



Aturmaju Resources Berhad

(Company No. 448934-M)

Annual Report

2018

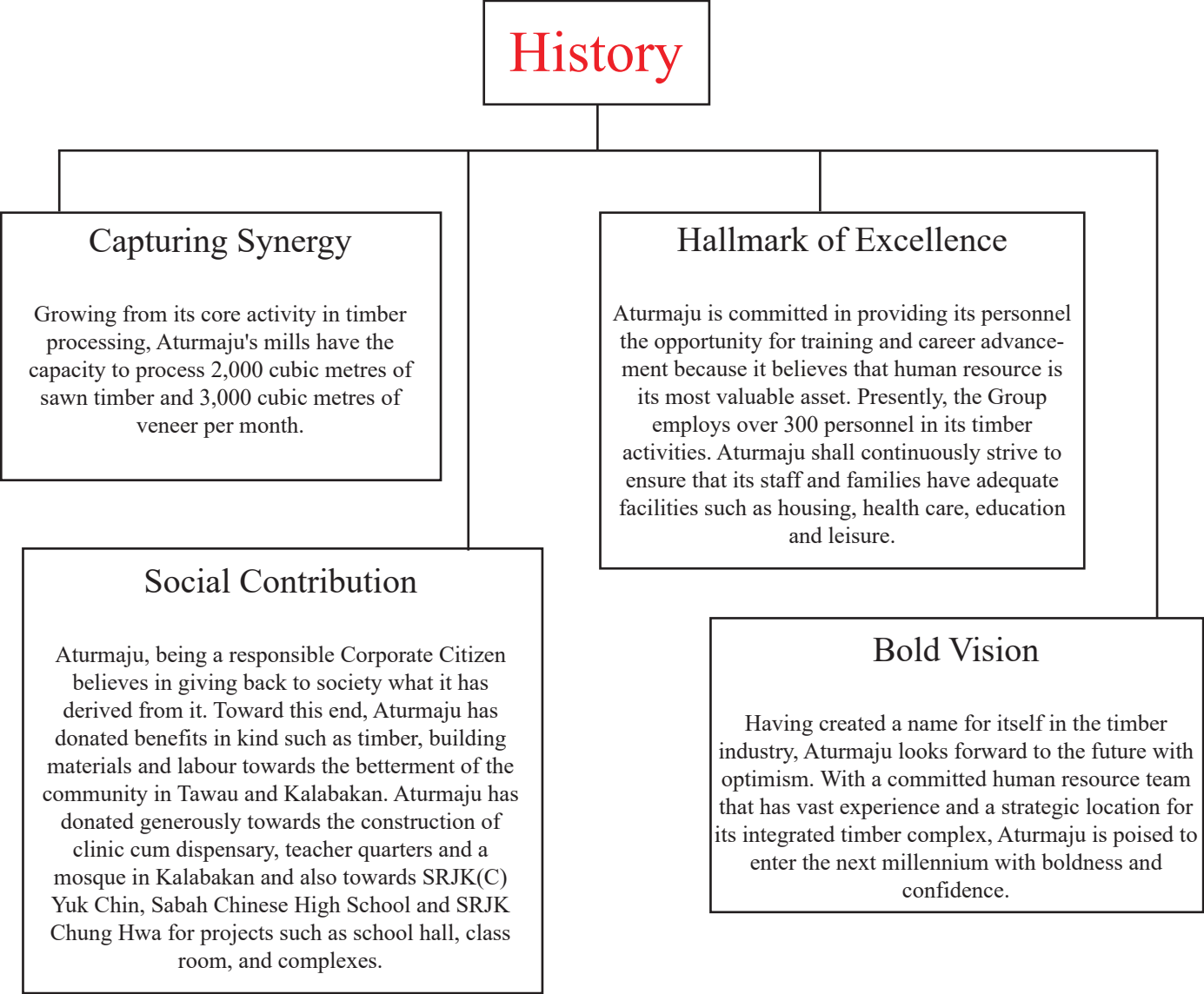
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Company Profile

Aturmaju Resources Berhad, ("Aturmaju" or "the Group") was incorporated in Malaysia under the Companies Act 1965 and have been listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The main activities done by the groups include manufacturing in various type of woods, software development, contract logging, leasing scows and tugboats, provision of management services and investment holding. Aturmaju has its history firmly rooted in timber processing. From a humble beginning in 1989, with only a small sawmill, the Group today has expanded its timber activities into both upstream and downstream operations. The Group is now the proud owner of a fully integrated timber complex sited at Kalabakan, District of Tawau.

However, in view of the tough economic environment, Aturmaju get approval from Bursa Malaysia for diversification IT business, to develop an ERP system to cater to the SME's. Our ERP system provide seamless manufacturing business operations for customers in Malaysia. Some users skim the edges of our technology when they use our customers' services, while others are fully immersed, driving their business forward with integrated applications built on our most advanced ERP technology. Our ERP solution is a powerful cloud application, built to enrich and improve businesses for a specific purpose. By working together, our system can integrate, learn, and improve goes beyond basic software and database solutions.



Corporate Information

Board of Directors

Datuk Baharon Bin Talib
(Independent Non-Executive Chairman)

Datuk Yeo Wang Seng
(Managing Director)

Yeo Gee Kuan
(Executive Director)

Lim Yun Nyen
(Executive Director)

Ng Kok Wah
(Independent Non-Executive Director)

Dato' Liew Kok Leong
(Executive Director) (Appointed on 30/8/2018)

Au Yee Boon
(Executive Director) (Appointed on 25/9/2018)

Khor Chin Meng
(Independent Non-Executive Director) (Appointed on 31/1/2019)

Ho Pui Hold
(Independent Non-Executive Director) (Resigned on 31/1/2019)

Company Secretaries

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Audit Committee

Ng Kok Wah
Chairman

Datuk Baharon Bin Talib

Ho Pui Hold (Resigned 31/1/2019)

Khor Chin Meng (Appointed 31/1/2019)

Nomination Committee

Datuk Baharon Bin Talib
Chairman

Ng Kok Wah

Ho Pui Hold (Resigned 31/1/2019)

Khor Chin Meng (Appointed 31/1/2019)

Remuneration Committee

Datuk Baharon Bin Talib
Chairman

Ng Kok Wah

Ho Pui Hold (Resigned 31/1/2019)

Khor Chin Meng (Appointed 31/1/2019)

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market

Stock Name: ATURMJU
Stock Code: 7181

Stock Name: ATURMJU-PA
Stock Code: 7181PA

Share Registrar

Mega Corporate Services Sdn Bhd (187984-H)
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

Auditors

Messrs RSM Malaysia (AF 0768)
5th Floor Penthouse, Wisma RKT, Block A
No. 2, Jalan Raja Abdullah, Off Jalan Sultan Ismail
50300 Kuala Lumpur
Tel : 603-2610 2888
Fax: 603-2698 6600

Head Office

TB 8285, Lot 20C
Perdana Square Commercial Centre
Mile 3 1/2, Jalan Apas, 91000 Tawau, Sabah, Malaysia
Tel : 089-911026 / 089-913970
Fax : 089-911304
Email : aturmaju_arb@yahoo.com
Website : www.aturmaju.com.my

Registered Office

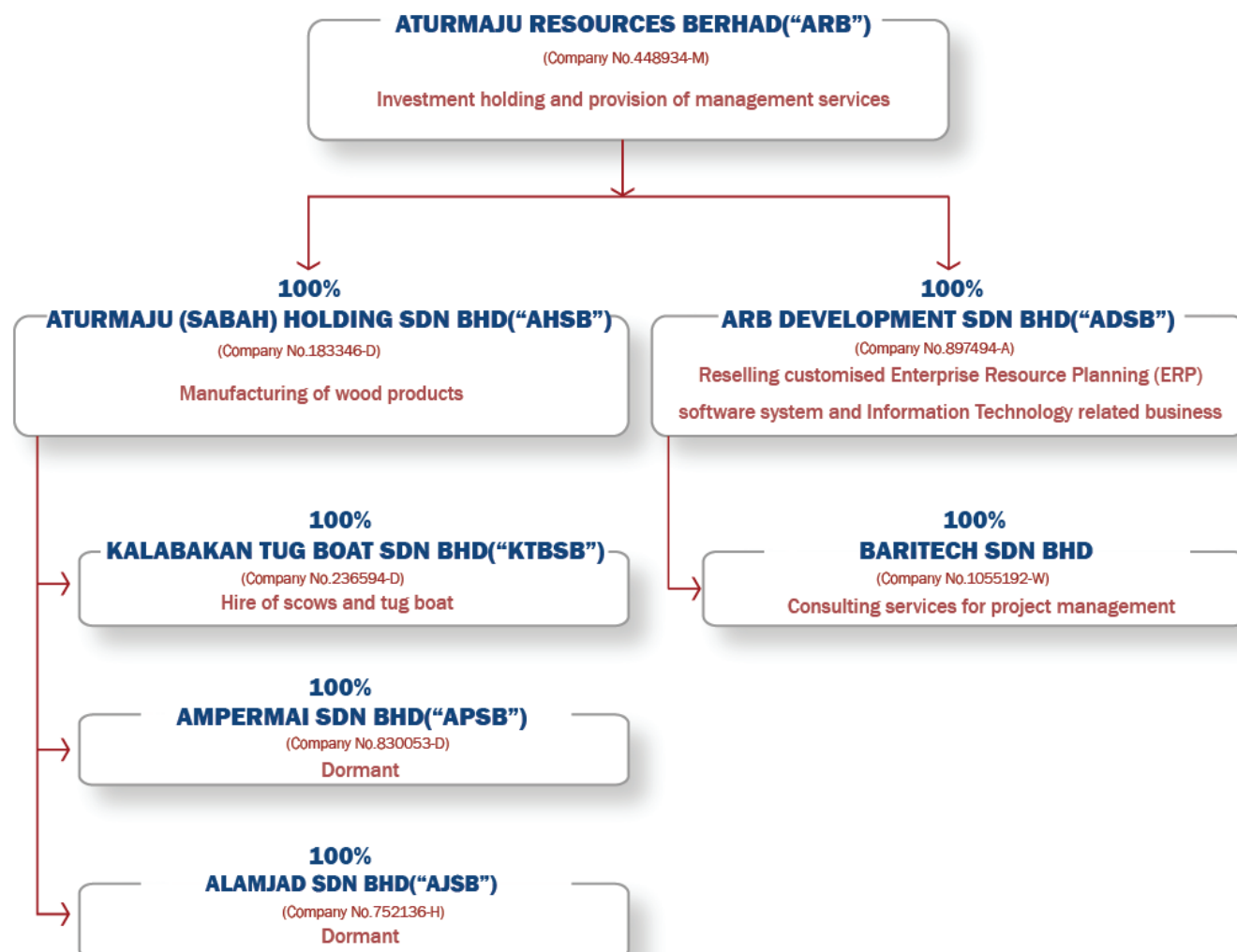
Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03 - 2298 0263
Fax: 03 - 2298 0268

Principal Bankers

Hong Leong Bank Berhad
Public Bank Berhad
CIMB Bank Berhad

Corporate Structure

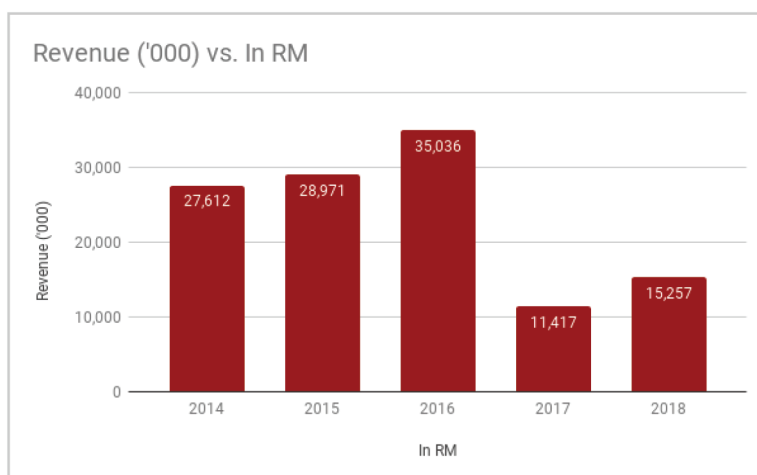
Our core business of the Group is in IT solutions and timber activities of both upstream and downstream operations. The Group structure and core activities of the subsidiaries company are as follows:



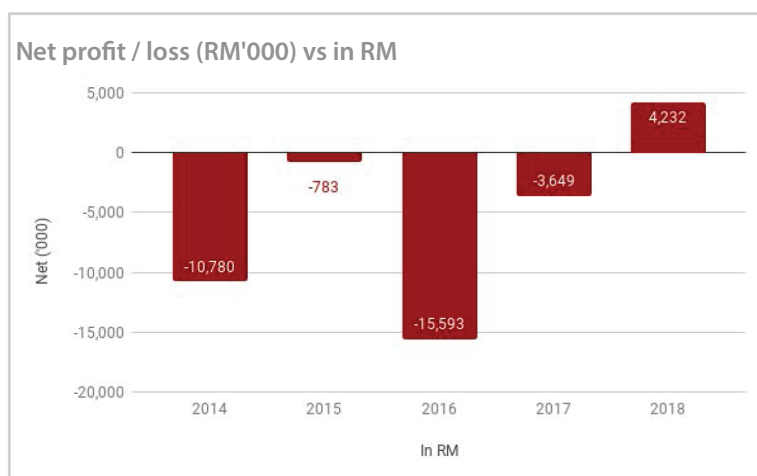
5-Years Group Financial Highlights

| In RM | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------|----------|--------|----------|---------|--------|
| Revenue ('000) | 27,612 | 28,971 | 35,036 | 11,417 | 15,257 |
| Net profit / loss (RM'000) | (10,780) | (783) | (15,593) | (3,649) | 4,232 |
| EPS (cents) | (17.64) | (1.28) | (25.52) | (5.97) | 6.30 |

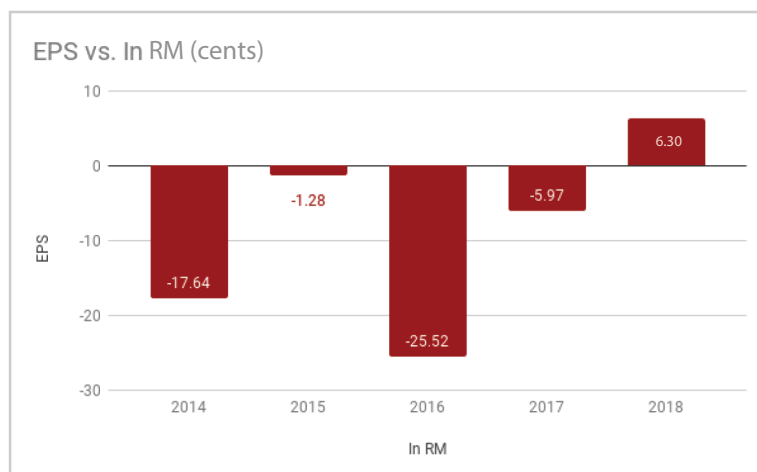
Revenue in RM '000



Net Profit / Loss in RM '000



EPS in RM(cents)



Profile of Board of Directors

DATUK BAHARON BIN TALIB

67 years of age, Malaysian, Male

Independent Non-Executive Chairman

Member of Audit Committee

Chairman of Nomination Committee and Remuneration Committee

Datuk Baharon was appointed to the Board of Directors of Aturmaju Resources Berhad (“ARB” or the “Company”) (“Board”) as Independent Non-Executive Director of the Company on 20 October 2010 and has been re-designated to Independent Non-Executive Chairman on 31 May 2013. Datuk Baharon was graduated from University of Malaya and possess a Degree in History. Datuk Baharon served as government servant for 35 years and held various positions in the government sector. Datuk Baharon started his career as an Assistant District Officer, State Secretariat Office, and also at the Ministry level with the Federal Government. Datuk Baharon last post was State Immigration Director of Sabah.

Datuk Baharon does not hold any directorships in any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. Datuk Baharon does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

DATUK YEO WANG SENG

69 years of age, Malaysian, Male

Managing Director

Datuk Yeo is the Managing Director of the Company and was appointed to the Board on 1 November 2003. He is oversees the sourcing of logs including marketing of woods products and financial management of the Group’s operations.

Datuk Yeo started his career in the wood industry in 1968, working as a trainer in a sawmill in Johor. Subsequently, in 1970, Datuk Yeo worked as a sawing contractor for a sawmill based in Kuantan. In 1978, Datuk Yeo was employed as a manager in a sawmill based in Terengganu prior moved to Sabah in 1980. Datuk Yeo started his operation in Sabah as a sawing contractor and then became the Managing Director of a well-established sawmill company based in Tawau from 1983 to 1986. Datuk Yeo commenced timber logging operations in Tawau since 1987 and in 1989, Datuk Yeo accompanied with some business associates established Aturmaju (Sabah) Holding Sdn. Bhd. (“AHSB”) as a sawmilling company. AHSB was subsequently expanded into timber logging and plywood and related downstream products operating and barging. Over the years and through his involvemem as Managing Director, Datuk Yeo has accumulated vast and over 40 years of experience in the timber industry and has established sound rapport with the buyers of woods products. This has placed him an advantageous and primary role in the marketing of woods products.

