospace HVM projects.

In the lubricants segment, we are already the largest distributor of the Repsol brand outside Spain, an achievement we realised after just five years, and we expect the China market to continue to generate huge opportunities for the said brand. The robust expansion of our home-grown Grantt brand will also support the performance of our lubricants business and we will pursue entry and growth in ASEAN markets such as Indonesia by forging partnerships with strong local entities.

Finally in the O&G segment, the persistent low oil price environment will continue to present challenges for our unlisted O&G businesses, but the planned exit from the segment will diminish any adverse impact on our overall performance and enable us to increase our focus on our three core businesses.

BADRUL FEISAL ABDUL RAHIM
President & Group Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL PERFORMANCE



SEGMENTAL REVIEW

UMW's Automotive Division assembles, markets and distributes some of Malaysia's most popular marques of passenger cars and commercial vehicles. Our collaboration with TMC dates back over 35 years, and we are the exclusive distributor of Toyota and Lexus models in Malaysia.



The new Lexus LC 500

SEGMENTAL RISKS

Our Automotive Division faces risks from the following areas -



Economic environment:

In 2018, the industry is expected to be supported by the strengthening of ringgit, which is expected to stabilise prices for consumers with the economic growth projected at above 5%. The Malaysian Automotive Association predicts that new car sales will grow marginally by 2.3% to 590,000 units. We are confident that launches of new models will enable the Automotive Division to maintain its share of TIV.

The improvements in the public transportation system and the increasing use of ride-hailing services are not expected to materially impact the industry. Sales may, however, be constrained by stringent loan approvals and margins of financing due to high levels of household debt.



Competition:

The automotive business is highly competitive and there is a growing range of prices and specifications for each category of vehicle from which consumers can choose.

UMWT intends to hold its leading position for non-national cars and in 2018 will launch several new models, including the C-HR, Harrier and Rush models and a new Camry variant. These models will come with modern specifications at least at par with their competitors.

The construction of the new Bukit Raja plant in Klang, Selangor is nearing completion and production is expected to start in 2019. The new plant will enable UMWT to improve its operational efficiency and cost competitiveness and enhance the value proposition for consumers. The RM1.87 billion facility will also enable UMWT to attain assembly rights for more models for the Malaysian market.

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENTAL RISKS (CONT'D)



Distributor rights:

UMW does not anticipate any adverse change in the principal-distributor relationship, as UMW continues to strengthen its relationship with TMC, which is demonstrated by the companies' investment in the new Bukit Raja plant. Nonetheless, progress has been made to diversify its revenue stream through investment and expansion into other businesses, including aerospace.



Currency:

The Automotive Division has the largest exposure to currency risk because the imported completely knocked-down (CKD) and complete built-up (CBU) kits are transacted in US dollars. This remains a concern, but the continuing appreciation of the ringgit against the US dollar augurs well. UMW will continue to monitor currency movements with assistance from the Group's bankers and their projections. Together with UMW's existing hedging policies, it should enable the Group to better manage possible extreme fluctuations. In the longer term, UMW will focus on the localisation of parts manufacturing to reduce its exposure to the currency risk.



Inventory:

The market slowdown, cautious consumer sentiment, tight financing conditions and increasing competition are factors which have resulted in the Automotive Division holding a higher inventory than usual of new and used vehicles.

In line with market practices, the Automotive Division had also offered a range of promotions at year-end which continue into the Malaysian festive season. Incentives such as free vehicle servicing are expected to sustain the sales of new vehicles over the long-term. At the same time, the Automotive Division has also adopted more stringent stock and production planning to match internal projections. The launch of new models throughout the year is not expected to lift inventory levels.

Given that the value of used vehicles depreciates faster than the value of new vehicles, the Automotive Division has revised its guidelines for trade-in prices to ensure better reflection of market conditions and has also refurbished vehicles selected to be offered as 'Certified Pre-owned' which has improved sales.

SALES INCREASE BY

+8.2%

VIOS

24,160

UNITS SOLD

HILUX

18,815

UNITS SOLD

CAMRY

3,341

UNITS SOLD

LEXUS & OTHERS

24,129

UNITS SOLD

BUSINESS UNITS

UMW Toyota Motor Sdn Bhd's (UMWT) primary activities are in the assembly, marketing, servicing and distribution of Toyota passenger cars, commercial vehicles and four-wheel drives. UMWT also markets, services and distributes Lexus passenger cars.

UMWT achieved new vehicle sales of 70,445 units in 2017, an increase of 8.2% from the 65,110 units sold in 2016. The overall market share of the passenger car segment in Malaysia rose to 12% from 11.2% in 2016 and the best-selling models were the Toyota Vios (24,160 units), Toyota Hilux (18,815 units) and Toyota Camry (3,341 units). The gross profit margin fell from 11.3% to 9.5%, mainly due to the increase in local and imported part costs resulting from the further weakening of the ringgit against the US dollar.

The Lexus NX 200t Special Edition, IS Minor Change and Lexus LC 500 models were unveiled this year. We also engaged in a range of promotional activities to spur the growth of Lexus vehicles, including the Lexus 'Drive the Sale' campaign, during which we showcased the futuristic Lexus SKYJET, and a Raya sales campaign which comprised a mini roadshow throughout the country and a promotional 'duit raya' rebate of RM500. Sales of Lexus models totalled 953 units in 2017, bringing the number of Lexus vehicles in circulation to 11,671 units.

MANAGEMENT DISCUSSION & ANALYSIS



The brand new Toyota Innova 2.0X

In 2017, UMWT launched the Vios Sports Edition, Camry IMP, Innova 2.0X, Fortuner IMP and Hilux IMP models and began taking orders for the Harrier and C-HR SUV models. Enhancements to the model line-up and the introduction of more affordable CKD models in the SUV segment, are crucial in order to address the increasing competition in the segment and regain market share. New features and technologies were introduced in some models in 2017, including a panoramic view camera, a blind spot monitor and a wireless charger. The Harrier will come with the new Toyota Safety Sense feature, which includes a pre-crash system, adaptive cruise control, a lane keeping system and an adaptive high beam system for enhanced safety protection.

Customers' buying trend remained cautious throughout 2017, in part due to the stringent criteria for bank loans. To address this, UMWT offered a range of loan packages and incentives which included a Customer Retention Key for Key financing programme and the Easy GradSCHEME financing plan. UMWT will continue to strengthen its core brand values of quality and reliability and is promoting a more youthful and sporty identity via the TOYOTA GAZOO Racing festival and the 'All about the Drive' brand campaign. A network reform programme will strengthen retail operations and UMWT has transferred branch sales and operations to dealers in a move to improve the quality and quantity of both sales and aftersales.

We are pleased to report that for the second consecutive year, UMWT was ranked highest in overall customer satisfaction according to J.D. Power's 2017 Malaysia Customer Service Index study. In the sales satisfaction index, UMWT ranked equal first, taking the top spot for the fourth time in five years.

ASSEMBLY SERVICES SDN BHD

Assembly Services Sdn Bhd (**ASSB**) is primarily involved in the assembly of Toyota vehicles for both the local and export markets, and the fitting of accessories.

During the year, production of the new Innovative International Multi-Purpose Vehicles (**IMV**) models for Toyota was ahead of budget with Hilux (18,189 units), Innova (6,066 units) and Fortuner (4,755 units). For 2017, ASSB

produced 57,520 units of Toyota vehicles representing 76% utilisation of total production capacity and continued to introduce new innovations. For example, the Innova 2.0X model benefited from the inclusion of two captain seats replacing the standard bench in the second row and enhancements to the Hilux will be unveiled in 2018.

J.D. Power's 2017 Malaysia Initial Quality Study survey ranked the Toyota Vios the highest in the entry midsize segment. ASSB was the recipient of several prestigious industry awards throughout the year such as -

- the Zero Field Action Achievement Award and the Warranty Reduction Award from Toyota Daihatsu Engineering and Manufacturing Co Ltd; and
- ISO 9001:2015 Certification for Provision of Plant Quality and Market Quality Services. Quality awareness campaign and company-wide quality training featured prominently throughout the year.

AUTOMOTIVE INDUSTRIES SENDIRIAN BERHAD

Automotive Industries Sendirian Berhad (**AISB**) is Malaysia's leading automotive parts manufacturer in the areas of exhaust systems, catalytic converters and instrument panel reinforcements.

AISB's overall performance improved in 2017 over the previous year. Overall, sales volume fell by 6% with the strengthening of US dollar continue to increase the cost of materials and imported CKD components. AISB reported a higher PBT of RM36.0 million compared to RM33.7 million in 2016 due to higher sales volume and lower variable and fixed overhead costs.

Going forward, AISB intends to sustain its market leadership by focusing on the following -

- expanding in-house processes instead of outsourcing;
- diversifying its product range;
- collaborating with a Chinese supplier to develop less expensive parts;
- introducing enhancements to its monitoring system to eliminate waste; and
- maintaining excellent quality, cost, delivery, efficiency and management.

MANAGEMENT DISCUSSION & ANALYSIS



AISB's plant facilities

In 2017, AISB's introduced a range of improvements, including the incorporation of Advantex Roving Wool in the new Perodua Myvi, a technical specification that improves noise reduction harshness and heat insulation performance and is more environmentally friendly.

In recognition of AISB's adherence to the highest operational standards, it was recertified with OHSAS 18001 and ISO 14001.

TOYOTA BOSHOKU UMW SDN BHD

Toyota Boshoku UMW Sdn Bhd (**TBU**) is a joint venture with Toyota Boshoku Corporation, Japan. It manufactures and assembles high-quality and cost-effective car seats, door trims, headlining and other interior parts for all Toyota vehicles assembled by ASSB and for Hino commercial vehicles.

In 2017, TBU achieved production volume of 62,000 units, representing 77.5% utilisation of total production capacity. TBU's performance for the year was impacted by the highly competitive pricing and specifications environment, as well as the weakening of ringgit and this challenging climate is expected to continue into 2018. In response, TBU will engage in a number of in-house cost-cutting activities and capital expenditure management.

Throughout 2017, quality initiatives featured prominently and included a campaign organised in conjunction with the Toyota Boshoku group of companies worldwide. Working with the Human Resources Development Fund, TBU achieved more than 3,000 hours of training activities for its employees. In recognition of the company's commitment to the highest operational standards, in 2017, TBU received IMS ISO 9001 and ISO 14001 certification audit.



Toyota Boshoku Group's annual Health, Safety and Environment (HSE) audit

PERUSAHAAN OTOMOBIL KEDUA SDN BHD

Against the backdrop of a slow-moving passenger vehicle market, Perusahaan Otomobil Kedua Sdn Bhd (**Perodua**) maintained a stable market share of 35.5% for 2017 against 35.7% in 2016, based on a total sales volume of 204,887 units, which exceeded its target of 202,000 units for the year. Perodua retained its position as Malaysia's No. 1 carmaker in the country for the 12th consecutive year in 2017, buoyed by the introduction of the new Myvi and robust demand for the Bezza model.

Despite a GDP growth rate of 5.9%, performance in 2017 was negatively impacted by continued weak consumer sentiment, higher inflation and household debt, and stringent bank loans. The weakening of ringgit impacted the cost of CKD imports and compressed profit margin while the persistent issue of graduate unemployment continued to affect first-time buyers who are predominantly Perodua customers.

Total TIV for 2017 was 576,635 units, marginally lower than the 580,124 units recorded in 2016. This was caused by a drop in commercial vehicle sales, which fell 5.5% to 61,956 units compared to 65,579 in 2016. Passenger vehicle sales rose by 0.02% to 514,679 units.

Perodua's four models lead their respective vehicle segments in Malaysia. In 2017, Axia sold 67,464 units and has been Perodua's top selling model since its introduction in 2014, while Myvi sold 55,848 units, Bezza 53,541 units, and Alza 28,034 units. Total production for the year was 200,146 units, representing 80% utilisation.

MANAGEMENT DISCUSSION & ANALYSIS



The official launch of the all-new Myvi

AXIA

67,464
UNITS SOLD

MYVI

55,848
UNITS SOLD

BEZZA

53,541
UNITS SOLD

ALZA

28,034
UNITS SOLD

The introduction of the all-new Myvi in November 2017 significantly refreshes the line-up. Targeted at higher-income customers, the model comes with an all-new upper body and interior, designed completely in-house, with a 5-star ASEAN NCAP safety rating. The new Myvi is equipped with four airbags for the standard variant and six airbags for the 1.5L variants, an ABS with electronic brake force distribution (EBD), vehicle stability control (VSC), traction control, emergency stop signal, ISOFIX, reverse sensors and seat belt reminders for all seats. It also comes with lighter and more fuel efficient aluminium block Dual VVT-I engines, built-in toll card reader, and digital air-conditioning with two memory settings.

The new Myvi is the first Malaysian brand, and first car in Malaysia, priced below RM100,000, to have the Advanced Safety Assist suite of active safety features, which comprise Pre-Collision Warning, Pre-Collision Braking, Front Departure Alert and Pedal Misoperation Control features. Improvements were also made to the Axia in 2017 to ensure that demand remains strong.

Going forward, Perodua is prepared to address many of the key challenges it faced in 2017, including strong competition from other carmakers, public transport systems and ride-hailing services as well as strict hire-purchase guidelines and generally cautious buying trends. Perodua is, however, optimistic that it will achieve its targeted 35% market share and 209,000 units sales target and increase production by 8.1% to 215,334 units.

Strategies to manage future risks include continuing cost cutting initiatives such as streamlining processes, eliminating waste, reduce, reuse and recycle programmes and rationalising manpower. Other initiatives include a continued focus on customer satisfaction including service reminders, after-sales programmes such as the Flexi Bijak service package and loyalty programmes such as UFirst.

In the face of increasing competition, Perodua will keep close track of competitors, continue to build on our reputation for reliable, high-quality and cost-competitive vehicles and increase efforts to move up the value chain to target new customer bases, especially additional car buyers and replacement car buyers. The success of this strategy is demonstrated by the fact that 85% of bookings for the new Myvi are for the more expensive 1.5L variants.

MANAGEMENT DISCUSSION & ANALYSIS

In 2017, Perodua began its Transformation 2.0 Roadmap, a continuation from the Transformation 1.0 launched in 2011. The Roadmap outlines Perodua's short, medium and long-term goals for addressing and staying ahead of future challenges in the operating environment.

Key milestones within this Roadmap in 2017 included the following -

- launch of the new Myvi and upgrading of the facilities and equipment in Perodua Manufacturing Sdn Bhd as part of its plant modernisation;
- launch of Perodua's pre-owned vehicles (**POV**) retail business with the opening of the first POV showroom, Perodua KL - the RM1.7 million outlet sells new and fully refurbished cars with up to 18 months' extended warranty;
- initiatives to strengthen the professionalism of our human capital and the opening of the Perodua Dojo Training Centre in Selangor; and
- return of the Perodua Eco-Challenge, a long-running CSR programme which invites students from institutes of higher learning to research and develop new products with an emphasis on commercial potential.

Other milestones in 2017 included the roll-out of the one millionth Myvi in June, the launch of Bezza in Singapore in February, in Mauritius and Brunei in May and in Sri Lanka in June. A memorandum of understanding with Grab Malaysia was also executed to further improve fleet sales.

Perodua was the recipient of a number of recognitions in 2017, including the following -

- Putra Brand Award - Gold in Automobile Category;
- Perodua President and Chief Executive Officer Datuk (Dr) Aminar Rashid Salleh being conferred Business Person of the Year by the Asian Academy of Management, Universiti Sains Malaysia; and
- the Managing Director of Perodua Sales Sdn Bhd (**PSSB**), Dato' Dr Zahari Husin, being named Automotive Man of the Year in the Malaysia Car of the Year Award 2017.

Bezza received the following awards during the year -

- Malaysia Car of the Year Award 2017 - Sedan & Hatchback Category (below RM50,000);
- The BrandLaureate BestBrand Award - Most Favourite Brand Award 2016-2017 - Automotive Sedan/Compact Cars;
- Frost & Sullivan Malaysia Excellence Awards - Car of the Year; and
- Frost & Sullivan Malaysia Excellence Awards - Debut Car of the Year.

Myvi received the following awards in 2017 -

- Malaysia Car of the Year Award 2017 - Sedan & Hatchback Category (RM50,000 - RM60,000); and
- Carlist.my People's Choice Awards 2017 - Budget Car of the Year - the All-New Myvi 1.5.

Axia received the following awards in 2017 -

- Frost & Sullivan Malaysia Excellence Awards - Value-For-Money (1.3L and below); and
- Vehicle of the Year 2017 Awards - Compact Car of the Year.

Accreditations

Perodua and PSSB are certified to ISO 9001:2008 for Quality Management System and ISO 14001:2004 for Environmental Management System. Both companies have applied for the new ISO edition 9001:2015 and 14001:2015 and the upgrading certification audit took place in September and October 2017. The certification award will be announced by SIRIM QAS International Sdn Bhd in 2018.

MANAGEMENT DISCUSSION & ANALYSIS



SEGMENTAL REVIEW

Our Equipment Division is responsible for distributing equipment from globally renowned manufacturers for various sectors including logging, manufacturing, logistics and distribution, construction, industrial, mining and agricultural. Over the years, we have established ourselves as a leading distributor of equipment for brands including Komatsu, Toyota, BT, Raymond, Rosenbauer, Tennant and Bomag in the region. We have presence in Malaysia, Brunei, China, Papua New Guinea, Myanmar, Singapore and Vietnam.

In 2017, the Equipment Division reported revenue of RM1.46 billion against RM1.38 billion in 2016 and registered PBT of RM141.8 million compared with RM145.6 million in 2016.



Hand over ceremony of Toyota Diesel forklift to Johor Port Berhad

SEGMENTAL RISKS

Our Equipment Division faces risks from the following areas -



Economic environment:

A softer economic environment suppresses demand for new equipment purchases or leases as customers become wary of making substantial commitments.



Competition:

New launches and attractive pricing from competitors may cut into the segment's market share resulting in lower equipment sales and leases. To mitigate this risk, we hold regular discussions with our partners to improve our value propositions which we then translate to our customers. The Division adopts initiatives such as ensuring operation uptime to key fleet customers, introduce models for specific applications, and expand fleet management rental business as ways to mitigate this risk. We also work on enhancing our customer retention and expansion programmes.



Distributor rights:

As a franchised distributor for a range of equipment, we are exposed to the possibility of losing those rights. To mitigate this risk, we stay abreast of all changes to regulations in the equipment industry, ensuring that we always fulfil the terms and conditions of our agreements including meeting sales and marketing targets. We also maintain dedicated and highly knowledgeable teams to understand and work closely with our individual partners.

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENTAL RISKS (CONT'D)



Currency:

Our equipment is sourced from overseas and this exposes us to currency fluctuations in the US dollar and Japanese yen, and to a lesser extent the currencies of the other countries in which we operate. To mitigate this risk, we maintain a hedging policy with advisory from UMW's Group Finance and its bankers. For large orders, we liaise with our partners to include price fixing or fluctuation clauses. Quotation, order and payment cycles are made shorter and expedited to minimise the foreign exchange impact and we hold regular discussions with our partners on competitive pricing.



Political:

Our operations are located in countries with different laws and regulations governing business activity that uses our equipment. Changes to these laws and regulations may adversely impact the segment's profitability. To mitigate this risk, we keep abreast of all developments in the countries in which we operate, employ a strong body of local manpower, and draw extensively on advice from UMW Group Finance and Group Strategy.

MOVING FORWARD

With Malaysia's growth forecast to be above 5% in 2018, we expect an increase in the sales of new equipment, equipment rentals and parts and services. We remain concerned by the prospects of our overseas operations, especially in the jade mining sector. Demand in the timber and logging sectors is also not expected to improve significantly.

BUSINESS UNITS

HEAVY EQUIPMENT GROUP

- UMW Equipment Sdn Bhd
- UMW (East Malaysia) Sdn Bhd
- UMW Niugini Limited, Papua New Guinea
- UMW Engineering Services Limited, Myanmar

The Heavy Equipment Group imports, distributes, repairs, maintains and services heavy equipment in Malaysia, Singapore, Brunei, Papua New Guinea and Myanmar.

UMW EQUIPMENT SDN BHD

In 2017, performance in the construction sector was spearheaded by the ongoing infrastructure projects, such as the MRT Line 2, the LRT Line 3, the Sungai Besi-Ulu Kelang Elevated Expressway, the Damansara-Shah Alam Elevated Expressway and the West Coast Expressway. However, other than these projects, the overall construction sector remained relatively slow. The quarry sector remained active in the Central region and Johor, catering mainly for the needs of infrastructure projects, the Refinery and Petrochemicals Integrated Development, and the Forest City Development. Mining activities in the East Coast region remained subdued due to the unattractive iron ore prices and the banning of bauxite mining throughout the year. Whilst gold mining in the said region was stable, mining activities remained small scale.

Despite the internal and external challenges faced by UMW Equipment Sdn Bhd (**UMW Equipment**) in 2017, deliveries of Komatsu and Bomag improved significantly, largely as a result of better support from principals, promotional campaigns and improvements in the overall market coverage. Nevertheless, the company continues to face intense competition from second-tier manufacturers, exchange rate volatility, lack of financial facility available for contractors and miners and competition from less expensive Korean and Chinese-made machinery.

To counter these challenges, UMW Equipment adopted a range of strategies which include among other, the following -

- Providing extended warranty programmes and maintenance servicing packages on core models to enhance competitiveness;
- Launching of the new Komatsu PC500LC-8R for mass excavations;
- Providing Service Operation Kaizen to support activities of the parts sales and service representatives for incremental parts and service sales; and
- Embarked on project and sector-based coverage to improve sales.

The challenges we experienced in 2017 are forecasted to continue into 2018 and UMW Equipment expects to face the additional challenge of employee turnover given intense competition in the industry. To this end, UMW Equipment intends to invest more heavily in career development and employee engagement. Other measures to ensure business sustainability in 2018 include working closely with principals, especially in the fleet deal and tender business, and continuing to ensure an excellent and trusted after-sales service and a reliable supply of high-quality equipment that exceeds customers' expectations.

MANAGEMENT DISCUSSION & ANALYSIS



A group photo of representatives from UMW Equipment, Edgenta Propel and BOMAG GmbH after a successful operation and maintenance training session

UMW Equipment expects equipment demand in 2018 to be buoyed by the start of the East Coast Rail Link project, the Gemas to Johor Bahru double track rail project and hydro dam projects that will catalyse growth for the construction sector. Under the Fire and Rescue Department, fire truck sales have been secured for Senai International Airport and for Penang Port.

In the field of technology, UMW Equipment is working with Komatsu to introduce smart construction in Malaysia in the near future, a solutions service to enable customers to recognise the safe and smart job sites of the future. The initiative uses Komatsu ICT machines and Internet of Things (IoT) with high precision 3D data and real-time production engineering technology.

UMW (EAST MALAYSIA) SDN BHD

UMW (East Malaysia) Sdn Bhd (**UMW EM**) reported an encouraging year for 2017, supported by the on-going Pan Borneo Highway Sarawak project and the development of rural roads under the State Government's rural transformation plan, which boosted demand for machinery from the construction and quarry sectors. UMW EM also benefited from the better-than-expected crude palm oil prices which sustained plantation companies' machinery purchases, boosting the delivery of heavy equipment machinery to the sector. The logging sector, on the other hand, remains under pressure due to the requirement to comply with the certification of the concession areas for sustainability, higher cess payment for hill logs, lower export quotas and lower demand from India due to the imposition of the 18% GST on logs.

UMW EM's performance in 2017 was also bolstered by a deal with Shin Yang Group for new Komatsu PC350-8MO excavators and value-added initiatives such as extended power train warranties (which also enhanced the company's competitiveness). Key challenges during the year came from competitors offering easy credit terms and in-house financing and buy back guarantees.

In the coming year, UMW EM's performance will benefit from the following -

- award of Phase 2 of the Pan Borneo Highway Sarawak project;
- award of 30 work packages relating to the Pan Borneo Sabah Highway project;
- construction of the Baleh Hydroelectric Dam; and
- Government's rural transformation programme.

In addition to the above, the ongoing replanting of aging oil palm trees and the replacement cycle of plantation machineries is also expected to have a positive impact on the business.

UMW EM has a range of measures in place to ensure its sustainability. To address currency risk, the company will employ hedging mechanisms to ensure that its products are competitively priced, and to maximise productivity. UMW EM will also work closely with customers to establish their operational needs and machine requirements and provide quality after-sales support. To ensure the availability of parts, UMW EM will carry out more parts and service overhauling campaigns and conduct product roadshows, to lift market awareness.

MANAGEMENT DISCUSSION & ANALYSIS



Pre-inspection delivery of Komatsu 155A Crawler Tractor to Kelantan Public Works Department

UMW NIUGINI LIMITED, PAPUA NEW GUINEA

UMW Niugini Limited (**UMW Niugini**) is principally involved in the trading of Komatsu Heavy Equipment and related services and spare parts in Papua New Guinea (**PNG**). It is mainly focused on the sale of Komatsu equipment which represents the major brand out of the four brands which the company represents in PNG. The other brands are FG Wilson, Stihl and Bomag.

PNG is facing a shortage of foreign currency and government funds and this weighed on UMW Niugini's results for the year. The company expects 2018 to be another challenging year and the immediate focus is to sustain operations in the midst of the foreign currency issue. To address this, the company will engage closely with its bankers and maintain a currency exposure threshold at all times. In an effort to lift revenue, UMW Niugini will focus on the mining business which improved substantially in 2017.

UMW ENGINEERING SERVICES LIMITED, MYANMAR

Formed in 1999, UMW Engineering Services Limited (**UESL**) is the exclusive distributor for Komatsu construction, mining and utilities equipment and Bomag road-building equipment in Myanmar.

Throughout the year, UESL continued to focus on jade mining, resource mining, the construction and quarry industries and government sectors. UESL also sought to build on the confidence of its mining investors with quality after-sales product support extending beyond the expiry of the warranty period and enhanced by a site stationed product support team, and also visited customers in the mining industries on the Reman components programme.

During the year, UESL's performance in construction segment was affected by stiff price and payment terms offered by other equipment suppliers. Furthermore, demand for mining equipment from the jade industry stalled and construction and infrastructure projects suffered delays due to government restrictions.

UESL maintained a close working relationship with Komatsu on pricing and specifications, establish closer partnerships with existing customers to build confidence, and expand market share to other sectors, notably construction and industrial. UESL will also work closely with Komatsu Reman Myanmar Co Ltd to supply major Reman components for the mining sector and control operating and capital expenditure. The development of Komatsu Learning System will enhance the competencies of service management and technical staff.

To stay ahead of any government amendments and regulatory changes which may negatively impact the company's operations, UESL will ensure that staff keep abreast with the regulatory changes and developments.

UMW INDUSTRIES (1985) SDN BHD

UMW Industries (1985) Sdn Bhd (**UMW Industries**) specialises in material handling and supplying of industrial floor cleaning equipment. The company represents some of the world's most recognised brands of industrial equipment including Toyota, BT, Raymond and Tennant. UMW Industries is the market leader in Malaysia with approximately 50% market share.

MANAGEMENT DISCUSSION & ANALYSIS

Against the backdrop of a global economy, foreign exchange volatility, intense competition and talent procurement challenges, UMW Industries met its targeted revenue and PBT for 2017 due largely to its focus on growth sectors such as the warehouse and logistics industries. Other contributing factors were the company's fleet management programme, a strong performance in after-sales service, productivity improvement programmes and prudent cost management.

In line with UMW Industries' continued commitment to go Beyond Boundaries in the pursuit of operational excellence, in 2017 the company organised a 'New Logistics Trends and Solutions' seminar for its logistics, warehouse and supply chain customers so as to introduce to them the solutions and technology that can lower warehouse operating costs and increase operational efficiency.

In 2018, currency volatility, and uncertain economic outlook and trade issues are expected to again impact earnings and in response, UMW Industries will undertake the following -

- Work closely with its principals to deliver quality products and services;
- Focus on growth markets such as fleet management, warehouse and logistics and food and beverage;
- Introduce productivity improvements to manage costs; and
- Intensify efforts to preserve key accounts and practice 5S and Kobetsu/Toyota Lean Logistics Programme activities to improve staff productivity and reduce resource wastage.

In collaboration with the Toyota principal, UMW Industries will implement IoT technologies to support its operational transformation and implement Service Mobile, an initiative with Toyota Industries Corporation to improve service and after-sales efficiency.

In 2017, UMW Industries was re-certified under the OSHAS 18001 and 5S programmes. Under the 2016 Toyota Material Handling International Award Programme, UMW Industries received Platinum Club Recognition, President's Award Bronze and the Vision 2020 Award.

UMW EQUIPMENT & ENGINEERING PTE LTD, SINGAPORE

UMW Equipment & Engineering Pte Ltd (**UEEPL**) is the exclusive distributor of Toyota, BT and Raymond material handling equipment, and Komatsu, Bomag and Schwing construction equipment in Singapore.

In 2017, revenue and PBT were affected by the cautious purchasing climate in both the transport engineering and construction sectors. In the industrial equipment sector, the market size for forklift fell 24% over 2016. To retain its market leader position, UEEPL worked closely with Toyota in campaigns to promote forklifts and encourage

customers to rent or trade in their used machines. There was competitive pricing by all forklift distributors to capture market share and loan interest rates increased which also impacted our business. Customers were, however, still able to access the Productivity and Innovation Credit Scheme (**PIC**) for their equipment purchase and UEEPL also benefited from good support from the principal. In the heavy equipment business, UEEPL worked with Komatsu Used Equipment Corporation to sell ex-rental excavators in a move designed to sell off aging units with high maintenance costs and replace them with new excavators. The cost containment exercise was a success.

For UEEPL, the key highlights of 2017 included the following -

- award of a six-year rental contract with an option of a four-year extension to supply a fleet of Toyota electric tow tractors to Changi Airport;
- delivery of semi-automatic VNA trucks to warehouse sector; and
- rental fleet contract to supply Komatsu excavators and Komatsu wheel loaders to the waste recycling sector.

Going into 2018, UEEPL is prepared to face a number of challenges. The company does not expect an immediate improvement to declining revenue and profits but will continue to look for new business opportunities via joint ventures or acquisitions. UEEPL will continue to develop new automation products and expertise, implement the Toyota Lean Logistics Programme and Toyota IoT Service Module. The implementation of Toyota T-Basis CRM Module and to work closely with UMW Training Centre to conduct refresher training are also part of the initiative for improvement.

The company also expects a slowdown in the purchasing of equipment due to the expiry of PIC schemes and to this end, will continue to engage principals on market conditions and the activities of its competitors and also aims to offer customers a premium and a value machine option. To counter anticipated fluctuations in foreign currency, UEEPL will remain vigilant in currency hedging.

In 2017, in recognition of its adherence to the highest quality standards, the company received OHSAS 18001 re-certification, Bizsafe Star re-certification and MPC 5S certification.



Special preview of the new Rosenbauer Light Firefighting & Rescue Truck (LFRT)

MANAGEMENT DISCUSSION & ANALYSIS



Testing and commissioning of Desmi oil spill response equipment in Port Klang waters

UMW EQUIPMENT SYSTEMS (VIETNAM) COMPANY LIMITED, VIETNAM

UMW Equipment Systems (Vietnam) Company Limited (**UESV**) distributes Toyota and BT material handling equipment.

In 2017, UESV performed well in a very competitive environment with more than 20 brands on the market, remaining a preferential choice among multinational companies as a reliable supplier and service provider. Revenue and PBT rose on higher sales in the equipment and parts and service segments following the opening of UESV's new branch in Quang Ngai in Central Vietnam which expanded coverage in the country.

UESV is focused on building its sales and service network coverage across Vietnam and expanding its skilled manpower to provide enhanced customer service support. In 2017, UESV introduced Raymond battery powered warehouse forklifts in the Mekong Delta, targeting the active food processing industry. The forklift was well received and this augurs well for the segment in the region. Business conditions are expected to remain competitive in 2018, but the segment is confident of achieving its target for the year, barring unforeseen factors such as major shifts in government policy which could increase operation costs. To lift efficiency and productivity, UESV plans to implement IoT for service activity, I-Site for monitoring forklift operation and performance and the Toyota T-Basis CRM module.

Looking further ahead, UESV is optimistic about its future in Vietnam. Market demand is expected to swell given the inflow of foreign investment and a population predicted to reach 100 million in the next five years. In 2017, foreign direct investment in Vietnam hit a record high of US\$35.88 billion, up 44% over 2016, and GDP registered growth of 6.81% with strong contributions from the agro-forestry-fishery industry, construction and service sectors.

UESV holds Toyota's After Sales Evaluation and Certification (**ASEC**) and in 2017 obtained ASEC certifications for its Quang Ngai branch and renewal for the Bac Ninh branch.

UMW MATERIAL HANDLING SHANGHAI GROUP, CHINA

- **UMW Industrial Trading (Shanghai) Co Ltd**
- **UMW Industrial Equipment Co Ltd**
- **Vision Fleet Equipment Leasing (Shanghai) Co Ltd**

UMW Material Handling Shanghai Group (**UMW Shanghai**) is a forklift dealer for Shanghai and Zhejiang provinces. It distributes equipment manufactured by Toyota, BT and Raymond through three companies.

In 2017, UMW Shanghai posted stronger revenue and PBT than in the previous year. The sector was boosted by China's 6.9% GDP growth and the positive impact of the One Belt One Road initiative.

Competition from foreign and local brands remained intense. Foreign brands accounted for around 40,000 units, of which our principals, Toyota, BT and Raymond brands accounted for just over 10%. UMW Shanghai established a strong and loyal service team to boost customer confidence, and started a new agency brand, the Tailift range, to compete with local Chinese brands.

Going into 2018, UMW Shanghai expects business in China to remain similar to 2017, although performance may be boosted when the company begins to distribute Tailift products. Battery-powered forklift trucks will be the main focus of UMW Shanghai's future endeavours, both in terms of sales and rental business, due to the strict environmental policies imposed by the Chinese government. To remain sustainable, UMW Shanghai plans to intensify its working relationship with Toyota and will continue to provide value-added service to customers as a long-term solutions provider for the material handling business in China as well as high quality after-sales services. UMW Shanghai is currently renewing its License of Repair and ASEC certification in China.

As the Group expands its business in China in the coming years, it recognises that success relies on having a business model in place that is sufficiently flexible and dynamic to respond with speed to China's fast-changing business environment as well as a specialised and loyal workforce. To this end, the Group will continue to work closely with the principal and senior management and develop a comprehensive remuneration package of rewards and recognition based on performance.

UMW INDUSTRIAL POWER SDN BHD

UMW Industrial Power Sdn Bhd's (**UMWIP**) primary business activities are the sale and service of industrial power products including air and gas compressors, diesel engine generator sets (genset) and marine engines. UMWIP is the sole distributor for DESMI Ro-Clean Oil Spill Response Equipment of Denmark. The company has made positive inroads to Government agencies, the O&G sector and port authorities as potential customers.

MANAGEMENT DISCUSSION & ANALYSIS

In 2017, UMWIP posted lower revenue and operating profit. The major events, both domestically and internationally, that impacted business were -

- The low price of oil in 2016, which created uncertainties and cautious market in 2017, led to deferment of exploration and production projects as well as reduction to capital expenditure and operating expenses by major clients;
- Oversupply of tugboats in the shipping industry;
- Shifting of semiconductor and tobacco plants to Thailand, Vietnam and Indonesia;
- More contracts awarded to Chinese engineering, procurement and construction contractors, who tend to support and import Chinese products; and
- Higher expenses due to an internal merger exercise in which UMW Synergistic Generation Sdn Bhd (now known as UMW Industrial Power Services Sdn Bhd) acquired UMW IP.

UMWIP unveiled a range of measures to mitigate the impact of these developments, which included -

- **Exploring** the non-O&G market and establishing new client bases, for example, combine heat and power generation, renewable energy and oil spill management for government and private ports. The company managed to secure some contracts and results will be shown in 2018;
- **Enhancing** product and service offerings with customised packages, systems solutions, rental fleet maintenance, long-term service agreements and working with clients who are considering outsource;
- **Securing** certification from the Malaysian Public Works Department (**JKR**) for gensets made in China and conducting customer awareness initiatives to build confidence. This measure was successful in East Malaysia and will be duplicated in other markets; and
- **Working** with Group Human Resources to develop a sales and technical team in training, recruitment and succession planning initiatives.

The major operational highlights for 2017 were as follows -

Compressors

Industrial

This is a mature market, which is mainly dependent on the manufacturing sector and price considerations play an important role. Centrifugal compressors are in demand due to their reliability and proven technology. Strong support from the principal and a good relationship with customers are important factors in securing orders.

The market showed some improvement towards the end of 2017 and UMWIP secured several key contracts, including a contract from Petronas Carigali to be delivered in 2018, with Petronas Gas for downstream operations and a long-term service agreement to maintain their compressor fleet, and a three-year extension contract with Shell Sarawak.

Diesel Engine Generators

A new product from Shanghai Diesel Engine Company Ltd (**SDEC**) from China was introduced to improve market share and has gained acceptance after being successfully registered on JKR's Electrical Material Approved List. SDEC has also offered UMW distribution rights for Myanmar and Indonesia.



The new SDEC 33W Marine Diesel Engine

New Business – Oil Spill Response Equipment

UMWIP made new inroad when it successfully delivered oil booms and skimmers to the Malaysian Maritime Enforcement Agency (**MMEA**) to be used on their six newly-built offshore patrol vessels (**OPVs**). The company secured a contract to supply oil spill response equipment (OSRE) to MMEA to be installed on the new 80 metre OPVs currently under fabrication at Destini Shipyard.

Other key wins for UMWIP during 2017 included entry to the Electrical Material Approved List for SDEC gensets - the first and only Chinese brand to be approved by JKR - and the award of the Most Valuable Distributor in Southeast Asia from SDEC. UMWIP also successfully developed a compressor package for the offshore market.

MANAGEMENT DISCUSSION & ANALYSIS



SEGMENTAL REVIEW

UMW's M&E Division is primarily responsible for the manufacturing of products in the aerospace and automotive industries, and the blending and distribution of lubricants. We work with leading brands in each industry to manufacture and supply products for Malaysia and other markets in Southeast Asia.



The maiden fan case is off to Seletar Aerospace Park in Singapore

Our automotive components segment is one of the leading suppliers of OEM and replacement market (REM) automotive products in Malaysia. Our KYB-UMW Group manufactures high-quality shock absorbers, motorcycle suspension units and hydraulic power-steering pumps and systems. In the lubricants segment, we blend, market and distribute Pennzoil, Repsol and our in-house brand, Grantt, and we have blending plants in Malaysia and China. Our recent expansion into the aerospace industry with our maiden long-term contract with Rolls-Royce marks our migration from labour-intensive production into high-value manufacturing and makes us the first Malaysian-owned company to become a Tier-1 supplier for the British engine maker.

In 2017, the M&E Division reported an improved revenue of RM645.1 million, compared with RM601.5 million in 2016, supported in part by positive contributions from the automotive components manufacturing business. However, the Division registered LBT of RM17.7 million in 2017 compared with PBT of RM24.6 million in 2016, largely due to the pre-operating expenses of RM60.4 million incurred for the aerospace business. The adverse impact is expected to diminish as the fan case manufacturing plant commences full commercial operations.

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENTAL RISKS

Our M&E Division faces risks from the following areas -



Economic environment:

A softer economic environment suppresses business activity, which in turn reduces demand for our products. With projected national growth and TIV of 590,000 projected for 2018, we anticipate a favourable economic climate for the automotive segment in the coming year and in areas where we are OEM suppliers, we will explore expansion opportunities and focus on Group synergies.



Competition:

Competition from substitute products from lower-cost sources is a concern for our automotive component and lubricant businesses and is exacerbated by OEM customers sourcing globally and reducing their contracts with us. To address this risk, we will selectively refocus on the aftermarket business and re-evaluate some businesses with a view towards divestment.



Distributor rights:

For our lubricant agreements, we are currently in negotiations for contract extensions or renewals. To mitigate this risk, we plan to aggressively market our home-grown brand, Grantt, and gain significant foothold in Malaysia, China and Indonesia.



Foreign exchange:

We source some raw materials from overseas sources denominated in US dollar, Japanese yen and euro. To mitigate the risk of currency fluctuations, there is a comprehensive hedging policy with advisory from UMW Group Finance and its bankers. The strengthening of the ringgit will also lessen this risk.



New venture:

Our new venture risk into the field of aerospace has transitioned to timely and quality production and delivery of fan cases. The success of our operations also depends on the availability of a highly-specialised workforce and to mitigate this risk, we will continue to identify and select qualified candidates for the requisite training and certifications to ensure that we maintain our standards of quality and competency.



Lubritech Limited, China is now certified with OHSAS 18001:2007

MOVING FORWARD

The automotive and motorcycle market is expected to further strengthen and positively impact our revenue. REM sales for both the domestic and export markets are expected to contribute higher revenue due to the stable market conditions and the introduction of new products.

The lubricant business in Malaysia is growing and we already have projects in place to expand our manufacturing capacity to meet the increased demand. We also expect our lubricant business in China and Indonesia to increase.

Our aerospace business with Rolls-Royce is progressing according to schedule and is currently in the ramp-up stage to deliver the fan cases in line with the contractual requirements.

MANAGEMENT DISCUSSION & ANALYSIS



Repsol – MotoGP world champion Marc Marquez unveils the new range of Repsol passenger car lubricants at the Sepang International Circuit

BUSINESS UNITS

UMW AEROSPACE SDN BHD

UMW Aerospace Sdn Bhd (**UMW Aerospace**) was established in July 2015 for our 25+5 year agreement with Rolls-Royce to manufacture fan cases for Trent 1000 TEN and Trent 7000 aero engines.

We completed the set-up phase in 2017 and delivered the first Trent 1000 TEN fan case to Rolls-Royce Seletar in Singapore on 29 November 2017, as planned. The delivery, achieved 27 months after the contract was signed, represents one of the fastest aerospace engine component development programmes of its kind and was a historic milestone for the UMW Group and Malaysia's aviation industry in general. Throughout the set-up phase, we continued to work closely with Rolls-Royce across all levels of management and business.

The company reported a loss of RM56.2 million for the year - in line with the approved 2017 budget. We expect to ramp-up production in 2018 with the delivery of 80 fan cases. There were no significant changes in the foreign currency translation and UMW Aerospace works closely with UMW Group Finance to hedge foreign exchange portions and reduce fluctuation risk.

However, 2017 was not without challenges. These included qualifying welders for the highly specialised titanium welding operations to follow international and Rolls-Royce industry standards and maintaining the stability of the manual welding operations to support our plans to ramp-up production. All the qualifying manufacturing processes had gone through rigorous process audit approach and complied with Rolls-Royce's AS9100C and National Aerospace and Defence Contractors Accreditation Programme - Chemical (**NADCAP**) requirements.

In August 2017, UMW Aerospace achieved its Aerospace Basic Quality System Standard, AS9000 certification and in September 2017, NADCAP certification, a standard requirement by Rolls-Royce and the Federal Aviation Administration (FAA).

During the Rolls-Royce Global Aerospace Supplier Conference 2018 in London, UK, held from 6 to 7 March 2018, UMW Aerospace won the coveted 'Trusted to Deliver Excellence' award. This event acknowledges the best-in-class providers, manufacturers and suppliers that make the Rolls-Royce Aerospace supplier industry one of the most competitive in the world.

MANAGEMENT DISCUSSION & ANALYSIS

LUBE GROUP

- **Lubetech Sdn Bhd**
- **UMW Pennzoil Distributors Sdn Bhd**
- **UMW Lubricant International Sdn Bhd**
- **UMW Grantt International Sdn Bhd**

The Lube Group manufactures, sells and distributes automotive and industrial lubricants for the Malaysian market and key export markets and clients.

In 2017, revenue increased to RM226.4 million, compared to RM204.2 million in 2016. The Lube Group holds a 12% market share of the estimated lubricants demand of around 300 million litres in Malaysia and our growth of 4.4% year-on-year was in line with the domestic lubricant market growth of 4% year-on-year.

Although actual PBT exceeded budget of RM7.1 million, our performance was negatively impacted by a multitude of domestic and international factors. The ringgit depreciation and the increase in the global crude oil price lifted the price of base oils and additives and major players continued to affect pricing on key segments such as consumer, transportation and industrial. The performance was also adversely affected by the continued flooding of parallel imports in the market on top of the many new local brands, aggressive seasonal and non-seasonal offers and company tax structure and GST.

Throughout the year, we employed a range of mechanisms to deal with these challenges including a comprehensive advertising and promotion programme to support revenue growth, engaging in aggressive cost-cutting initiatives and undertaking natural hedging and quarterly price reviews to mitigate forex losses. To increase the footprint of our Grantt brand, we participated in exhibitions in Vietnam, the Philippines, Thailand and Myanmar.

Despite the challenging environment, some major operational highlights buoyed the year. Grantt successfully penetrated the Vietnam market and also has established presence in Cambodia, Brunei and Singapore. We also appointed a distributor for the Philippines market and product registration is in progress.

Through plant capacity upgrades, namely the addition of two blending kettles and eight holding tanks, we were able to almost double our annual plant capacity and we expect to complete this upgrading initiative by mid-2018.

In 2018, the Lube Group will focus resources for higher growth in business-to-business (B2B) and export market segments as we are targeting Thailand and Myanmar as new export markets. Various activities are to be held, such as field tests with key fleet operators to be more prepared for the impact of crude oil price increases on the price of base oil, additives and packaging materials. The Lube Group will continue with quarterly price reviews for key customers like JX Nippon

Oil & Energy Asia Pte Ltd and high street customers to mitigate these risks and at the same time continue working with UMW IT Services Sdn Bhd (**UITS**) to introduce new apps, namely, Inventory Management, Remote Ordering System, Sales-In-Sales-Out and Service to further improve the efficiency.

As part of our ongoing adherence to the highest standards of quality, we have initiated the following-

- LEANAero™ projects to reduce incoming label rejection from packaging suppliers;
- Set-up Mieruka Board to all filling lines to provide visual management for in-house rejects in order to address them;
- revamped our procedures for inspecting incoming packaging;
- established statistical quality control in the laboratory; and
- revamped supplier evaluation procedures including co-pack suppliers.

The ENEOS Approved Blending Plant Certification was renewed until 2020 and we also received ISO/IEC 17025:2005 accreditation for our laboratory until 2020.

KYB-UMW GROUP

- **KYB-UMW Malaysia Sdn Bhd**
- **KYB-UMW Steering Malaysia Sdn Bhd**

The KYB-UMW Group's principle activities are the manufacturing and assembling of automotive shock absorbers, motorcycle suspension units and power-steering pumps. It is a market leader in the OEM and REM.

In 2017, the KYB-UMW Group fulfilled all customers' orders for their new models, including the Mitsubishi Outlander, SYM SM Sport and the new Perodua Myvi. The addition of the new models enhanced KYB-UMW's market share to 52% in 2017 from 49% in 2016. The KYB-UMW Group also improved REM sales for both the domestic and export markets last year and expects to sustain OEM sales in 2018. The KYB-UMW Group also successfully diversified the product category of suspension parts such as oil spring and top mounting and achieved the sales target of RM1 million.

The replacement market for Four Wheeler expanded by 12% in 2017, achieving the highest sales record of 1.02 million pieces and for export, the KYB-UMW Group received orders for 31 parts. In the motorcycle segment, the KYB-UMW Group achieved a 33% increase in sales to RM13.5 million. These achievements enabled the KYB-UMW Group to increase turnover to RM322.3 million in 2017 as compared to RM306.2 million in 2016, a result which was achieved despite the appreciation of the US dollar, Japanese yen and euro which led to higher material costs and an increase in royalties to KYB Corporation, Japan.

MANAGEMENT DISCUSSION & ANALYSIS



UMW senior management welcomes the President of KYB Corporation, Yasusuke Nakajima to UMW

Our performance was helped by cost-cutting initiatives such as localisation and resourcing activities which brought down some material and logistic costs and helped improve our price competitiveness. Reduction in fixed costs such as labour costs, repair and maintenance and consumable costs, and improvements to the efficiency of our production process.

Throughout the year, R&D sales activities were mainly focused on parts of the REM for both local and export as they remained growth areas. The OEM segment remained challenging and we implemented client-focused programmes to grow the OEM business for the Honda and SYM businesses. The KYB-UMW Group also took part in a range of sales and promotions initiatives, including PETRONAS Cub Prix events at Batu Kawan in Pulau Pinang, Pasir Puteh in Kelantan, Teluk Intan in Perak, Tangkak in Johor, Temerloh in Pahang, Jempol in Negeri Sembilan, Jasin in Melaka, Bandar Penawar in Johor and the Malaysia Agro Exposition Park in Selangor as well as two KYB roadshow events at Kuantan in Pahang and Kuching in Sarawak.

Going into 2018, we will be faced with several challenges. Increasing raw material costs will require the KYB-UMW Group to obtain from cheaper sources such as India and expedite localisation, lower export profitability due to forex losses will require us to intensify our cost reduction activities, and rising labour costs will see us modernising some facilities to improve productivity and efficiency.

The Plant Transformation Project will enable the KYB-UMW Group to centralise operations, improve productivity and efficiency and build production capacity especially for hard chrome plating lines to meet increasing demand for the domestic and export markets. The focus will be to sustain the OEM share and expand REM sales for both domestic and export markets, grow the suspension kit business and continue our cost-cutting initiatives to further reduce the material cost ratio. The manufacturing logistics initiative will minimise production lead, reduce our inventory levels and workforce. The expected result is to set up a new highly automated standard type assembly line to meet customer requirements and improve process efficiency.

In the field of quality initiatives, the KYB-UMW Group meets the targets set by the Quality Innovation Taskforce to reduce contamination in KYB shock absorbers and has been upgraded from ISO 14001:2004 to ISO 14001:2015. The KYB-UMW Group met all the requirements for ISO/TS 16949 surveillance audit.

MANAGEMENT DISCUSSION & ANALYSIS



SEGMENTAL REVIEW

UMW's O&G Division supports the upstream activities of the O&G industry through the provision of offshore drilling and hydraulic workover services, oilfield services, fabrication, onshore drilling, manufacturing of oil country tubular goods (OCTG) and line pipes, and the trading of oilfield products. The Division comprises both listed and unlisted assets.

UMW has announced its strategic decision to exit the O&G business and is optimistic that most of its O&G businesses can be disposed or liquidated by the end of 2018. The Group will nonetheless undertake the disposals of those businesses in a rigorous process to ensure the best value returns. A dedicated team, overseen by an ad hoc Board Committee, has been formed to provide strategic guidance and direction to management on matters relating to divestment options and proposals in the context of achieving the objective of exiting all investments under the O&G Unlisted Group within the agreed timeline.

While the Group's O&G businesses are in the process of being disposed or liquidated, these companies are expected to continue with their normal business operations unless otherwise stated.



SEGMENTAL REVIEW

The companies grouped under this Division are non-core which includes companies that provide support services to our core companies such as property, financing and technological support.



MOU signing ceremony between UMW Land Sdn Bhd and Malaysian Investment Development Authority (MIDA) to build Aerospace Manufacturing Park

MANAGEMENT DISCUSSION & ANALYSIS

Given our Group's focus on property as we seek to diversify our revenue stream, we present a separate risk summary for the segment. It faces risk in the following areas -

SEGMENTAL RISKS



Authority and regulatory approvals:

Approval for the Serendah Development Masterplan may be delayed and necessary measures are being taken to address it. During the completion of our aerospace facility in Serendah, we worked closely with authorities and this good rapport should help us overcome any obstacles in obtaining the new approvals. Once we have all the approvals in hand, we anticipate a substantial gross development value for this project over the long-term.



Funding:

As the business grew, UMW Development Sdn Bhd (**UMWD**) needs to source its own funding and may face funding risk. The Group will therefore continue to provide the necessary backing until UMWD can source funds independently.

BUSINESS UNITS

UMW DEVELOPMENT SDN BHD

UMWD was formed as a joint venture between UMW Corporation Sdn Bhd (**UMWC**), Permodalan Nasional Berhad (**PNB**) and Permodalan Negeri Selangor Berhad (**PNSB**).

In 2017, UMWC concluded the acquisition of the remaining 10% shares of the company from PNSB raising UMWC's shareholding to 100%, after UMWC acquired PNB's 39% shares in the company in 2016.

UMWD is currently preparing development plans and aspires to fully realise the value of UMW Group's land in Serendah within the next few years.

UMW LAND SDN BHD

A key aim of UMW Land Sdn Bhd (**UMW Land**) is to generate growth for the Group by developing our 861-acre land bank in Serendah into Malaysia's first integrated industrial park focused on high-value manufacturing and advanced technologies. Known as UMW High Value Manufacturing Park, the park will attract companies in high technology sectors such as aerospace, medical equipment, rail and automotive. In March 2018, the project was given further impetus when UMW Land signed a memorandum of understanding with Malaysian Investment Development Authority (**MIDA**) to collaborate in the park's development.

Throughout the year, UMW Land attended major industrial exhibitions in Malaysia and Europe to raise investor awareness and at the end of 2017, sold two acres of land to T7 Global Bhd to set up a metal surface treatment plant. UMW Land is in advanced negotiations with other investors to establish manufacturing plants in Serendah and with support from Malaysia External Trade Development Corporation and MIDA will further promote the park and expand its marketing efforts.

MANAGEMENT DISCUSSION & ANALYSIS



Mr Kuah Kock Heng, President of Toyota Capital Malaysia officiates the opening of Penang new office

TOYOTA CAPITAL MALAYSIA SDN BHD

Toyota Capital Malaysia Sdn Bhd (**TCAPM**) is a joint venture between Toyota Financial Services Corporation and UMWC and offers automotive financing services for Toyota and Lexus customers.

Despite the challenging operating environment in 2017, TCAPM ended the year in profit with RM5.06 billion in total managed assets and 122,000 customer accounts. In recognition of this performance, RAM Ratings reaffirmed TCAPM with AAA Corporate Credit Rating.

During the year, TCAPM was involved in several customer and community initiatives designed to attract and retain Toyota customers. The company collaborated with UMWT in the 'Best in Town' activities, which included a Customer Retention Key for Key financing plan. Through this programme, TCAPM invited selected customers to trade in their old Toyota for a new one and yet pay the same monthly instalment. Together with UMWT, TCAPM also took part in university roadshows and career fairs to promote the Toyota Vios model to graduates by offering the TCAPM Easy GradSCHEME financing plan. To provide an enhanced customer service experience and cater to future business expansion, TCAPM relocated its Northern branch in Prai to larger premises in the centre of Penang Island.

To ensure financial sustainability, TCAPM is focusing on enhanced risk and scorecard management and on developing sustainable growth by collaborating with Toyota dealers and improving the competitiveness of its financial offerings. TCAPM is also making improvements to its productivity and efficiency and working closely with UMWT to support the transformation of branches into dealers.

U-TRAVELWIDE SDN BHD

U-Travelwide Sdn Bhd (**U-Travelwide**) provides travel agency services for the travel needs of our Group's personnel. The company stays ahead of technological developments and new product offerings in the industry to provide the Group with an efficient and state-of-the-art service. Throughout 2017, U-Travelwide continued with its cost-cutting initiatives, which once again lifted its financial

performance. Working closely with airlines which have corporate fare agreements with the UMW Group also positively impacted the company's results. To widen revenue, U-Travelwide also offers services to non-Group customers.