Datuk Yeo does not hold any directorships in any other public companies. Datuk Yeo is the father of Mr Yeo Gee Kuan, an Executive Director of ARB. Datuk Yeo does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

DATO’ LIEW KOK LEONG

46 years of age, Malaysian, Male

Executive Director (Appointed on 30/8/2018)

Dato’ Liew holds Bachelor of Science (Distinction) in Electronic & Electrical Engineering, Master of Science in Communication Systems. He has 20 years of experience in Information Technology, manufacturing, telecommunication, property development and venture capital investment. He has established a number of companies and subsidiaries in Malaysia, Singapore and China.

Dato’ Liew does not hold any directorships in any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

Profile of Board of Directors

YEO GEE KUAN

43 years of age, Malaysian, Male
Executive Director

Mr Yeo Gee Kuan was appointed to the Board as Executive Director on 1 November 2003. He holds a Business Certificate from Tafe College, Australia. Upon his return from Australia, he was appointed as Sawmill Manager by AHSB and subsequently appointed as Director of Operations of AHSB on 18 July 2001. He has considerable and direct experience of over 14 years in timber industry covering the activities range from manufacturing to export trading.

Mr Yeo does not hold any directorships in any other public companies. He is the son of Datuk Yeo Wang Seng, the Managing Director of ARB. Mr Yeo does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

AU YEE BOON

39 years of age, Malaysian, Male
Executive Director (Appointed on 25/9/2018)

Mr Au holds a Degree in Computer Science. Mr. Au Yee Boon is Founder and Chief Executive Officer of Techbase Solution Sdn Bhd since year 2009. He started his own retail business right after he graduated from University Malaya in 2004. After 5 years of his retail business, he has established Techbase Solution Sdn Bhd, a company specialize in providing Information Technology (IT) Solution. He was the key personnel for the company who responsible for marketing, business development and IT consultant.

Mr Au does not hold any directorships in any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

LIM YUN NYEN

48 years of age, Malaysian, Male
Executive Director

Mr Lim Yun Nyen was appointed to the Board as Executive Director on 1 November 2003. He is an Operational Director of AHSB. He holds a Diploma in Business Studies in 1990 before joining Ernst & Young as an Audit Assistant for 4 years. In 1995, he joined AHSB as an Accounts Supervisor and was subsequently promoted to Finance and Administrative Manager in 1997. He has over 18 years of experiences in the timber industry and involved in the co-ordination and day-to-day operations of the mills and assumed his current position in 2000.

Mr Lim does not hold any directorships in any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. Mr Lim does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

Profile of Board of Directors

NG KOK WAH

41 years of age, Malaysian, Male
Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination Committee and Remuneration Committee

Mr Ng Kok Wah was appointed to the Board as Independent Non-Executive Director on 15 March 2013. He is an Chartered Accountant by profession, a fellow member of the Fellowship of Chartered Certified Accountants (FCCA), United Kingdom and a member of Malaysian Institute of Accountants (MIA). Mr. Ng has obtained Capital Market Services Representative License (CMSRL) in “Financial Planning” from the Securities Commission pursuant to Capital Markets and Services Act, 2007 on 29 March 2018.

He started his career with a small accounting firm since year 1988 followed by an international medium accounting firm, Morison Anuarul Azizan Chew & Co. Handling various audit and non-audit assignments for both listed and non-listed companies involved in a wide range of business activities include financial institutions like bank and insurance company.

Mr Ng also sits on the Board of BCM Alliance Berhad, Multi-Usage Holdings Berhad, and D’nonce Technology Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company. Mr Ng does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

KHOR CHIN MENG

47 years of age, Malaysian, Male
Independent Non-Executive Director (Appointed on 31/1/2019)
Member of Audit Committee, Nomination Committee and Remuneration Committee

Mr Khor holds a fellow member of the Associate of Chartered Certified Accountants (ACCA). Mr Khor has 23 years of professional experience in auditing and taxation. He started his career since 1996 by joining a Malaysia audit firm. He became a partner of a corporate firm in 1997, and owned a Tax Advisory firm since 2010.

Mr Khor does not hold any directorships in any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

HO PUI HOLD

37 years of age, Malaysian, Male
Independent Non-Executive Director (Resigned on 31/1/2019)
Member of Audit Committee, Nomination Committee and Remuneration Committee (Resigned on 31/1/2019)

Mr Ho Pui Hold was appointed to the Board as Independent Non-Executive Director on 29 February 2016. He is an Accountant by profession, a fellow member of the Fellowship of Chartered Certified Accountants (FCCA), United Kingdom, a member of Malaysian Institute of Accountants (MIA) and a member of Asean Chartered Professional Accountant (ACPA).

Mr Ho has over 12 years of professional experience in auditing, banking and corporate finance. He started his career in 2004 by joining a Singapore advisory firm as IPO consultant where he participated in a few successful listing of companies in Singapore Exchange Limited (“SGX”). He then joined Ernst & Young as Senior Audit Associate until 2009 before he left to join AmBank (M) Berhad – Corporate & Institutional Banking. In the bank, he was responsible in client credit evaluation and marketing of the Bank’s products mainly in debt capital market, offshore loan syndication, corporate finance advisory & treasury products. To further advance his career, he took up the chief financial officer position in a foreign company listed on Bursa Malaysia Securities Berhad until 2013. He now sits on the board of Multi-Usage Holdings Berhad, HB Global Limited, Milux Corporation Berhad and Malaysia Pacific Corporation Berhad, companies listed on Main Market of Bursa Malaysia Securities Berhad.

Mr Ho does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

Profile of Key Senior Management

Comprise of all the 4 Executive Directors and 2 Key Senior Management staffs. The profiles of the 4 Executive Directors are as stipulated on page 6 to 8.

Profile of 2 Key Senior Management Staffs

SAM CHEN HOE

38 years of age, Malaysian, Male

Senior Technical Manager (Appointed on 08/10/2018)

Mr Sam graduated with a Bachelor of Science in Computing from Staffordshire University, United Kingdom in 2004. He has more than 10 years working experience in the IT industry and has accumulated broad knowledge and skill sets in, amongst others, numerous programming languages (e.g. PHP, C#, Java, ASP.NET and Ajax), software solutions and platforms as well as development and maintenance of solutions/applications relating to amongst others, the ERP sub-segment.

Sam Chen Hoe started his career as an Analyst Programmer at Ionnex Sdn Bhd, where he was responsible to maintain Short Message Service (“SMS”) gateways as well as develop Internet applications related with SMS. Subsequently, he joined Newpage (M) Sdn Bhd as a Junior Software Engineer, where he was involved in the implementation and customisation of sales force automation (“SFA”) applications, which use software to automate tasks related to sales and distribution activities such as sales order processing, customer relationship management, inventory and warehouse management, sales order tracking as well as human resources management system (“DMS”) applications which allow his clients to monitor and control the distribution network of their business. He was then promoted to Senior Software Engineer to assume higher roles and responsibilities in the development of DMS and SFA applications for clientele mainly in the fast-moving consumer goods industry. He was subsequently recruited by Techbase Solution Sdn Bhd as Senior .Net System Analyst Programmer, where he led the team and oversee the design and development of ERP solutions for clientele mainly in the distribution and retail business. In 2016, he joined Tone Group as Senior Manager of IT Department where he supervised the support and maintenance of ERP solutions. Prior to joining ARB Group, he was with Click Internet Traffic Sdn Bhd as Programmer Lead, where he managed a team of up to 15 programmers who maintain and/or support customer relationship management and ERP solutions.

LEE HOOI CHING

36 years of age, Malaysian, Female

Finance Manager (Appointed on 21/11/2018)

Ms. Lee graduated with a Bachelor of Science from Oxford Brookes University with Upper Second Class Honours, United Kingdom. She is a Chartered Accountant by profession, a fellow membership of the Fellowship of Chartered Certified Accountant (FCCA), United Kingdom, a member of Certified Public Accountant (CPA), Australia, and a member of Institute of Internal Auditors (IIA), North America.

Ms. Lee has over 12 years of professional experience in auditing, manufacturing, banking and finance. She started her career in 2006 by engaging an accounting firm and followed by an international medium accounting firm, RSM Robert Teo, Kuan & Co as an audit associate. Subsequently, she joined a public listed company as a Group Accountant since 2008. She pursued her career to local and overseas banking and finance industry since year 2010.

Note:

Both the key senior management staffs do not hold any directorships in any other public companies. They do not have any family relationship with any Director and/or major shareholder of the Company. They do not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

Chairman's Statement

"It has been a very challenging year for Aturmaju, but I remain extremely positive and confident about the future of this great business. 2018 finished on a positive note for world's major economies, the Group will continue to pursue opportunities to keep us up with the evolving marketplace and optimise its corporate strategy of creating long-term value for stakeholders."

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Aturmaju Resources Berhad (the "Board" or "the Company" or "the Group"), it gives me great pleasure to present the Annual Report and Audited Consolidated Financial Statements of the Company for the year ended 31 December 2018 ("FYE2018")

Turning to a New Chapter

2018 finished on a positive note for world's major economies, in spite of the shadow cast by an uncertain political and economic downturn, it has been a very challenging year for the Group to manage in dispelling fears over a sharp slowdown of the previous years' performance, which was due to scarcity of raw material and directly influenced to the mill operation to be ceased for few months.

Across the business, we have continued with our wide-ranging corporate renewal plans and I'm pleased to say that these are very much on track. Through making some difficult decisions and putting the stakeholders at the heart of all we do, we are rebuilding the business. It was a difficult decision to start up a new business line of developing the customised Enterprise Resource Planning (ERP) System, but it was an important step in repositioning the finances of the Group by generating RM 15.3 million of revenue. The sale enabled us to take a significant step forward on our priority of strengthening the balance sheet.

Turning to a new chapter in 2018, we believe it is destined to be a fascinating year and we are all looking forward to an exciting ride which will lead us to a new milestone; we will continue to unearth new elements and ideas to enrich our business venture in every aspect. Our prudent while optimism approach would not only allows us to maintain our competitiveness, but also enables us to look for new business opportunities towards a stable and sustainable development irrespective of short-term market volatility.

The Group's revenue increased by 34%, RM3.8 million, as compared to RM11.4 million in the preceding year. For the year under review, the Group recorded a profit before taxation of RM4.3 million for financial year ended 2018 as compared to a loss before taxation of RM3.7 million for the previous financial year ended 2017.

Dividend

Having taken the uncertain business climate into account, we have adopted a temporarily more prudent dividend payout to ensure the Group is sufficiently resilient while investing and growing for the future. The Board did not recommend any dividend for FYE 2018.

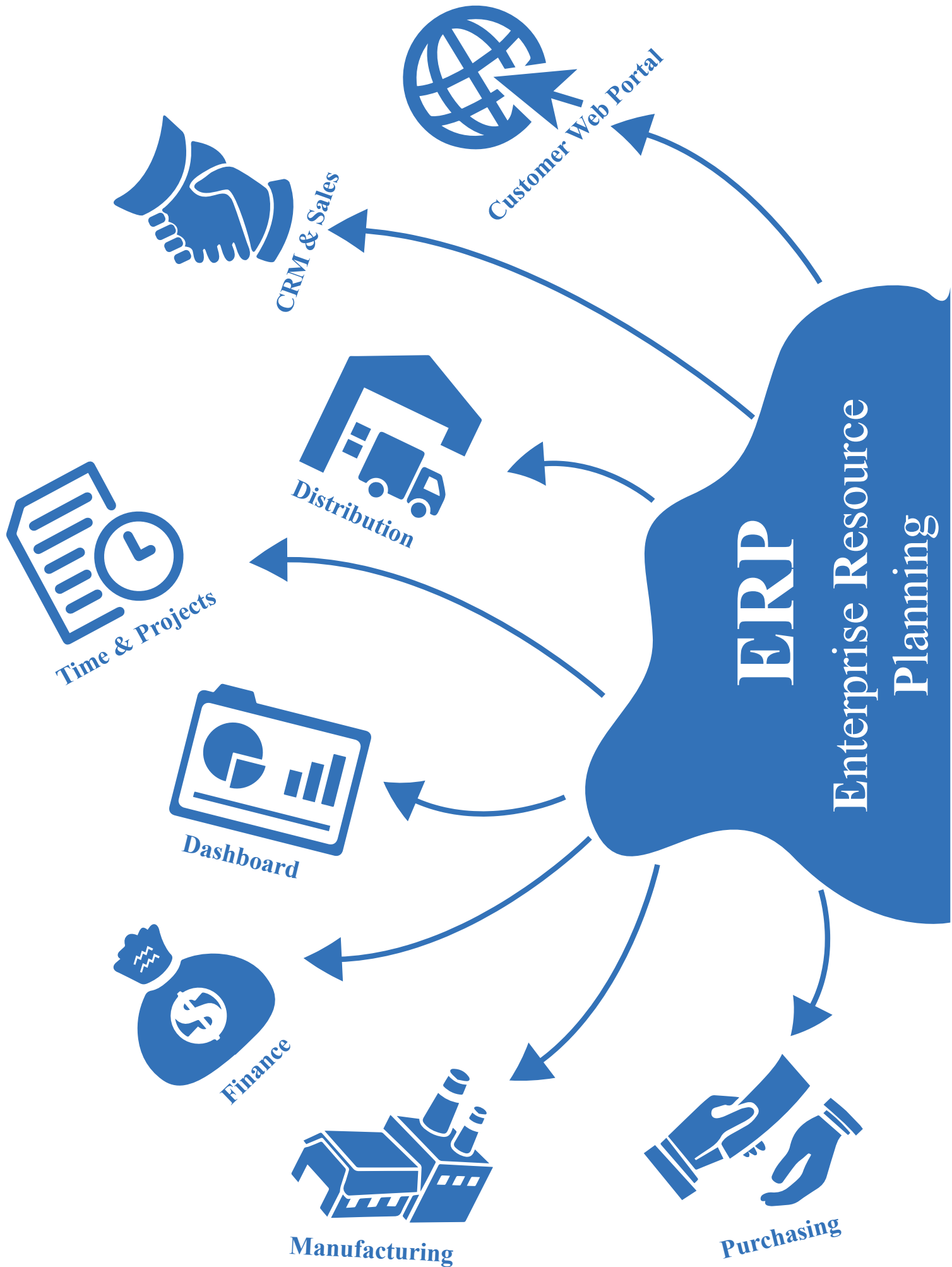
Harness Business Opportunities in New Markets

As the Group and its scope of operations in new business division expand, the Board has taken a number of initiatives to ensure longer-term plans can be delivered successfully. A comprehensive strategy review incorporating asset profiles, capital allocation and funding plans was completed in the second half of 2018. Significant progress has been made in the way in which risks are identified, analysed and mitigated throughout our operation, reporting back to the Board via the Audit Committee.

On behalf of the Board, strong foundations have been laid since we began our turnaround and I believe that we have focused on the right priorities as we continue to rebuild and strengthen the business.

I would like to take this opportunity to extend my sincere gratitude to our shareholders, business partners and clients for their continuous support and trust, and thank my fellow directors for their concerted effort and insights through the past years. The growth of the business would not be attained without the hard work and unstinting efforts from the Group's management team and the unwavering commitment of their continued hard work and dedication. We will all look forward to 2019 and the continuing growth in the Group as it achieves its medium-term aspirations.

DATUK BAHARON BIN TALIB
Independent Non-Executive Chairman



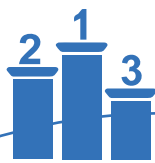
Top Benefits of Implementing ERP Software

Keep data safe and regulated with built-in protections.



Security & Regulatory Compliance

Stay on top of technology solutions, ahead of your competition.



Competition

Centralized data will bolster interdepartmental collaboration.



Collaboration

Eliminate redundant processes and tasks through automation.



Productivity

Work from home, your office, or anywhere with a mobile-friendly solution.



Mobility and Flexibility

Streamline Processes & Efficiency



Automate all business operations cross-departmentally.

Save Money



Customer Service



Faster, more accurate access to customers' information and history

Fosters Growth



Integrated Information



All customer and financial data, housed in one location.

Forecasting & Reporting



Management Discussion and Analysis

The Management Discussion and Analysis (“MD&A”) of financial condition and results of operations should be read in conjunction with the condensed financial statements and the related notes of Aturmaju Resources Berhad (“the Group”, or “ARB”, or “the Company’s”) for the financial year ended (“FYE”) 2018. The Group reports its financial position, results of operations and cash flows in accordance with Malaysia Financial Reporting Standards (“MFRS”), as issued by Malaysian Accounting Standard Board(MASB). The Group’s functional currency is in Ringgit Malaysia (“RM”) and all amounts in this MD&A are expressed in RM.

Throughout the financial year (FY) under review of 1 January 2018 to 31 December 2018, the main contribution of revenue from timber segment was temporarily cease operating since the second quarter of the FY, of which the license was under reviewed by the government, implementing the new forest regulations and its operation is expecting to be resumed in April 2019. It results the tragedy in shortage of raw material supplied to all timber mills in the region. Subsequently, the timber prices head for historical high as the global orders on the timber products were indeed increasing subsequent to the ongoing decline in global timber inventories towards the tailed-end of financial period. It was a tremendous flipped over when IT segment had commenced business relating to the provision of information Technology (IT) integration on customized Enterprise Resource Planning (ERP) software system. This in turn translated into challenges for ARB and the group rose to the challenge to close the year to a profitable note.