U-Travelwide faces the typical operational risks of businesses that have to make upfront payments on behalf of customers. Debtors' risks are mitigated by carrying out stringent background and financial assessments of customers before granting credit facilities and there is close periodical monitoring and follow-ups to ensure debtors are effectively managed.

U-Travelwide also faces difficulty in competitively packaging its offerings to sufficiently match other high volume travel agents, which may lead to the loss of key corporate customers. As stated above, this is mitigated by engaging in joint efforts with airlines for promotional products and packages. Furthermore, product pricing is reviewed at least twice a year in order to remain competitive.

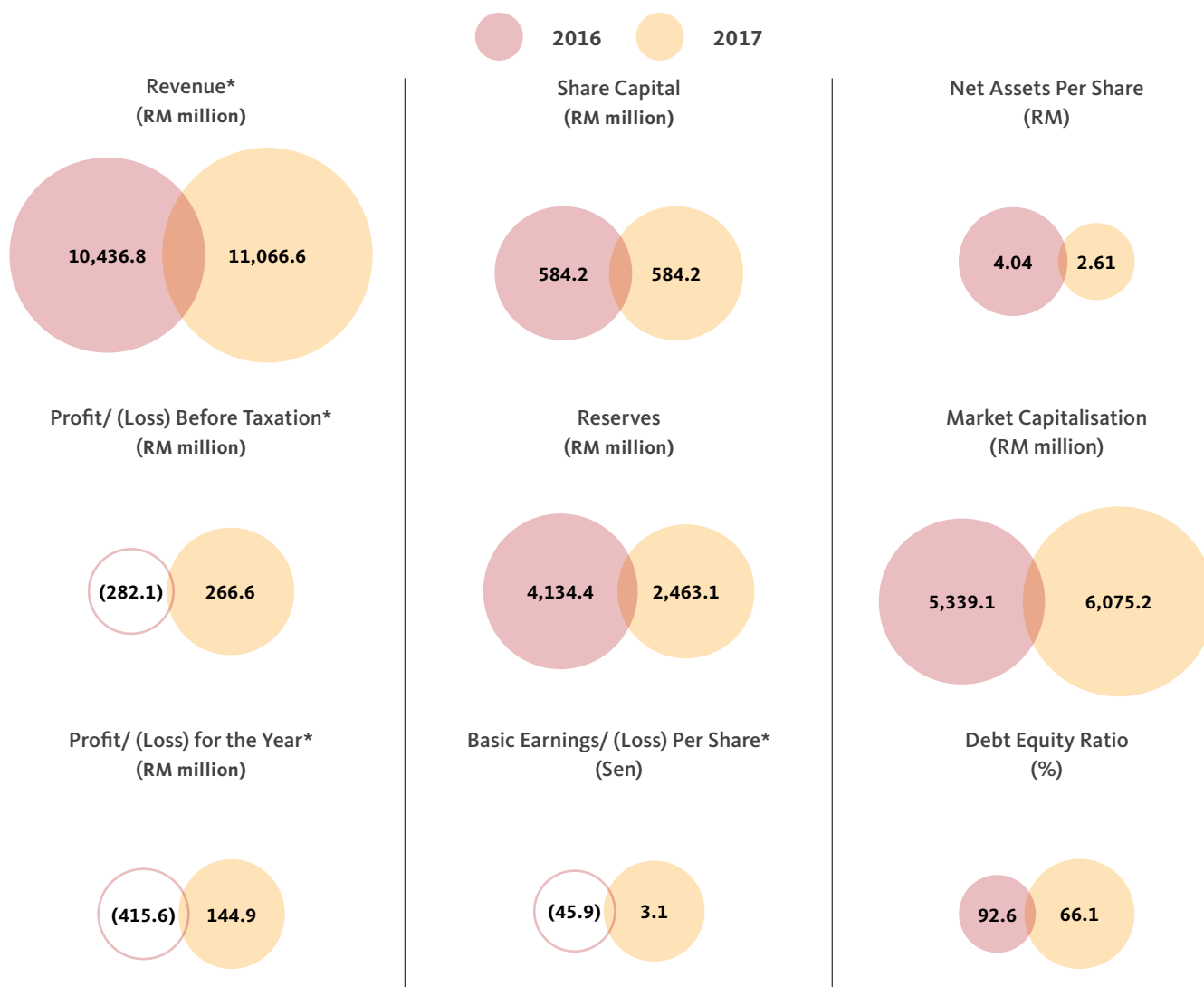
UMW TECHNOLOGY SDN BHD

Established in 2015, UMW Technology Sdn Bhd (**UTech**) acts as an investment holding company to facilitate UMW's entry into the global technology industry. The following year, UTech entered into a collaboration with Sparks Lab International Inc, a renowned co-working service provider based in New York, US that serves North American and European technology companies and start-ups, which enables UTech to access the global innovation and technology sector, which converges in the US.

In 2016, UTech also formed UMW IT Services Sdn Bhd (**UITS**) to digitise the UMW Group's processes. The company provides in-house IT services to the Group's multiple sectors in the areas of core infrastructure, applications and end-user devices, including digital services to the Group's aerospace advanced manufacturing facility in Serendah. UITS continues to focus on modernising the Group's technology infrastructure, with an emphasis on Cloud computing technology and cybersecurity.

SUMMARY OF GROUP RESULTS

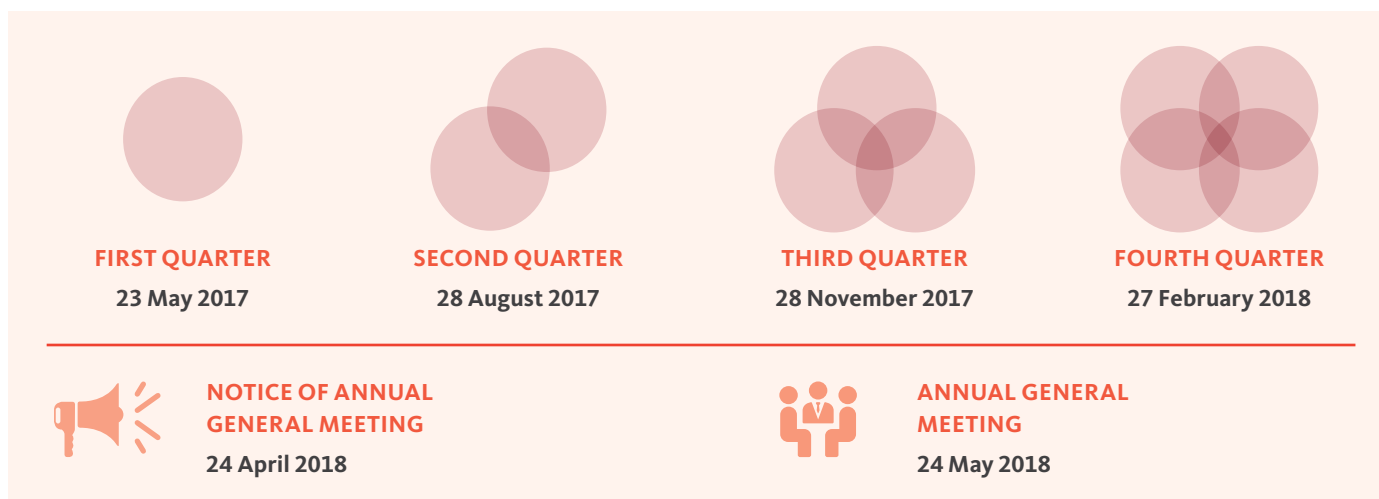
FINANCIAL YEAR ENDED 31 DECEMBER 2017



* The financial results have excluded discontinued operations to arrive at amounts shown in the consolidated statement of comprehensive income.

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 DECEMBER 2017



FIVE-YEAR GROUP SUMMARY RESULTS

FINANCIAL YEAR ENDED 31 DECEMBER 2017

FINANCIAL YEAR ENDED 31 DECEMBER		2013	2014	2015	2016 *	2017 *
OPERATING RESULTS						
Revenue	RM million	13,951.5	14,932.5	14,441.6	10,436.8	11,066.6
Profit/(Loss) Before Taxation and Zakat	RM million	1,435.7	1,621.5	269.7	(282.1)	266.6
Profit/(Loss) for the Year	RM million	1,084.2	1,213.0	2.2	(415.6)	144.9
Profit/(Loss) Attributable to Equity Holders of the Company	RM million	652.9	652.0	(37.2)	(536.5)	35.3
OTHER KEY FINANCIAL POSITION						
Shareholders' Funds	RM million	6,290.4	6,580.5	6,584.5	4,718.6	3,047.2
Total Assets	RM million	14,595.2	16,519.7	18,225.3	16,286.4	10,095.7
Total Liabilities	RM million	5,662.6	7,086.6	8,841.4	9,422.2	5,917.3
SHARE INFORMATION						
Per Share						
- Earnings/(Loss) (Basic)	Sen	55.9	55.8	(3.2)	(45.9)	3.1
- Gross Dividend	Sen	44.0	41.0	20.0	-	-
- Net Assets	RM	5.39	5.63	5.64	4.04	2.61
Share Price Information						
- Share Price at Year End	RM	12.06	10.96	7.87	4.57	5.20
- Market Capitalisation as at Year End	RM million	14,089.7	12,804.5	9,194.5	5,339.1	6,075.2
FINANCIAL RATIOS						
Return on Shareholders' Funds	%	11.7	10.1	(0.6)	(9.5)	0.9
Return on Total Assets	%	9.8	9.8	1.5	(1.7)	2.6
Debt Equity Ratio	%	33.5	44.4	64.1	92.6	66.1
Dividend Rate - Gross	%	88.0	82.0	40.0	-	-
Dividend Yield	%	3.4	3.6	2.1	-	-
Dividend Payout Ratio [#]	%	78.7	76.1	>100	-	-

The Group's dividend policy is for all its subsidiary companies to declare and pay at least 50% of the subsidiary's net profit as dividends, unless funds are required for capital expenditure or investment purposes. Similarly, the Company has a dividend policy of paying at least 50% of its net profit attributable to shareholders after excluding unrealised profits and after taking into account any significant capital expenditure or Group expansion plan.

* The financial results have excluded discontinued operations to arrive at amounts shown in the consolidated statement of comprehensive income.

REVENUE*

RM MILLION

11,066.6

2016: RM10,436.8 million

PROFIT/(LOSS) BEFORE TAXATION AND ZAKAT*

RM MILLION

266.6

2016: (RM282.1 million)

SHARE CAPITAL

RM MILLION

584.2

2016: RM584.2 million

BOARD OF DIRECTORS



From left to right

(Seated)

**TAN SRI DATO' SRI HAMAD KAMA
PIAH CHE OTHMAN**

*Group Chairman/
Non-Independent Non-Executive Director*

DATO' ESHAH MEOR SULEIMAN

Independent Non-Executive Director

TAN SRI HASMAH ABDULLAH

Independent Non-Executive Director

DATO' SIOW KIM LUN

Senior Independent Non-Executive Director

KHALID SUFAT

Independent Non-Executive Director

DATIN PADUKA KARTINI

HJ ABDUL MANAF

Non-Independent Non-Executive Director

BOARD OF DIRECTORS



From left to right

(Seated)

BADRUL FEISAL ABDUL RAHIM

*President & Group Chief Executive Officer/
Executive Director*

SALWAH ABDUL SHUKOR

Non-Independent Non-Executive Director

DR VEERINDERJEET SINGH

Independent Non-Executive Director

LIM TZE SEONG

Non-Independent Non-Executive Director

MOHD SHAHAZWAN MOHD HARRIS

Independent Non-Executive Director

MOHD NOR AZAM MOHD SALLEH

Group Secretary

DIRECTORS' PROFILE



TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN

GROUP CHAIRMAN /
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 66 , Malaysian
Board Committee Membership
None

Qualifications

- Honorary Doctorate Degree in Finance and Investment, Management & Science University, Malaysia
- Honorary Doctorate in Economics and Muamalat Administration, Universiti Sains Islam, Malaysia
- Honorary Doctorate in Business Administration, Universiti Tenaga Nasional, Malaysia
- Master of Philosophy, Swansea University, UK
- Diploma in Statistics, Universiti Teknologi Mara, Malaysia

Membership of Associations

- Senior Fellow (SF Fin) of the Financial Services Institute of Australasia
- Honorary Fellow, Registered Financial Planner (RFP), Malaysian Financial Planning Council

Date Appointed to the Board

- 1 January 2017

Date of Last Re-election

- 25 May 2017

Directorships of Other Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 14/14

Working Experience and Occupation

Tan Sri Dato' Sri Hamad Kama Piah Che Othman was the President & Group Chief Executive Officer of Permodalan Nasional Berhad (PNB) until his retirement on 30 September 2016. He had been with PNB since 1979 and had served as a Director on the Boards of PNB, Amanah Saham Nasional Berhad, Pelaburan Hartanah Nasional Berhad and Amanah Mutual Berhad.

Throughout his corporate career, he had also served on various Boards of Malaysia's largest corporations, among others, as Deputy Chairman of Sime Darby Berhad, Chairman of Chemical Company of Malaysia Berhad and Sime UEP Properties Berhad. He was also a Director of MNRB Holdings Berhad and Titan Chemicals Corporation Berhad and several private companies.

He is currently the Chairman of E-Lock Corporation Sdn Bhd, Universiti Malaysia Kelantan and UITM Holdings Sdn Bhd, as well as a Director of Professional Golf Association of Malaysia and a Trustee of Yayasan Karyawan. He is also a member of the Board of Control of Dewan Bahasa dan Pustaka.

During his illustrious career spanning more than 30 years, he had been involved in various facets of PNB's operations, including investment and portfolio management, real estate investment and management, corporate finance and restructuring as well as unit trust management.

DIRECTORS' PROFILE



BADRUL FEISAL ABDUL RAHIM PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR

Male, Age 48, Malaysian

Board Committee Membership
Investment Committee

Qualifications

- Bachelor of Science in Accountancy, University of Missouri, Columbia, USA
- American Associate Degree (AAD) in Accountancy, MARA Science College

Membership of Associations

- None

Date Appointed to the Board

- 1 October 2015

Date of Last Re-election

- 19 May 2016

Directorships of Other Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 13/14

Working Experience and Occupation

Badrul Feisal Abdul Rahim began his career with Arthur Andersen & Co and since then had been involved in the senior management of established organisations such as Khazanah Nasional Berhad (**Khazanah**), PROTON, LOTUS and the DRB-Hicom Group. He acquired vast corporate and operational experience not only through his Directorships in these companies but also through manning responsibility over Khazanah's key subsidiaries such as Tenaga Nasional Berhad, Malaysian Technology Development Corporation, BBMB Securities Sdn Bhd, Northern Utility Resources Sdn Bhd, Commerce Asset-Holdings Berhad (now CIMB Group) and UEM Group.

Badrul Feisal was the Chief Operating Officer of Edaran Otomobil Nasional Berhad from August 2007 to November 2009 prior to joining the UMW Group as Senior General Manager at the President & Group CEO's office in December 2010. He was appointed as the Acting Executive Director for the UMW Oil & Gas Division from April 2011 to December 2011. He was also the Executive Director of Group Corporate Development Division before being appointed Group Chief Operating Officer of UMW in January 2013. On 1 October 2015, he was promoted to the position of President & Group CEO of the UMW Group.

He is currently an Adjunct Professor at the Manufacturing Engineering Centre of Learning, Universiti Malaysia Perlis, a member of UniKL Industrial Advisory Board of Universiti Kuala Lumpur and also council member of Universiti Malaysia Kelantan.

DIRECTORS' PROFILE



DATO' SIOW KIM LUN

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 67, Malaysian

Board Committee Memberships

Nomination & Remuneration Committee (Chairman)

Investment Committee (Chairman)

Audit Committee

Qualifications

- Masters in Business Administration, Catholic University of Leuven, Belgium
- Bachelor of Economics (Hons.), Universiti Kebangsaan Malaysia
- Advanced Management Programme, Harvard Business School, USA

Membership of Associations

- None

Date Appointed to the Board

- 10 July 2009

Date of Last Re-election

- 28 May 2015

Directorships of Other Public Companies

Listed

- Eita Resources Berhad
- Sunway Construction Group Berhad
- Eco World International Berhad

Non-Listed

- Citibank Berhad
- Hong Leong Assurance Berhad
- Radiant Globaltech Berhad

Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 12/14

Working Experience and Occupation

Dato' Siow Kim Lun has considerable experience in investment banking and securities market regulation. He started his career in investment banking with Malaysian International Merchant Bankers in 1981 and had served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Berhad (now known as Affin Hwang Investment Bank Berhad) as Manager of Corporate Finance and subsequently became the Divisional Head of its Corporate Finance Division. From 1993 to 2006, Dato' Siow was with the Securities Commission and had served as Director of its Issues & Investment Division (now known as Corporate Finance & Investment Division) and Director of its Market Supervision Division.

Currently, Dato' Siow is also a Director of Kumpulan Wang Persaraan (Diperbadankan) and a member of the Land and Public Transport Commission.

DIRECTORS' PROFILE



KHALID SUFAT INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 62, Malaysian

Board Committee Memberships

Audit Committee (Chairman)
Nomination & Remuneration Committee
Investment Committee
Whistle-Blowing Committee

Qualifications

- Association of Chartered Certified Accountants, UK
- Malaysian Institute of Certified Public Accountants

Membership of Associations

- Fellow Member of the Association of Chartered Certified Accountants, UK
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

Date Appointed to the Board

- 1 September 2010

Date of Last Re-election

- 28 May 2015

Directorships of Other Public Companies

Listed

- Chemical Company of Malaysia Berhad

Non-Listed

- Kuwait Finance House (Malaysia) Berhad

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 13/14

Working Experience and Occupation

Khalid Sufat, an accountant by profession, has considerable experience in the banking industry having held several senior positions, namely General Manager, Consumer Banking of Malayan Banking Berhad in 1994, Executive Director of United Merchant Finance Berhad from 1995 to 1998 and Managing Director of Bank Kerjasama Rakyat Malaysia Berhad from 1998 to 2000. This experience has led him to become involved in the managing and restructuring of a number of public-listed companies. He became the Executive Director of Tronoh Mines Malaysia Berhad in 2002 and the Deputy Executive Chairman of Furqan Business Organisation Berhad in 2003 before being appointed as Group Managing Director of Seacera Tiles Berhad in mid-2006, a position he held until late 2007.

On 1 June 2017, Khalid was appointed on the Board of Employees Provident Fund (Professional Representative).

DIRECTORS' PROFILE



TAN SRI HASMAH ABDULLAH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Female, Age 67, Malaysian

Board Committee Memberships

Risk Management Committee (Chairperson)

Whistle-Blowing Committee (Chairperson)

Audit Committee

Qualifications

- Bachelor of Arts (Hons.), University of Malaya
- Senior Management Development Programme, Harvard Business School, USA

Membership of Associations

- Fellow Member of the Chartered Tax Institute of Malaysia

Date Appointed to the Board

- 2 September 2013

Date of Last Re-election

- 19 May 2016

Directorships of Other Public Companies

Listed

- Panasonic Manufacturing Malaysia Berhad

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 13/14

Working Experience and Occupation

Tan Sri Hasmah Abdullah had a distinguished career with the Inland Revenue Board (**IRB**) spanning over 37 years. She was the former IRB Chief Executive Officer and Director-General from 19 October 2006 to 7 January 2011. Tan Sri Hasmah has led the Malaysian delegation to several international conferences and also represented Malaysia on the Management Committee of the Commonwealth Association of Tax Administrators in London, UK, for three years from 2007 to 2009. Under her leadership at IRB, vast improvements and policy changes to the service delivery system were introduced, in particular, refunds, which were made faster with the use of electronic filing. For the improvements and innovations that had impacted positively on the tax-paying public, the IRB was awarded the inaugural Prime Minister's Innovation Award in 2009.

Tan Sri Hasmah was also a Tax Advisor to PricewaterhouseCoopers Taxation Services Sdn Bhd from 1 July 2011 to 30 September 2013. Currently, Tan Sri Hasmah is a Commission Member of the Securities Commission of Malaysia, and a member of the Board of Trustees of the Malaysian Tax Research Foundation, Dana Amal Jariah and Yayasan Allammiyyah. She is also an Executive Council member of the Selangor and Federal Territory Association for the Mentally Handicapped since 6 December 2014.

DIRECTORS' PROFILE



DATO' ESHAH MEOR SULEIMAN INDEPENDENT NON-EXECUTIVE DIRECTOR

Female, Age 63, Malaysian

Board Committee Memberships

Nomination & Remuneration Committee
Risk Management Committee
Whistle-Blowing Committee

Qualifications

- Master of Business Administration, Oklahoma City University, USA
- Bachelor of Economics (Hons.), University of Malaya
- Diploma in Public Administration, National Institute of Public Administration (INTAN), Malaysia

Membership of Associations

- None

Date Appointed to the Board

- 17 October 2016

Date of Last Re-election

- 25 May 2017

Directorships of Other Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 14/14

Working Experience and Occupation

Dato' Eshah Meor Suleiman began her career in Public Service in 1981 as Assistant Director, Macro Economic Section, at the Economic Planning Unit of the Prime Minister's Department before serving as Assistant Secretary at the Government Procurement Management Division, Ministry of Finance (**MOF**) in 1991. During her tenure in MOF, she held various key positions including Principal Assistant Secretary, Deputy Under Secretary and Under Secretary of Investment, Minister of Finance (Incorporated) and Privatisation Division of MOF. In January 2014, she was assigned as Under Secretary of Statutory Bodies Strategic Management Division of MOF before her retirement from Public Service on 1 November 2014.

DIRECTORS' PROFILE



DATIN PADUKA KARTINI HJ ABDUL MANAF

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Female, Age 56, Malaysian

Board Committee Memberships
Nomination & Remuneration Committee
Investment Committee

Qualifications

- Master of Business Administration, Ohio University, USA
- Bachelor of Business Administration, Ohio University, USA
- Diploma in Banking Studies, Universiti Teknologi MARA, Malaysia
- Certified Financial Planner, Financial Planning Association of Malaysia
- Capital Markets Services Representative License, Securities Commission, Malaysia

Membership of Associations

- None

Date Appointed to the Board

- 15 June 2017

Date of Last Re-election

- Not applicable

Directorships of Other Public Companies

Listed

- Chemical Company of Malaysia Berhad
- Sime Darby Berhad

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 6/6 (since her appointment)

Working Experience and Occupation

Datin Paduka Kartini Hj Abdul Manaf started her career with Permodalan Nasional Berhad (PNB) in March 1983 and is presently its Deputy President, Strategic Investment. In her career spanning over 30 years at PNB, she had served in various capacities and had been involved in various aspects of investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development.

Currently, Datin Paduka Kartini is a Director of Universiti Malaysia Kelantan.

DIRECTORS' PROFILE



SALWAH ABDUL SHUKOR

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Female, Age 49, Malaysian

Board Committee Memberships

Risk Management Committee

Whistle-Blowing Committee

Qualifications

- LLB. (Hons.), University of Bristol, UK
- Diploma in Shariah Law and Practice, International Islamic University, Malaysia

Membership of Associations

- None

Date Appointed to the Board

- 15 June 2017

Date of Last Re-election

- Not applicable

Directorships of Other Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 5/6 (since her appointment)

Working Experience and Occupation

Salwah Abdul Shukor is currently a Partner and Head of the Corporate Department and Intellectual Property at Zain & Co. She has been with the firm since 1994 and was made a partner in 2000. Prior to joining Zain & Co, she was with Messrs Arthur Andersen & Co, London.

Salwah has specialised experience in mergers and acquisitions, initial public offerings, intellectual property advisory, and Shariah family matters including estate planning. She has been consistently ranked as a leading lawyer by Chambers Global and Asia Pacific-Legal 500 in the area of Mergers & Acquisitions as a respected practitioner in the market, "rated for her sound technical expertise and spot-on legal knowledge".

Salwah is currently a member of the Bursa Malaysia Listing Committee. She also sits on the Disciplinary Committee Panel of the Advocates and Solicitors Disciplinary Board and the Member Engagement Committee of Meritas Law Firms Worldwide. She is a trustee on the Board of GOLD (Generating Employment for the Learning Disabled) as well as the advisory Boards of Charity Right and Sultan Ahmad Shah Environment Trust.

DIRECTORS' PROFILE



DR VEERINDERJEET SINGH INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 61, Malaysian

Board Committee Membership
Audit Committee

Qualifications

- Bachelor of Accounting (First Class Hons.), University of Malaya
- Ph.D, Universiti Putra Malaysia

Membership of Associations

- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Chartered Tax Institute of Malaysia (CTIM)
- Member of CPA Australia

Date Appointed to the Board

- 15 June 2017

Date of Last Re-election

- Not applicable

Directorships of Other Public Companies

Listed

- None

Non-Listed

- Malaysian Rating Corporation Berhad
- AmBank (M) Berhad

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- 66 shares in UMW Holdings Berhad

Number of Board Meetings Attended in the Financial Year

- 5/6 (since his appointment)

Working Experience and Occupation

Dr Veerinderjeet Singh has extensive tax experience, having been a tax partner in international accounting firms and having worked with the Malaysian Inland Revenue Department. He is currently the Chairman of Axcelasia Taxand Malaysia Sdn Bhd which is a member of the Taxand Global Organisation of independent tax advisory firms. He is also the Non-Executive Chairman of Axcelasia Inc which is a Singapore listed holding company of various entities (including Axcelasia Taxand Sdn Bhd) offering integrated professional services.

Dr Veerinderjeet is a Past President of CTIM and was also the Immediate Past Chairman of the International Fiscal Association - Malaysia Branch. He is a Council member and an Executive Committee member of MICPA. He is also an appointed Council Member of the MIA. Dr Veerinderjeet also sits on the Board of Trustees of the International Bureau of Fiscal Documentation, based in Amsterdam. In January 2012, he was appointed to the Commission on Taxation of the International Chamber of Commerce based in Paris.

Dr Veerinderjeet has written more than 100 publications, including books and articles in local newspapers and in local and international tax, law and accounting journals. He has advised on a wide range of tax matters affecting cross-border investments, corporate restructuring, financial institutions, multinational entities, listed entities, and government and quasi-government entities and projects. He has served as an Adjunct Professor at the University of Malaya and as a Visiting Fellow at the Business School, Taylor's University. He is currently an Adjunct Professor at the Business School, Monash University Malaysia.

DIRECTORS' PROFILE



MOHD SHAHAZWAN MOHD HARRIS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 46, Malaysian

Board Committee Memberships

Investment Committee
Risk Management Committee

Qualifications

- Sloan Fellows Master of Business Administration in Leadership and Innovation, Massachusetts Institute of Technology, USA
- Master of Science in Advanced Mechanical Engineering, Imperial College of Science, Technology and Medicine, UK
- Bachelor of Engineering Degree in Mechanical Engineering, University of Warwick, UK

Membership of Associations

- None

Date Appointed to the Board

- 15 June 2017

Date of Last Re-election

- Not Applicable

Directorships of Other Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- 5/6 (since his appointment)

Working Experience and Occupation

Mohd Shahazwan Mohd Harris was an Executive Director in the Investments Division of Khazanah Nasional Berhad (**Khazanah**) until April 2016. He joined Khazanah in January 2005 and had covered various sectors, including Aviation, Energy, Infrastructure, Sustainable Development, Healthcare and Technology. He was the Executive Director overseeing the restructuring of Malaysia Airlines Berhad between 2012 to 2016. Throughout his career at Khazanah, he had worked across Asia and Europe.