BUSINESS AND OPERATIONS

The Company operates three business segments defined as the wood manufacturer, barging service and IT integrated solution divisions through its wholly owned subsidiaries which include: Aturmaju (Sabah) Holding Sdn. Bhd. (AHSB), Kalabakan Tug Boat Sdn. Bhd. (KTB), Alamjad Sdn. Bhd. (ALSB), Ampermai Sdn. Bhd. (APSB), ARB Development Sdn. Bhd. (ARBD) and Baritech Sdn. Bhd. (BSB).

Manufacturing Division

Over the past 10 years, ARB has refined its core mission in focusing to be a specialist in the business of manufacturing and processing of saw timber and veneer. Our manufacturing segment tends to be a significant contributor to the Group’s revenue, which comprises of sawn timber and veneer until the first quarter of FY2018.

This division has been divided into two sections, i.e. sawmill and plymill. It produces and supplies saw timber and veneer of various sizes and specifications that complies the customers’ requirements. Products manufactured by ARB Group are mainly sold in Asia.

Annual manufacturing capacities at the manufacturing plants of AHSB, has been generated from sawmill and plymill section, RM0.5 million and RM6.5 million respectively. It generated 46% of the Group Revenue, compared to the Group’s total sales, amount of RM11 millions in FY2017.

Improvements to operational efficiencies helped mitigated rising material costs and expansion of our product lines are always ongoing to widen our product range and potential revenue streams. However, due to the new forest legislation implemented by the new government, the manufacturing division operation has to temporarily suspend until April 2019.

Service Division

The Service division embrace the hiring of scow and tug boat for shifting round log and wood products around Tawau water way. Service is conducted with the inter-companies and external customers, particularly Tawau area. It provides the service to transmit the round log to customers’ factories for mill processing and also to mid-stream for uploading to cargo for exporting purpose.

The charges of providing such service is based on the volume of cubic meter measurement, which generated the revenue of RM0.4 million or 2% of the Group Revenue. It was an increment of 210% which was given RM0.3million compared to the preceding reporting period.

Management Discussion and Analysis

IT Division

In the second quarter of FY2018, the management has decided to diversify its business to IT integrated solutions. The IT business specialized in providing the ERP solution to design, develop, install and support that are networked to provide an optimal environment for production enhancements, leading to maximum clients' overall performance efficiency and effectively. These capabilities provide financial benefits such as high industry gross and net margins, and significant cash flow and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ⁽¹⁾ ratio, which allow the Company to execute an ambitious growth strategy.

By consolidating its progressive customised ERP software system with a team of key design engineers, production technicians, marketing and administrative support personnel, which has been able to deliver components with the exacting criteria required by clients in a broad group of industries. The Company's mandate is to further leverage this unique mix of skills and competencies to achieve additional growth.

Although IT division commenced in the second quarter, it has yielded RM8 million to the Group's Revenue, which was the major sales contribution of 52%.

⁽¹⁾ "EBITDA" is a non-MFRS term which represents earnings or losses before net interest expense, income taxes, depreciation and amortization, and non-controlling interests. The MD&A presents certain non-MFRS financial measures to assist readers in understanding the Company's performance. Non-MFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with MFRS.

The distribution of revenue among the three business divisions for the period ended December 31, 2018 is as follows:

| Division | Manufacturing | Service | Information Technology |
|-------------------|---------------|---------|------------------------|
| December 31, 2018 | 46% | 2% | 52% |

To ensure future growth, ARB is committed to funding the research and development of new products and IT source code, and to ensure the Operating Expense (OPEX) is minimising in an effective way, and eventually will increase the Gross Profit Margin.

ARB's overall strategy is to continue striving to be the well-recognised ERP business solution in nationwide. This strategy, entitled the Vision 2020 Plan is condensed as follow:

Vision 2020 Plan

- Create superior shareholder value through development of quality products, financial discipline and investment
- Sales growth of 20 percent to 25 percent per year
- Develop and maintain research and development efforts for future initiatives
- Continual update of ancillary systems to support production and quality
- Upgrade the current facility and adjoining lease space to improve efficiencies
- Growth and retention of highly skilled workforce and management
- Commit to maintaining the environment through waste reduction, energy conservation, and recycling

Management Discussion and Analysis

OUTLOOK

In July of 2018, ARB initiated customised ERP solutions to design, develop, install and support for clients to aid the clients to get the info online in order to make decision spontaneously. This significant breakthrough should lead to significant revenue opportunities within the trading and manufacturing industries.

In August 2018, the Company has secured four ERP projects with the total project value of RM3.52 million, and it has completed in December 2018. Subsequently, in third quarter of 2018, the Company has secured another three projects for the total project value of RM6.9 million. With the “Vision 2020” strategy, ARB has two corporate exercises during FY2018 of raising RM11.4 million in total for developing costs of software solutions, establishing and growing the high skilled workforce and management in IT segment.

Selected Annual Consolidated Financial Information

All figures are in RM except as noted.

| Basic Weighted Average Share Issued And Outstanding, 31 December 2018 | For the year ended 31 December 2018 | For the year ended 31 December 2017 | For the year ended 31 December 2016 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Revenue | 15,256,825 | 11,416,791 | 35,035,688 |
| Profit/(Loss) After Tax | 4,231,494 | (3,648,855) | (15,592,987) |
| EPS (RM) | 0.06 | (0.06) | (0.26) |
| Total Assets | 24,788,486 | 19,963,330 | 26,914,766 |

Results from Operations

For the year ended 31 December 2018, ARB reported revenue of RM15,256,825, an increase of 34% compared with FY2017.

The IT division represented 52% of the major Group revenue, it was a dormant company in FY2017. The Manufacturing division contributed 46% of revenue, compared to 99% in FY2017. The Service division generated 2% of revenue to the Group, compared to 0.3% in FY2017.

In general, ERP business solutions project contributed substantially to ARB Group's domestic sales in FY2018.

To take the performance into perspective as compared to the previous financial year, group revenue increased by RM3.84 million, or 34% and PBT increased RM7.90 million, or 216%. Likewise, Profit After Tax increased by RM7.88 million, or 216%. These accelerated returns were mainly attributable to the new business diversification of IT segment.

For FY2018, the Manufacturing division recorded sales of RM7.0 million, which was RM4.4 million or 39% lower than compare to FY 2017. The reduced revenue contribution arose from the shortage of wood supplies from the industry. In addition, increased in the timber prices as decline in global timber inventories and startup losses from the production also compounded the situation and depressed profit margins.

Overall, the closing trade receivable was higher at RM6.7 million as compared to RM1.4 million in the preceding FY, or 365% increase, as these were mainly from the IT segment in the fourth quarter of FY2018.

There was no long term borrowings and has sufficient funds for working capital requirement.

Management Discussion and Analysis

RISKS

Manufacturing Division

i) Business risk

There are several challenges that are associated with the business we are engaged in. The raw material supply threatens the log price equilibrium. This unpredictability gives poor visibility on sawmill and plymill projects. While this is an external risk factor beyond the Group's control, the Group has managed to minimise the impact by maintaining the strong relationship with existing and new suppliers, as well as administering its inventory rigorously.

ii) Competitive and market risk

There is also the threat of other players introducing the cheaper and low quality products and employing price undercutting marketing tactics, which may appear as attractive alternatives for project owners. However, these products tend not to be able to meet the stringent quality specifications that we adhere to, thus we are confident it should pose minimal threat, especially after having established close rapport and having built the brand recognition among our customers.

IT Division

i) Business risk

We are diversifying our principal activities to include the provision of IT solutions and services and related activities and will face new challenges and risks inherent to the IT industry which include shortage of talents in the market place, obsolescence of existing technologies, advancement of new technologies and other technical aspects that may arise in the IT industry. We seek to limit such risks by leveraging on the competencies and experience of our key IT personnel as well as ensuring that proper due diligence is implemented during the planning, design and delivery of any IT projects. However, no assurance can be given that the measures taken will be sufficient to mitigate such risks or that any change in any of these factors would not have any material adverse effect on our Group's business and financial performance.

ii) Competition risk

The IT industry is competitive in nature and characterised by rapid technological changes. Our Group will face direct competition from both new entrants and existing players in the IT industry. We may also be disadvantaged, being a new entrant in the IT industry, as we lack the relevant track record and brand name as compared to existing players that may enjoy the privilege of their established brand name and reputation. Our Group seeks to mitigate this risk by leveraging on the experience and track record of our key IT personnel as well as the business network of our Executive Directors. We will also endeavour to be competitive by being cost efficient through effective project management and cost control policies, providing quality software solutions at competitive pricing and actively seeking new opportunities. However, there can be no assurance that these efforts will enable our Group to compete successfully and effectively with the new entrants in the IT industry.

iii) Dependency on key IT personnel

As in any other business, our Group's involvement in the IT industry depends largely on the experience, competency and continued efforts of our key personnel. The loss of any key IT personnel without suitable and timely replacement or the inability of our Group to attract and retain other qualified IT personnel could adversely affect our Group's IT business and consequently, our revenue and profitability. Thus, we will continuously adopt appropriate measures to retain our key IT personnel and will strive to attract qualified and experience talents to ensure continuity and competency of our IT team.

Management Discussion and Analysis

TREND AND OUTLOOK

We remain cautiously optimistic with respects to the timber market and will continue developing in IT segment and the challenges it poses.

The Management will focus on the IT segment, to strengthen the foundation of ERP business solution in order to design the better technology to enhance the stability of the software system.

Domestically, the official business contract announcement by two clients with ARBD provides fresh impetus for the ERP business solution project. The contract is a culmination of several months of hard work. The project with one of the clients has been completed in the final quarter of FY2018, whereas the second client's project is approaching 40% completion and is due to operate in the second quarter of 2019.

In addition, ARBD has signed another business contract with one of the existing clients with the contract value RM20 million in January 2019.

Subsequently, the Group had entered into a Memorandum of Understanding ("MOU") with Perkasa Selalu Sdn Bhd in developing an Intelligence Modern Lifestyle project locates at the city of Daerah Kuala Selangor on Joint Venture basis for proposed value of RM78 million in March 2019.

ARB Group will continue to expand on the existing business and seek growth opportunities by improving and expanding capacity, and exploring Internet of Thing (IoT) solutions, and re-energy solutions in 2019. We are optimistic on the long term outlook of the industry, especially with the later client's project progressing.

DATUK YEO WANG SENG
Managing Director



Sustainability Statement

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Sustainability Statement

About This Statement

This is our first Sustainable Statement published by Aturmaju Resources Berhad (“Aturmaju” or “ARB”) for the financial year ended 31st December 2018. All financial amounts stated in the statement is denominated in Ringgit Malaysia (RM) unless otherwise stated.

Sustainability Statement

Aturmaju firmly believes that economic, environmental and social responsibility (“EES”) and corporate governance are the core of a sustainable business, and we are committed to embedding sustainability in our business operations, culture and ensuring we practice sustainability at every business aspects at our level of operations.

In this statement, we intend to provide our stakeholders with reliable EES information in relation to our Group’s business activities. We remain committed to accomplishing and executing our business strategy in line with the EES targets as sustainability is a necessary and continuous commitment by the Group and its leadership.

Scope of Period

The scope of our Sustainability Statement covers the period from 1 January 2018 to 31 December 2018. The policies and strategies discussed throughout this Statement are engaged by the Group unless otherwise specified.

Our Sustainability Approach

Our Sustainability Approach integrates two business divisions that is the Timber Division and the Information Technology Division as part of our sustainable reporting.

Sustainability Governance

Sustainable Governance Structure

The Board of Aturmaju has overall responsibility for the Group as shown in the corporate structure below. Aturmaju (Sabah) Holdings Sdn Bhd and Kalabakan Tug Boat Sdn Bhd operate as a timber processing company and barging services respectively. Baritech Sdn Bhd operates as a Integrated Solution for the IT Division.

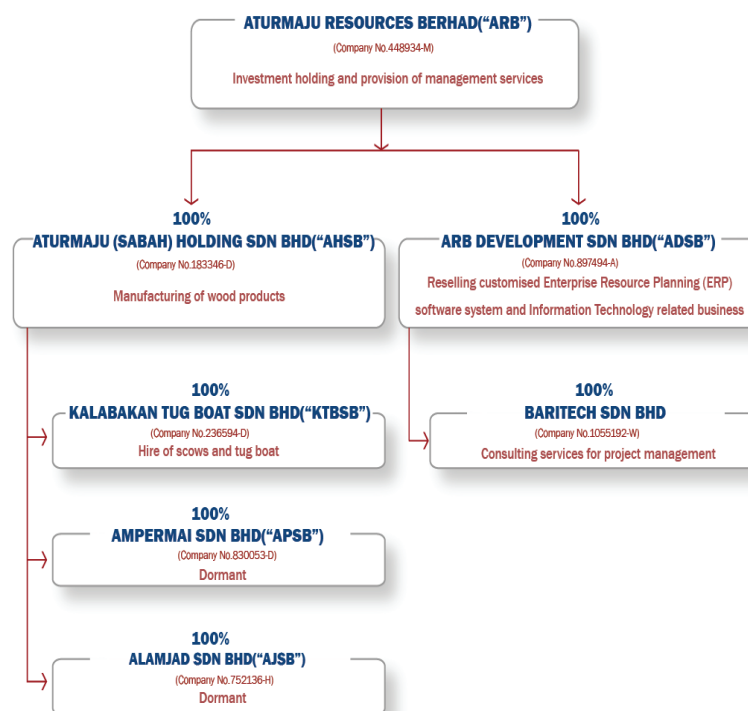


Figure 1 Corporate Structure for Aturmaju Resources Berhad

Sustainability Statement

The group presently does not have a Sustainability governance structure, but the group recognize its importance thus the group propose to set up the governance structure as shown below in the coming financial year.

The structure of our Group is as follows: -

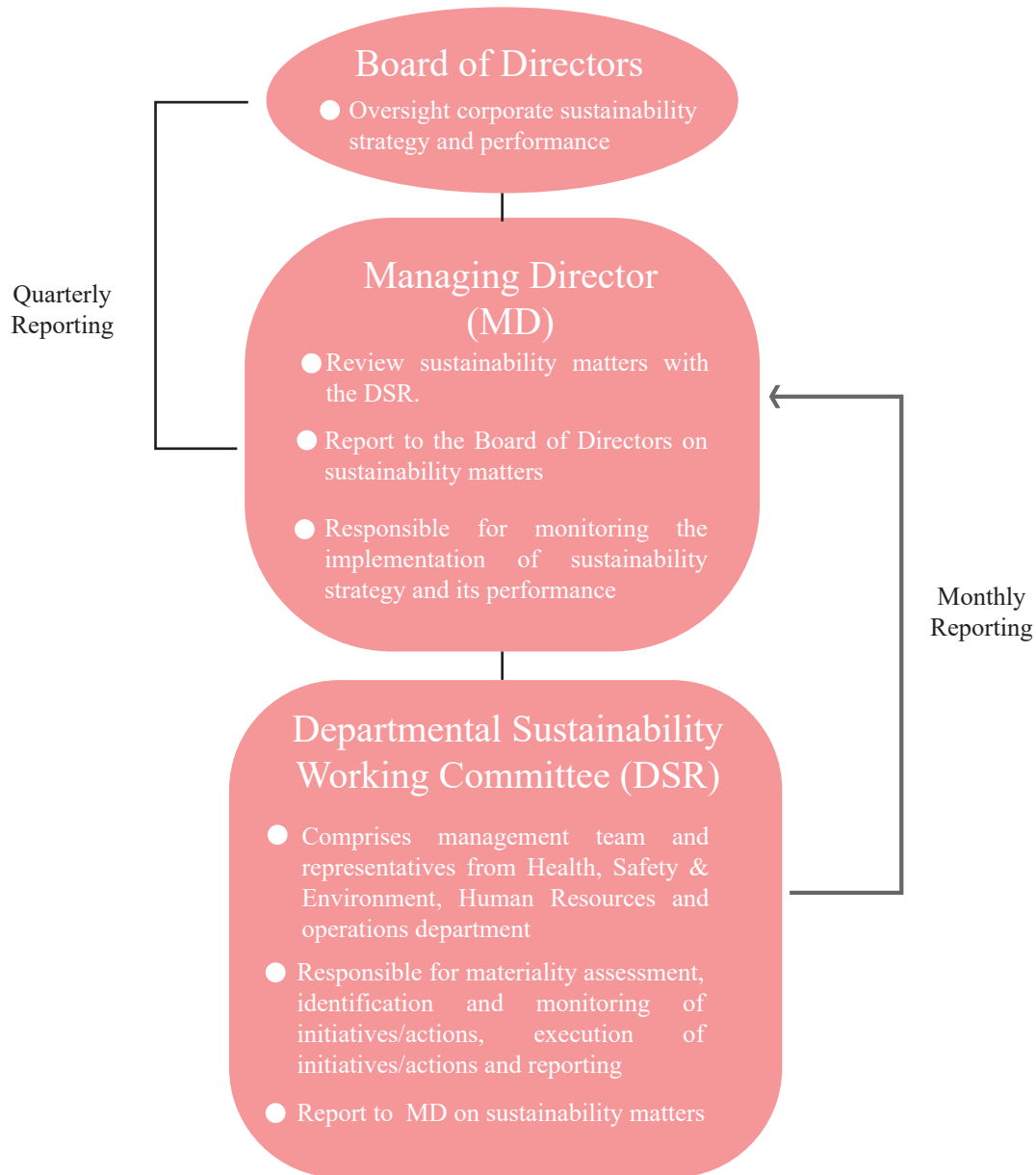


Figure 2 Sustainability Governance Structure

Sustainability Statement

Sustainable Management and Policies

Stakeholder Engagement

Aturmaju relies its business on partnerships and working with a diversity of stakeholders. The table below list the topics concerned.