Prior to joining Khazanah, Mohd Shahazwan was with Boston Consulting Group, where he worked extensively in the regional energy sector. Prior to that, he had also worked with PA Consulting Group in Kuala Lumpur and Jakarta, and with Tenaga Nasional Berhad.

Mohd Shahazwan had also served as a Director of Malaysia Airlines Berhad, Pantai Holdings Berhad, UEM Edgenta Berhad, Opus International Consultants Limited (listed on the New Zealand Stock Exchange) and other private companies. He is currently a Senior Advisor to Bain & Co and Corporate Advisor to Temasek International Advisory (Singapore).

DIRECTORS' PROFILE



LIM TZE SEONG

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Male, Age 52, Malaysian

Board Committee Membership

None

Qualifications

- Master of Business Administration, University of Wales, UK
- Chartered Institute of Management Accountants, UK

Membership of Associations

- None

Date Appointed to the Board

- 1 January 2018

Date of Last Re-election

- Not Applicable

Directorships of Other Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None

Number of Board Meetings Attended in the Financial Year

- Not applicable as he was appointed as Director on 1 January 2018.

Working Experience and Occupation

Lim Tze Seong is the Head, International Equity Department of Employees' Provident Fund (EPF), responsible for managing international equity investments through internal and external portfolio managers. Before assuming his present position in EPF, he had previously held the position of Manager, Equity Department and Senior Manager, International Equity Department.

Prior to joining EPF in 2006, he held senior positions in Malaysia's leading fund management companies from 1997-2006 with responsibilities over diverse investment mandates. Lim also served as an investment analyst in a major investment bank from 1991-1997.

Notes -

1. Save as disclosed below, none of the Directors has any family relationship with any Director and/or major shareholder of the Company -
 - Tan Sri Dato' Sri Hamad Kama Piah Che Othman, Datin Paduka Kartini Hj Abdul Manaf and Salwah Abdul Shukur are nominees of Permodalan Nasional Berhad.
 - Lim Tze Seong is a nominee of Employees Provident Fund Board.
2. None of the Directors has any conflict of interest with the Company and has any conviction for offences within the past five (5) years other than traffic offences or any public sanction or penalty imposed by any regulatory body in the year under review.
3. None of the Directors has transacted in any of the Company's securities in the year under review.

MANAGEMENT COMMITTEE



BADRUL FEISAL ABDUL RAHIM
President & Group Chief Executive Officer

Profile presented on page 53.



AZMIN CHE YUSOFF
Executive Director, Group Financial Services/
Group Chief Operating Officer

Male, Age 59, Malaysian

Qualifications

- Bachelor of Accounting (Hons.), University of Malaya
- Advanced Management Programme, Harvard Business School, USA

Membership of Associations

- Malaysian Institute of Accountants

Date Appointed to Management Committee

- 1 September 2009

Working Experience

Azmin Che Yusoff started his career in Kontena Nasional Berhad in 1982 as an Accounts Executive and eventually as Chief Executive Officer from 2003 to 2008. Soon after, he joined Landbridge Haulage (M) Sdn Bhd as Executive Director, Finance. In September 2009, he joined UMW as Executive Director of the Group Financial Services Division, and in October 2015, was promoted to the position of Group Chief Operating Officer.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

MANAGEMENT COMMITTEE



ZAILANI ALI
Executive Director, Group Human Resource

Male, Age 52, Malaysian

Qualifications

- Bachelor of Arts (Hons.) in Social Science, Universiti Kebangsaan Malaysia
- Certified 360° Coach from Assessment Plus, USA

Membership of Associations

- None

Date Appointed to Management Committee

- 1 October 2016

Working Experience

Zailani Ali has more than 25 years of human resource (HR) experience with local and multinational companies spanning across various industries such as telecommunication, insurance, automotive and banking. He held several senior positions, namely, Director of HR of Maxis Berhad, Senior Vice President/Head of Group HR of International Netherland Group (ING) Malaysia and Member of the Global HR Business Council, Head of HR & Administration of DaimlerChrysler Malaysia, Vice President HR of Citibank Berhad, Regional (Southeast Asia) Manager of Bestfood International, Group HR Manager of DRB Hicom Berhad and Compensation & Benefits Manager of Telekom Malaysia Berhad, prior to joining UMW as Executive Director of Group HR.

Zailani brings with him strategic HR initiatives in the areas of leadership and management development, business transformation and change management, high performance culture, merger and acquisition, reward and performance, workforce data analytics and coaching and mentoring culture.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None



ROZA SHAHNAZ OMAR
Director, Group Strategy

Female, Age 51, Malaysian

Qualifications

- Master in Business Administration, Strathclyde University, UK
- Bachelor of Science (Hons.) in Combined Studies (Accounting and Law), De Montfort University, UK

Membership of Associations

- None

Date Appointed to Management Committee

- 4 February 2016

Working Experience

Roza Shahnaz Omar joined UMW in 2010 as General Manager, Group Corporate Development. She has extensive experience in the fields of strategic planning, business development, corporate advisory and investor relations. In February 2016, she was promoted to the position of Director of Group Strategy.

Prior to joining UMW, Roza Shahnaz held several senior positions in various organisations such as Malaysian Rating Corporation Berhad and DRB Hicom Berhad.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

MANAGEMENT COMMITTEE



RAVINDRAN KURUSAMY
President, UMW Toyota Motor Sdn Bhd

Male, Age 54, Malaysian

Qualifications

- Master in Business Administration, Western International University, USA
- Bachelor of Science in Business Administration (Finance), Northern Arizona University, USA

Membership of Associations

- Malaysian Automotive Association

Date Appointed to Management Committee

- 1 January 2017

Working Experience

Ravindran Kurusamy joined UMW Toyota Motor Sdn Bhd (**UMW Toyota**) after graduating with a MBA from USA in 1988. He has been with UMW Toyota for over 26 years and has taken on senior positions in different divisions, starting off in Marketing, Sales and Used Car Operations, Accessories, Production Planning and Information Technology. Ravindran has initiated and successfully concluded several projects to enhance the supply Chain and logistics Network for UMW Toyota. Through these activities, he has strengthened the company's rapport with its business partners in Malaysia and the ASEAN Region. On 1 January 2017, he was promoted as President of UMW Toyota.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- None



LEE CHIN MIN
President, Equipment Division

Male, Age 60, Malaysian

Qualifications

- Bachelor of Mechanical Engineering (Hons.), University of Malaya

Membership of Associations

- None

Date Appointed to Management Committee

- 1 January 2013

Working Experience

Lee Chin Min has been with the Equipment Division of UMW for over 30 years. He first joined UMW as Marketing Executive in 1982, before being promoted to the position of Regional Sales Manager, Material Handling Equipment in 1989. He continued to move up the ranks and assumed the position of General Manager in 2000, where he was one of the key members instrumental in starting the division's forklift rental business. He was made Director of the Material Handling Equipment business operations in 2008, and was responsible for the Group's material handling equipment business. In 2013, he was promoted to the position of Executive Director of the Equipment Division before being redesignated President on 1 December 2015.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries (as at 31 March 2018)

- 1,554 shares in UMW Holdings Berhad

MANAGEMENT COMMITTEE



MEGAT SHAHRUL AZMIR NORDIN
President, Manufacturing & Engineering Division

Male, Age 48, Malaysian

Qualifications

- Bachelor of Science in Electrical Engineering, Widener University, USA

Membership of Associations

- None

Date Appointed to Management Committee

- 1 January 2012

Working Experience

Megat Shahrul Azmir Nordin has over 25 years of skill sets in strategy and growth, turnaround, business development, sales and marketing, manufacturing and management consulting. During his ten-year attachment with Accenture, he led various engagements to enhance strategies, technology, processes and organisations. He has core experiences in the areas of corporate strategy, programme management, turnaround, business process reengineering and business integration in various industries, including automotive, oil & gas, telecommunications, manufacturing and the public sector.

Prior to joining UMW, Megat Shahrul Azmir was attached to General Electric (**GE**) and focused mainly on country strategy, business development and enterprise selling for Malaysia. He later became the Asia-Pacific Marketing Director for GE Power & Water and led strategy development and execution for 17 countries in the Asia-Pacific region. In January 2012, he joined UMW as Executive Director of the Manufacturing & Engineering Division before being redesignated President on 1 December 2015.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None



DR WAFI NAZRIN ABDUL HAMID
President, UMW Land Sdn Bhd

Male, Age 50, Malaysian

Qualifications

- Post-Graduate qualification in EU Competition, King's College, London, UK
- Master of Business Administration, Universiti Kebangsaan Malaysia
- Ph.D in Maritime Law, Southampton University, UK
- Master of Laws, Cambridge University, UK
- Degree in Law, International Islamic University, Malaysia

Membership of Associations

- None

Date Appointed to Management Committee

- 12 April 2012

Working Experience

Dr Wafi Nazrin Abdul Hamid was a legal practitioner in a leading law firm in Kuala Lumpur. He is also the co-author of the legal reference "ASEAN Competition Law". In 2007, he left private practice to join and assist Petroliaam Nasional Berhad and MISC Berhad in their expansion of maritime and logistics activities, before joining Malaysia Airlines Berhad, where he won the prestigious INTERLAW "Corporate Counsel of the Year" award.

In 2012, he joined UMW as Executive Director of the Group Management Services Division and later in 2015, assumed the position of President of UMW Land Sdn Bhd (**UMW Land**). Under his stewardship, UMW Land has successfully completed the fast-track construction of a state-of-the-art 265,000 sq. ft. manufacturing facility for the production of fan cases for Rolls-Royce Trent 1000 TEN/7000 aircraft engines. UMW Land will undertake to unlock the value of Serendah land via development of UMW High Value Manufacturing Park (**HVM**) in Serendah.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

MANAGEMENT COMMITTEE



FA'IZAH MOHAMED AMIN
President, Technology Division

Female, Age 50, Malaysian

Qualifications

- Bachelor of Arts (Hons.) in Political Science, Brock University, Canada

Membership of Associations

- None

Date Appointed to Management Committee

- 23 September 2014

Working Experience

Fa'izah Mohamed Amin spent 17 years in TM Berhad, holding diverse key leadership roles before joining UMW on 1 April 2014 as General Manager, Group COO's Office. In December 2014, she rose to become the President of UMW Technology Division, a division that she established. Technology Division was mandated to facilitate the UMW Group to venture into the technology industry sector, uplifting its position as an industry player. She also leads the Group's digital initiatives.

Fa'izah spent much of her career participating in key nation building initiatives, propagating technology as a necessity for the future of Malaysia. Among the notable projects under her credentials were National Internet 2.0 deployment in Malaysia, the country's 1st Internet Exchange (Eastgate Hub) and Malaysia's 1st National Public "Cloud". She was also an early "evangelist" of SmartCity technology in TM, where she led a group of Malaysian technologists to develop "Madinah Knowledge Economic City" infrastructure and commercial blueprint in 2009.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None



MUZAFAR MUNZIR
Senior Group General Counsel/
Head of Group Management Services

Male, Age 52, Malaysian

Qualifications

- Advanced Diploma in Law, Universiti Teknologi MARA, Malaysia
- Diploma in Law, Universiti Teknologi MARA, Malaysia

Membership of Associations

- None

Date Appointed to Management Committee

- 1 February 2016

Working Experience

Muzafar Munzir was admitted to the Malaysian Bar in May 1990 and upon his admission, he practiced as an Advocate and Solicitor from May 1990 to March 2010. In April 2010, he joined UMW as General Counsel in the Group Legal Division and subsequently succeeded his predecessor to become the Group General Counsel. He was promoted to the position of Senior Group General Counsel on 1 January 2015 and subsequently also assumed the position of Head of the Group Management Services Division, effective 1 February 2016.

Directorships in Public Companies

Listed

- None

Non-Listed

- None

Interest in Securities of the Company and its Subsidiaries

(as at 31 March 2018)

- None

Notes -

1. Save as disclosed, none of the Management Committee members has any family relationship with any Director and/or major shareholder of the Company.
2. None of the Management Committee members has any conflict of interest with the Company or any conviction for offences within the past five (5) years other than traffic offences or any public sanction or penalty imposed by any regulatory body in the year under review.
3. None of the Management Committee members has transacted in any of the Company's securities in the year under review.

GROUP CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

“The Board is committed to cultivate responsible organisation by ensuring excellence in Corporate Governance standards at all times, as it firmly believes that the Group’s ethical and governance culture is largely shaped by the tone at the top and must be embedded across the Group.”



The Board, management and employees affirm and remain resolute in the Group’s commitment to enhance shareholder value and its overall competitive positioning by way of upholding the highest standards of Corporate Governance (CG) practices. It is widely accepted that a company’s corporate governance begins and ends with its Board of Directors.

Our Corporate Governance Overview strives to provide a practical snapshot on how CG practices have helped the UMW Group to achieve its strategic objectives and build sustainable value in its businesses under the leadership of the Board.

I am pleased to present our application of the principles enumerated in the Malaysian Code on Corporate Governance 2017 (MCCG 2017) throughout this statement.

LEADERSHIP

As a Board, we are responsible for the stewardship of the Company and for protecting and growing the long-term value of UMW for the benefit of its shareholders. We are accountable to shareholders for the decisions that we make.

Our governance framework helps to protect shareholders’ investment by ensuring that processes are in place for decisions to be made by the right people, with the right information and within the right environment, having debated and given due consideration to the appropriate matters.

Towards this, the Board is committed to cultivate responsible organisation by ensuring excellence in CG standards at all times, as it firmly believes that the Group’s ethical and governance culture is largely shaped by the tone at the top and must be embedded across the Group. The Board plays an active role in advising, administering and reviewing the Group’s governance framework and practices for implementation Group-wide.

CULTURE

At UMW we always seek to operate at the highest ethical standards. Doing the right thing runs through everything we do - it’s in our DNA.

As an organisation with a heritage stretching back more than 100 years, the Board believes that an effective CG structure and culture lies at the core of the UMW Group’s pursuit to achieve its vision and objectives. This includes among others, ethical conduct, business integrity, commitment to values, delivering sustainable values and managing shareholders’ and stakeholders’ expectations.

As a Board, setting and demonstrating the values and behaviours that we expect from our employees is not enough. We also need to ensure that these values and standards are understood and embedded within the Group.

Mindful of the increasingly regulated environment in which we operate, during the year under review, we made considered efforts to adhere to the new MCCG 2017 to further raise the bar in the Group’s CG standard through various measures for implementation in 2017.

EFFECTIVENESS

As the Group Chairman, I always believe that an effective Board does not place itself in a comfortable setting and it does not remain static. As with all living organisms, the Board, being a body of individuals, should constantly evolve in response to the environment which it operates.

GROUP CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE



UMW Board members at the seminar on "Companies Act 2016: New Governance Framework for Directors & Management and its Impact"

Maintaining a skilled, balanced and effective Board is crucial for the long-term success of the Group. I am confident that the composition of our Board, which comprises skilled and experienced individuals, provides the appropriate balance of challenge and support to ensure that it operates effectively and makes the best possible decisions.

We believe that diversity in Board composition is an important driver for the Board's effectiveness, creating a breadth of perspectives among Directors.

In discharging our responsibilities, we as Directors, must fulfil our duty of care, skill and diligence in a conscientious manner, as the Board bears the ultimate responsibility for the Company's values and actions.

ACCOUNTABILITY

It is vital that the Board members see their directorship as a journey of stewardship rather than a position of privilege. The notion of stewardship points that Directors have a responsibility not only to themselves but to the Company, its shareholders and the wider group of stakeholders.

The Board is ultimately responsible for setting the risk appetite of the Group and for maintaining appropriate risk management systems. During the year, we continued to refine our risk procedures and strengthen our risk assurance processes in response to changes to our risk profile.

This statement is to be read together with the Corporate Governance Report 2017 (**CG Report 2017**) which is available on the Company's website. The CG Report 2017 provides the details on how the Company has applied each practice under MCCG 2017 as well as the departures and alternative measures in place within the Company throughout the financial year 2017.

I conclude by saying that the Board is highly committed to maintaining strong governance that honours integrity, transparency, accountability and responsible conduct, as it firmly believes that strong governance will position us to deliver strong growth and greater sustainable value for all our stakeholders.

TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN
GROUP CHAIRMAN

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP

The Board recognises its responsibilities in governing, guiding and monitoring the performance of the entire Group. We are responsible for the stewardship and long-term success of UMW. Our overarching aim is to create sustainable value for the benefit of our shareholders. Principally, we achieve this through -

- Promoting good corporate governance culture within the UMW Group;
- Establishing and reviewing the strategic direction of the Group;
- Overseeing and evaluating the conduct of the Group's businesses;
- Ensuring the integrity of the Company's financial and non-financial reporting;
- Identifying principal risks and ensuring the implementation of appropriate systems for managing risk;
- Establishing succession planning;
- Ensuring the existence of a good investor relations programme and shareholder communication policy; and
- Reviewing the adequacy and integrity of Management Information and of the Internal Control System.

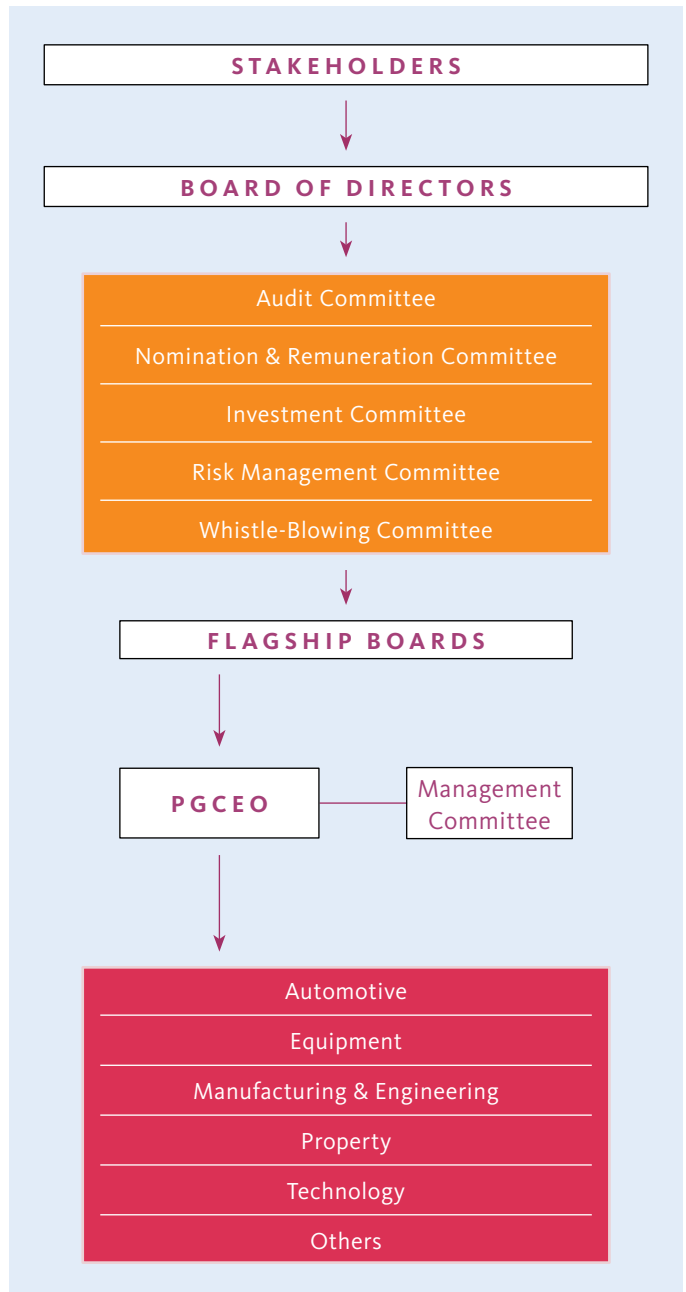
Apart from the above core responsibilities, the Board also takes full responsibility and accountability for the smooth functioning of core processes involving Board governance, business values and ethical oversight.

The UMW Group's CG Framework and practices were developed based on the following statutory requirements, best practices and guidelines -

- Companies Act 2016 (**CA 2016**);
- Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad (**Bursa Securities**);
- Malaysian Code on Corporate Governance 2017 (**MCCG 2017**);
- Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on GLC High Performance;
- Corporate Governance Guide: Towards Boardroom Excellence 3rd Edition by Bursa Malaysia Berhad; and
- Minority Shareholder Watchdog Group's Malaysia-ASEAN Corporate Governance Scorecard.

With the Group's significant presence in the countries it operates, the Group also monitors and abides by the guidelines of the relevant regulators and authorities.

The Group applies the following CG Framework where specific powers of the Board are delegated to the respective Board Committees, the President & Group Chief Executive Officer (**PGCEO**) and the management, as depicted below -



The Group's CG Framework is a reflection of the way strategic and operational activities are managed. The roles of stakeholders, the Board, the Committees of the Board (**Board Committees**), and management are distinctly different but complementary in attaining the Group's core objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The framework is supported by, among others, the UMW Group's Financial Limits Authority Guidelines (**FLAG**) which sets out the respective authority limits including those reserved for the Board's approval and those which the Board may delegate to the Board Committees, the PGCEO, the Flagship Boards (**FB**), Management Committee and management.

The holding company formulates strategies to optimise the Group's performance and oversees activities at the consolidated level, while the core businesses retain the necessary authority and responsibility for conducting their own operations. This allows the Board to take broader perspective on issues affecting the Group, such as overall strategy, risk management and governance level.

Subject always to the direction and counsel of the Board and compliance with any policies and delegated authority limits set by the Board, the roles of the FB are, among others, the following -

- To oversee the operations of the respective divisions, which include, but are not limited to, overseeing their business strategy and performance, human capital management, CG and risk management practices;
- To fulfil its statutory and fiduciary responsibilities of monitoring the management and financial risk processes, and accounting and financial reporting practices of the divisions;
- To review the business efficiency and quality of the accounting function, financial reporting and system of internal controls of each division;
- To enhance the independence of both the external and internal audit functions by providing direction to and oversight of these functions; and
- To ensure that an effective ethics programme is implemented across the divisions, and to monitor compliance with established policies and procedures.

BOARD AND MANAGEMENT FUNCTIONS

The Board recognises its responsibilities in governing, guiding and monitoring the performance of the entire Group. There is a clear division of responsibilities between the Board and management. The Board is led by a Non-Independent Non-Executive Chairman, whose principal responsibility is to ensure the effective running of the Board. Except for matters reserved for shareholders, the Board is the ultimate decision-making body of the Group.

In line with MCCG 2017, we delegate certain responsibilities to our Board Committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal

control and risk management, executive remuneration and new Board appointments, including matters relating to investment/corporate proposals and strategic direction. The delegation of certain responsibilities of the Board to its committees is necessary as there is now greater reliance on Board Committees to respond to complex challenges of the business. However, the responsibility for governing, guiding and monitoring the performance of the Group rests with the Board.

Board Committees operate within clearly-defined terms of reference (**TOR**), operating procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure they are relevant and up-to-date.

To facilitate the discharge of the Board's responsibility and oversight role, the Board is assisted by a number of Board Committees, namely, Audit Committee (**AC**), Nomination & Remuneration Committee (**NRC**), Investment Committee (**IC**), Risk Management Committee (**RMC**) and Whistle-Blowing Committee (**WBC**) established with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board as mandated in their respective TORs.

In 2017, enhancements were made to the Board Committees in terms of its functions and composition. On 15 June 2017, the Nomination Committee and Remuneration Committee were merged into a single committee known as NRC. The merge exercise is to streamline the functions and roles of the two (2) committees to enhance work efficiency.

The function on risk management was originally entrusted with the Investment & Risk Management Committee (**IRMC**) since its establishment on 20 May 2010. Apart from providing Board oversight on risk management, the IRMC was primarily responsible in reviewing and evaluating investment and divestment proposals, including funding requirements and periodic monitoring of approved investments/projects. The function on risk management is separated from the IRMC and it is now known as the IC with its function expanded to cover area on growth strategy. The RMC, which was established as a stand alone Board Committee, assumed the previous role of the IRMC in providing oversight to the Group's risk management framework and policies.

Following the Group's strategic decision to exit from the Oil & Gas (**O&G**) industry, the Group is actively implementing action plans towards this direction. Consequent to this, the Board had on 28 September 2017, established an ad hoc Board Committee, known as the Value Group Execution Committee (**VGEC**), to provide strategic guidance and direction to management and to make recommendations to the Board on proposed action plans/resolutions/strategies to achieve the intended objective of exiting the investments under the O&G unlisted segment.

Reports on the activities of our Board Committees can be found on the following pages and in the CG Report 2017. Their respective TORs are available on our website at www.umw.com.my

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board receives regular reports on Board Committees' proceedings and deliberations. Decisions of Board Committees are incorporated into the minutes of meetings of the Board. On matters reserved for the Board and where Board Committees have no authority to make decisions, recommendations are highlighted directly to the Board for deliberation and endorsement. Independent Directors and Non-Executive Directors (**NEDs**) play a leading role in Board Committees, whilst management and third parties are co-opted into Board Committees as and when required.

The Board keeps abreast of the key issues and decisions made by each Board Committee through reports by the Chairman of each Board Committee and via minutes of Board Committee meetings tabled at Board meetings.

As part of UMW's continuous commitment towards ensuring consistent good business practices and governance, the Board is also guided by among others, the Board Charter and FLAG. These clearly define the relevant matters and applicable authority limits, including those reserved for the Board, and those of the FB, the PGCEO and management. Enhancements to FLAG are regularly made to reflect changing risks and/or to address operational deficiencies.

At management level, several committees, namely the Management Audit Committee (**MAC**), Management Risk Committee (**MRC**), Tender Committee and Management Whistle-Blowing Committee (**MWBC**) have been established to ensure CG practices and ethical behaviour are upheld at all times in the Group's business dealings. In addition, relevant corporate divisions ensure that policies and procedures such as the UMW Code of Business Conduct and Ethics, Whistle-Blowing Policy, Procurement Policy, FLAG, Risk Management Policy and Information Technology Policy are effectively implemented and enforced.

BOARD MEETINGS

To facilitate Directors' planning, meetings of the Board, Board Committees and shareholders are scheduled in advance at the beginning of the fourth quarter of each preceding year. We meet at least once every quarter with additional meetings convened as and when situations require urgent Board deliberation and decision.

In addition to regular Board reviews of strategic projects, we hold an annual Board meeting which is devoted to reviewing progress made against Group strategy and discussing longer-term strategic options. During this meeting we receive detailed updates on markets and technology trends from external experts and we discuss and approve the strategy for each division and the Group.