We will separate our reporting into two different entities due to different business diversification.

Timber Business Division

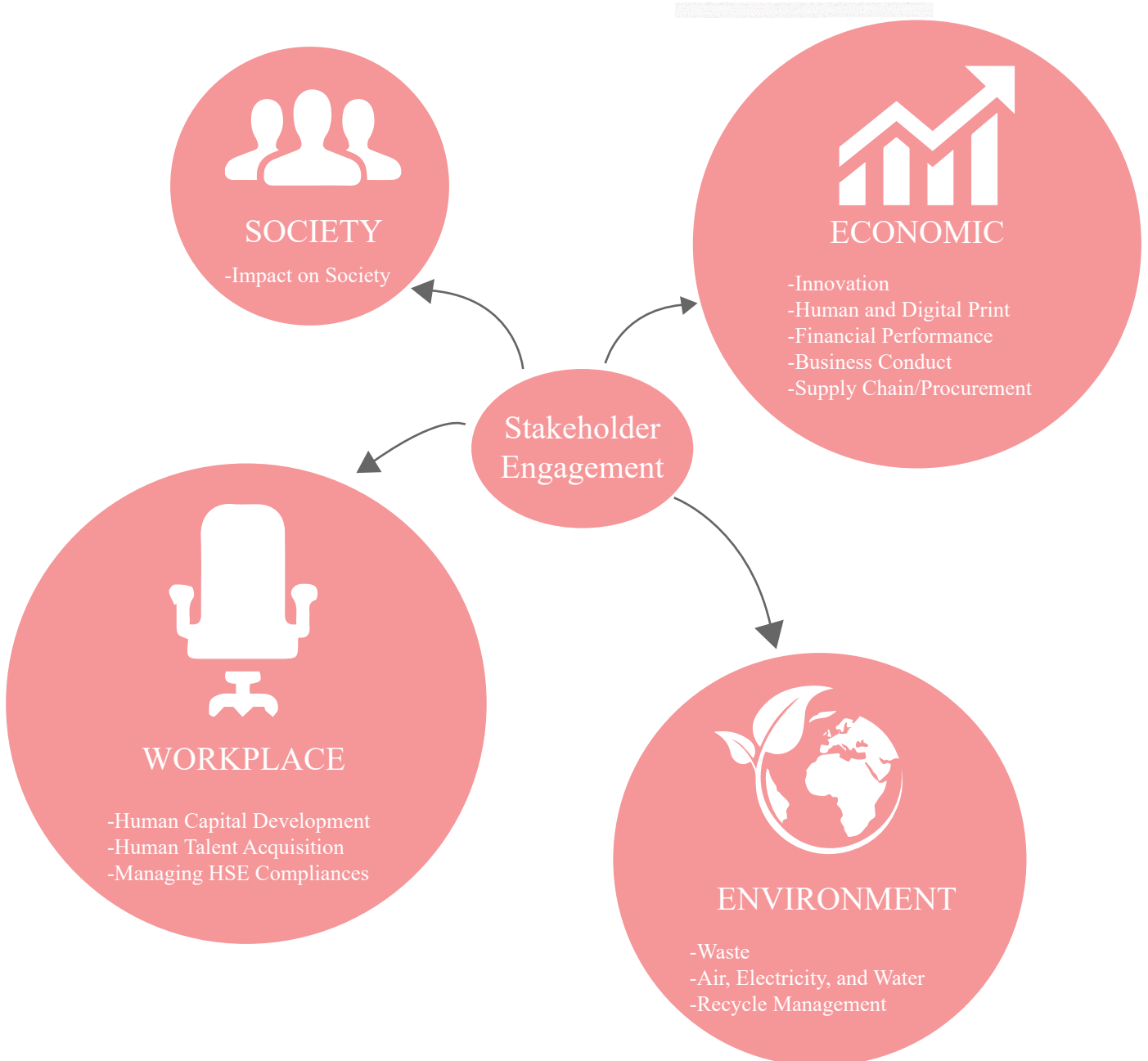
| Stakeholder Group | Frequency and Type of Engagement | Concerned Topics | How we manage the issues |
|------------------------------------|--|--|---|
| Customers (existing and potential) | Frequency : On-going Type : Awareness program, one to one engagement, marketing materials, roadshows | <ul style="list-style-type: none"> - Quality of Product - Late Delivery - Product Defects - Re-engage with customers and avoid repetitive mistakes - Product prices and value of products | <ul style="list-style-type: none"> - Quality Management System - Competitively price against our competitors |
| Employees | Frequency : Regular, ongoing Type : Knowledge sharing sessions, Internal customer engagement programme, Internal customer satisfaction survey, Innovation Accelerator Programme | <ul style="list-style-type: none"> - Well-being of the company and job security - Staff welfare and benefits - Safety environment at work - Work competency | <ul style="list-style-type: none"> - Staff engagement programmes (e.g. HR4U, Customer 1st programme) - Implementation of ESH programmes involving employees - Job-related training and workshops |
| Suppliers | Frequency : Occasional Type : Performance review meetings, workshops, coaching for compliance | <ul style="list-style-type: none"> - Compliance issues - Tender prices and payments - Cost efficiency and introduction of innovative products - Workers quarters - ESH | <ul style="list-style-type: none"> - Engagement with suppliers during Safety Day and assurance audit - Constant and regular communications - Process improvement - Engage and share concerns with relevant parties - ESH roadshow, ESH elements in tender and contract documents |
| Investors | Frequency : Annual, quarterly Type : Annual general meeting, quarterly results announcement, press conference, targeted briefing, meetings | <ul style="list-style-type: none"> - Legal compliance - Financial performance at expense of environment/ social well-being - Business risks - Soft market conditions - Negative public perception | <ul style="list-style-type: none"> - Monthly reporting and regular audit - Engagement with investors & sharing of strategy - Rolling out diversified affordable products |
| Business Partners | Frequency : Ad hoc Type : Meetings, discussions, functions, product launches | <ul style="list-style-type: none"> - Payment - Terms of reference (TOR) - Appraisal - Human rights - ESH | <ul style="list-style-type: none"> - Standard Operating Procedure (SOP) - Proper SOP for monitoring and tracking - Audit and using e-tendering - Benchmarking |

Sustainability Statement

| Stakeholder Group | Frequency and Type of Engagement | Concerned Topics | How we manage the issues |
|-------------------------|---|---------------------------------------|---|
| General Public | Frequency : Ad hoc Type : Dialogue, engagement meetings, | - Environmental impact to communities | - Engage with experts and explain via reporting, environmental conservation activities (e.g. tree planting) |
| Government & Regulators | Frequency : Ad hoc Type : Meetings, submission, monitoring & reporting pre-consult periodical | - Customer rights - Compliance | - Responsible reporting and marketing communications - Monitoring of compliance (e.g. legal checklist) |

Aturmaju took an interest on the issues raised by the stakeholders when adopting the sustainability issues that are pivotal and relevant to us.

We have classified four areas of concerned that is Economic, Environment, Workplace and Social.



Sustainability Statement

Materials Assessment

For purpose of addressing the material issues within the Sustainability framework, the Board has identified several pertinent material issues during the reporting period. The table 1 below depicts the material issues identified and shall form the benchmark moving forward.

The Board will address the material issues in this forthcoming Sustainability Reporting 2018.

| Materials Issues | Division Boundary |
|----------------------------|-----------------------------------|
| Economic | |
| Innovation | ARB Development Sdn Bhd |
| Human and Digital Print | ARB Development Sdn Bhd |
| Financial Performance | Aturmaju Resources Berhad |
| Business Conduct | Aturmaju Resources Berhad |
| Workplace | |
| Human Capital Development | ARB Development Sdn Bhd |
| Human Talent Acquisitions | ARB Development Sdn Bhd |
| HSE Compliance | Aturmaju (Sabah) Holdings Sdn Bhd |
| Environment | |
| Waste | Aturmaju Resources Berhad |
| Air, Electricity and Water | Aturmaju Resources Berhad |
| Recycle Management | Aturmaju Resources Berhad |
| Society | |
| Impact on Society | Aturmaju Resources Berhad |

Table 1 Identification of Material Issues

Sustainability Statement

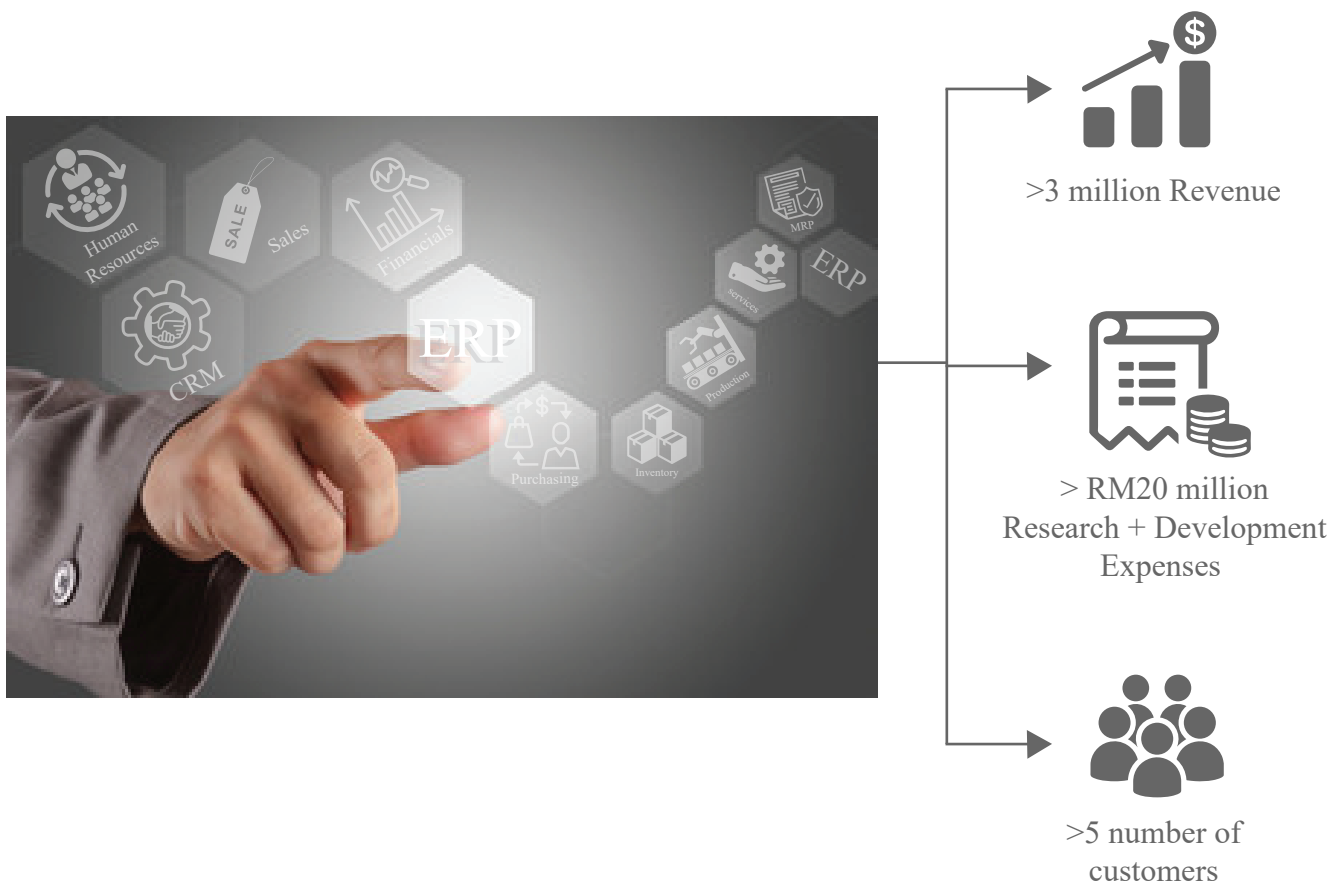
ECONOMIC

Innovation

Products, Research & Development and Services - Bringing Continuous Innovation to Our Customers

Our ERP Manufacturing solutions provide seamless manufacturing business operations for customers in Malaysia. Some users skim the edges of our technology when they use our customers' services, while others are fully immersed, driving their business forward with integrated applications built on our most advanced ERP technology. Our ERP solution is a powerful cloud application, built to enrich and improve businesses for a specific purpose. By working together, our system can integrate, learn, and improve goes beyond basic software and database solutions.

By bringing continuous innovation to our customers, we not only help them, and ourselves, to be successful, but we also realize our vision and purpose of helping the customers run better and improving people's lives.



Our Intelligent ERP Framework

In the digital economy, companies need both standard applications and a highly flexible platform that allows them to :

- Extend and customize cloud and on-premise ERP applications
- Develop new applications for different processes.
- Integrate cloud and on-premise applications.

ERP Cloud Platform is a customizable cloud enterprise platform, an environment where companies can build, test, run, manage, and expand software applications in the cloud. It offers comprehensive capabilities to help business users to mobilize quickly and get going in less time.

Sustainability Statement

ECONOMIC

Products, Research & Development and Services - Bringing Continuous Innovation to Our Customers

Customers can apply, among other things, mobile services, advanced analytic tools, state-of-the-art authentication mechanisms, and social functionality. ERP Cloud Platform enables businesses to connect and integrate on premise customers, as well as partners, to innovate quickly and easily on ERP Cloud Platform while leveraging the capabilities of our ERP Cloud Platform.

Supply Chain Management

To meet the rising expectations of today's discerning, techsavvy customer, companies need to respond quickly and accurately to their demands, which means creating responsive and distributed manufacturing and supply chain networks. Our solutions enable customers to set up a real digital supply chain that provides real-time visibility into manufacturing, logistics, and how their assets are operating, enabling them to optimize maintenance and service schedules.

Human and Digital Print

Security, Privacy, and Data Protection - Meeting Today's Data Protection Challenges

In compliance with the Personal Data Protection Act 2010 Malaysia, our customers trust us with their data – either on their own premises, in the cloud, or using mobile devices while on the move. Our customers need to know that we will keep that data safe, process it in a manner that complies with local legislation, and protect it from malicious use.

For this reason, data protection and IT security are of paramount importance to us. We have implemented safeguards to help protect the fundamental rights of everyone whose data is processed by ERP, whether they are our customers, prospects, employees, or partners. In addition, we work towards compliance with all relevant legal requirements for data protection. In view of the above, we have in place our Information Security Chief Officer whose job is to oversee the security aspects of our ERP system.

To meet and ensure consistent data protection compliance, our CFO and our data protection officer meet at least on a monthly basis. Furthermore, our compliance status related to data protection has been an inherent part of many Supervisory Board meetings.

Facing Increasing Risks in IT Security

Safeguarding data is an increasingly challenging task today. Companies are collecting and storing more data than ever before from more varied sources. Data now proliferates outside the four walls of businesses with multiple endpoints exposed and vulnerable to attack. Moreover, the sheer number of and the sophistication of attacks facing businesses are at an all-time high. We are seeing the “commercialization of hacking”, while new advanced persistent threats can bypass many traditional security protection techniques.

Establishing a Comprehensive Security Vision

For ERP and for our customers, security means more than just addressing compliance demands. Companies need to be proactive when securing business-critical data and core information assets. Up-to-date security mechanisms, such as authentication, authorization, and encryption, serve as a first line of defence. To secure the ERP software landscape, we offer a comprehensive portfolio of security products, services, and secure support as well as security consulting. These offerings help our customers build security, data protection, and privacy capabilities into their businesses.

Our comprehensive portfolio includes sophisticated authentication and authorization tools and solutions for governance, risk, and compliance.

As well as offering solutions from our security portfolio to our customers, ERP also runs the software internally. Several of our security measures extend across all sectors of our company and thus to all of our products and services. These measures include, among other things, the regular training of our employees on IT security, data protection, and privacy, including the handling of confidential information and ensuring controlled and restrictive access to customer information. In addition, we have developed a three-pronged strategy focusing on the security of our products, customer service operations, and organization.

Sustainability Statement

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Secure Products Strategy: Championing Product Security

Businesses use ERP applications to process mission-critical transactional data that can be highly attractive to cyberattackers. Our secure products strategy focuses on incorporating security features into our applications to minimize the risk of a security breach.