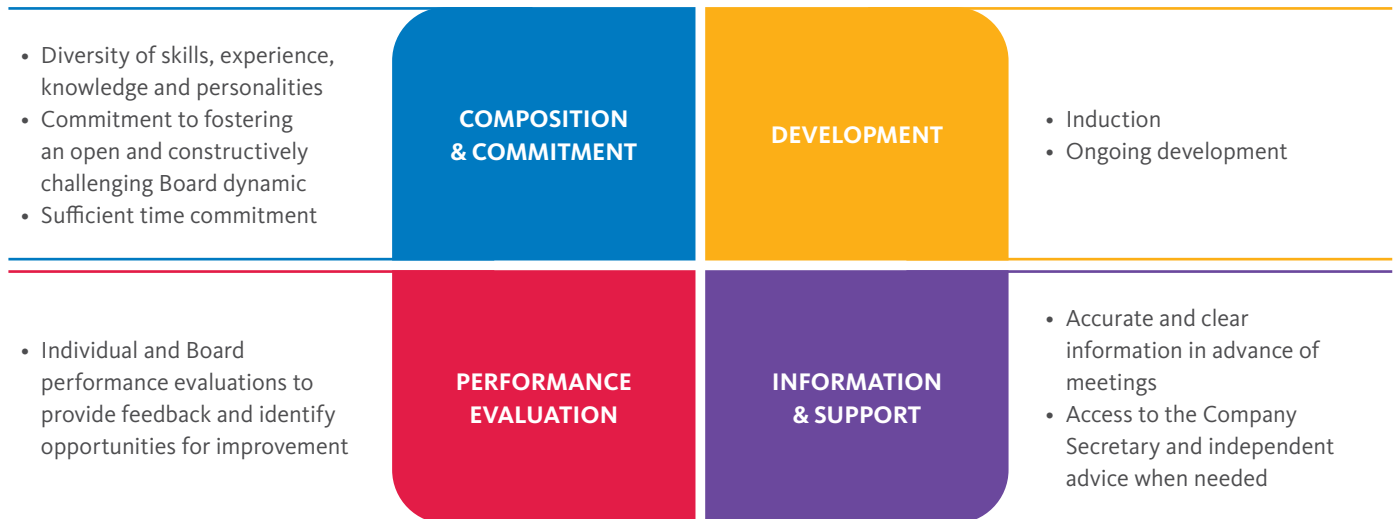
We also hold a number of informal meetings during the year to build and maintain strong relations between Directors. Additionally, the Group Chairman meets from time-to-time with the NEDs without the PGCEO being present to discuss our priorities and concerns.

We declare at Board meetings our interests (direct or indirect) in proposals being considered by the Board. Where a Director is deemed interested, the Director does not participate in any discussion on the subject matter and would excuse himself from the meeting. Declaration of Director's interest in any proposal presented to the Board is reflected in the minutes of meetings.

The Group Secretary provides support to the Board in fulfilling its fiduciary duties in relation to compliance with relevant laws, rules, regulations and governance best practices, boardroom effectiveness and Director's duties and responsibilities. He also ensures that deliberation at meeting of the Board and Board Committees are properly captured, minuted and communicated to management for necessary action.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

EFFECTIVENESS



COMPOSITION & COMMITMENT

BOARD COMPOSITION

The composition of the Board remains a key ingredient influencing how the Board functions and the dynamic between its members. The success of the Board in fulfilling its oversight responsibility depends on its size, composition and leadership qualities.

The Board at present consists of eleven (11) members, comprising ten (10) NEDs, six (6) of whom are Independent NEDs, and one (1) Executive Director (**ED**) designated as PGCEO. Changes to the Board were made during the year as the Board experienced three (3) retirements and five (5) appointments.

On 1 January 2017, Tan Sri Dato' Sri Hamad Kama Piah Che Othman assumed the role of Group Chairman of UMW in place of Tan Sri Asmat Kamaludin who retired on 31 December 2016. During the year under review, Dr Leong Chik Weng, Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani and Dato' Mohd. Nizam Zainordin retired as Directors from the Company at the 35th Annual General Meeting (**AGM**) held on 25 May 2017.

On 15 June 2017, we welcomed Datin Paduka Kartini Hj Abdul Manaf, Salwah Abdul Shukor, Dr Veerinderjeet Singh and Mohd Shahazwan Mohd Harris to the Board. Subsequently, Rohaya Mohammad Yusof resigned from office on 1 January 2018 and was replaced by Lim Tze Seong, who was appointed on the same day.

The Board believes that a truly diverse and inclusive Board will leverage on the differences in thought, perspective, knowledge, skills and industry experience, as this will ensure that the Group retains its competitive edge. Diversity is a critical attribute of a well-functioning leadership team.

In this regard, the NRC is empowered to identify and recommend to the Board, nominees qualified to serve on the Board (including the PGCEO) and Board Committees. Nominations may come from a wide variety of sources, including Directors' pool, senior employees of the Group, shareholders, industry associations, recruiting firms and others.

The key responsibilities of the NRC are to identify and make recommendations to the Board on new candidates for appointment to the Board and its subsidiaries and associated companies, and to review and make recommendations to the Board on the appointment of Directors to fill seats on Board Committees. The NRC is entrusted to annually review the required mix of skills, experience and other qualities of the Board including gender diversity, ethnicity and age where appropriate, and core competencies, which NEDs should bring to the Board.

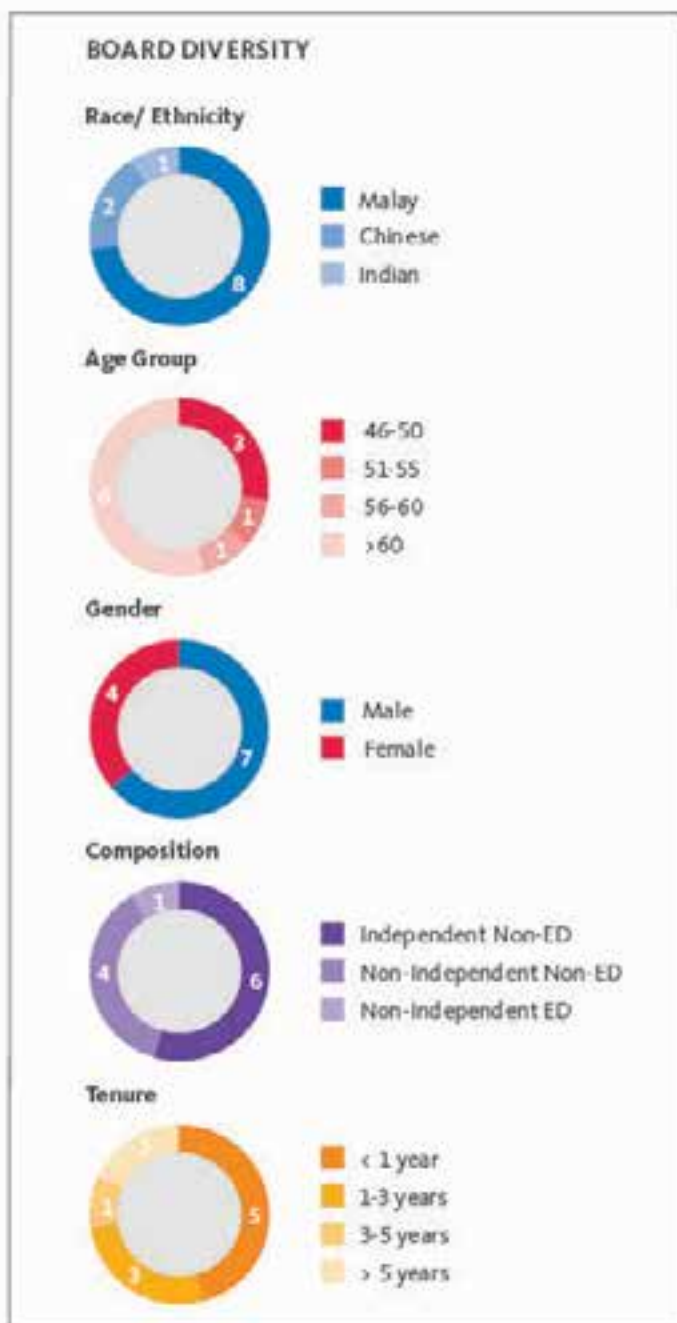
We believe that gender diversity policies will only bring about desired outcomes if there is firm commitment and promotion of a corporate culture that embraces diversity. In line with the Government's aspiration to have at least 30% women representation in decision-making positions of Malaysian public companies, UMW now has four (4) women Directors on the Board of eleven (11) members and achieved beyond the 30% level. The Board had earlier achieved 45% women representation in 2017 before the resignation of Rohaya Mohammad Yusof on 1 January 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In 2017, UMW was recognised as one of the companies in the top 15 of the 100 public-listed companies with more than 30% women on the Board. The recognition marks the Group's strong advocacy towards supporting and advancing the Government's agenda of promoting boardroom diversity.

Whilst the Board recognises gender diversity as one of the key drivers to enhance Board effectiveness, appointments to the Board are ultimately made based on merit as the overriding principle in order to achieve a high-performance Board. Other competencies such as individual skills, background, industry knowledge and experience, amongst other factors, will be taken into consideration.

The current diversity of the existing Board is as follows -



BOARD INDEPENDENCE

Viewed as a solution for balancing influence, the Board recognises the important contribution that Independent Directors make to good CG. Independent Directors are essential for protecting the interests of minority shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

It is important to note that progressive thought on CG places great emphasis on the roles that Independent Directors play in deliberations at Board meetings and Committee meetings and in ensuring the separation of powers between management, particularly its EDs and the Board.

The Company measures the independence of its Board members based on the criteria stipulated in MMLR. To date, all six (6) Independent NEDs satisfy the independence criteria.

Our Director, Dato' Siow Kim Lun was appointed as Senior Independent Director since 11 October 2013. Dato' Siow has the role of supporting the Group Chairman in ensuring that all Independent Directors have an opportunity to provide their views and comments on the affairs of the Company. He continues to be the conduit between Independent Directors and the Group Chairman. Shareholders and other interested parties may also convey their concerns relating to the Group to Dato' Siow via his personal email address at kimlun22@gmail.com.

BOARD COMMITMENT

With regard to commitment, each Board member is expected to commit sufficient time in carrying out their roles as Director and/or member of the Board Committees which they are part of.

A total of fourteen (14) Board meetings were held in 2017 to deliberate on business performance reports of the Company and its major subsidiaries and associated companies, evaluate the feasibility of business propositions and corporate proposals, taking into cognisance of the prevailing economic issues, risk assessment, strategies and direction, and standards of conduct and compliance by the Group.

All Directors have exceeded the 50% meeting attendance requirement as prescribed under Paragraph 15.05(3)(c) of MMLR. This reflects our commitment and dedication in fulfilling our duties and responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Details of the attendance record of each Director at Board and Board Committee meetings for the financial year 2017 are as follows -

Attendance at Meetings

DIRECTOR	ATTENDANCE AT BOARD MEETINGS		ATTENDANCE AT BOARD COMMITTEE MEETINGS								
	NO. OF MEETINGS ATTENDED	(%)	AC	NC	RC	NRC [∞]	IRMC	IC [∞]	RMC [∞]	WBC	VGEC ^α
Non-Independent Non-Executive											
Tan Sri Dato' Sri Hamad Kama Piah Che Othman [^]	14/14	100									
Datin Paduka Kartini Hj Abdul Manaf*	6/6	100				4/4	1/1	3/3			4/4
Salwah Abdul Shukor*	5/6	83							1/1	1/1	3/4
Rohaya Mohammad Yusof ** ^	12/14	86									
Dr Leong Chik Weng [∅]	6/7	86		4/4	3/3		2/2				
Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani [∅]	7/7	100			3/3						
Dato' Mohd Nizam Zainordin [∅]	6/7	86	4/5				2/2			1/2	
Independent Non-Executive											
Dato' Siow Kim Lun	12/14	86	9/9	5/5		4/4	2/3	3/3			2/2
Khalid Sufat	13/14	93	9/9	5/5	3/3	4/4	1/1	3/3			3/3
Tan Sri Hasmah Abdullah	13/14	93	9/9				3/3		1/1	3/3	
Dato' Eshah Meor Suleiman	14/14	100				4/4			1/1	1/1	
Dr Veerinderjeet Singh*	5/6	83	4/4								3/4
Mohd Shahazwan Mohd Harris*	5/6	83					0/1	3/3	1/1		4/4
Executive											
Badrul Feisal Abdul Rahim	13/14	93	9/9	4/5	2/3	3/4	3/3	3/3			

* Datin Paduka Kartini Hj Abdul Manaf, Salwah Abdul Shukor, Dr Veerinderjeet Singh and Mohd Shahazwan Mohd Harris were appointed as Directors on 15 June 2017.

** Rohaya Mohammad Yusof resigned as Director on 1 January 2018 and was replaced by Lim Tze Seong, effective 1 January 2018.

^ Tan Sri Dato' Sri Hamad Kama Piah Che Othman and Rohaya Mohammad Yusof are not members of any Board Committee.

∅ Dr Leong Chik Weng, Datuk Seri Dr Nik Norzrul Thani N.Hassan Thani and Dato' Mohd Nizam Zainordin retired at the 35th AGM held on 25 May 2017.

∞ The NC and RC were combined as NRC effective 15 June 2017 while the IRMC was separated into stand alone committees known as IC and RMC on 27 July 2017.

α On 28 September 2017, the Board established an ad-hoc Board Committee known as VGEC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



DEVELOPMENT

INDUCTION

Every Board is unique in terms of its own history, culture and dynamics. The workings of one Board may not be entirely applicable on another Board. Therefore, we believe that induction will be vital for newly appointed Directors to orientate themselves in the new environment in order to contribute to the Board.

On joining the Board, a Director receives a tailored induction to suit the individual's background and experience. This includes -

- A comprehensive induction pack with background information about UMW, details of Board meeting procedures, and Directors' duties and responsibilities in addition to a number of other governance related issues;
- A briefing with the Group Secretary who is responsible for facilitating the induction of new Directors on their roles and responsibilities;
- Meetings with the PGCEO and with relevant senior executives to be briefed on the Group's strategy and each individual business portfolio;
- Specific briefings on operations and plant visits; and
- External training, where appropriate, particularly on matters relating to the role of a Director and the role and responsibilities of Board Committees.

We believe that successful induction programmes help to foster constructive relationships between the newly appointed Director and existing Directors and senior management.

ONGOING DEVELOPMENT

The Board is mindful of the need for Directors to attend continuous education programmes to keep them abreast of new developments pertaining to legislations, regulations, current commercial issues and changing commercial risks that may affect business operations and compliance matters.

Directors are also continually updated on the Group's businesses, the markets in which they operate and changes to the competitive and regulatory environment through briefings to the Board and meetings with senior executives. NEDs are encouraged to visit the Group's operations in addition to formal Board visits to increase their exposure to the business.

The NRC had performed a general assessment of the composition, skills and experience of the Board in light of the UMW Group's business and strategies via a Board Skill Matrix exercise. This evaluation has enabled the NRC to address the training needs of each Director more objectively so that appropriate training and education programmes can be identified and arranged for Directors' participation from time to time to further enhance their skills and knowledge. The Company also allocates a dedicated training budget to support the continuous development of Directors.

The Group Chairman discusses training and development needs with each Director as part of our annual individual performance evaluation process. The Group Secretary keeps under review the suitability of external courses so that any needs identified either through the evaluation process or on an ad hoc basis can be addressed.

Details of Directors' attendance on various training programmes are provided in the CG Report 2017.



INFORMATION SUPPORT

Information is the lifeblood of a Board. Thus, information flow between the Board and management is critical to the proper functioning of both, as well as the execution of the Group's strategic plan and many other critical processes.

In this regard, the Board has direct access to management for complete and unrestricted information pertaining to the Group's business and affairs necessary for the effective discharge of its responsibilities.

Management is responsible for providing the Board with timely, accurate and quality information and in a form and manner appropriate for the Board to discharge its duties effectively.

All Directors are provided with comprehensive Board papers containing management reports and proposal papers at least five days before Board meetings to enable them to review and consider the agenda items to be discussed. In addition, there is a schedule of matters reserved specifically for the Board's decision.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

To ensure timeliness and efficiency, dissemination of all minutes, reports and Board papers for Board and Board Committee meetings have now been made using paperless technology. Electronic-based Board papers reduces the need for traditional paper-based communication and allows Board papers and other information to be securely uploaded by management and remotely accessed by the Directors through dedicated applications.

Members of the Group's senior management and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the agenda. Where necessary, management briefs Board members individually before certain matters are discussed at Board meetings.

From time to time, the Company's Board meetings are held at locations within the Group's business operations to give Directors a better perspective of the Group's businesses and to improve their

understanding of the operations. This can provide the Board with insightful perspectives of matters concerning employees, factories, departments and production lines.

Minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation at the following Board meetings. Directors may request further clarification or raise comments on the minutes prior to confirmation by the Board. The Board keeps abreast of key issues and decisions made by Board Committees through reports by the Chairman of each committee and via the minutes of Board Committee meetings presented to the Board.

The Board can have access to independent professional advice, where necessary, for proper discharge of its duties and at the Group's expense. Heads of operations are required to make presentations on proposal papers and brief/update Board members on operational issues from time to time to facilitate Directors in discharging their duties.



PERFORMANCE EVALUATION

The Board has entrusted the NRC with the responsibility of annually reviewing the required mix of skills, attributes and core competencies of its Directors. The Board implemented a process to be carried out by the NRC for assessing the effectiveness of the Board as a whole and the effectiveness of each Director, including the Group Chairman.

The NRC performed the Board and Board Committee evaluation as well as individual Directors' self and peer evaluation for the financial year ended 31 December 2017. The exercise was carried out internally by Group Secretarial & Corporate Governance Division based on a detailed questionnaire adopting the latest CG framework and best practices.

In reviewing the performance of the Board and the contribution of the Group Chairman and individual Directors, performance was assessed and measured against, among others, the Group's strategic plan, principle duties expected of the Board, the Chairman and Directors, obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution.

The evaluation exercise took into account whether -



CORPORATE GOVERNANCE OVERVIEW STATEMENT

In addition, the NRC performed an assessment on the independence and effectiveness of Independent Directors as recommended under MCCG 2017. The assessment took into account Independent Directors' skills and competencies as well as the independent criteria stipulated in MMLR, which require Independent Directors to be independent of management and free from any business or other relationships that could impair independent judgement, objectivity and ability to act in the best interests of the Company. Due consideration was also given as to whether the Independent Director can continue to bring independent and objective judgement to Board deliberations.

The findings of the evaluation were summarised and presented to the NRC. The Chairman of the NRC subsequently met with the Group Chairman to discuss the findings and results of the overall evaluation of the Board, the Board Committees and individual Directors and to recommend areas of continuous improvement, where applicable.

The overall results of the evaluation conducted and improvements recommended were presented at the Board meeting on 27 February 2018. The evaluation results have shown that the Board has continued to be effective and engaged and has discharged its function well based on the complexity of the Group's business activities and the current challenging economic climate.

REMUNERATION POLICIES AND PROCEDURES

In line with MCCG 2017, the Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group successfully, taking into consideration factors such as their fiduciary obligations and responsibilities, time commitment, and the Company's performance and market conditions. The NRC may appoint external advisers or consultants to advise on specific areas where necessary. The Board as a whole determines the remuneration of Directors.

The NRC is responsible for reviewing and recommending to the Board, Directors' remuneration and in the case of NEDs, the remuneration structure reflects the level of responsibilities undertaken and contributions made by them.

The NRC also assists the Board in developing the Group's remuneration policy framework and determining the remuneration package for the PGCEO and members of the senior management of the Group. The remuneration of ED is structured so as to link rewards to corporate and individual performance. The remuneration includes salary and emoluments, bonus and benefits-in-kind. The level of remuneration for ED is benchmarked against compensation levels for similar positions among other Malaysian public-listed companies within the same industry.

The Company is also cognisant of the compensation philosophy advocated by the Putrajaya Committee on GLC High Performance, which suggests that GLC Boards should regularly review the compensation of their Chairman and Directors and align them to the market and appropriate peer group.

A formal review of Directors' remuneration is undertaken once every two (2) years in accordance with the Board Charter. The last review on NEDs' remuneration was approved by shareholders at the 33rd AGM of the company held on 28 May 2015.

In determining the estimated amount of benefits payable to the NEDs, including the Group Chairman, the Board considered various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board Committees, as well as the number of NEDs involved in these meetings. All Directors, Executive and Non-Executive, abstain from deliberations and voting on decisions in respect of their individual remuneration.

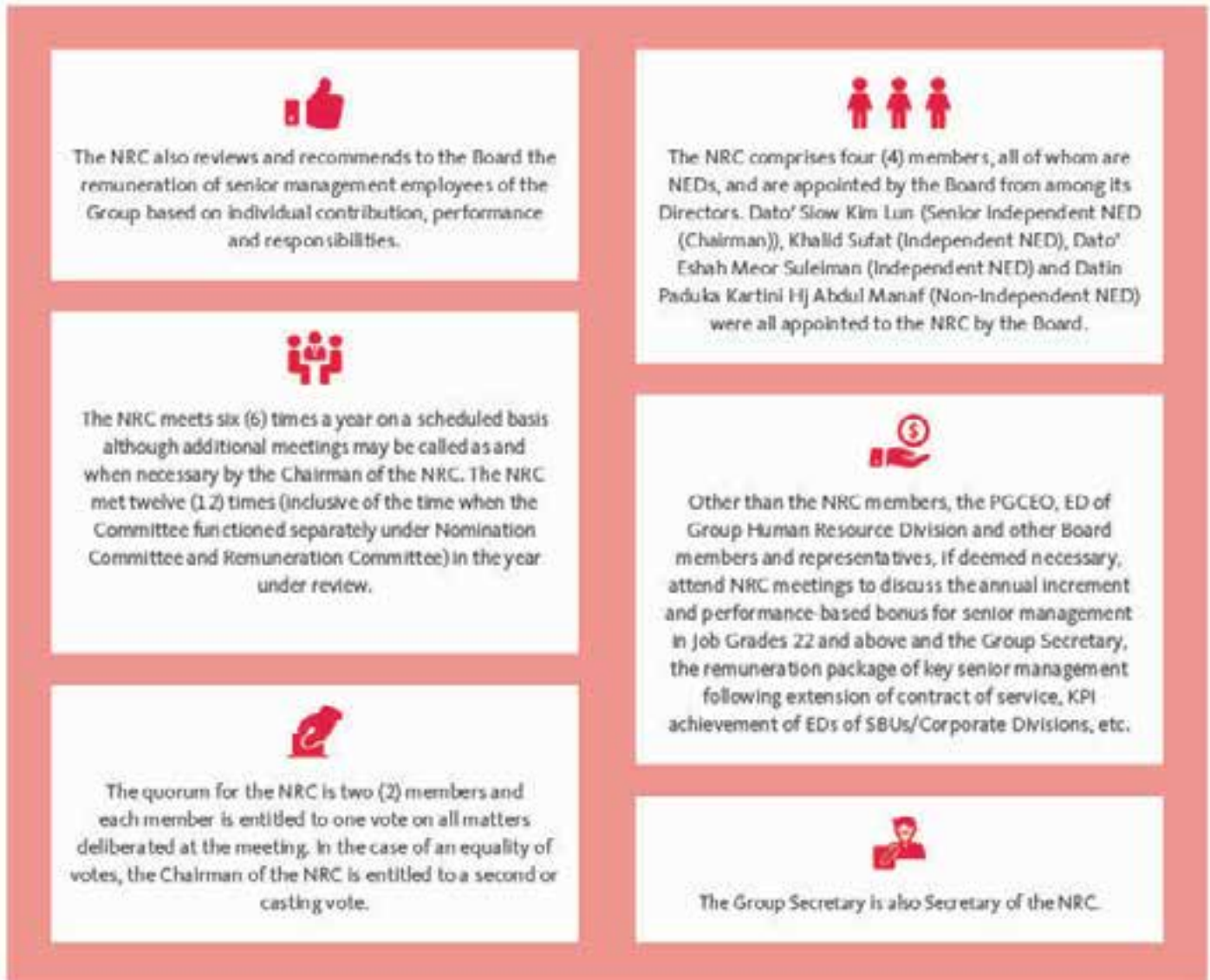
The NRC also reviews and recommends to the Board the remuneration of senior management employees of the Group based on individual contribution, performance and responsibilities.

ESTABLISHING SUCCESSION PLANNING

The Board oversees a clear and orderly succession plan for the PGCEO, the Group's key senior management and the Group Secretary through the NRC. The NRC is responsible for formulating nomination, selection and succession policies for the Group. The Board acknowledges that in a competitive global environment where securing talents is a challenge, more attention is needed in managing human capital development. In discharging its responsibilities on succession planning, the NRC receives succession management updates from the Group Human Resource Division in accordance with the succession management framework. The NRC reviews the successors' assessment results, monitors the progress of actions taken, including the development programme for the readiness and potential of identified candidates to assume critical positions within the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The structure of the NRC in respect of the remuneration policy and procedures are as follows -



In addition to the above, Directors are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors and officers of the UMW Group, provided that such Director or officer has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ACCOUNTABILITY

AUDIT COMMITTEE

The AC comprise four (4) Non-Executive Directors, all of whom are Independent Directors. No alternate director is appointed as a member of the AC. The AC is chaired by an Independent NED, Khalid Sufat who is an accountant by profession. The AC members are qualified individuals having the required level of expertise and experience to discharge the AC's function and duties.

The composition of the AC and the qualifications of its members comply with Paragraph 15.09 of MMLR of Bursa Securities. The TOR of the AC continue to remain aligned with MMLR and the recommendations of MCCG 2017 and other relevant CG best practices.

Based on the annual evaluation carried out, the AC has shown continuous commendable performance with all four (4) members having demonstrated a high degree of independency, professionalism and integrity, with balanced diversity, skills and experience. The AC members' accountability in discharging their duties and responsibilities in accordance with the AC's TOR, as required under MMLR and recommended under Principle B of MCCG 2017.

Through the year, the AC had dealt in issues related to financial reporting, external and internal audit findings, related party transactions and internal control, in line with the mandate provided in the TOR. The AC has provided valuable recommendations and views to assist the Board in making informed decisions which have greatly contributed to the Board's discussions on high level review of financial reporting process and financial statements.

FINANCIAL AND BUSINESS REPORTING

In presenting the annual financial statements and quarterly announcements to Bursa Securities and all disclosures to shareholders, the Board is fully committed to providing a clear, balanced and comprehensible assessment of the Group's financial performance and its future prospects.

The AC assists the Board in overseeing the financial reporting process and ensuring the quality of financial reporting by the Group. The AC reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements. The AC also assists the Board in reviewing the appropriateness of accounting policies applied by the Group as well as the changes in these policies.

The Board is fully accountable for ensuring that the financial statements of each financial year are prepared in accordance with applicable approved Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of CA 2016. It is also the responsibility of the Board to ensure that the financial statements represent a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements the Directors have -

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable financial accounting standards have been followed; and
- Prepared financial statements on a going concern basis, having made due enquiries that the Group and the Company have adequate resources to continue operations in the foreseeable future.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

INTERNAL CONTROLS

The Group continues to maintain and review its internal control procedures to ensure a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The internal control system is designed to meet the Group's particular needs and to manage the risks that may impede the achievement of the Group's business objectives. The system, by its nature, cannot eliminate risks but can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors and management acknowledge their responsibility and remain committed towards maintaining strong internal controls for the Group covering financial, operational and compliance controls as well as risk management, and for reviewing the adequacy and integrity of the system.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The MAC was set up primarily to assist management in addressing issues highlighted in the Internal Audit Reports. The objectives of the MAC include among others, to assess the adequacy and effectiveness of the internal controls based on the Internal Audit Reports, and to agree on the corrective measures to be undertaken and its implementation. The MAC report is thereafter presented to the AC meeting by the Chairman of MAC.

An affirmation exercise to affirm management's responsibility and commitment towards maintaining strong internal controls of the Group's business operations was held in the year under review.

The Management Control Policy introduced in 2008 reflects that control is a function of the management and plays an integral part in the overall process of managing the operations of the Group. The policy provides the Board with reasonable assurance that the following are adhered to -



RISK MANAGEMENT

The Board affirms its commitment and responsibility for the Group's risk management and internal control systems as well as reviewing the adequacy, effectiveness and integrity of the systems. These systems cover not only financial controls but also strategic, organisational, operational, regulatory and compliance controls.

The Group has in place Risk Management & Internal Control Systems for managing risks and internal controls affecting its business operations. The realisation of Risk Management & Internal Control Systems is undertaken by management. Regular reports on risks identified and actions taken to mitigate and/ or minimise such risks and gaps in the internal control systems, if any, are presented to the RMC and AC and ultimately to the Board. The oversight of these critical areas is carried out by the AC and the RMC.