Our secure software development lifecycle is at the heart of this strategy. It provides a comprehensive methodological approach for incorporating security features and capabilities into our applications. Before a release decision is made to our clients, our software is assessed and validated for ready-to-use. The development team then addresses any recommendations made by these security experts before we release the application.

Secure End-Support Strategy: Running Customer Service Operations

Our secure operations strategy focuses on the security principles of “confidentiality, integrity, and availability” to support overall protection of our business, as well as our customers’ businesses. Our mission is to provide a comprehensive end-to-end IT operations security framework –from system and data access, and system security configuration to security patch management, security monitoring, and end-to-end incident handling. This involves the implementation of key security measures across all layers, including physical access and process-integrated controls. In addition, to the above, we also ensure our clients are given the best after sales support to ensure their operations are running smoothly and up running 24/7.

Secure Company Strategy: Taking a Holistic Approach to the Security of Our Business

At ERP, we take a holistic approach to the security of our Company, encompassing processes, technology, and employees. At the heart of our secure Company’s strategy is an information security management system and a security governance model that brings together different aspects of security. These include the following three main areas :

- Security culture: Awareness and compliance with our security policy and standards are fostered through regular mandatory training, assessments, and reporting.
- Secure environments: Comprehensive physical security measures are in place to ensure the security of our data centres and development sites so that we can protect buildings and facilities effectively.
- Business continuity: A corporate continuity framework aimed at having robust governance in place at all times is reviewed on an annual basis to adapt to new or changed business needs.

Complying with Data Protection and Privacy Legislation

When processing data about employees, applicants, customers, suppliers, and partners, ERP respects and protects their right to data protection and privacy while implementing appropriate security measures. We develop and support our data protection and privacy strategy in accordance with our business strategy.

To comply with applicable data protection laws, ERP has adopted a global data protection and privacy policy. It outlines a Group-wide minimum standard for handling personal data in compliance with data protection and privacy laws. The policy defines requirements for all operational processes that affect the processing of or access to personal data, as well as providing clear responsibilities and organizational structures. We actively monitor changes to applicable laws and regulations so that we can update our standards on an ongoing basis.

We are also developing our products to support our customers in applying PDPA 2010 Act requirements.

We have implemented a wide range of measures to protect data controlled by ERP and ERP customers from unauthorized access and processing, as well as from accidental loss or destruction. These include, among others, the implementation of our data protection management system (DPMS) in areas critical to data protection. In 2018, ERP did not experience any significant incidents within the scope of processing personal data for its own purposes or on behalf of its customers.

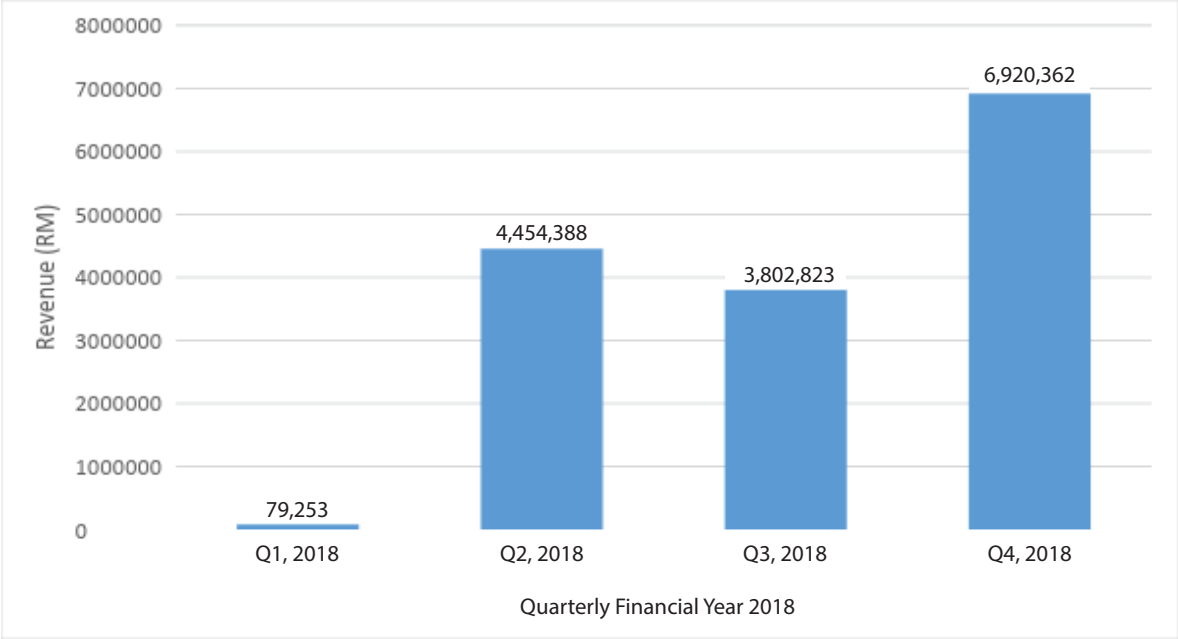
Sustainability Statement

ECONOMIC

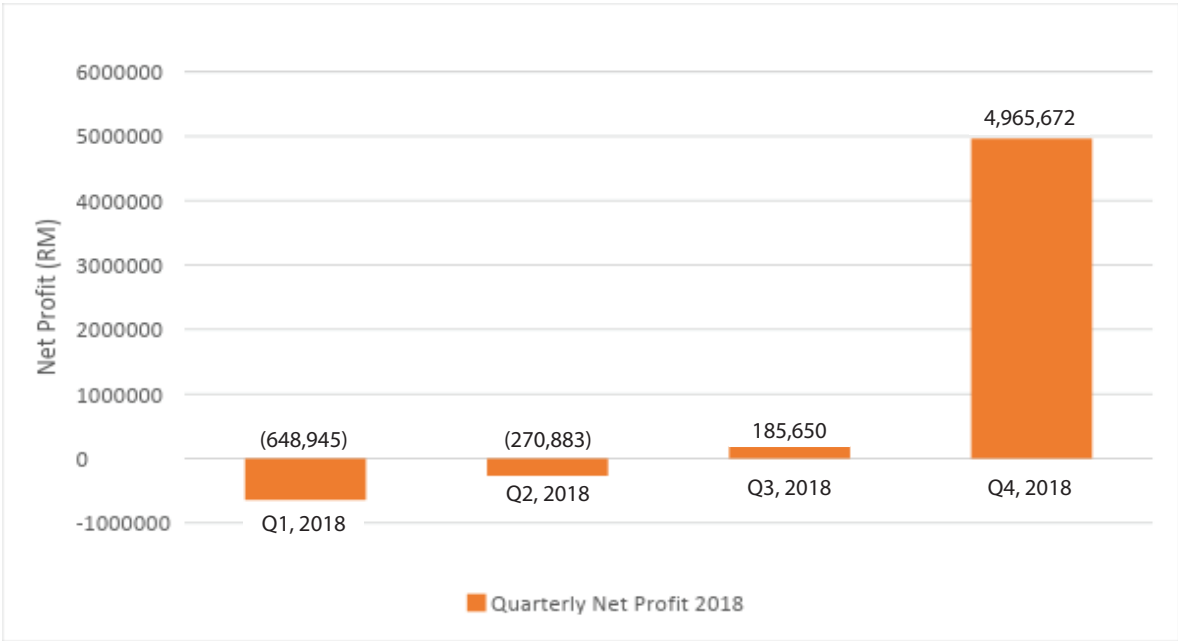
Financial Performance

The financial performance for the year 2018, 1st quarter of 2018 was RM0.079 million and rose to RM4.454 million. However, due to issues related to the timber sector, Aturmaju, decided to embark on setting up an IT division to develop and provide ERP Software solutions for clients. Net Profit for the 1st quarter was offset due to the loss of timber division business as a result of logging license. However, Aturmaju rose to RM0.186million & RM4.966 million in the 3rd quarter & 4th quarter respectively as a result customization of our ERP softwares.

Graphs for Quarterly Revenue



Graphs for Quarterly Net Profit



Sustainability Statement

ECONOMIC

Business Conduct

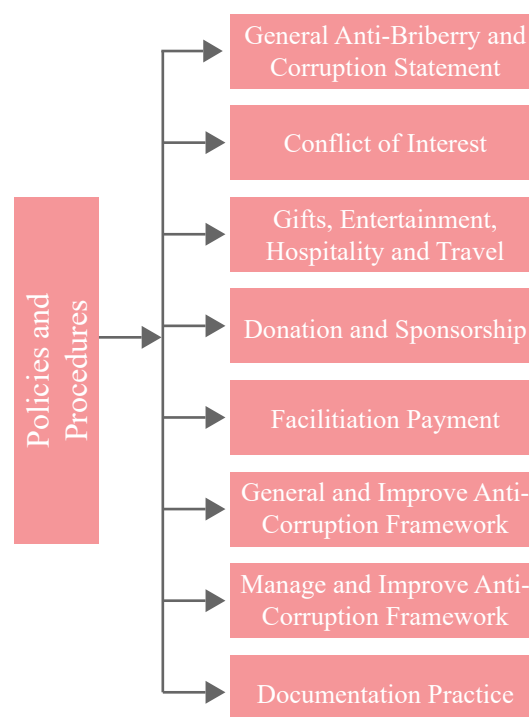
Integrity Operational Matters

At Aturmaju, we conduct our activities in accordance with the laws, rules and regulations in the various places we operate as well as support our employees to consistently uphold the highest standards of integrity and accountability. As part of our KPI, we will divide our integrity into the following areas as shown below :-



Anti-Corruption Policies

At Aturmaju, we will evaluate the risk of corruption and adopt the policies and procedures in future in all our operations which includes the following concerned areas as follows:-

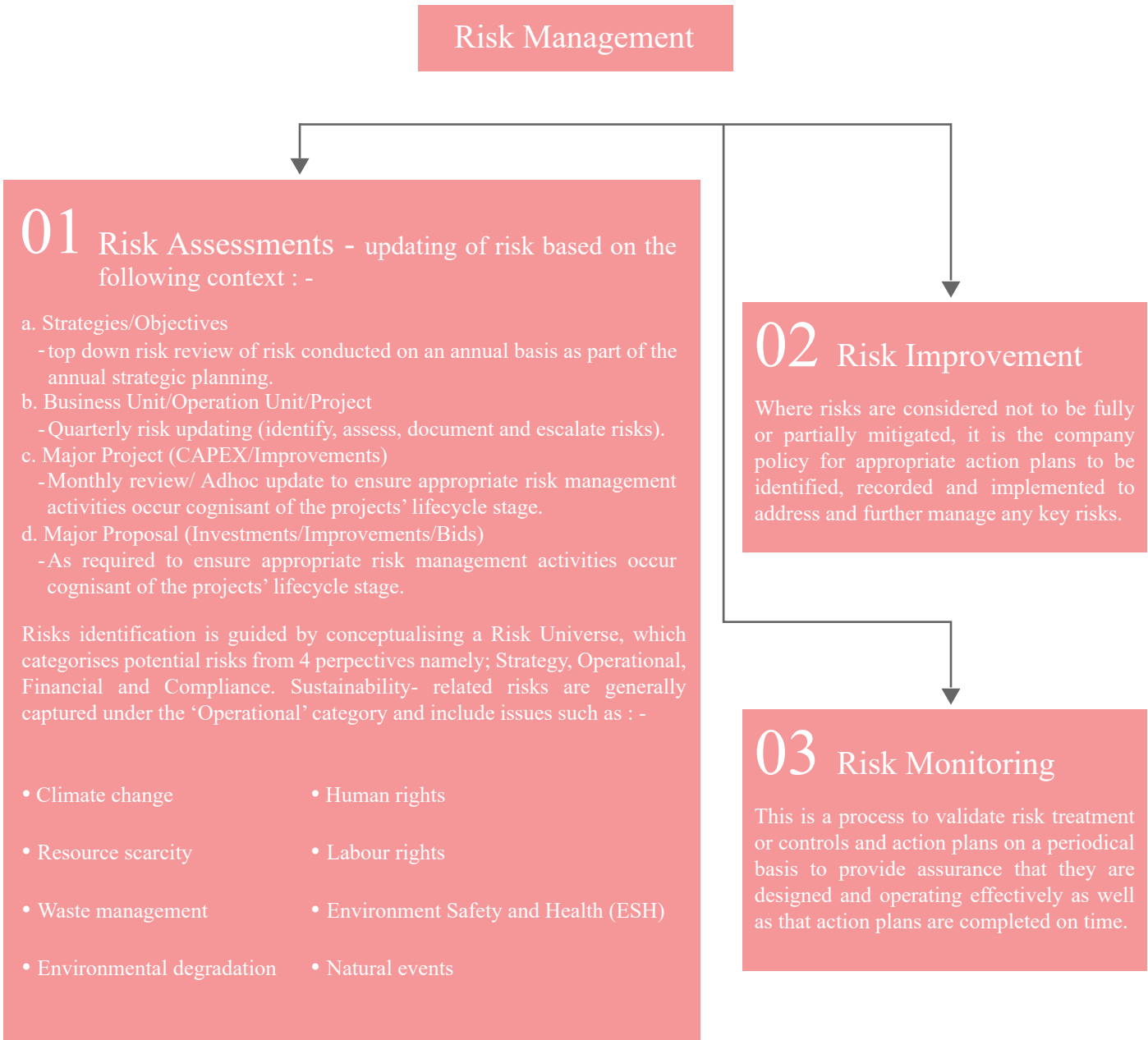


Sustainability Statement

ECONOMIC

Risk Management Assessment

Aturmaju will be establishing a comprehensive to risk managemnet and to incorporate risk-aware culture at all levels of our corporation. The following areas of risk are identified : -



Sustainability Statement

ECONOMIC

Whistle Blowing Policies

Our existing Whistle Blowing Policies can be found at our website link below : -

<http://www.aturmaju.com.my/images/PDF/corporategovernance/WhistleBlowingPolicy.pdf>

Corporate Governance and Compliance

Aturmaju is committed to the principles and best practices of corporate governance as laid out in the Malaysian Code on Corporate Governance (“MCCG”) to ensure that standards of corporate governance are being observed throughout the Group with the ultimate objective of enhancing long term shareholders value and returns to our stakeholders.

Details of our corporate governance framework and practices are elaborated in the Corporate Governance overview Statement on pages 37 to 53 of this Annual Report as well as Corporate Governance Report for an announcement and publication at www.aturmaju.com.my

<http://www.aturmaju.com.my/images/PDF/corporategovernance/statementofgovernance.pdf>

As part of our compliance, we instilled Code of Ethics into our business practice and operations. More of the policies can be found at our website includes our Board Charter, Audit Committee, Remuneration Committee and Nomination Committee.

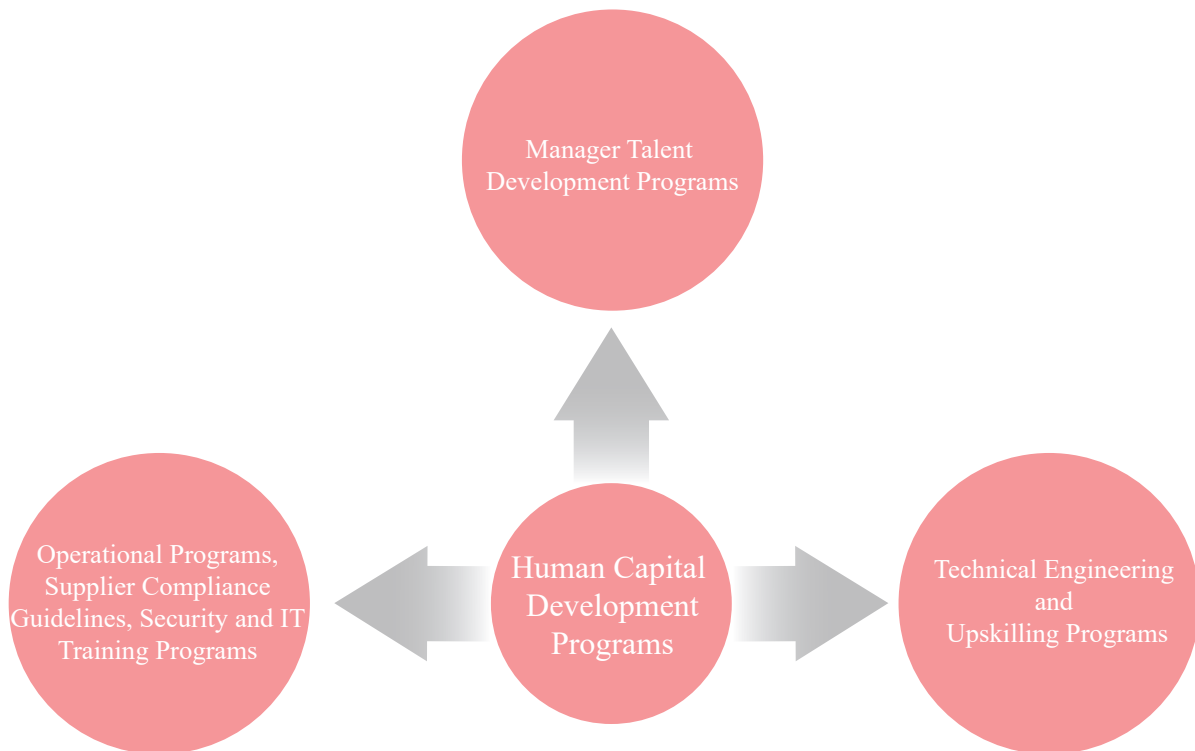
<http://www.aturmaju.com.my/investor-relations/corporate-governance.html>

Sustainability Statement

WORKPLACE

Human Capital Development and Talent Acquisitions

As part of the information age, Aturmaju emphasis on Human capital development empowerment and talent acquisitions & retainment. In order to develop Human Capital Development, we have established the following framework within our working sustainability units as follows : -



At Aturmaju, we strive to provide all employees to develop their skills, gain more knowledge and update all business aspects our operations to ensure minimization of downtime to our operations.