UMW has adopted a risk management framework in line with the Principles and Guidelines of ISO 31000: Risk Management. The framework incorporates a well-structured systematic process to identify, analyse and manage risks to an acceptable level for the achievement of UMW's strategic objectives. There is a clear categorisation used by individual operating companies and corporate divisions for risk appetite and individual risks are measured against set tolerance levels.

The RMC monitors the consistent enforcement of the ERM policy. It also reviews and endorses the risk parameters, risk appetite, risk profiles as well as risk action plans.

GROUP COMPLIANCE

The Group Compliance Division (**GCOMP**) was established by management to enhance the internal control process across the Group. The setting up of the department was endorsed by the AC.

The primary objectives of GCOMP are to provide better understanding of the relationship between business objectives, control environment and operational risks to achieve the aforementioned business objectives and to educate employees to analyse, evaluate and report on the effectiveness of the control mechanism. GCOMP also advises and monitors compliance of entities in the Group, to established procedures. Further information on GCOMP is available in the Statement on Risk Management & Internal Control in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

RELATIONS WITH SHAREHOLDERS

GENERAL MEETING

The notice of AGM together in the Annual Report is circulated at least 21 days before the meeting, fulfilling the requirements under CA 2016 and MMLR. An Administrative Guide is also despatched to shareholders to provide additional information with regard to registration procedures and polling administration for ease of reference on the AGM day. The Company's AGM each year is the primary platform for shareholder engagement and for the Company to explain its progress and to answer any questions from shareholders, proxies and corporate representatives.

All Directors attend the AGM, unless unforeseen circumstances or pressing commitments prevent them. The proceedings of the AGM commences with a presentation by the PGCEO on the Company's operations and financial performance for the preceding financial year, followed by the Company's responses to questions raised by shareholders. These answers are posted to the Company's website for the benefit of other shareholders who were not present at the AGM for information.

The Group Chairman, plays a pivotal role in accommodating constructive dialogue between the shareholders, the Board and management. Shareholders, corporate representatives and proxies are briefed on their rights to speak and vote at the AGM before the commencement of the meeting. Voting results for agenda items presented at the AGM are disclosed in the announcement to Bursa Securities. Minutes of the AGM are also published on the Company's website.

During the proceedings, shareholders are at liberty to raise questions pertaining to the business of the meeting and the Board and management are at hand to clarify issues raised. Any significant questions that cannot be readily answered at the meeting will be addressed subsequently in writing by management.

In line with MMLR, all resolutions passed at the AGM are conducted via poll voting. A poll administrator is to be appointed to conduct the polling process and independent scrutineers are also to be appointed to verify the poll results at AGM.

The Group Chairman announces the poll results at the end of the AGM and these will be submitted to Bursa Securities on the same day for the benefit of all shareholders.

ONLINE COMMUNICATION

The Company's website at www.umw.com.my provides easy access to corporate information pertaining to the Group and its activities. Quarterly Investor Relations (IR) updates and information on financial results and material events are uploaded on the UMW website immediately after announcements on the same are made to Bursa Securities. The IR updates provide detailed analysis of the Group's quarterly operations, variances and general prospects.

In addition to announcements on quarterly financial reports, the Company communicates with its shareholders and investors through its Annual Report which contains comprehensive information about the Group. The contents of the Annual Report are continuously enhanced to better reflect transparency and accountability. The Company disseminates its Annual Report to its shareholders in CD ROM media but shareholders may also request for a hard copy of the Annual Report if they wish to. The Annual Report is also available on the UMW website.

In line with the recommendation under MCCG 2017, UMW is supportive of any technology that can facilitate the voting by shareholders in absentia and remote participation at general meetings. However, the implementation would be based on a thorough evaluation process which includes scrutiny of costs, IT platform and security aspects.

As a first step towards this, the Company will seek the shareholders' approval on the adoption of new Constitution, which among others, will allow general meetings to be convened at more than one (1) venue in future using technology or device that enables shareholders to participate and to exercise their rights to speak and vote at different venues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE DISCLOSURE POLICY

The Board has always recognised the importance of accurate and timely dissemination of information to shareholders and investors, existing and potential, about the Group's operations, strategies, performance and prospects to maintain credibility and build stronger relationships with the investment community.

This is achieved through a comprehensive Annual Report, accurate and timely disclosures and announcements to Bursa Securities, distribution of circulars and press releases and also by conducting dialogues and briefings with/for analysts, fund managers, potential investors, locally and abroad, and shareholders from time to time. The Company participated in several engagements with institutional investors during the year under review.

All communications with the media/public and disclosures made to Bursa Securities are in accordance with the Corporate Communications Policy and the disclosure requirements of MMLR.

The Group Chairman, PGCEO and Group Chief Operating Officer and selected members of top management are responsible for making disclosures and responding to market rumours and queries.

CONTACTS FOR INVESTOR RELATIONS MATTERS

Badrul Feisal Abdul Rahim <i>PGCEO</i>	(603) 51635362 bfeisal@umw.com.my
Roza Shahnaz Omar <i>Director, Group Strategy</i>	(603) 51635069 roza@umw.com.my
S. Vikneshwaran Sathasivan <i>Head – Investor, Media Relations & Sustainability</i>	(603) 51635044 vikneshwaran.s@umw.com.my

COMMUNICATION WITH SHAREHOLDERS

The Company regards its general meetings, particularly its AGMs, as the principal forum for direct interaction and dialogue among shareholders, the Board and management. The AGMs provide an important avenue for effective communication with shareholders and for receiving constructive feedback particularly on matters concerning shareholders' interests.

The Group's senior management is also present and available to answer queries or issues raised by the shareholders relating to the operations of the Company.

A press conference is held after each general meeting where the Group Chairman and PGCEO as well as the senior management advise the media on resolutions passed by shareholders, and brief the media on the operations, performance and financial results of the Group for the year under review. They also clarify issues and answer questions posed by the media to keep shareholders and the public updated on the progress of the Group's core businesses.

In addition, shareholders can also submit any additional questions they might have via an enquiry box placed at the venue of the AGM so that these can be responded to in writing after the meeting.

COMPLIANCE STATEMENT

The Board is satisfied that the Group's CG Framework complies with the principles and recommendations of MCCG 2017 and MMLR. The Board endeavours to continuously raise the standards of governance in the Group and strives to uphold its pledge, commitment and effort to enhance and promote the best practices of CG throughout the Group to achieve the highest standards of transparency, accountability and above all, integrity.

The Board ensures that there is no compromise in the Group's focus on enhancing shareholder value, increasing investor confidence, establishing customer trust and building a competitive organisation that upholds UMW's core values of Honourable, Vibrant, Unshakeable and Pioneering. We remain steadfast in strengthening the CG practices to safeguard the interests of all stakeholders.

This CG Overview Statement is made in accordance with the resolution of the Board dated 10 April 2018.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Audit Committee (AC) of the Board was established in 1992 with the primary objective of assisting the Board of UMW Holdings Berhad (Board) in fulfilling its statutory and fiduciary responsibilities relating to corporate accounting practices, financial reporting, the effectiveness of the Group's internal controls and risk management processes as well as maintaining oversight of both the external and internal audit functions of the Group.

The Board is pleased to present the report on the AC for the financial year ended 31 December 2017.

COMPOSITION AND MEMBERSHIP

Changes to the membership of the AC were made during the year under review following the retirement of three (3) Board members and the appointment of five (5) new Directors.

Dato' Mohd Nizam Zainordin retired as a Director and AC member on 25 May 2017. With effect from 15 June 2017, Khalid Sufat has been redesignated as Chairman of the AC replacing Dato' Siow Kim Lun who has relinquished his chairmanship. Dato' Siow, however, remains as a member of the AC. Dr Veerinderjeet Singh who was appointed to the Board on 15 June 2017, became the new member of the AC.

The AC now comprises four (4) Non-Executive Directors (NEDs), all of whom are Independent Directors. No alternate Director is appointed as a member of the AC. The composition of the AC is as follows -



Chairman

KHALID SUFAT

Independent Non-Executive Director

Appointed on 17 January 2012

(Redesignated as Chairman on 15 June 2017)

Members

(From left to right)

DATO' SIOW KIM LUN

Senior Independent Non-Executive Director

Appointed on 2 August 2010 (as Chairman)

(Redesignated as member on 15 June 2017)

TAN SRI HASMAH ABDULLAH

Independent Non-Executive Director

Appointed on 24 September 2013

DR VEERINDERJEET SINGH

Independent Non-Executive Director

Appointed on 15 June 2017

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The AC is chaired by Khalid Sufat who is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants. As an accountant by profession, Khalid Sufat has broad experience in the banking industry having held several senior positions in various banks from 1994 to 2000. This experience has led him to become involved in the managing and restructuring of a number of public-listed companies.

Dato' Siow Kim Lun has considerable experience in investment banking and securities market regulation. He was with the Securities Commission from 1993 to 2006 and had served as its Director of Issues & Investment Division and Director of Market Supervision Division.

Tan Sri Hasmah is a Fellow Member of the Chartered Tax Institute of Malaysia and had a distinguished career with the Inland Revenue Board (**IRB**) spanning over 37 years. She was the former Chief Executive Officer and Director-General of IRB from 19 October 2006 to 7 January 2011. She has vast experience and knowledge on taxation matters and had led the Malaysian delegation and represented the country to various international conferences.

Dr Veerinderjeet Singh is a Member of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Certified Public Accountants and Member of the Chartered Tax Institute of Malaysia. He has extensive tax experience, having been a tax partner in international accounting firms and having worked with the Malaysian Inland Revenue Department. He has broad experience on a wide range of tax matters affecting cross-border investments, corporate restructuring, financial institutions, multinational entities, listed entities, and government and quasi-government entities and projects.

Collectively, the AC members are qualified individuals having the required level of expertise and experience to discharge the AC's functions and duties.

The detailed profiles of the AC members are set out on pages 54, 55, 56 and 60 of this Annual Report.

The composition of the AC and the qualifications of its members comply with Paragraph 15.09 of the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad (**Bursa Securities**).

The terms of reference (**TOR**) of the AC continue to remain aligned with MMLR and the recommendations of the Malaysian Code on Corporate Governance 2017 (**MCCG 2017**) and other relevant Corporate Governance (**CG**) best practices. The AC's TOR is available on the Company's website at www.umw.com.my

ANNUAL PERFORMANCE ASSESSMENT

The Board via its Nomination & Remuneration Committee (**NRC**) conducted a comprehensive review on the performance of the AC for the financial year ended 31 December 2017. The evaluation is specifically designed to evaluate the AC in relation to membership composition, skills and competencies, dynamism and effectiveness as well as members' accountability in discharging their duties and responsibilities in accordance with the AC's TOR, as required under MMLR and recommended under Principle B of MCCG 2017.

The NRC Chairman discussed the findings of the evaluation with the Group Chairman and the results of the evaluation and findings, together with areas of improvement, were presented to the Board for discussion on 27 February 2018.

Based on the results of the evaluation, the Board is of the view that the AC has continued to show commendable performance in 2017 with all four (4) members having demonstrated a high degree of independency, professionalism and integrity, with balanced diversity, skills and experience. The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities well, in accordance with the AC's TOR. The AC has provided valuable recommendations and views to assist the Board in making informed decisions which have greatly contributed to the Board's discussions on high level review of financial reporting process and financial statements.

During the year under review, AC members attended various conferences, seminars and training programmes to keep themselves abreast of new developments pertaining to new financial reporting standard legislation, regulations, current commercial issues and risks in order to effectively discharge their duties as AC members. The AC members were also assessed on their skill-sets and experience to enable the NRC to address their training needs more objectively. Results of the AC members' skill matrix have shown that they are able to maintain a high level of technical competency.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTINUOUS DEVELOPMENT

The AC members attended continuous development programmes to keep themselves abreast of relevant developments in accounting, financial reporting, taxation and auditing standards, practices and rules. The summary of relevant programmes attended by the AC members in 2017 is set out below -

Name	Development Programme
Khalid Sufat	Fintech & Digital Economy Conference 2017
	MFRS - Financial Instrument
	Compliance Conference 2017
	Fintech - Opportunities for Financial Services Industry in Malaysia
	Economic Forum
	Cyber Security and Digital Transformation
	Anti-Money Laundering/Banking Secrecy
	MIA International Accountants Conference 2017
Dato' Siow Kim Lun	Update on Shariah Governance
	Sustainability Forum: The Velocity of Global Change & Sustainability
	Value Creation and Business Partnering
	Companies Act 2016: The New Governance Framework for Directors & Management and its Impact
	International Corporate Governance Network Annual Conference
Tan Sri Hasmah Abdullah	Case Study Workshop for Independent Directors
	Public Sector Internal Audit Conference 2017
	Chief Risk Officer (CRO) Forum 2017 - CROs of Tomorrow
	Malaysian Case Studies on Material Deviations between Unaudited and Audited Financial Statements - Lesson Learnt
	National Tax Conference 2017
Dr Veerinderjeet Singh	Audit Committee Leadership Track Effective Oversight of Internal Auditor Functions - Are Boards in Sync with Regulatory Expectations?
	Fintech - Opportunities for Financial Services Industry in Malaysia
	National Tax Conference 2017
	Fraud Risk Management
	2017 International Conference - AC Leadership
	Corporate Board Symposium 2017
MIA International Accountants Conference 2017	

Detailed training programmes attended by the AC members are provided in the Corporate Governance Report 2017.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

MEETINGS AND ATTENDANCE

The AC held nine (9) meetings during the financial year ended 31 December 2017. The attendance record of the AC members is as follows -

No.	Name	Attendance	Percentage
1.	Khalid Sufat	9/9	100
2.	Dato' Siow Kim Lun	9/9	100
3.	Tan Sri Hasmah Abdullah	9/9	100
4.	Dr Veerinderjeet Singh*	4/4	100
5.	Dato' Mohd Nizam Zainordin [^]	4/5	80

* Dr Veerinderjeet Singh was appointed to the Board and the AC on 15 June 2017

[^] Dato' Mohd Nizam Zainordin retired as Director and a member of the AC on 25 May 2017

The President & Group Chief Executive Officer attended all nine (9) AC meetings held in 2017 to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Executive Director, Group Financial Services who is also the Chairman of the Management Audit Committee (**MAC**), and the Head of the Group Internal Audit Division (**GIAD**) also attended all AC meetings held during the year to brief the AC on pertinent issues relating to financial results, audit, adequacy of internal control systems and other related matters within their mandate. The Head of the Group Compliance Department and senior management from relevant business units and divisions also attended AC meetings at the invitation of the AC, to provide information and clarification required on specific issues arising from the relevant audit reports or any matters of interest.

During the financial year, the AC had two private sessions with the external auditors, Messrs Ernst & Young (**EY**), without the presence of management, in April and November 2017, to give opportunity to the external auditors to raise any matters or findings they considered were important to their areas of responsibility for the AC's attention. These private sessions helped to reinforce the independence of the external auditors from the management of the Company by providing a platform to the AC members to make inquiries on specific issues affecting the Group and for the external auditors to highlight any areas of concern for the attention of the AC in a timely manner.

For the purpose of the annual statutory audit, the external auditors' Lead Audit Engagement Partner also attended AC meetings to present the report on the audited financial statements of the Group, audit scope and plan, audit report and findings together with management's response thereto, and to brief the AC members on areas of audit emphasis and accounting treatment which they noted in the course of their audit. Other observations and areas of improvement opportunities were also highlighted to the AC.

The Chairman of the AC apprised the Board of relevant and significant issues raised by the internal and external auditors during the year under review.

The Group Secretary is the Secretary of the AC and played an important role in organising and providing assistance at AC meetings, with the following key responsibilities -

- Preparation of the schedule of AC meetings for 2017 and ensuring that meetings are arranged and held accordingly;
- Drawing up meeting agendas in consultation with the AC Chairman;
- Ensuring proceedings of meetings are correctly recorded and the relevant minutes are circulated to and confirmed by the AC before disseminating to the Board for notation; and
- Ensuring AC's recommendations presented to the Board are supported by papers, including minutes that explain the rationale for such recommendations.

The Group Secretary also presents to the AC on a quarterly basis, reports on recurrent related party transactions (**RRPTs**) entered into by the UMW Group with related parties in accordance with the shareholders' mandate obtained, to ensure that the RRPTs were on arm's length and within the mandated amounts. Similarly, reports on other RRPTs outside the shareholders' mandate were also tabled to the AC on a quarterly basis. In the year under review, the AC's approval was also sought for a related party transaction (**RPT**) entered into by the Company and third party, which involved the interests of a common shareholder.

The Group Secretary also presented to the AC, updates concerning CG and/or regulatory requirements and guidelines, including implementation of the Companies Act 2016 (**CA 2016**) and MCCG 2017, and consultation papers issued by Bursa Securities on the proposed amendments to CA 2016 and thereafter amendments to MMLR consequential to the new CA 2016. Issuers communications setting out the best practices and recommendation issued by Bursa Securities were also presented to the AC. The Company often participates in the review exercise and makes suggestions to Bursa Securities on matters that may have an impact on the UMW Group.

In addition, disclosures on dealings by Principal Officers in the Company's securities and Directors' interests in contracts were also presented to the AC during the year under review.

Minutes of each meeting of the AC are kept by the Group Secretary as evidence that the AC has discharged its functions, and are circulated to the Board at the next practicable Board meeting for notation.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

SUMMARY OF WORK

Throughout 2017, the AC dealt with various issues relating to financial reporting, external and internal audit findings, RPTs and internal controls, in line with the mandate provided in its TOR. The following is a summary of the work performed by the AC for the financial year ended 31 December 2017 -

1. Financial Reporting

Quarterly Report on Financial Results

The AC reviewed the Company's quarterly financial results to ensure that the financial reporting and disclosures made are in compliance with the Malaysian Financial Reporting Standards (MFRS), MMLR, and other legal and regulatory requirements, prior to recommending the same to the Board for approval. During the period under review, the AC reviewed the following -

- (a) The financial results for the fourth quarter of 2016 at the AC meeting held on 20 February 2017 together with the external auditors; and
- (b) The financial results for the first, second and third quarters of 2017, at the AC meetings held on 19 May 2017, 25 August 2017 and 24 November 2017, respectively.

On 22 February 2018, the AC reviewed the financial results for the fourth quarter of 2017 together with the external auditors for recommendation to the Board.

Audited Financial Statements

On 10 April 2017, the AC deliberated on the audited financial statements of the Company and the UMW Group for the financial year ended 31 December 2016 together with audit matters raised by the external auditors. A summary of significant accounting and auditing issues, raised under the areas of audit emphasis and key observations reflected in the Memorandum of Suggestions for 2016, were discussed. The status and progress of corrective actions taken on issues raised in the Memorandum of Suggestions were closely monitored by management and reported at subsequent AC meetings.

On 25 August 2017, the AC acknowledged the update on audit findings in relation to the financial year ended 31 December 2016.

On 6 April 2018, the audited financial statements for the financial year ended 31 December 2017 were reviewed by the AC and recommended to the Board for approval.

2. External Audit

Audited Financial Statements

On 10 April 2017, the AC discussed with EY the results of the audit of the audited financial statements for the financial year ended 31 December 2016 together with EY's report to the AC. A private meeting with EY was also held to allow the external auditors to openly raise issues and concerns on key audit matters pertaining to the audited financial statements without the presence of management.

The AC also noted the Letter of Representation in connection with the audits of the consolidated financial statements of UMW and its subsidiaries for the financial year ended 31 December 2016. The external auditors confirmed that they have not identified any fraud to report to the AC other than highlighted in the area of audit emphasis.

The AC was also briefed on developments in financial reporting, the new and revised auditors' reporting standards issued by the International Auditing and Assurance Standards Board as well as changes in the regulatory environment.

EY had also performed a limited assurance review of the Statement on Risk Management and Internal Control (SORMIC) for inclusion in the Company's Annual Report 2016. Based on the limited assurance procedures performed by EY and the evidence obtained, the SORMIC had been prepared, in all material aspects, in accordance with the disclosures required in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

On 22 February 2018, the AC reviewed the external auditors' report on the status of the 2017 audit of the UMW Group. The key area of focus affecting the results of the UMW Group for the financial year ended 31 December 2017 was discussed, mainly on the impairment assessment arising from the continued downturn of the oil and gas industry which had severely affected the Group's business units involved in the oil and gas sector, locally and abroad.

On 6 April 2018, the AC discussed with EY the results of the audit of the audited financial statements for the financial year ended 31 December 2017 together with EY's report to the AC, for recommendation to the Board for approval.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

External Auditors' Performance Evaluation

On 10 April 2017, the AC reviewed the results of the External Auditors' Performance and Independence Evaluation carried out for the financial year ended 31 December 2016 to evaluate the suitability, effectiveness and independence of the Company's external auditors as recommended under Principle B of MCCG 2017. The annual evaluation of external auditors provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance, covering amongst others, the adequacy of the audit team, degree of independence, performance level and audit scope. The AC Chairman presented the findings, together with areas of improvement, to the Board for discussion.

On 23 February 2018, the results of the External Auditors' Performance and Independence Evaluation carried out for the financial year ended 31 December 2017 were reviewed by the AC and subsequently presented to the Board on 27 February 2018.

Based on the evaluation conducted, the AC is satisfied with the external auditors' performance, technical competency and audit independence. The AC is also satisfied with the level of competence and professionalism demonstrated by the external auditors, the quality of processes, the selection of the audit team (including the lead engagement partner), the adequacy of the audit scope and planning, and audit communications and engagements with the AC.

Re-appointment of External Auditors

On 23 February 2018, the AC reviewed the re-appointment of EY as external auditors of the Company for the financial year ended 31 December 2017 for recommendation to the Board for approval. The recommendation for re-appointment was made after taking into consideration the results of the evaluation conducted on the external auditors' performance, technical competency and audit independence.

In addition, the external auditors also provided written assurance to the AC that they were and had been independent throughout the audit engagement for 2017, in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (MIA). The UMW Group conforms to the requirements of MIA in ensuring that the Lead Audit Partner of the external auditors is subjected to a five-year rotation with a two-year cooling-off period.

The external auditors also expressed their willingness to be re-appointed as auditors of the Company for the financial year ended 31 December 2017, at the forthcoming Annual General Meeting (AGM).

External Auditors' 2017 Audit Plan

On 24 November 2017, the AC reviewed and approved EY's Annual Audit Plan outlining their engagement team, scope of works and the proposed audit fees for the statutory audit, and non-audit fees, including the terms of engagement of EY as statutory auditors of the Company and for the purpose of reviewing the SORMIC for the financial year ended 31 December 2017.

Other audit-related work conducted by EY for the financial year ended 31 December 2017 included assisting the Automotive Division on the accounting for capitalisation of the new plant and external borrowings, and assisting the Equipment Division in a stocktaking exercise of a subsidiary's overseas operations and reviewing the schedules and control testing of its newly-implemented consolidation system.

Private Meetings with the AC

The AC held two private sessions with EY without the presence of management, in April and November 2017, to allow the external auditors to have regular engagement and maintain professional and open dialogues with the AC, on findings and discussions relating to among others, management's reporting process and internal control over financial reporting.

At these private meetings, the external auditors also highlighted significant issues regarding the format of the new audit report together with critical accounting policies and treatment, including the reasonableness of accounting estimates and judgements. The AC also provided feedback on the quality and effectiveness of the services that EY had provided.

Others

On 10 April 2017, the AC reviewed the update on the implementation of the MFRS 15 Project by EY. On 23 November 2016, EY was appointed as consultants for the provision of professional advisory services to the UMW Group in relation to the implementation of a new accounting standard under MFRS, namely, *MFRS 15: Revenue from Contracts with Customers*.

On 10 April 2017 and 6 December 2017, the AC noted the update on the implementation of the MFRS 15 Project by EY.

On 19 May 2017, the AC acknowledged the update on the results of the Goods & Services Tax (GST) health check findings and actions plans for the Group. EY Tax Consultant Sdn Bhd in collaboration with Group Tax had carried out a GST health check for the Group in August 2016 to ensure that all processes and procedures conform to the GST legislative requirements. The health check was completed in March 2017 and a status report was produced to the AC for notation.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

3. Internal Audit

Internal Audit Plan and Budget

GIAD performed its audit activities in accordance with the 2017 Audit Plan approved by the AC on 23 November 2016. GIAD's 2017 Audit Plan was developed on a risk-based audit approach covering areas on governance, risk management, controls of high-risk business activities and information systems. For 2017, the plan is to audit 162 business units, generating 82 audit reports, out of which, 150 units (70 reports) will be from the UMW Group and 12 units (12 reports) from the UMW Oil & Gas Corporation Berhad (**UMW-OG**) Group.

The AC noted the key objectives and action plans under the 2017 Audit Plan and approved GIAD's budget for 2017, covering, among others, the financial budget and manpower planning, to ensure that all high risk areas are audited annually with adequate resources and budget to meet the planned audit activities across the UMW Group.

During the year under review, the AC reviewed and approved the following -

- (a) At the AC meeting held on 16 May 2017, GIAD's 2017 Audit Plan was reviewed to incorporate the inputs from divisional presidents and senior management during GIAD's engagement sessions with them in line with the requirements of the Institute of Internal Auditors (**IIA**). Revisions to the 2017 Audit Plan were also made to ensure that the deployment of manpower resources are effective and adequate to achieve the Audit Plan and audit resources are effectively deployed to critical high risk business areas of the UMW Group. The effect on the demerger exercise of the UMW-OG from the Group was also taken into consideration. In view of this review, GIAD's 2017 Audit Plan was revised to 127 business units generating 70 audit reports.
- (b) On 24 November 2017, GIAD's 2018 Audit Plan and Budget was presented to the AC. The key focus of GIAD's 2018 Audit Plan is as follows -

- To perform audit reviews using risk-based audit approach focusing on critical/key high risk areas of the UMW Group on 103 audit units (77 reports) including 19 overseas units (10 subsidiaries);
- To provide an independent assessment on governance and risk processes, adequacy and effectiveness of internal controls (financial, operations and systems) and compliance with existing laws and regulations (where relevant) and proposed recommendations for improvements, where applicable;
- To engage with management and members of the AC on a regular/need basis with a view to address and discuss concerns and improvements required to enhance the UMW Group's internal control environment, risk management and governance processes;
- To continuously improve and enhance audit processes, staff efficiency including providing assistance for staff to attain Professional Certification in Internal Auditing and developing customised training programmes; and
- To maintain conformance with IIA Standards and upgrade to MS ISO 9001:2015 certification.

- (c) GIAD's Internal Audit Charter (**IA Charter**) was revised and approved at the AC meeting held on 24 November 2017 with the objective to align the existing IA Charter with the International Professional Practice Framework (**IPPF**) 2017 Edition issued by the IIA. During the same meeting, the AC approved the revised Overall Audit Performance Rating to ensure the Group's overall audit opinion ratings is in line with market practices and internal audit standards.

Internal Audit Reports

The Head of GIAD presented GIAD's reports for the financial year ended 31 December 2017 to the AC at the AC meetings held on 14 February 2017, 16 May 2017, 17 August 2017 and 16 November 2017. GIAD's reports generally cover the status of internal audit activities performed during the year, which include, among others, Audit Plan updates, status of financial and manpower resources, key observations and audit ratings, ageing on audit reports, progress of fieldwork audits and future scheduled audits.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

In addition, the AC had on 14 February 2017, 10 April 2017 and 16 November 2017, reviewed the findings on special review audits conducted by GIAD on certain business units and divisions in the UMW Group. The AC reviewed the audit recommendations made by GIAD and the proposed action plans by management to further improve weaknesses in the areas of internal controls, risk management and processes.

4. Related Party Transactions

RRPTs

The AC reviewed RRPTs of the UMW Group on a quarterly basis in accordance with the shareholders' mandate obtained to ensure that they are within the mandated amount. Additionally, other RRPTs entered into by the UMW Group with related parties that are outside the shareholders' mandate were also reviewed.