Health Safety and Environment (HSE) Compliance

Aturmaju (Sabah) Sdn Bhd which operates the timber division places HSE on its priority list to ensure the welfare of it workers work in a safe and healthy environment. During the financial reporting period, there is no injury reported.

Environment

In view of the challenging environment on timber, the group has significantly scale the timber business operations thus re-strategized the business operations to develop customization ERP system for client. Therefore, the environment impact on use of resources i.e. water, air and energy are minimum. During this reporting period, there is no significant usage, thus our reporting will be largely focus on our Information technology division.

Sustainability Statement

SOCIETY

The contribution will also provide on-going lifeline support to this school to enable students to enjoy the comfort of going to school. The museum, the conference hall and the computer room, etc., most of the wood board materials required for the hall are donated by Datuk Yeo, and the construction school halls takes two years to complete. Among the facilities provided for SRJK(C) Yuk Chin Tawau are as follows :

- 1) A small swimming pool for the kindergarten students.
- 2) A small flower garden.
- 3) One of the children's library in the kindergarten.
- 4) One basket, equipped with two kinds of racks, which can be used by adults and children.
- 5) The four-week fence of the auditorium, all the wood materials were donated by Datuk Yeo.



Impact On Society

As part of the information age, Aturmaju emphasis on Human capital development empowerment and talent acquisition & retainment. In order to develop Human Capital Development, we have established the following framework within our working sustainability units as follow:-

We recognize the need to contribute positively to our society. As part of our sustainability effort to repair dilapidated schools in Tawau, Aturmaju Resources Berhad contributed building materials such as timber, cement and labour to Sekolah Rendah Jenis Kebangsaan Cina Yuk Chin 1 and 2. This contribution will go towards repairing dilapidated classrooms, to have new halls as well to provide tables and chairs to the existing classrooms. The contribution has also contributed positively towards upgrading of the school facilities.

Sustainability Statement

Progress Against Targets / KPI in Sustainability

As part of our sustainability effort, below are the benchmarks to be created/enacted to enable us to follow a certain set of guidelines.

| Indicators | Contents | Unit of measure | Level of Indicator | Related Goals | Type of Indicator |
|--------------------------|--|-----------------|--------------------|---------------|-------------------|
| Economic | | | | | |
| Consumer Awareness | Measuring the aspect of consumer/customer awareness and sustainability; exploring and understanding barriers to sustainable consumption/lifestyles (sensitivity, behaviour, customer/consumer decision-making, habits), a company's own activities by examining, measuring and analysing the impacts of its products and services. | qualitative | progressive | | non-specific |
| Product Quality | Measuring the number of complaints received from customers. | Unit of Number | progressive | | non-specific |
| Rate of local sources | The rate of local sources/origins in (i) raw materials (ii) in products and services (iii) among subcontractors and suppliers (iv) among employees | % | recommended | | non-specific |
| Management Training | The rate of managers participating in management training programmes (competency-based rather than professional ones, e.g. on leadership, sustainability, problem-solving, etc.) | % | recommended | | non-specific |
| Time for Learning | The number of working days employees can spend attending training and development programmes (company training, open training programmes, attendance at tertiary education, self-education, etc.) | day | recommended | | non-specific |
| Training and Development | Training and development programmes financed by a company and provided for / available to employees. (thematical programmes, language courses, professional training, skills development, leadership training, etc.) | Ft / person | recommended | | non-specific |

Sustainability Statement

| Indicators | Contents | Unit of measure | Level of Indicator | Related Goals | Type of Indicator |
|--|---|--------------------------|--------------------|---------------|-------------------|
| Reasonable Remuneration System | The rate of the lowest wage-earners / the percentage rate of the workers who earn a minimum wage and breakdown of this group by gender / the percentage rate of those earning the national average / the percentage rate of those earning more than that / the difference between lowest wage-earner and the highest -paid employee / the breakdown of the highest-paid by gender / difference between female and male severance payments and bonuses / the rate of benefits provided for basic needs in addition to normal wages – health insurance, pension plans, prevention, self-provisioning, housing benefit – the rate of "sustainable cafeteria plans / Young career-starters entry income level / breakdowns by gender and age, assessing and monitoring wage differences / the rate of hired labour and direct employment and the reasonableness of their remuneration system / Transparent and standard bonus system, pay-rise and personnel promotion system | Ft and % and qualitative | progressive | | non-specific |
| New Jobs Creation | The number of new jobs created for direct employees and in the value chain in one particular year through a company's efforts. (the difference between newly created and terminated jobs) | number | recommended | | non-specific |
| Environment | | | | | |
| Environment Impact on Consumption of Product | The environmental impact and emissions arising from the consumption of products and directly associated with the use of services (e.g., waste, resource requirement, land use, dust emission, etc.) | The environment impact | progressive | | industry-specific |
| Reuse of Waste | Waste prevention activities, the % recommended non-specific amount of waste produced, breakdown by type of waste. | % | recommended | | non-specific |

Sustainability Statement

| Indicators | Contents | Unit of measure | Level of Indicator | Related Goals | Type of Indicator |
|--|---|-----------------|--------------------|--|-------------------|
| Society | | | | | |
| Amount spent on Sustainable Development | The amount spent on sustainable development and to measure its impact on the society concerned. For example, how many children benefited from the contribution. | Monetary Terms | progressive | To achieve the number of required students | non-specific |
| No of People benefitted from Sustainable practices | To measure the number of people benefit from the various type of sustainable practices. | Monetary Terms | | | |

Corporate Governance Overview Statement

The Board of Directors of Aturmaju Resources Berhad (“ARB” or “the Company”) is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries (“the Group”) in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders’ value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance (“MCCG”) which was released in 2017 to enhance business prosperity and maximise shareholders’ value. The Board will continuously evaluate the Group’s corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the three (3) main principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2018 pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report (“CG Report”). The CG Report was announced together in this Annual Report of the Company which could be obtained by accessing this link www.aturmaju.com.my. Shareholders are advised to read this overview statement with the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Leadership

The Board is leading and managing the Company in an effective and responsible manner. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed and have a legal duty to act in the best interest of the Company.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The respective roles and responsibilities of the Board and management are clearly set out and understood by both parties to ensure accountability.

The Board is responsible for the oversight and overall management of the Group including assessing and agreeing with the Group’s corporate objectives, and the goals and targets to be met by management.

The Managing Director and Executive Directors, representing the management, are primarily responsible for the Group’s day-to-day management and operations. The Managing Director and Executive Directors formulate operations plans and oversee the execution of these plans. The Independent Non-Executive Directors are actively involved in various Board Committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance, balanced view and unbiased decision. They provide broader views, independent assessments and opinions on management proposals.

The principal roles and responsibility assumed by the Board are as follows:

- **Review and Adopt Strategic Plan of the Group**

The Board plays an active role in the development of the Group’s overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitor budgetary exercise which to supports the Group’s business plan and budget plan.

- **Implementation of Internal Compliance Controls and Justify Measure to Address Principle Risks**

The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board’s responsibilities for the Group’s system of internal controls including financial condition of the business, operational, regulatory compliance as well as risk management matters.

- **Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for The Group**

The Board recognises that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, The Company’s website is the primary medium in providing information to all shareholders and stakeholders.

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- Succession Planning

The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

The Board, together with the management, put in place informal structure and practice to ensure key roles within the Group are supported by competent and caliber second-in-line to reduce the impact of abrupt departure of key personnel to the minimum possible. The succession planning of the Group is enhanced by the policies and standard operating procedures as well as job descriptions established for key business processes within the Group. In addition, during the review of the performance and strategies presented, at times, the Board reviews on the adequacy of caliber and competent human resources that are put in place for daily management and control of operations as well as proper execution of approved strategies.

The roles and responsibilities of the Board are clearly defined in the Board Charter, which is available on the Company's website at www.aturmaju.com.my.

The Board has 5 meetings for the financial year under review to consider:

- i) relevant operational reports from the management;
- ii) reports on the financial performance;
- iii) specific proposals for capital expenditure and acquisitions, if any;
- iv) major issues and opportunities for the Company, if any; and
- v) quarterly financial statements for announcement to authorities.

In addition, the Board will, at intervals of not more than one (1) year:

- i) approve annual financial statements, and other reports to shareholders;
- ii) consider and, if appropriate, declare or recommend the payment of dividends;
- iii) review the Board composition, structure and succession plan;
- iv) review the Company's audit requirements;
- v) review the performance of, and composition of Board committees;
- vi) undertake Board and individual Board member evaluations;
- vii) review Board remuneration; and
- viii) review risk assessment policies and controls and compliance with legal and regulatory requirements.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Managing Director holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Managing Director, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advise and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to three (3) Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

Corporate Governance Overview Statement

Independent Chairman

During the financial year under review, the Board is chaired by an Independent Non-Executive Director and more than one-third (1/3) of the Board consists of Independent Non-Executive Directors.

The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgment.

Datuk Baharon Bin Talib was designated as the Independent Non-Executive Chairman of the Company on 31 May 2013. The Chairman has been acting as facilitator at meetings of directors and ensure smooth functioning of the Board in the interest of good corporate governance practice. The Chairman is responsible to provide leadership for the Board so that the Board can perform its responsibilities effectively.

The responsibilities of the Chairman are clearly defined in the Board Charter.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

Separation in the Roles of the Chairman and Managing Director

During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairman and the Managing Director are held by different individuals, and that the Chairman is a non-executive member of the Board.

There is a clear segregation of duties between the Chairman and the Managing Director so as to ensure that there is always a balance of power and authority. The Chairman leads the Board and facilitates its work. He engages directly with the Managing Director to understand and oversee the strategy implementation and performance delivery. He is responsible for ensuring the processes of the Board are effective in carrying out its duties and responsibilities, including the timely provision of sufficient relevant information on financial and non-financial matters. The Chairman, in conjunction with the Managing Director and Company Secretary, sets agendas for the meetings of the board that focus in strategic direction and performance of the Group. The Managing Director is responsible for the day to day management of the Group's operations and business as well as implementation of Board's policies and decisions.

Qualified and Competent Company Secretaries

Every Director has ready and unrestricted access to the advice and the services of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries is to provide and assist the Board, Board Committee or Director individually on matters including but not limited to board procedures, rules and Articles of the Company, legislations, regulations, codes, guidelines and operations matter within the Group. The Board also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements and the resultant implications to the Company and Directors in relations to their duties and responsibilities.

The Company Secretaries keep abreast with the development and new changes in relation to any legislation and regulations concerning the corporate administration and to highlight the same to the Board of Directors accordingly.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The Board recognises that the Company Secretaries are qualified and capable of discharging their duties required and as corporate governance compliance. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The appointment and removal of Company Secretary(ies) is vested in the power of Board.

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Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board papers and seek for any clarification as and when they may need advisers or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required.

Senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

Board Charter

As part of governance process, the Board has adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members. The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available at the Company's website at www.aturmaju.com.my.

Code of Conducts and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has adopted the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Directors also observe and adhere to the Code of Conducts and Ethics for Company Directors established by the Companies Commission of Malaysia, which encompasses the formulation of corporate accountability standards in order to establish an ethical corporate environment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at www.aturmaju.com.my.

Whistle-Blowing Policy

The Board acknowledges that misconduct such as violation of laws, rules, regulations, productions fault, fraud, health and safety violations or corruption are usually known as first by the people who work in or with the Group. An early warning system such as whistle-blowing policy and procedure can help the Group detect wrongdoings and alert the Group to take corrective action before a problem becomes a crisis.

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The Board thus in its effort to enhance corporate governance has put in place a whistle-blowing policy to provide an avenue for employees, suppliers and stakeholders to report genuine concerns about malpractices, unethical behaviour or misconduct without fear of reprisal. Any concerns raised will be investigated and outcome of such investigation will be reported to the Board. Appropriate action will be taken to resolve the issue.

The details of the whistle-blowing policy are available for reference at the Company's website at www.aturmaju.com.my.

Strategies Promoting Sustainability

The Group recognises the importance of sustainability and its increasing impact to the business. The Group is committed to understanding and implementing sustainable practices and exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community the requirements of shareholders and stakeholders and economic success. The Board has adopted a Sustainability/ Environmental, Social and Corporate Governance ("ESG") Policy for the Group.

The Board recognises the environmental sustainability role as a corporate citizen in its business approach, and always endeavours in adopting most environmental friendly, ecological and cost effective production process.

The Board also endeavours in developing Group's objectives and strategies having regard to the Group's responsibilities to its shareholders, employees, customers and other stakeholders and ensuring the longterm stability of the business, succession planning and sustainability of the environment. The Sustainability Statement of the Group is also presented in page 18 to 36 of this Annual Report.

Board Composition

The current Board of Directors consists of eight (8) members comprising:

- One (1) Independent Non-Executive Chairman;
- One (1) Managing Director;
- Four (4) Executive Directors; and
- Two (2) Independent Non-Executive Directors

The Company had complied with the requirement of the Paragraph 15.02 (1) of the Listing Requirements to have at least two (2) or one third (1/3) of its members make up of Independent Non-Executive Directors. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the Nomination Committee regularly reviews the composition of the Board and Board Committees.

There is also a balance in the Board with the presence of 3 Independent Non-Executive Directors of the necessary caliber and experience to carry sufficient weight in Board decisions. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in providing and independent view, advice and judgment to take into account the interest of Group, shareholders, employees and communities in which the Group conducts its business.

The Board does not intend to identify a Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and the general public, The Chairman of the Board encourages the active participation of each and every Board member in the decision making process.

A brief profile of each director is presented in pages 6 to 8 of this Annual Report.

Tenure of Independent Directors

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director.

However, as recommended by the MCGG, the tenure of an Independent Director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

As at the date of this statement, none of the Independent Directors had served the Company for more than nine (9) years as per the recommendations of the MCGG.

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New Candidates for Board Appointment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met. A familiarisation programme, including visits to the Group's business and operations premises and meetings with senior management will be arranged for new directors to enhance their understanding with the Group.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board. In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board is as follows:

- i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;
- ii) The Nomination Committee determines skills matrix;
- iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
- iv) The Nomination Committee recommends to the Board for appointment; and
- v) The Board approves the appointment of the candidates.

Factors considered by the Nomination Committee when recommending a person for appointment as a director include:

- i) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;
- ii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
- iii) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The Company has during the year under review, appointed 2 Executive Directors and 1 Independent Non-Executive Director of various background, skills and knowledge to the Board.

Boardroom Diversity

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

Currently, the Board does not comprise of any female director. The Board does not set any target timeline to meet gender diversity.

Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed 5 companies. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office is, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Listing Requirements.

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Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities.

This is evidenced by the attendance record of the Directors as set out in the section below.

Board Meeting and Attendance

During the financial year ended 31 December 2018, the Board conducted five (5) board meetings and each Board member fulfilled the required attendance of board meetings as required under Paragraph 15.05 of the Listing Requirements. The summary of attendance at the Board meetings is as follows:

Present Directors

| Name of Directors | Attendance | Percentage of Attendance |
|--|------------|--------------------------|
| Datuk Yeo Wang Seng | 5/5 | 100% |
| Yeo Gee Kuan | 5/5 | 100% |
| Lim Yun Nyen | 5/5 | 100% |
| Datuk Baharon Bin Talib | 3/5 | 60% |
| Ng Kok Wah | 4/5 | 80% |
| Dato' Liew Kok Leong (appointed on 30/08/2018) | 1/1 | 100% |
| Au Yee Boon (appointed on 25/09/2018) | 1/1 | 100% |
| Khor Chin Meng (appointed on 31/01/2019) | - | - |

Former Director

| Name of Directors | Attendance | Percentage of Attendance |
|--------------------------------------|------------|--------------------------|
| Ho Pui Hold (resigned on 31/01/2019) | 5/5 | 100% |

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2018.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

The tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting. At the end of each Board and Audit Committee meetings, the date of the next meetings is to be re-confirmed.

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Continuing Education Programs

The Board recognises the importance of training as a continuous education process for the Directors in order to ensure that the Directors stay abreast of the latest developments and changes in laws and regulations, business environment and new challenges and to equip the Directors with the necessary knowledge and skills to enable them to fulfill their responsibilities and to discharge their duties effectively.

All Directors have attended and completed the Mandatory Accreditation Programme (“MAP”), except for the newly appointed director, Mr Khor Chin Meng who was appointed on 31/1/2019 will be attending the MAP on 11/4/2019. In addition, seminars and conferences organised by Bursa Securities, relevant regulatory bodies and professional bodies on areas pertinent to the Directors’ are communicated to the Board for their participation at such seminars and conferences.

The Directors after accessing and identifying their own training needs, attended the following conferences, seminars and training programmes during the year under review:

| Directors | Date | Conference/Seminars/Training Attended |
|---|---------------|--|
| Dato Liew Kok Leong | 28/10/2018 | Bursa Malaysia – Reaching Investor Through Digital Channels organised by Bursa Malaysia. |
| Ng Kok Wah | 02/08/2018 | Dealing in Listed Securities, Closed Period & Insider Trading |
| | 09/10/2018 | MIA International Accountants Conference 2018 |
| | 21/12/2018 | Human Capital - Why It Is A Critical Factor For Success |
| Ho Pui Hold (Resigned on 31/01/2019) | 17/01/2018 | MIA Technical Updated 2018 |
| | 30/08/2018 | Briefing on Overview of the Main Market Listing Requirements |
| | 09&10/10/2018 | MIA International Accountants Conference 2018 |
| | 22&23/11/2018 | Compliance for Bursa Listing Rules & Corporate Governance |

Saved as disclosed above, other Directors of the Company were not able to select any suitable training programmes to attend during the financial year due to overseas travelling and their busy work schedule.

However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

The Board will continue to evaluate and determine the training needed by the Directors from time to time to enhance their skills and knowledge in order to enable them to discharge their responsibilities more effectively.

In addition to the above, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretaries during the Committee and/or Board meetings.

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Nomination Committee

As recommended by MCCG, the Company has established the Nomination Committee comprising exclusively of Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis. The present members of the Nomination Committee are as follows:

Chairman

Datuk Baharon Bin Talib - Independent Non-Executive Chairman

Members

Ng Kok Wah - Independent Non-Executive Director

Khor Chin Meng - Independent Non-Executive Director (Appointed on 31/01/2019)

Ho Pui Hold - Independent Non-Executive Director (Resigned on 31/01/2019)

The Terms of Reference of the Nomination Committee can be viewed at the Company's website at www.aturmaju.com.my.

The summary of activities undertaken by the Nomination Committee during the financial year included the following:

- Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
- Recommended the appointment of 2 Executive Director and 1 Independent Non-Executive Director; and
- Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution

Evaluation for Board, Board Committees and Individual Directors

The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment approach on an annually basis.

From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self-assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2018, the Board and the Nomination Committee are satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board and Board Committees members and the independence of its Independent Non- Executive Directors.

Re-election of Directors

The procedure on re-election of directors by rotation is set out in the Company's Constitution ("the Constitution"). Pursuant to the Constitution, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Constitution also provide at least one third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

Upon the recommendation of the Nomination Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in 2019 are as stated in the Notice of Annual General Meeting.

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Annual Assessment of Independence

The Board has set out policies and procedures to ensure effectiveness of the Independent Directors on the Board, including new appointment. The Board assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

Based on the assessment carried out during the financial year ended 31 December 2018, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements.

Remuneration Committee

In line with the best practices of MCCG, the Board has set up a Remuneration Committee which comprising exclusively of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The present members of the Remuneration Committee are as follows :

Chairman

Datuk Baharon Bin Talib - Independent Non-Executive Chairman

Members

Ng Kok Wah - Independent Non-Executive Director

Khor Chin Meng - Independent Non-Executive Director (Appointed on 31/01/2019)

Ho Pui Hold - Independent Non-Executive Director (Resigned on 31/01/2019)

The Terms of Reference of the Remuneration Committee can be viewed at the Company's website at www.aturmaju.com.my.

The summary of activity undertaken by the RC during the financial year included the following :

(a) Reviewed and recommended the payment of Directors' fees and other benefits payable to the Directors of the Company.

Remuneration Policy

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole.

The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non- Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

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Directors' Remuneration

Details of the Directors' remuneration are set out below and in note to the financial statement.

a) Aggregate remuneration of Directors categorised into appropriate components.

| | Fees (RM) | Salaries (RM) | Bonuses (RM) | Benefits-in-kind (RM) | Others (RM) | Total (RM) |
|--|----------------|------------------|-----------------|--------------------------|----------------|----------------|
| Company | | | | | | |
| Managing Director | | | | | | |
| Datuk Yeo Wang Seng | - | - | - | - | - | - |
| Executive Directors | | | | | | |
| Yeo Gee Kuan | - | - | - | - | - | - |
| Lim Yun Nyen | 20,000 | - | - | - | - | 20,000 |
| Dato' Liew Kok Leong | - | - | - | - | - | - |
| Au Yee Boon | - | - | - | - | - | - |
| Independent Non-Executive Directors | | | | | | |
| Datuk Baharon Bin Talib | 10,000 | - | - | - | - | 10,000 |
| Ng Kok Wah | 30,000 | - | - | - | - | 30,000 |
| Ho Pui Hold (Resigned on 31/1/2019) | 20,000 | - | - | - | - | 20,000 |
| Sub-total | 80,000 | - | - | - | - | 80,000 |
| Group | | | | | | |
| Managing Director | | | | | | |
| Datuk Yeo Wang Seng | - | - | - | - | - | - |
| Executive Directors | | | | | | |
| Yeo Gee Kuan | - | 176,000 | - | - | 38,704 | 214,704 |
| Lim Yun Nyen | 20,000 | 68,600 | - | - | 9,548 | 98,148 |
| Dato' Liew Kok Leong | - | 90,000 | - | - | 11,031 | 101,031 |
| Au Yee Boon | - | 90,000 | - | - | 11,031 | 101,031 |
| Sub-total | 20,000 | 424,600 | - | - | 70,314 | 514,914 |
| Total | 100,000 | 424,600 | - | - | 70,314 | 594,914 |

Corporate Governance Overview Statement

b) The remuneration of key management personnel for the financial year ended 31 December 2018 are set out below:

| | Number | Salary/Fees (RM) | Bonuses (RM) | Benefits-in-kind (RM) | Others (RM) | Total (RM) |
|------------------------|-----------|---------------------|-----------------|--------------------------|----------------|---------------|
| RM50,000 to RM100,000 | *5 | 322,600 | | | 38,410 | 361,010 |
| RM100,001 to RM200,000 | 1 | 176,000 | | | 38,704 | 214,704 |

The Company has 4 Executive Directors and 2 key management personnel.

*2 Key Personnel started since October/November 2018

Corporate Governance Overview Statement

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

In line with the best practices of MCCG, the Board has set up the Audit Committee which comprising exclusively of Independent Non-Executive Directors.

The present members of the Audit Committee are as follows :

Chairman

Ng Kok Wah - Independent Non-Executive Director

Members

Datuk Baharon Bin Talib - Independent Non-Executive Chairman

Khor Chin Meng – Independent Non-Executive Director (Appointed on 31/01/2019)

Ho Pui Hold - Independent Non-Executive Director (Resigned on 31/01/2019)

Terms of Reference

The Terms of Reference of the Audit Committee which laid down its duties and responsibilities are accessible via the Company's website at www.aturmaju.com.my.

Independence of the Audit Committee

The Company recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

Financial Literacy of the Audit Committee Members

Audit Committee members acknowledge the need for continuous education trainings, however, for the year under review, some members of the Audit Committee attended training on the developments in accounting and auditing standards, practices and rules. All Audit Committee members will attend at least one training in financial year 2018 which is relevant to accounting and auditing standards, practices and rules in enhancing their professional development.

Attendance of Meetings

During the financial year ended 31 December 2018, the number of meetings attended by each member is as follows:-

| Name of Directors | Attendance | Percentage of Attendance |
|--|------------|--------------------------|
| Ng Kok Wah (Chairman) | 4/5 | 80% |
| Datuk Baharon Bin Talib | 3/5 | 60% |
| Khor Chin Meng (appointed on 31/01/2019) | - | - |
| Ho Pui Hold (resigned on 31/01/2019) | 5/5 | 100% |

The details are disclosed in Audit Committee Report.

Corporate Governance Overview Statement

Compliance with Applicable Financial Reporting Standards

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board take responsibility to present a balanced and meaningful assessment of the Group's position and prospect and to ensure that the financial statements are drawn up in accordance with the provision of Companies Act, 2016 and applicable accounting standards in Malaysia. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy, adequacy and completeness. The Responsibility Statement by the Directors pursuant to Listing Requirements is set out in this Annual Report.

In addition to the above, the Company also undertook an independent assessment of the internal control system and the Audit Committee has been assured that no material issue and major deficiency had been detected which posed a high risk to the overall internal control under review.

The Board will obtain assurance from the Audit Committee to ensure that the preparation and fair presentation and disclosure in the financial statements are in accordance with applicable Malaysian Financial Reporting Standards and the provisions of the Companies Act, 2016.

Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

In assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following :

- i) the adequacy of the experience and resources of the External Auditors;
- ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the external auditor is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The external auditors are invited to attend the Annual General Meeting of the Company to clarify Shareholders' enquiries on the conduct of the statutory audit and the fair view on the audited financial statements.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2018.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of Messrs RSM Malaysia as the External Auditors of the Company for the financial year ending 31 December 2019.

Corporate Governance Overview Statement

Risk Management and Internal Control Framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external Professional Internal Audit firm adopted on-going monitoring and review to the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The Board of Directors acknowledges its responsibilities for the Company to maintain a sound system of internal controls covering financials, operations and compliance controls and to safeguard shareholders' investments as well as the Group's assets. While every effort is made to manage the significant risk, by its nature, the system can only provide reasonable but not absolute assurance against material misstatement or loss. Ongoing reviews are carried out by the Board, with the assistance of the Audit Committee and internal auditors to safeguard the Group's assets.

The Statement on Risk Management and Internal Control is set out in later part of this Annual report.

Internal Audit Function

The Board and Audit Committee have appointed GovernanceAdvisory.Com Sdn. Bhd. ("GASB"), an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

GASB is led by Mr. Jason Tee, the Executive Director of GASB. He holds a Bachelor of Commerce (Hons) in Accounting and also Associate Member of Institute of Internal Auditors Malaysia ("IIAM"). The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee. The Audit Committee approves the internal audit plan during the first Audit Committee meeting of each financial year. Any subsequent changes to the internal audit plan are approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

The cost incurred for the Internal Audit function during the financial year is approximately RM10,000.

During the financial year, the internal auditors had carried out financial closure process on ARB Development Sdn Bhd, a wholly owned subsidiary of the Company.

The Audit Committee and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

Corporate Governance Overview Statement

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

Communication with Stakeholders

The Board recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors.

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing Requirements.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Leverage on Information Technology for Effective Dissemination of Information

The Board endeavours to provide timely and accurate disclosure of all material information of the Group to shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa Securities.

The Company's website which provides all relevant information on the Company including all announcements made by the Company is accessible by the public. The announcement of the quarterly financial results is also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public. Shareholders and investors may also forward their queries to the Company via email to aturmaju_arb@yahoo.com.

Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Managing Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Encourage Shareholder Participation at General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The notice of AGM will be despatched to shareholders at least twenty eight (28) days before the AGM, to allow shareholders to have sufficient time to go through the Annual Report and make the necessary informed decision in the AGM. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

Corporate Governance Overview Statement

Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Twentieth (20th) AGM of the Company held on 12 May 2018, five (5) Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

Poll Voting

In line with Paragraph 8.29A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCGG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
- iv) Annual General Meetings.
- v) The Company embrace on the technology advancement by issuing electronic Annual Report. Detailed of the Annual Reports, Board Charter and others can be downloaded from the website.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

The Company also maintains a website at www.aturmaju.com.my from which shareholders and stakeholders can access for information.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCGG and all other applicable laws, where applicable and appropriate.

Statement of Directors Responsibility in Respect of the Audited Financial Statements

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- i) Overseeing the overall conduct of the Company's business and that of the Group;
- ii) Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- iii) Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- iv) Adopting suitable accounting policies and apply them consistently;
- v) Making judgments and estimates that are reasonable and prudent; and
- vi) Ensuring compliance with applicable Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, the provisions of the Companies Act, 2016 and applicable approved accounting standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2018, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

Additional Disclosures

1) UTILISATION OF PROCEEDS

Detail as follows:-

a) Private Placement

The Company has undertaken the Placement Exercise of 6,110,000 new ordinary shares in ARB ("ARB Shares") at an issue price of RM0.22 per Share of the Company was approved by Bursa Malaysia Securities Berhad on 12 September 2018. The Placement exercise has raised actual gross proceeds of RM1.3 million.

It was completed on 24 September 2018 following the listing of and quotation for 6,110,000 ARB Shares on the Main Market of Bursa Securities.

| Purpose | Intended timeframe for utilisation from completion date | Proposed utilisation | Actual utilisation as at 25/2/2019 | Balance utilisation |
|--------------------|---|----------------------|------------------------------------|---------------------|
| | | RM'000 | RM'000 | RM'000 |
| IT business | within 24 months | 1,154 | 1,154 | - |
| Working capital | within 24 months | 112 | 112 | - |
| Estimated expenses | within 1 month | 78 | 78 | - |
| Total | | 1,344 | 1,344 | - |

b) Renounceable of Irredeemable Convertible Preference Shares (ICPS)

A renounceable right issue of 1,008,150,000 ICPS on the basis of 15 ICPS for every 1 existing ARB Share held by our entitled shareholders on the entitlement date at an issue of RM0.01 per ICPS was successful listed in Bursa Malaysia on 18 January 2019.

The gross proceed raised from ICPS was RM10.1 million and the current utilisation status is set out as follows:

| Purpose | Intended timeframe for utilisation from completion date | Proposed utilisation | Actual utilisation as at 25/2/2019 | Balance utilisation |
|---|---|----------------------|------------------------------------|---------------------|
| | | RM'000 | RM'000 | RM'000 |
| Development costs of software solutions | within 24 months | 7,700 | 7,700 | - |
| Working capital | within 24 months | 1,700 | 644 | 1,056 |
| Estimated expenses | within 1 month | 700 | 458 | 242 |
| Total | | 10,100 | 8,802 | 1,298 |

Additional Disclosures

2) AUDIT AND NON-AUDITS FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2018 were as follows :

| Professional Services | Company (RM'000) | Group (RM'000) |
|---|------------------|----------------|
| Audit Service Rendered | 25 | 81 |
| Non-Audit Services Rendered | 50 | 50 |
| (a) Review of Statement on Risk Management and Internal Control | 6 | 6 |

3) MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest.

4) CONTRACT RELATING TO LOANS

There were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

5) RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

There was no material Recurrent Related Party Transactions of revenue or trading nature during the financial year.

Statement on Risk Management and Internal Control

A. INTRODUCTION

The Board of Directors (“The Board”) of Aturmaju Resources Berhad is pleased to make the following statement on risk management and internal control which outlines the nature and scope of the risk management and internal control within the Group during the financial year 2018. The Statement on Risk Management and Internal Control is made in compliance with paragraph 15.26(b) of the Main Market: Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad and as guided by the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” issued by Bursa Securities.

B. BOARD RESPONSIBILITY

The Board acknowledges its responsibilities to maintaining a sound system of risk management and internal control to safeguard shareholders’ investments and the Group’s assets and for reviewing the adequacy and integrity of the system. Notwithstanding, due to the limitations that are inherent in any system of risk management and internal control, the Group’s risk management and internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss, contingencies, fraud or any irregularities.

In fulfilling its responsibilities in internal audit function, the Board is assisted by the Audit Committee.

C. RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group’s business operations and that the identification and management of risks will affect the achievement of the Group’s business objectives. The Management is responsible and accountable to the Board for risk management processes being carried out to achieve the Group’s business objectives within the risk appetite parameters. In discharging its responsibilities, the Board has taken into account the guidance of the Malaysian Code on Corporate Governance.

Risk management and internal controls are treated as an integral part of overall management process. Oversight of the Risk Management framework were carried out by the Management. Scope of work undertaken includes evaluating the existing controls for effectiveness and efficiency and providing recommendations for improvement.

D. KEY ELEMENTS OF INTERNAL CONTROL

The Board is committed to maintain a sound internal control structure to govern the manner in which the Group and its employees conduct themselves. Some of the identified key features of controls are:

- (i) The responsibilities of the Board and the Management are clearly defined in the organisation structure to ensure the effective discharge of the roles and responsibilities of the parties in overseeing the conduct of the Group’s business;
- (ii) Regular review on finance units by Senior Management; and
- (iii) Quarterly and comprehensive information provided to the Management, covering financial performance and key business indicators.

Statement on Risk Management and Internal Control

E. INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to GovernanceAdvisory.com Sdn. Bhd. (“GASB”). GASB is an independent professional firm supports the Audit Committee, and by extension, the Board, by providing an independent assurance on the effectiveness of the Group’s systems of internal control.

During the financial year under review, internal audit review was carried out with key coverage on financial closure process function for key finance unit. GASB assessed the adequacy and effectiveness of the Group’s key finance areas in terms of governance, potential risk and system of internal control. Internal Audit review report carried out for current financial year was tabled and presented to the Audit Committee that the internal controls tested have been applied consistently and effectively, any weakness in the application of internal controls was of a minor nature. No action is required by the Management.