The RRPTs were reviewed at the AC meetings held on 19 May 2017, 25 August 2017, 24 November 2017 and 23 February 2018. The AC is satisfied that the RRPTs were conducted on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not detrimental to the minority shareholders of the Company.

For the year under review, the cumulative actual value transacted had not exceeded the shareholders' mandate obtained at the 2016 and 2017 AGMs.

On 20 February 2017, the AC reviewed the preliminary draft circular to shareholders relating to the proposed renewal of shareholders' mandate for existing RRPTs and proposed new shareholders' mandate for additional RRPTs of a revenue or trading nature (**RRPT Circular**).

On 10 April 2017, the AC reviewed the final draft RRPT Circular for submission to Bursa Securities and recommended the same to the Board for approval.

RPT

On 24 November 2017, the AC reviewed the transaction on the proposed tenancy with Capital Development Sdn Bhd (**Capital Development**), a wholly-owned subsidiary of PNB Commercial Sdn Bhd (**PNB Commercial**), which in turn, is a subsidiary of Permodalan Nasional Berhad (**PNB**), a major shareholder of the Company, for the new Corporate Office of UMW in Kuala Lumpur.

Under Chapter 10.08 of MMLR, the proposed tenancy with Capital Development qualified to be regarded as a non-RPT as the tenancy period is not more than 3 years and the rental rate

is supported with independent valuation. However, for good governance and transparency, management has decided to table it to the AC for review before making recommendation to the Board.

The AC, having considered all aspects of the proposal, was of the view that the proposed tenancy with Capital Development is in the best interest of UMW, fair and reasonable and carried out on normal commercial terms that are no more favourable to the related party than those generally available to public. The proposed tenancy agreement with PNB Commercial is also not detrimental to the minority shareholders of UMW.

5. Internal Controls

SORMIC

On 10 April 2017, the AC reviewed the final draft SORMIC for the year ended 31 December 2016 after the same had been reviewed by the external auditors. Based on the limited assurance procedures performed and evidence obtained, EY has confirmed that the SORMIC was prepared in accordance with the disclosures required in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The SORMIC was recommended to the Board for approval and thereafter for inclusion in the Company's 2016 Annual Report.

MAC Reports

The AC reviewed the audit reports by the Chairman of the MAC, in relation to all business segments under the UMW Group at the AC meetings held on 14 February 2017, 16 May 2017, 17 August 2017 and 16 November 2017. Discussion on MAC Reports was led by the Chairman of the MAC and assisted by the Head of Group Compliance. The Head of GIAD was also present at all AC meetings where the MAC Reports were presented.

During the review of the MAC Reports, the AC members had direct engagement with the relevant heads or representatives from the respective business units and/or divisions to discuss issues raised under the MAC Reports. These engagements have provided the AC with a clear understanding and explanation of audit issues raised and the mitigation actions to be taken in addressing the compliance and non-conformance issues. Timelines on completion or resolution of recommended mitigating actions were also agreed upon.

Proper follow-up and monitoring of mitigation actions were carried out by Group Compliance and were reported in subsequent MAC Reports to ensure they were properly resolved. On top of this, random verification exercises were conducted in order to ascertain that the audit issues raised have been fully resolved.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Compliance

The AC reviewed the report by the Group Compliance Department on compliance activities of the UMW Group at the AC meetings held on 16 May 2017 and 16 November 2017. At these meetings, key observations on the implementation of the Risk Control Self-Assessment (RCSA) Programme, Internal Control System Review, Report by the Chairman of the MAC, SORMIC, credit application approved by Group Credit Limit Committee and the Financial Limits Authority Guidelines (FLAG) were reviewed.

Governance

On 10 April 2017, the AC reviewed the contents of the draft Statement on Corporate Governance for the financial year ended 31 December 2016 for inclusion in the 2016 Annual Report.

The AC also reviewed, on a quarterly basis, CG reports presented by the Group Secretary covering updates/changes in MMLR and other statutory and regulatory requirements and guidelines, and their impact to the UMW Group, at the AC meetings held on 20 February 2017, 19 May 2017, 25 August 2017 and 24 November 2017. Key changes to CA 2016 and proposed amendments to MMLR were also discussed and clarified.

In addition, consultation papers from Bursa Securities to seek stakeholders' feedback on proposed changes and new initiatives to MMLR were also presented for discussion with the AC to seek relevant feedback and input, including the three (3) Issuers Communication Notes published by Bursa Securities to provide guidance, illustrations and overview to listed issuers, with the aim to improve practices and enhance the understanding, standards of disclosure and transparency in the marketplace.

Disclosures on dealings in the Company's securities by Principal Officers and Directors' interests in contracts were also presented to the AC on a quarterly basis in the year under review.

6. Other Activities

(a) On 20 February 2017, the AC reviewed the preliminary draft Audit Committee report for inclusion in the 2016 Annual Report. Subsequently, on 10 April 2017, the final draft Audit Committee Report was reviewed and approved, and the same was recommended to the Board for approval.

(b) On 10 April 2017, the AC endorsed the zakat payable by the UMW Group for the financial year ended 31 December 2016 and recommended the same to the Board for approval.

(c) On 10 April 2017, the AC reviewed the summary of overall results and findings of the Audit Committee Evaluation, Audit Committee Members' Self and Peer Evaluation and the External Auditors' Performance and Independence Evaluation for the financial year ended 31 December 2016. Based on the analysis carried out, it was noted that the AC has continued to show commendable performance with all members having demonstrated a high degree of independency, professionalism and integrity, and with balanced diversity, skills and experience. The AC members have discharged their functions, duties and responsibilities well, in accordance with the AC's TOR.

In relation to the results of the evaluation on External Auditors' Performance and Independence Evaluation, the AC is satisfied with EY's performance, technical competencies and audit independence. The AC is also satisfied with the level of calibre and professionalism demonstrated by EY, quality of processes, selection of audit team (including the lead engagement partner), adequacy of audit scope and planning, and audit communications with the AC. Subsequently, the AC recommended to the Board for the re-appointment of EY as External Auditors of the Company at the 35th AGM of the Company.

(d) On 25 August 2017, the AC agreed for the Chairman of the AC be authorised to endorse the responses of the survey by the Securities Commission on the implementation of MFRS 9: Financial Instruments and the same was recommended to the Board for discussion and approval.

(e) The AC reviewed and approved various proposals in relation to write off of debts, write off of obsolete stocks and write-down of assets by companies within the UMW Group in accordance with the provisions in the FLAG, at the AC meetings held on 14 February 2017, 10 April 2017, 25 August 2017, 16 November 2017 and 24 November 2017.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

INTERNAL AUDIT

The UMW Group has an in-house internal audit function which is carried out by GIAD. GIAD is independent of the business operations and has a Group-wide mandate set out in its Audit Charter approved by the AC. It provides the Board, through the AC, with reasonable assurance of the adequacy and effectiveness of the risk management and internal control system, and governance processes within the UMW Group.

For the financial year ended 31 December 2017, GIAD carried out audits of 129 business units in the UMW Group against the revised 2017 Audit Plan of 127 business units. A total of 72 reports covering the scope of the audit work were reviewed by the AC. Routine audits were carried out by GIAD, focusing on principal risk areas. GIAD also carries out investigative/special review audits as and when required. GIAD reports directly to the AC on major findings and any significant control issues and concerns. The Head of GIAD, Puan Norchahya Ahmad, or in her absence, her representative, attends all AC meetings.

In developing its annual audit plan, GIAD adopts a risk-based approach based on the Group's risk profile. It conducts regular audits on all subsidiaries and principal areas of operations within the Group. It ensures that the Group's system of internal controls remains effective and efficient, is adequately monitored and enhanced when the need arises. The audit also covers the UMW Group's major information systems and applications.

The AC on a quarterly basis, reviews and monitors the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities. GIAD is a corporate member of the Institute of Internal Auditors Malaysia (**IIAM**) and subscribes to the standards issued by IIAM.

Audit findings which require follow up action, as well as outstanding audit issues which require corrective action by management, are highlighted to the MAC. The MAC reviews the reports of GIAD for the purpose of assessing the adequacy and integrity of the system of internal controls of the UMW Group. MAC reports are prepared and compiled by the Group Compliance Department based on responses given at meetings and follow-up discussions. MAC reports are presented to the AC by the Chairman of MAC on a quarterly basis.

GIAD works collaboratively with the Group Risk Management Division to review and assess the adequacy and effectiveness of the risk governance framework and risk management processes of the Group.

A summary of activities of the internal audit function in the year under review is as follows -

- Conducted scheduled and special internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements, where necessary.
- Reviewed the system of internal controls and key operating processes based on the approved annual plan by adopting a risk-based approach and recommended improvements to the existing system of controls.
- Conducted follow up reviews to assess if appropriate actions have been taken to address issues highlighted in previous audit reports.
- Conducted reviews on RRPTs.
- Carried out investigative/special reviews requested by the AC or management.
- Conducted discussions with management in identifying significant concerns and risk areas perceived by management for inclusion in the internal audit plan.

During the financial year ended 31 December 2017, the total cost incurred by GIAD in discharging its internal audit function was RM5,587,223 compared to RM5,777,075 in 2016. This was primarily due to the reduced number of audit assignments performed coupled with the transfer of certain internal auditors to UMW-OG as a result of the demerger exercise of the UMW-OG from the Group. The Group's internal audit function was carried out solely by GIAD and there were no areas of the internal audit function which were outsourced.

The Group GIAD currently has a total of 37 internal auditors, the majority of whom have relevant qualifications and work experience with diverse background. GIAD staff are encouraged to continuously enhance their knowledge, skills and competencies through relevant professional audit certifications, seminars, courses and on-the-job trainings as well as attachment to operating companies to ensure that they are competent to meet the needs of the changing business environment.

This AC Report is made in accordance with the resolution of the Board dated 10 April 2018.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

In UMW, the Board of Directors (**Board**) is committed in maintaining a sound system of risk management and internal control whilst continuing to uphold and implementing a strong culture and environment for the proper conduct of the Group's business operations.

Set out below is the Board's Statement on Risk Management and Internal Control (**Statement**) for the financial year ended 31 December 2017 which outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operations except for associated companies and joint ventures.

1. BOARD'S RESPONSIBILITY

The Board affirms its commitment and responsibility for the Group's risk management and internal control systems covering not only financial controls but also strategic, operational, organisational, and compliance controls, and for reviewing the adequacy, effectiveness and integrity of these systems.

The implementation of these control systems is undertaken by the management which regularly reports on risks identified and actions taken to mitigate and/or minimise such risks. The oversight of these critical areas is carried out by the Risk Management Committee (**RMC**) and the Audit Committee (**AC**), which comprise Board members.

The Group's risk management and internal control systems are designed to meet the Group's particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group's business objectives, and to provide information for accurate reporting and ensure compliances with regulatory and statutory requirements.

The process for the identification, evaluation, monitoring and managing significant risks that may materially affect the Group's business objectives has been in place throughout the year under review and regularly appraised by the Board.

The Board recognises that these systems are designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group's business and corporate objectives within the risk appetite established by the Board and management. These systems can therefore provide only reasonable and not absolute assurance against material misstatement, loss or fraud. The Group's concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

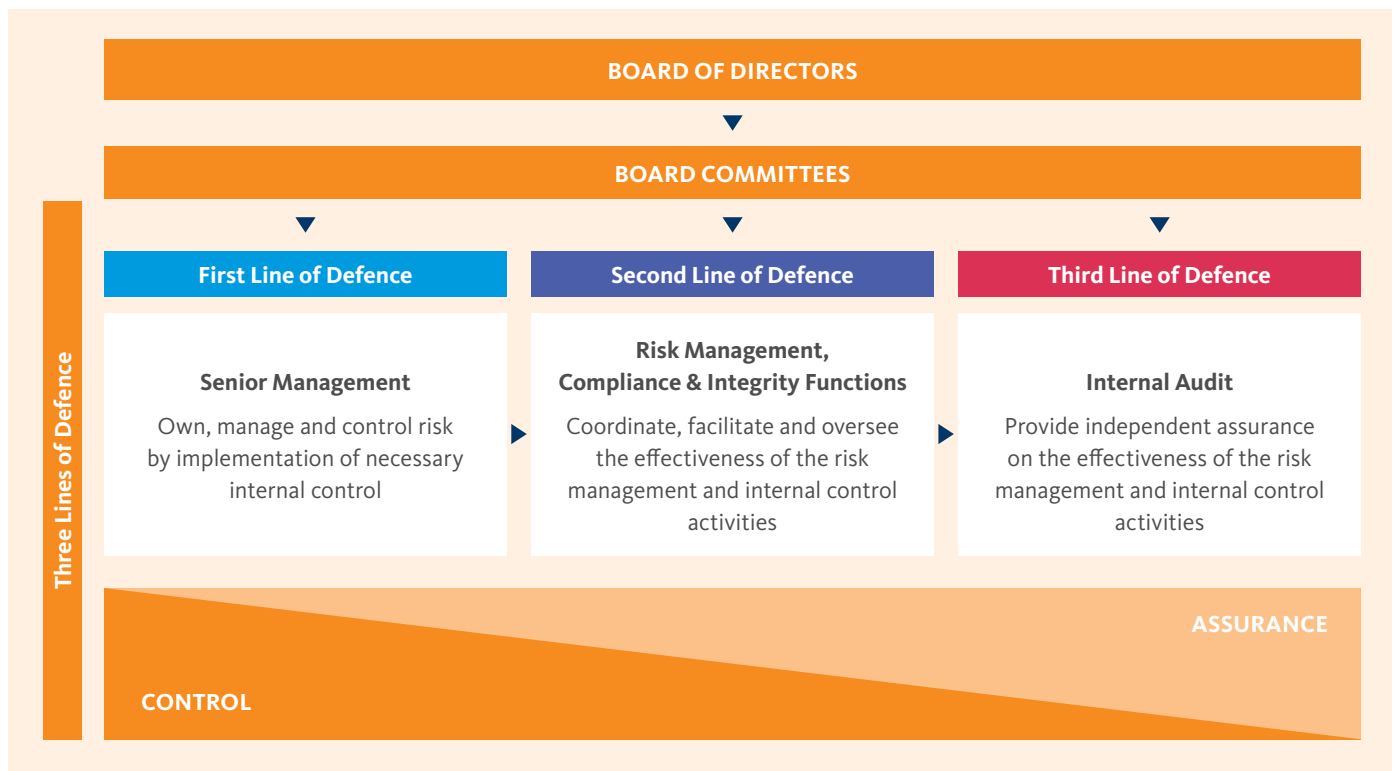
2. RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

The Group has in place Risk Management & Internal Control Systems for managing risks and internal controls affecting its business operations. The realisation of Risk Management & Internal Control Systems is undertaken by management. Regular reports on risks identified and actions taken to mitigate and/or minimise such risks and gaps in the internal control systems, if any, are presented to the RMC and AC and ultimately to the Board.

The key features of these systems are the three lines of defence with established and clear functional responsibilities and accountabilities for the management of risks and internal controls.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017



(a) First Line of Defence

The first line of defence is provided by senior management. Management Committee members, Heads of Operating Companies and Heads of Corporate Divisions are accountable for all risks and internal controls assumed under their respective areas of responsibility.

Senior management is also responsible for creating a risk-awareness culture, which will ensure greater understanding of the importance of risk management and internal control whilst ensuring its principles are embedded in key operational processes and in all projects.

(b) Second Line of Defence

The second line of defence is provided by the Risk Management, Compliance and Integrity functions. These functions are responsible for monitoring the risk management and internal control activities in the Group to ensure effective implementation and compliance with the Group's policies and guidelines.

(c) Third Line of Defence

The third line of defence is provided by the Group Internal Audit Division (**GIAD**). GIAD provides independent assurance of the adequacy and reliability of the risk management processes and system of internal control, and ensures compliance with risk-related regulatory requirements.

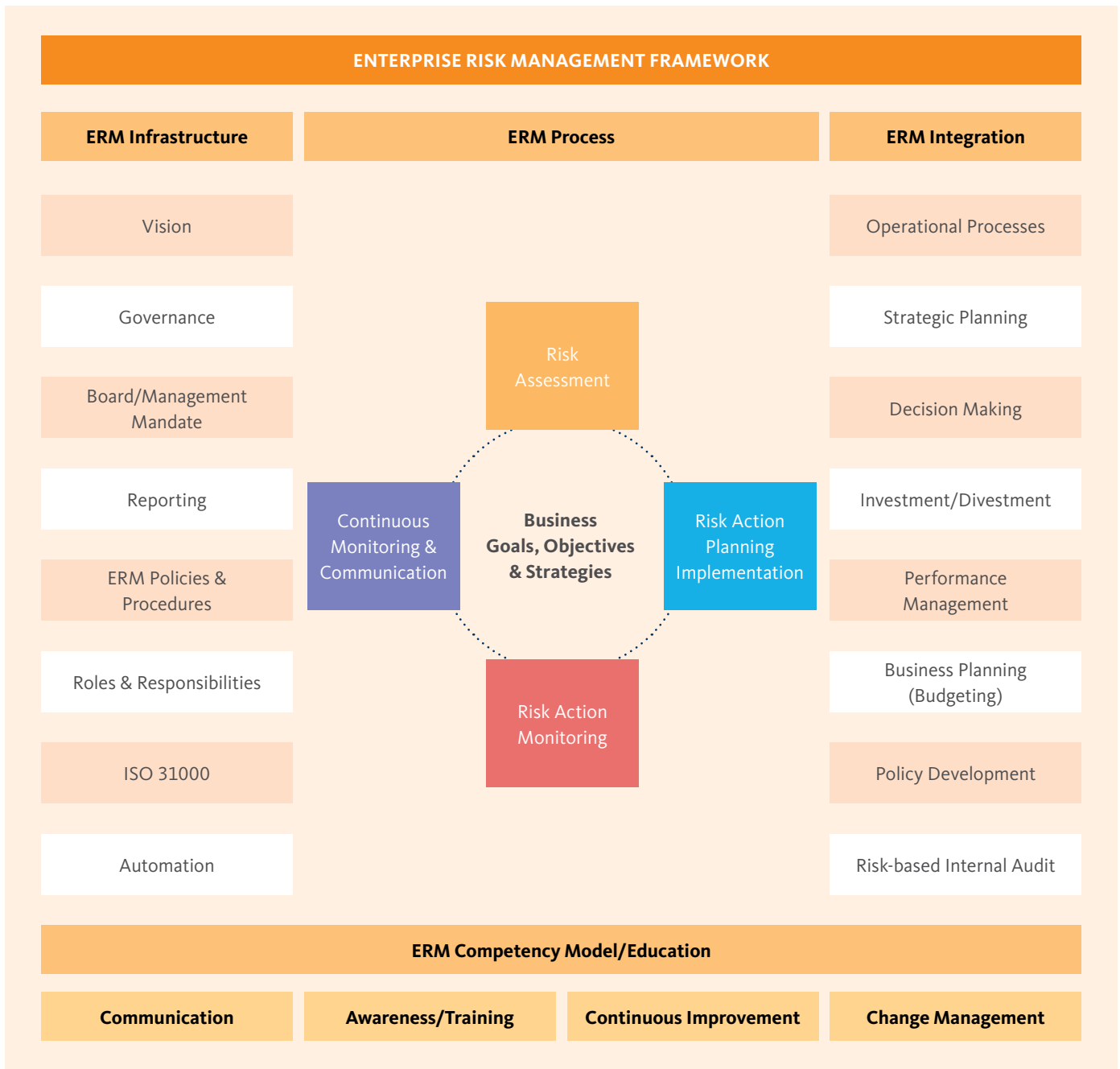
STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

3. RISK MANAGEMENT

The Group has established an Enterprise Risk Management (**ERM**) Framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group’s commitment to deliver sustainable value, this ERM framework aims to provide an integrated and organised approach Group-wide.

It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO31000 : Risk Management, mainly promoting the risk ownership and continuous monitoring of key risks identified. The Group’s ERM Framework is summarised as follows -



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

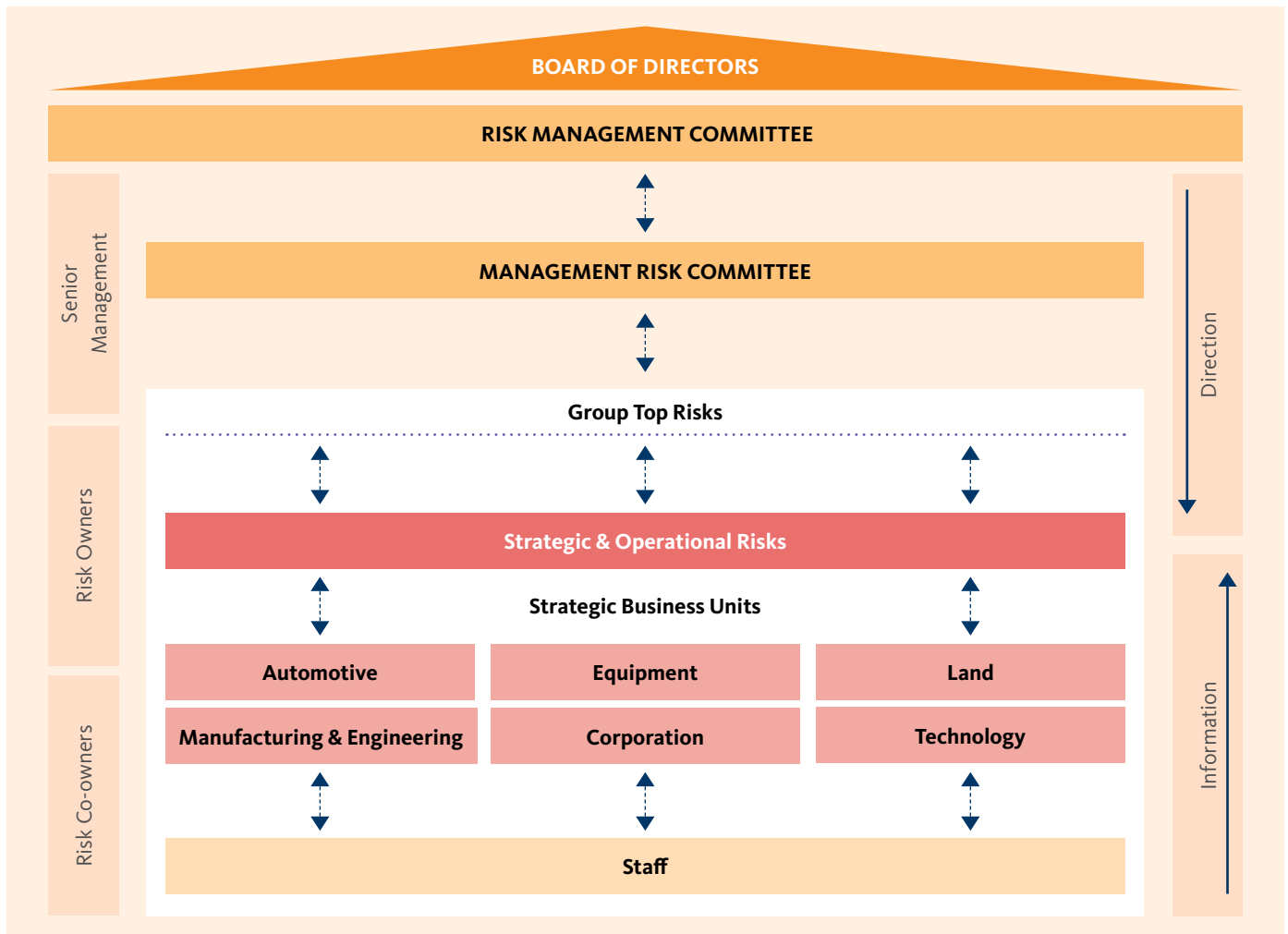
FOR THE YEAR ENDED 31 DECEMBER 2017

(a) Risk Management Oversight

The oversight role of risk management is carried out by the RMC and the Board. Mandate and commitment from the RMC and the Board are key contributors to the success factors in the implementation of the ERM programmes. The RMC and the Board sets the strategic direction for risk roles, responsibilities and risk reporting structures. The periodic reporting to both the RMC and the Board on risk management activities undertaken by management via the Management Risk Committee (**MRC**), keeps the RMC and the Board apprised and advised of all aspects of ERM, and significant individual risks and risk trends.

The MRC comprises members of the Management Committee. The MRC maintains the risk oversight within the Group at the management level, as outlined in the ERM Framework. At the Board level, the RMC assumes the oversight and strategic role for ERM. In addition to the reporting requirements to RMC and Board, the MRC has specific responsibilities which include, amongst others, to formulate and implement the ERM mechanism to comply with the requirements of the ERM policy and to articulate and challenge risk ratings.

The level of Board and management participation and reporting structure is shown below -



The MRC is assisted by the Group Risk Management Division (**GRMD**) whose primary role is to ensure effective implementation of the risk management and business continuity management framework, programmes and risk-related education across the Group, and provision of independent and objective assessment of risks as well as timely reporting to the MRC, RMC and the Board.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

(b) Risk Management Policy

The Board recognises that risk is an inherent part of the Group's business, presenting both threats and opportunities. In order to achieve corporate goals and meet shareholders' expectations, the Board would have to make decisions which will involve some degree of risk. The following risk policy provides guidance as to the management of risks and applies across all Strategic Business Units (**SBU**s) and Corporate Divisions -

- To integrate risk management into the UMW culture, business activities and decision-making processes.
- To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively.
- To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation.
- To require that all proposals submitted to the Board by management relating to strategy, key projects, significant action or investment must include a detailed risk assessment report.
- To implement a robust and sustainable risk management framework that is aligned with the Group's vision and mission and in accordance with best practices.

(c) Risk Management Process

The Group's ERM Framework has a structured process for SBUs and Corporate Divisions to identify, analyse, evaluate, treat, communicate and monitor their risks. The risks are identified based on the Group's goals and objectives and assessed against the Group's risk parameters. Risks are reassessed and monitored on an ongoing basis to ensure appropriate actions are taken to manage such risks. A risk escalation procedure on significant changes to existing risks and emerging risks has also been established to escalate the risks for management's action.

There is a clear categorisation of the risk appetite. Individual risks are measured against set tolerance levels. Consistent risk parameters have been defined on a 3-tier basis and risk profiles are consolidated and aggregated from these tiers to facilitate a consolidated view of the risk exposure at the Group level.

(d) Management of Strategic and Operational Risks

The context within which the Group manages the risks and key focus of accountability is as follows -

- Strategic risks are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board and President & Group CEO (**PGCEO**). The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.
- Operational risks are inherent in the ongoing activities within the different SBUs of the Group. Typically, some of the risks cover foreign exchange, compliance, competency, technology, etc., senior management needs ongoing assurance that operational risks are identified and managed. Accountability for managing operational risks rests specifically with the Heads of SBUs and Corporate Divisions.

In this context, ERM aligns UMW's strategy processes, people, technology and knowledge with the purpose of evaluating and managing the risks that the Group faces as it creates value.

(e) Risk Reporting

The Group's ERM Framework provides for regular review and reporting. The reports include the risk profiles, risk action plans (**RAPs**) and status updates as well as Management Progress Report summary on Critical Investments. During the year under review, these reports were presented to and deliberated by the MRC (two (2) times). On the 27 July 2017, the Board Committees were changed from Investment & Risk Management Committee (**IRMC**) to Investment Committee (**IC**) and reconstituted a new standalone Board Committee known as RMC. The risk reports were presented and deliberated at the RMC once in December 2017. The reports shall be presented at Board meetings.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

(f) Risk Management Activities

As part of the Group's effort to instil a proactive risk management culture and ownership the following activities were undertaken during the year under review -

- Rolled out a comprehensive ERM Education Programme which includes ERM technical briefings/trainings, awareness/ refresher sessions and system trainings for SBUs and Corporate Divisions, as well as, newly-appointed employees to the Group. This is part of the Group's effort to communicate and ensure the application of ERM in day-to-day business operations.
- Held discussions with Heads of SBUs and Corporate Divisions to obtain endorsement of their key risks.
- Provided risk advisory and independent assessment as well as facilitated a seventy-six (76) assessments/workshops across the Group.
- Refinement of the risk depository system for purposes of risk tracking and monitoring.
- Rolled out a Business Continuity Management (BCM) programme for an SBU.

In 2017, Business Continuity Office (BCO) team continued to provide awareness and education programme in which twenty (20) awareness and training workshops were conducted for the appointed Crisis Execution Team (CETs) and Business Continuity Leaders (BCLs).

To date, the BCO team has implemented BCM programmes in eight (8) Operating Companies including UMW Corporation Sdn Bhd, comprising a total of seventy (70) Business Impact Analysis (BIA) and seventy (70) Business Continuity Plans (BCP). The BCO team had also conducted Crisis Simulation (Table top Exercise) for all the eight (8) companies. Testing such as Email and Whatsapp Blast, and Call Tree Test were also conducted to ensure they have the familiarity to respond to a range of threats.

The BCO team will continue its effort in imparting knowledge on BCM across UMW Group to ensure UMW's resilience towards crisis.

4. MAIN FEATURES OF INTERNAL CONTROL

The Board regularly appraises ongoing processes for identifying, evaluating, monitoring and managing significant risks of the Group throughout the year. The main features of the Group's internal control systems are described below -

(a) Board and Board Committees

The Board, in discharging its duties, has established several committees namely the AC, Nomination & Remuneration Committee, Investment Committee, RMC, Whistle-Blowing Committee (WBC) and Value Group Execution Committee. The Board Committees operate within clearly-defined terms of reference, procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure that they are relevant and up-to-date.

The Board and Board Committees meet on a scheduled basis and additional meetings may be called by the Chairman of the Committees when required.

Further information on the Board and Board Committees are available in Corporate Governance Report disclose at www.umw.com.my

(b) Organisation Structure and Reporting Lines

The Group has a well-defined organisation structure that is aligned to business requirements with clearly-defined delegation of responsibilities to the Board, Board Committees and management, which promotes accountability.

The Board and Board Committees are supported operationally by the Management Committee which consists of senior management headed by the PGCEO.

The Management Committee meets four (4) times a year on a scheduled basis to discuss its strategic business agenda thus channelling appropriate inputs to the Board for its oversight of the Group's operations and maintenance of effective control. The organisation structure and delegation of responsibilities are communicated throughout the Group which set out, amongst others, authorisation levels, segregation of duties and other risk and control procedures.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

(c) Management Audit Committee

The Management Audit Committee (**MAC**) is set up by the Management Committee primarily to assist management in fulfilling its responsibilities in addressing matters highlighted in the Internal Audit Reports. MAC meetings would convene within three months of receipt of the audit report. The objectives of MAC meetings are -

- Assessing the adequacy and effectiveness of internal controls (with the assistance of GIAD) on the operations based on the Internal Audit Reports; and
- Agreeing upon the corrective actions to be taken on the audit issues and its implementation.

The MAC comprises the following -

- Executive Director, Group Financial Services Division (Chairman);
- Head of Group Compliance Department (**GCOMP**) (Alternate Chairman);
- Head of Audited Company/ Division/Department or his/her representative(s); and
- Head of Group Internal Audit Division or his/her representative(s).

The reports of MAC meetings (**MAC Report**) are prepared and compiled by the GCOMP based on responses given during the meetings and updates received subsequently. MAC Reports are subsequently presented to AC by the Chairman of MAC.

(d) Information Technology (IT) Policies

The Group's information technology operations are governed by the IT Policies. These policies prescribe the use of all IT facilities within the Group which include but are not limited to IT Security Policies, E-Mail Policies, Anti-Virus Policies, Software Usage Policies and Backup Policies.

IT Key Risks were identified through risk management process and managed by UMW IT Services Sdn Bhd (except for Automotive Division) and Information Technology Services Division (for Automotive Division). These key risks which cover the areas of IT Disruption, Cyber Security and Disaster Recovery are reported to the Board through GRMD.

In May 2017, IT User Council (**ITUC**) was established by the Management Committee to provide independent advice in the areas of governance, risk and control from the perspective of technology. ITUC is tasked to provide critical input on any IT proposals that are presented to the Board.

ITUC comprises the following -

- Executive Director, Group Human Resource (Chairman);
- President, Technology Division (Advisor);
- Representatives from SBUs (IT Users); and
- Representatives from Group Risk Management, Group Internal Audit and Group Financial Services.

(e) Group Internal Audit Division

The Group has an adequately resourced GIAD which provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal controls and governance processes. GIAD adopts a risk-based approach in developing its audit plan based on the Group's risks profile and conducts regular audits on all subsidiaries and principal areas of operations within the Group. It ensures that the Group's system of internal control remains effective and efficient, is adequately monitored and enhanced when the need arises. The audit also covers the Group's major information systems and applications.

GIAD is independent of the Group's business operations and has a group-wide mandate set out in its Audit Charter approved by the AC of the Board. GIAD carries out its functions in accordance with the annual audit plan approved by the AC each year covering the scope of the audit work and resources needed to perform such work. The AC regularly evaluates and monitors the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities. The Head of GIAD or in her absence her representative attends all AC meetings.

GIAD also monitors the implementation of action plans recommended to improve on areas where control deficiencies were identified during the year. On quarterly basis, GIAD will submit its reports on major findings and significant control issues observed during the audit reviews, together with the Management's response and proposed action plans, to the AC for its review and where needed, to recommend appropriate actions to strengthen controls.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

The Head of GIAD is the Secretary to the WBC of the Board. She is responsible for the preparation of the agenda and the distribution to all members, the papers to be deliberated at the meeting. From time to time, WBC shall report to the Board of its recommendations on the outcome any investigations conducted, and the Board upon receiving the recommendations have the final decision on the matter raised.

GIAD is a corporate member of the Institute of Internal Auditor Malaysia (**IIAM**) and subscribed to the standards issued by the IIAM.

Further information on the activities of GIAD can be found in the AC Report.

(f) Group Compliance Department

GCOMP was established by management to enhance the internal control process across the Group. The setting up of the Department was endorsed by the AC. The Head of Compliance reports to the Executive Director of the Group Financial Services Division.

The objectives of GCOMP are -

- To provide better understanding of the relationship between business objectives, control environment and operational risks to achieve those objectives;
- To educate employees to analyse, evaluate and report on the effectiveness of the control mechanism; and
- To advice and monitor compliance to the established procedures.

GCOMP's main responsibilities include -

- Developing and monitoring the implementation of Risk Control Self-Assessment (**RCSA**) Programme;
- Conducting Internal Control Systems (**ICS**) Review within the Group;
- Reviewing the Financial Limits Authority Guidelines (**FLAG**) and communicating changes and assisting users on the implementation of the FLAG; and
- Preparing MAC Reports for presentation to the AC.

(g) Group Integrity Unit

Group Integrity Unit (**GIU**) was established in 2014 to further enhance corporate governance practices and business ethics. The GIU reports functionally to the WBC Chairperson and administratively to the PGCEO.

The main objective of GIU is to enhance integrity awareness and to educate and disseminate the importance of managing high risk areas such as fraud and corruption.

In 2017, GIU has conducted Integrity Forum for Senior Management of the Group and series of Integrity Awareness Roadshows in Automotive Industries Sendirian Berhad.

(h) Policies, Guidelines and Procedures

Written Policies and Guidelines

Clearly-defined and documented internal policies and guidelines have been established through the relevant charters, terms of reference, organisational structures and appropriate authority limits.

The Group's policies and guidelines have been communicated throughout the Group for implementation and compliance. These policies and guidelines are approved by the Board and regularly updated to reflect changing business requirements. Furthermore, these policies and guidelines are also used as a basis to develop standard operating procedures across the Group.

Limits of Authority and Responsibility

Clearly-defined and documented lines and limits of authority, responsibilities and accountability have been established by the Group in the form of the FLAG.

The FLAG outlines the authority of the Board and its Committees and that of management for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. The FLAG is also regularly updated to reflect changing risks and/or to address operational deficiencies.

Standard Operating Procedures

Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties. These procedures which are developed by management based on the UMW Group Policies and Guidelines used in governing the day-to-day business operations within the Group.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

(i) Comprehensive Budgeting and Forecasting System

The Group performs a comprehensive annual budgeting and forecasting exercise including the development of business strategies and key performance indicators which are deliberated and approved by the Board each year.

During the business planning session, companies within each SBU performs a critical self-assessment which involves analysis of strengths, weaknesses, opportunities, problems and threats together with action plans to address issues identified.

Budgets prepared by SBUs are regularly updated and explanations on variances are incorporated in management reports which are prepared and reported on a quarterly basis to the Board. These management reports analyse and explain variances against plan and report on the achievement of the key performance indicators after taking into account the changes in market conditions and significant business risks.

The Group employs a reward and recognition framework which is based on the achievement of the key performance indicators that measures the goals and targets for each individual SBU in alignment with the Group's business objectives and strategies.

(j) Monitoring, Reporting and Reviewing

The effectiveness of the Group's systems of risk management and internal controls are monitored through monthly management review of financial and operating results, business processes, the state of internal controls and business risk profile by the respective Heads of SBUs and reported to the Management Committee.

In addition to the monthly reporting, the PGCEO undertakes a mid-term business review on all SBUs and initiates corrective measures where needed. Apart from that, regular internal visits are also made to companies within each SBU by senior management to monitor compliance with policies and to assess performance. The Board is updated on the business performance on a quarterly basis.

These reviews are supplemented by a comprehensive review undertaken by GIAD on controls implemented at each individual business unit. Reports on the reviews carried out by GIAD are submitted on a regular basis to management and the AC. These reports assess the impact of control issues and recommend appropriate actions to be taken to strengthen controls. In 2017, seventy-two (72) reports were issued by GIAD to management and the AC.

The management reports to the AC via MAC Reports on the status of action plans undertaken to address issues highlighted in GIAD's reports. In 2017, sixty-nine (69) Internal Audit Reports were discussed in the MAC meetings and four (4) MAC Reports were tabled at the AC meetings.

In addition to the MAC Reports, the results of RCSA and ICS programmes are presented twice a year to AC by GCOMP to provide assurance on the effectiveness of the risk management and internal control systems in the Group.

For associated companies and joint ventures, the Group's interests are served through representations on the Boards of the respective associated companies and joint ventures, receipt and review of respective management accounts, and enquiries thereon. Such representation also provides the Board with information for timely decision-making on the continuity of the Group's investments based on the performance of the associated companies and joint ventures.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2017

5. BOARD COMMENTARY AND OPINION

The Board has received written assurance from the PGCEO and the Executive Director of the Group Financial Services Division stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, for the financial year ended 31 December 2017 up to the date of this Statement.

The Board is of the view that during the year under review there were no significant weaknesses in the risk management and internal control systems of the Group which had resulted in material losses, contingencies or uncertainties requiring disclosure in the Annual Report.

The Board is satisfied that the systems of risk management and internal controls in the Group are sound and sufficient to safeguard shareholders' investments and the Group's assets for the year under review and up to the date of the Annual Report.

The Board remains committed in ensuring that appropriate initiatives and active measures are taken to improve and enhance the Group's risk management and internal control systems so that shareholders' investment and the Group's assets are consistently safeguarded.

6. REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors, Messrs Ernst & Young, have performed limited assurance procedures on the Statement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement Other Than Audits or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

Messrs Ernst & Young have reported to the Board that nothing has come to their attention that causes them to believe that the Statement included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board dated 10 April 2018.

CALENDAR OF EVENTS

JANUARY



► AISB road safety campaign with its employees

23

UMW Industries (1985) Sdn Bhd (**UMW Industries**) handed over a total of nine (9) units of Toyota Diesel forklift to Johor Port Berhad.

27

In conjunction with the Chinese New Year celebrations, Automotive Industries Sendirian Berhad (**AISB**) launched its first road safety campaign. The two weeks' campaign was to increase awareness and promote road safety amongst AISB's employees.

FEBRUARY



► Special townhall on the demerger of UMW Oil & Gas

01

A special townhall by Badrul Feisal Abdul Rahim, President & Group Chief Executive Officer to address matters regarding the demerger of UMW Oil & Gas Corporation Berhad was held at UMW Auditorium.

15 - 23

BT organised the Navigation Solutions for its distributors in Asia at the Material Handling and Technical Training Centre, Lot 16, Shah Alam.

MARCH



► Signing of the Memorandum of Understanding with Malaysian Investment Development Authority

02

UMW Toyota Motor Sdn Bhd (**UMW Toyota**) launched the "2017 Toyota Eco Youth" programme with the overriding theme to reduce carbon footprint.

21

UMW Land Sdn Bhd inked a Memorandum of Understanding with the Malaysian Investment Development Authority (**MIDA**) to explore areas of co-operation and collaboration with regard to the industrial development of UMW's land-bank in Serendah.

24

A half-day training session on "Companies Act 2016: New Governance Framework for Directors & Management and Its Impact" was specially organised for Board members and senior management.

APRIL



► A UMW Community Champion with a homeless child

06

UMW Grantt International Sdn Bhd (**UMW Grantt**) signed two (2) Memorandums of Agreement with Universiti Utara Malaysia (**UUM**) through its School of International Studies (**SOLS**). The agreements include UMW Grantt sponsoring one of UUM's student residence halls, better known as Inapan Siswa (**INASIS GRANTT**) and providing a three-year sponsorship for research opportunities and students' activities for SOLS and residents of INASIS GRANTT.

11

50 UMW Community Champions participated in the UMW Community Champions' Programme with the homeless at the Temporary Service Centre for the Homeless in Lorong Medan Tuanku 2, Kuala Lumpur. This was the first programme collaborated with KASEH4U in 2017. KASEH4U is a non-governmental organisation established in November 2013 to provide basic meals to the homeless.

19

UMW Industries won three awards under the 2016 Toyota Material Handling International (**TMHI**) Award programme which was held at the 2017 TMHI Distributor Conference in Nagoya, Japan.

CALENDAR OF EVENTS

APRIL



Opening of a new B&P Centre in Kuching, Sarawak

20 - 25

UMW participated in the “Minggu Saham Amanah Malaysia 2017”, which was held at Temerloh, Pahang.

20

UMW Toyota launched the new Body & Paint (B&P) Centre in Kuching, Sarawak. The new facility is located at the Pending Industrial Area to complement its existing Sales & Service Centre along Jalan Datuk Tawi Sli in Kuching.

MAY



Seminar on “New Logistics Trends & Solutions”

01

80 UMW employees participated in the “Perhimpunan Hari Pekerja” in conjunction with “Hari Pekerja Sedunia”, held at Putrajaya International Convention Centre.

02

UMW organised a welcome event for the first intake of the Diploma in Manufacturing Engineering (Industrial Automation & Robotic) programme at Kolej Kemahiran Tinggi MARA (KKTM) in Kuantan, Pahang.

03

UMW Industries shared the latest trends and solutions in logistics and warehousing with more than 50 of its customers during a “New Logistics Trends & Solutions” Seminar organised at its premises at Lot 16, Shah Alam.

19,
23 - 26

UMW Group Health, Safety and Environment collaborated with Road Safety Department of Malaysia for Putrajaya and Selangor in hosting a road safety talk session for UMW employees in Shah Alam.

JUNE



Academic Excellence Awards Ceremony for children of UMW employees

05

UMW organised the Academic Excellence Awards ceremony to celebrate the academic excellence of children of UMW employees in UPSR, PT3 and SPM examinations in 2016. Altogether there were 97 award recipients.

10

32 volunteers from the KYB-UMW Group participated in the Corporate Social Responsibility (CSR) programme with residents of Rumah Amal Anak Yatim Sungai Manggis, Banting. The volunteers brought children from the orphanage to shop at IOI Mall, Putrajaya in conjunction with Hari Raya celebration.

17

40 selected students from SK Bandar Baru Salak Tinggi were treated to Hari Raya shopping at AEON Shopping Centre, Seri Kembangan, Selangor as part of UMW’s annual festive programme with the underprivileged.

19 - 25

UMW Development Sdn Bhd (**UMW Development**) participated in the 52nd International Paris Air Show (**IPA2017**) at Parc Des Expositions, Le Bourget, Paris. The IPA2017 was the platform for UMW Development to engage with global aerospace companies to promote the UMW High Value Manufacturing Park (**UMW HVM Park**) in Serendah.



UMW Development at the 52nd International Paris Air Show (IPA2017), Paris

CALENDAR OF EVENTS

JULY



* Long Service Award ceremony at TBU

22

Toyota Boshoku UMW Sdn Bhd (**TBU**) hosted a Long Service Award ceremony for its employees. A total of 16 staff were honoured with 6 staff receiving the 20 years award and 10 staff receiving the 10 years award.

27

UMW Group Insurance Division in collaboration with K Insurance Sdn Bhd and Etiqa Insurance Berhad organised an “Insurance Awareness Talk on Liberalisation of Motor Insurance” for UMW employees at UMW headquarters in Shah Alam.

AUGUST



* Mr Yasusuke Nakajima, the President of KYB Japan during his visit to UMW

02

UMW Group welcomed the President of KYB Japan, Mr Yasusuke Nakajima who made his maiden visit to UMW.

15

UMW M&E Sdn Bhd participated in the “Malaysia Aerospace Summit 2017” organised by the Ministry of Trade and Industry.

24

The UMW Equipment Fire, Emergency & Rescue Department together with its Principal, Rosenbauer introduced the new Light Firefighting & Rescue Truck (**LFRT**) to the Malaysian market. Held at UMW Industries’ premises at Lot 16, Shah Alam, the event was attended by 24 firemen from companies within the Klang Valley and Penang.



* TBU Door Trim Competition in Bangkok, Thailand

25 - 27

TBU was named first runner-up in the Door Trim Competition of TB Asia & Oceania Skills Competition in Bangkok, Thailand.

SEPTEMBER



* "Bengkel Motivasi Dan Pecutan Akhir SPM 2017" programme

25 - 27

104 students from 15 schools in the Petaling Perdana district, six of whom were children of UMW employees benefitted from UMW’s “Bengkel Motivasi Dan Pecutan Akhir SPM 2017”, jointly organised by UMW, Petaling Perdana Education District and Utusan Malaysia at SMK Seksyen 18, Shah Alam.

26 - 29

In an effort to promote the UMW HVM Park to Japanese aerospace players, UMW Development participated in the Aeromart Nagoya 2017 at the Nagoya Trade and Industry Centre, Japan.

28

UMW organised a “Majlis Doa Selamat” in conjunction with the celebration of UMW 100 years anniversary at Sultan Salahuddin Abdul Aziz Shah mosque in Shah Alam, Selangor. The event was attended by 800 invited guests including the Guest-of-Honor Tan Sri Abdul Wahid Omar, Group Chairman of Permodalan Nasional Berhad, former UMW Group Chairman and Presidents as well as UMW staff.



* "Majlis Doa Selamat" in conjunction with the UMW 100 years anniversary

30

33 UMW staff in Sabah participated in a CSR programme, which was a visit to Hospital Wanita dan Kanak-Kanak Sabah. The programme was organised by Group Corporate Communications, in collaboration with Kelab UMW Sabah.

CALENDAR OF EVENTS

OCTOBER



Robocon Competition by KYB Corporation Japan

03 - 07

UMW Toyota, the official vehicle sponsor for the 53rd edition of “Jelajah Malaysia” sponsored more than seventy (70) units of Toyota vehicles for this tournament.

05

In conjunction with the celebration of UMW 100 years anniversary, a special Centenary Address was held at UMW Auditorium. The special address was delivered by the Group Chairman, Tan Sri Dato’ Sri Hamad Kama Piah Che Othman. He also launched the “Raikan 100 Tahun UMW” Carnival at Dataran UMW, on the same day.



“Raikan 100 Tahun UMW” Carnival at Dataran UMW, Shah Alam.

21

KYB-UMW Malaysia Sdn Bhd (**KYB-UMW Malaysia**) participated in the Robocon Competition, which was organised by KYB Corporation Japan at KYB Sagami Plant, Japan. This was the 7th participation for KYB-UMW Malaysia since year 2011.

28 - 29

23 UMW Community Champions participated in an educational programme called “Jejak Kembara Ilmu 2017” at Sekolah Kebangsaan Ulu Slim, Perak.

NOVEMBER



Recipients of proceeds from the Toyota Classics Concert

01

UMW Toyota collected a total of RM406,000 in proceeds from its annual Toyota Classics Concert. The concert was organised at Kuala Lumpur Convention Centre featuring London-based Royal Philharmonic Orchestra.

24

53 undergraduate students at local universities were awarded scholarships at the Scholarship Awards Ceremony organised by Group Human Resource at UMW Auditorium, Shah Alam.

28



YB Datuk Ahmad Maslan, Deputy Minister of International Trade and Industry at the flag-off ceremony

UMW organised UMW Centenary Gala Dinner at Setia City Convention Centre, Setia Alam for its former leaders, business partners, stakeholders and principals who have contributed and supported UMW throughout its long history. The event was attended by more than 800 guests including the Guests-of-Honour, Datuk J. Jayasiri, Secretary General, Ministry of International Trade and Industry and Tan Sri Abdul Wahid Omar, Group Chairman, Permodalan Nasional Berhad.

29

UMW Aerospace Sdn Bhd (**UMW Aerospace**) rolled out its maiden fan case for Rolls-Royce Trent 1000 TEN. The event, which was held at UMW Aerospace plant in Serendah, saw YB Datuk Ahmad Maslan, Deputy Minister of International Trade and Industry having the honour of rolling out the maiden fan case bound for Seletar Aerospace Park in Singapore.

DECEMBER



Contractors show off their HSE green cards

12

85 UMW Corporation and Manufacturing & Engineering Group employees were honoured at the Long Service Awards Ceremony 2017 held at UMW Auditorium. The awards ceremony was in recognition of their services and valuable contributions to UMW in 20 years.

14

In an effort to improve its contractor management, UMW Group Health, Safety & Environment organised the launch of UMW HSE Green Card and Award Ceremony of the Best HSE Contractors for 2016. The UMW HSE Green Card acts as “HSE Passport” for contractors who work in UMW premises.

AWARDS & ACCOLADES

NO.	COMPANY	AWARD	PROVIDER
1.	UMW Corporation Sdn Bhd	Asia's Best Employer Brand Awards 2017	Employer Branding Institute (EBI)
2.	UMW Aerospace Sdn Bhd	ISO 9001: 2008 and AS9100C (Technically Equivalent to EM 9100:2009 and JISQ 9100:2009) Manufacturing, machining and assembly of component and precision engine parts for aerospace	DNV GL-Business Assurance, USA
3.	Lubritech Limited, China	MAN Product Approval M3275-1 (GRANTT Quasar CH-4 15W40)	MAN Truck & Bus AG
4.	Lubritech Limited, China	Mercedes-Benz Product Approval MB 229.5 (GRANTT Stellar 8000 SN 0W40)	Daimler AG
5.	Lubritech Limited, China	Most Improved Technical Partner in China	Infineum (China) Co Ltd



7
UMW INDUSTRIES (1985) SDN BHD
 President Award – Bronze Award
 Toyota Industries Corporation

8
UMW INDUSTRIES (1985) SDN BHD
 Platinum Club Recognition Award
 Toyota Industries Corporation

9
UMW INDUSTRIES (1985) SDN BHD
 Vision 2020 Award
 Toyota Industries Corporation

6
KYB-UMW STEERING MALAYSIA SDN BHD
 Product Excellence -
 In Compliance With
 The Quality Standards
 of MMPC & Consistent
 Delivery of High Quality
 Products from July 2015
 to December 2015
 Mitsubishi Motors Philippines
 Corporation (MMPC)

10
UMW EQUIPMENT & ENGINEERING PTE LTD
 2016 Customer Support Award
 Toyota Industries Corporation

AWARDS & ACCOLADES



11

UMW TOYOTA MOTOR SDN BHD

Customer Satisfaction Index
(CSI) 2017

JD Power

12

UMW TOYOTA MOTOR SDN BHD

Best MPV of the year TOYOTA
SIENTA

VOTY – DSF.my

13

UMW TOYOTA MOTOR SDN BHD

Best Service Aftersales

VOTY – DSF.my

14

UMW TOYOTA MOTOR SDN BHD

Toyota Sienta - Compact MPV
of the Year - Best After Sales

DSF.my Allianz Vehicle of the Year

15

UMW TOYOTA MOTOR SDN BHD

Gold (Automotive)

Putra Brand Awards, The
People's Choice

16

UMW TOYOTA MOTOR SDN BHD

Toyota Sienta 1.5 V - Best
Compact MPV

Carsifu, Editors' Choice Awards
2017

17

UMW TOYOTA MOTOR SDN BHD

- Toyota Camry Hybrid 2.5
- Sedan and Hatchback
(RM160,001 - RM200,000)
- Toyota Innova 2.0 - MPV
(RM100,001 - RM160,000)
- Toyota Hilux Double
Cab 2.4G (4X4) - (Below
RM120,000)
- Toyota Hilux Double
Cab 2.8G (4X4) - (Above
RM120,000)

Malaysia Automotive Institute
(MAI),

Malaysia Car Of The Year 2017

18

UMW TOYOTA MOTOR SDN BHD

- Toyota Vellfire - Premium
MPV Of The Year
- Toyota Innova - Mid Range
MPV Of The Year

Carlist.my, People's Choice
Award 2017

19

UMW TOYOTA MOTOR SDN BHD

Toyota Fortuner - Bronze

iCar Asia People's Choice
Awards 2017

20

UMW TOYOTA MOTOR SDN BHD

- No.1 for Customer
Satisfaction Index
- No.1 for (Sales Satisfaction
Index

JD Power Asia Pacific

AWARDS & ACCOLADES



21

PERODUA

Frost & Sullivan Malaysia Excellence Awards 2017

Perodua AXIA awarded Value-for-Money (1.3L & Below Category) Car of the Year Frost & Sullivan Malaysia

25

PERODUA

Vehicle of the Year 2017 Awards

Perodua AXIA awarded Compact Car of the Year DSF.my Allianz

29

ASSEMBLY SERVICES SDN BHD

Zero Field Action Award

Toyota Daihatsu Engineering & Manufacturing (TDEM)

22

PERODUA

Frost & Sullivan Malaysia Excellence Awards 2017

Perodua BEZZA awarded Car of the Year Frost & Sullivan Malaysia

26

PERODUA

The BrandLaureate Most Favourite Brand Award 2016-2017 : Automotive – Sedan/Compact Cars

The BrandLaureate BestBrand Award

30

UMW CORPORATION SDN BHD

HR Asia – Best Companies To Work For in Asia 2017

HR Asia

23

PERODUA

Frost & Sullivan Malaysia Excellence Awards 2017

Perodua BEZZA awarded Car of the Year Frost & Sullivan Malaysia

27

PERODUA

The BrandLaureate Most Eminent Brand Icon Leadership Award 2017

The BrandLaureate Brand ICON Leadership Awards 2017

31

UMW AEROSPACE SDN BHD

Trusted to Deliver Excellence Award

Rolls-Royce Plc

24

PERODUA

Malaysia Good Design Mark 2016

Perodua BEZZA awarded Malaysia Good Design MRM (Majlis Rekabentuk Malaysia)

28

ASSEMBLY SERVICES SDN BHD

Warranty Reduction Award

Toyota Daihatsu Engineering & Manufacturing (TDEM)