F. ASSURANCE FROM MANAGEMENT

In accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board has received assurance from the Managing Director and the Executive Director that the Group’s risk management and internal control is operating adequately and effectively in all material aspects. It is therefore of the view that risk management and internal control system is satisfactory and no material internal control failures.

G. REVIEW OF THE STATEMENTS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

H. CONCLUSION

The Board is satisfied that the present Risk Management and Internal Control available is overall satisfactory, adequate and effective for the Group’s business. The Board however recognises the ever changing dynamic business environment, and hence will endeavor to continue improving, and enhancing the existing system of risk management and internal control to ensure their continued relevance.

This statement was approved by the Board on 14 March 2019.

Audit Committee Report

Composition

The Audit Committee of Aturmaju Resources Berhad ("ARB" or "the Company") is pleased to present the Audit Committee Report for the financial year ended 31 December 2018. The Audit Committee ("AC") is established by the Board of Directors ("Board") and comprises three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the AC is appointed by the Board and is an Independent Non-Executive Director. This meets the requirements of Paragraph 15.09 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR").

Chairman

Ng Kok Wah - Independent Non-Executive Director

Members

Datuk Baharon Bin Talib – Independent Non-Executive Chairman

Khor Chin Meng – Independent Non-Executive Director (Appointed on 31/01/2019)

Ho Pui Hold – Independent Non-Executive Director (Resigned on 31/01/2019)

Details of Attendance

| Name | Attendance |
|--|------------|
| Ng Kok Wah (Chairman) | 4/5 |
| Datuk Baharon Bin Talib | 3/5 |
| Khor Chin Meng (Appointed on 31/01/2019) | - |
| Ho Pui Hold (Resigned on 31/01/2019) | 5/5 |

Summary of Activities

During the financial year under review, the AC had held five (5) meetings and the following activities were undertaken:-

- Reviewed the quarterly unaudited financial of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
- Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2018;
- Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
- Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;
- Evaluated the performance of the external auditors for the financial year ended 31 December 2018 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;
- Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;
- Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;
- Reviewed the effectiveness of the Group's system of internal control;
- Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;
- Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

Audit Committee Report

- k) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;
- l) Reviewed the Statement on Corporate Governance and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report;
- m) Report to the Board on its activities and significant findings and results; and
- n) Monitored the implementation of mitigation actions by Management on outstanding issues to ensure all key risks and control weaknesses are properly addressed.

Terms of Reference

The Terms of Reference of the Audit Committee which laid down its duties and responsibilities are accessible via the Company's website at www.aturmaju.com.my.

INTERNAL AUDIT FUNCTION AND ITS ACTIVITIES

The Group outsourced its internal audit function to an independent professional firm, which assists the AC in discharging its duties and responsibilities. The Internal Auditors' role is to report to the AC on the area of weakness and action plan for improvement on internal controls, records, review, accounting policies, as well as on the identification and management of significant risk.

The internal audit fee in respect of the financial year is RM10,000.00.

The Internal Auditors prepare and table the Internal Audit Review for the consideration and approval of the AC. It conducts independent reviews of the key activities with the Group's operations based on the audit plan approved by the AC. The Internal Auditors report to the AC once a year and provide the AC with independent views on the adequacy, integrity and effectiveness of the systems of internal control.

During the financial year under review, the Internal Auditors has conducted an internal audit review on financial closure of ARB Development Sdn Bhd ("ADSB"), a wholly-owned subsidiary of ARB.

Audit Committee Report

Internal Audit Function and Its Activities

The objectives for the internal audit carried out in financial year 2018 to be stated as follow: -

Financial Close Policy and Manual

- To ensure the policy and procedures are approved; conveyed and adhered by Company wide.

Financial Close Process

- To ensure completion of financial data/ information/ report (monthly/ quarterly) as per approved schedule.
- To ascertain the financial data/ information/ report prepared are duly reviewed.

Financial Reporting

- To ensure the financial report is escalated to Management for their attention.

| | |
|-------------|----------|
| Company No. | 448934-M |
|-------------|----------|

ATURMAJU RESOURCES BERHAD
(448934-M)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2018

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ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of management services and investment holding.

The principal activities of the subsidiaries are described in Note 8 to the financial statements.

RESULTS

| | Group RM'000 | Company RM'000 |
|---|-------------------------|---------------------------|
| Profit/(Loss) for the financial year attributable to: | | |
| Equity holders of the Company | 4,232 | (2,092) |
| Non-controlling interests | - | - |
| | <u>4,232</u> | <u>(2,092)</u> |

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

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company completed the following:-

- (a) Capital reduction by RM54,379,000 or RM0.89 per ordinary shares pursuant to Section 116 of the Companies Act 2016 by way of set off with accumulated losses of the Company.
- (b) 6,110,000 new ordinary shares were issued at RM0.22 per ordinary shares via a private placement to eligible investors for a total consideration of RM1,265,902.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

The Company did not issue any new debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The directors who held office during the financial year until the date of this report are:-

THE COMPANY

Datuk Yeo Wang Seng
 Datuk Baharon Bin Talib
 Yeo Gee Kuan
 Lim Yun Nyen
 Ng Kok Wah
 Dato' Liew Kok Leong
 Au Yee Boon
 Khor Chin Meng
 Ho Pui Hold

(Appointed on 30 August 2018)
 (Appointed on 25 September 2018)
 (Appointed on 31 January 2019)
 (Resigned on 31 January 2019)

SUBSIDIARY COMPANIES

Datuk Yeo Wang Seng
 Yeo Gee Kuan
 Lim Yun Nyen
 Dato' Liew Kok Leong
 Au Yee Boon
 Lim Lee Wheng

(Appointed on 10 September 2018)
 (Appointed on 20 November 2018)
 (Appointed on 3 April 2018, resigned on 30 October 2018)
 (Resigned on 3 April 2018)
 (Resigned on 3 April 2018)

Chong Fu Shen
 Ta Shun Dher

DIRECTORS (CONTINUED)

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follows:

| | At 1.1.2018 | Number of ordinary shares | | At 31.12.2018 |
|-----------------------------------|----------------|---------------------------|-------------|------------------|
| | | Acquired | (Disposed) | |
| THE COMPANY | | | | |
| Direct interest | | | | |
| Yeo Gee Kuan | 1,619,927 | 1,284,950 | (2,904,877) | - |
| Lim Yun Nyen | 6,612 | - | - | 6,612 |
| Datuk Baharon Bin Talib | 30,000 | - | (30,000) | - |
| Dato' Liew Kok Leong | - | 2,950,865 | - | 2,950,865 |
| Au Yee Boon | - | 3,001,900 | - | 3,001,900 |
| Indirect interest | | | | |
| Datuk Yeo Wang Seng ¹ | 31,432,296 | - | (7,961,735) | 23,470,561 |
| Yeo Gee Kuan ² | 2,950,865 | - | (2,950,865) | - |
| Dato' Liew Kok Leong ³ | - | 1,569,700 | - | 1,569,700 |

¹ Indirect interest through his family members and his substantial shareholdings in Affinity Gateway Sdn. Bhd. and Aspirasi Puspita Sdn. Bhd.

² Indirect interest through his family members.

³ Indirect interest through shares held by Ukay One Sdn. Bhd.

By virtue of their interests in the shares of the Company, the directors are also deemed to be interested in the shares of all the subsidiaries to the extent the Company has an interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

Since the end of previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the notes to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest.

DIRECTORS' REMUNERATION

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

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Group and of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in the Note 8 to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in the Note 23 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) which would require the write off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the Group's and the Company's financial statements misleading.

OTHER STATUTORY INFORMATION (CONTINUED)

- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the Group and of the Company for the current financial year.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATUK YEO WANG SENG

YEO GEE KUAN

Tawau

14 March 2019

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | | Group | | Company | |
|---|-------------|----------------------|----------------------|----------------------|----------------------|
| | Note | 2018 | 2017 | 2018 | 2017 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 6 | 11,725 | 12,194 | - | - |
| Goodwill on consolidation | 7 | 45 | - | - | - |
| Investments in subsidiaries | 8 | - | - | 10,831 | 12,631 |
| | | <u>11,770</u> | <u>12,194</u> | <u>10,831</u> | <u>12,631</u> |
| CURRENT ASSETS | | | | | |
| Inventories | 9 | 10 | - | - | - |
| Trade receivables | 10 | 6,719 | 1,443 | - | - |
| Other receivables, deposits and prepayments | 11 | 3,364 | 4,973 | - | - |
| Amount due from subsidiaries | 12 | - | - | 1,269 | 1 |
| Current tax asset | | 375 | 271 | - | - |
| Cash and cash equivalents | 13 | 2,551 | 1,082 | 4 | 1 |
| | | <u>13,019</u> | <u>7,769</u> | <u>1,273</u> | <u>2</u> |
| TOTAL ASSETS | | <u><u>24,789</u></u> | <u><u>19,963</u></u> | <u><u>12,104</u></u> | <u><u>12,633</u></u> |
| EQUITY | | | | | |
| Share capital | 14 | 15,748 | 68,861 | 15,748 | 68,861 |
| Retained earnings/(Accumulated losses) | | <u>7,680</u> | <u>(50,931)</u> | <u>(4,396)</u> | <u>(56,683)</u> |
| TOTAL EQUITY | | <u>23,428</u> | <u>17,930</u> | <u>11,352</u> | <u>12,178</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Finance lease liability | 15 | - | 59 | - | - |
| Deferred tax liability | 16 | <u>4</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | <u>4</u> | <u>59</u> | <u>-</u> | <u>-</u> |

| | |
|-------------|----------|
| Company No. | 448934-M |
|-------------|----------|

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

| | | Group | | Company | |
|-----------------------------|------|---------------|---------------|----------------|---------------|
| | Note | 2018 | 2017 | 2018 | 2017 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 17 | 546 | 556 | - | - |
| Other payables and accruals | 18 | 626 | 774 | 348 | 389 |
| Amount due to a subsidiary | 19 | - | - | 362 | - |
| Amount due to directors | 20 | 67 | 497 | - | 3 |
| Finance lease liability | 15 | 59 | 85 | - | - |
| Current tax liability | | 59 | 62 | 42 | 63 |
| | | <u>1,357</u> | <u>1,974</u> | <u>752</u> | <u>455</u> |
| TOTAL LIABILITIES | | <u>1,361</u> | <u>2,033</u> | <u>752</u> | <u>455</u> |
| TOTAL EQUITY AND | | | | | |
| LIABILITIES | | <u>24,789</u> | <u>19,963</u> | <u>12,104</u> | <u>12,633</u> |

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

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | | Group | | Company | |
|--|------|----------------|-----------------|----------------|----------------|
| | Note | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| REVENUE | 21 | 15,257 | 11,417 | 84 | 79 |
| COST OF SALES | | <u>(7,963)</u> | <u>(12,326)</u> | <u>-</u> | <u>-</u> |
| GROSS PROFIT/(LOSS) | | 7,294 | (909) | 84 | 79 |
| OTHER INCOME | | 174 | 491 | 462 | 178 |
| ADMINISTRATIVE EXPENSES | | (2,728) | (2,464) | (838) | (263) |
| DISTRIBUTION EXPENSES | | (445) | (728) | - | - |
| OTHER OPERATING EXPENSES | | <u>-</u> | <u>-</u> | <u>(1,800)</u> | <u>(2,865)</u> |
| RESULTS FROM OPERATING ACTIVITIES | | 4,295 | (3,610) | (2,092) | (2,871) |
| FINANCE COSTS | 22 | <u>(42)</u> | <u>(41)</u> | <u>-</u> | <u>-</u> |
| PROFIT/(LOSS) BEFORE TAXATION | 23 | 4,253 | (3,651) | (2,092) | (2,871) |
| TAX (EXPENSE)/CREDIT | 24 | <u>(21)</u> | <u>2</u> | <u>-</u> | <u>2</u> |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR | | 4,232 | (3,649) | (2,092) | (2,869) |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR | | <u>4,232</u> | <u>(3,649)</u> | <u>(2,092)</u> | <u>(2,869)</u> |
| Profit/(Loss) attributable to: | | | | | |
| Owners of the Company | | 4,232 | (3,649) | | |
| Non-controlling interests | | <u>-</u> | <u>-</u> | | |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR | | <u>4,232</u> | <u>(3,649)</u> | | |
| EARNINGS/LOSS PER SHARE (SEN) | 25 | | | | |
| Basic | | <u>6.30</u> | <u>(5.97)</u> | | |
| Diluted | | <u>6.30</u> | <u>N/A</u> | | |

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

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| Group | Attributable to owners of the Group | | | | |
|--|-------------------------------------|----------------------|----------------------|--|--------------|
| | Non-distributable | Share capital RM'000 | Share premium RM'000 | Distributable (Accumulated losses)/ Retained earnings RM'000 | Total RM'000 |
| Balance as at 1.1.2017 | 61,100 | | 7,761 | (47,282) | 21,579 |
| Loss after tax/ Total comprehensive expense for the financial year | - | | - | (3,649) | (3,649) |
| Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note 14) | 7,761 | | (7,761) | - | - |
| Balance as at 31.12.2017/1.1.2018 | 68,861 | | - | (50,931) | 17,930 |
| Profit after tax/ Total comprehensive income for the financial year | - | | - | 4,232 | 4,232 |
| Capital reduction | (54,379) | | - | 54,379 | - |
| Issuance of shares via private placement | 1,266 | | - | - | 1,266 |
| Balance as at 31.12.2018 | 15,748 | | - | 7,680 | 23,428 |

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

| Company | Attributable to owners of the Company | | | |
|---|---------------------------------------|--|--|---------------------------|
| | Share capital RM'000 | Non-distributable Share premium RM'000 | Distributable Accumulated losses RM'000 | Total equity RM'000 |
| Balance as at 1.1.2017 | 61,100 | 7,761 | (53,814) | 15,047 |
| Loss after tax/ Total comprehensive expense for the financial year | - | - | (2,869) | (2,869) |
| Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note 14) | 7,761 | (7,761) | - | - |
| Balance as at 31.12.2017/1.1.2018 | 68,861 | - | (56,683) | 12,178 |
| Loss after tax/ Total comprehensive expense for the financial year | - | - | (2,092) | (2,092) |
| Capital reduction | (54,379) | - | 54,379 | - |
| Issuance of shares via private placement | 1,266 | - | - | 1,266 |
| Balance as at 31.12.2018 | 15,748 | - | (4,396) | 11,352 |

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

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Group | | Company | |
|--|---------------|----------------|----------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit/(Loss) before taxation | 4,253 | (3,651) | (2,092) | (2,871) |
| Adjustments for: | | | | |
| Amortisation of leasehold land | 36 | 36 | - | - |
| Depreciation of property, plant and equipment | 478 | 838 | - | - |
| Fair value gain on derivative financial instrument | - | (227) | - | - |
| Gain on disposal of property, plant and equipment | (125) | - | - | - |
| Impairment loss on investment in subsidiaries | - | - | 1,800 | 2,865 |
| Interest expenses | 42 | 41 | - | - |
| Interest income | (1) | - | - | - |
| Reversal of impairment loss on amount due from subsidiaries | - | - | (462) | (178) |
| Waiver of liabilities | (45) | - | - | - |
| Operating profit/(loss) before working capital changes | 4,638 | (2,963) | (754) | (184) |
| (Increase)/Decrease in inventories | (10) | 6,311 | - | - |
| (Increase)/Decrease in trade receivables | (5,276) | 443 | - | - |
| Decrease/(Increase) in other receivables, deposits and prepayments | 1,609 | (305) | - | - |
| Decrease in trade payables | (10) | (1,995) | - | - |
| (Decrease)/Increase in other payables and accruals | (150) | (294) | (41) | 44 |
| Cash generated from/ (used in) operations | 801 | 1,197 | (795) | (140) |
| Interest paid | (42) | (41) | - | - |
| Interest received | 1 | - | - | - |
| Income tax paid | (134) | (170) | (21) | (36) |
| Income tax refund | 10 | 175 | - | - |
| Net cash generated from/ (used in) operating activities | 636 | 1,161 | (816) | (176) |

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

| | Group | | Company | |
|--|---------------------|---------------------|-----------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition of a subsidiary, net of cash acquired (Note 31) | 2 | - | - | - |
| Purchase of property, plant and equipment | (45) | (827) | - | - |
| Proceeds from disposal of property, plant and equipment | 125 | - | - | - |
| (Advances to)/Repayment from subsidiaries | - | - | (806) | 177 |
| Net cash generated from/ (used in) investing activities | <u>82</u> | <u>(827)</u> | <u>(806)</u> | <u>177</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from private placement | 1,266 | - | 1,266 | - |
| Advances from a subsidiary | - | - | 362 | - |
| Repayment to directors | (430) | (667) | (3) | - |
| Repayment of finance lease liability | (85) | (80) | - | - |
| Net cash generated from/ (used in) financing activities | <u>751</u> | <u>(747)</u> | <u>1,625</u> | <u>-</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 1,469 | (413) | 3 | 1 |
| CASH AND CASH EQUIVALENTS BROUGHT FORWARD | <u>1,062</u> | <u>1,475</u> | <u>1</u> | <u>-</u> |
| CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 13) | <u><u>2,531</u></u> | <u><u>1,062</u></u> | <u><u>4</u></u> | <u><u>1</u></u> |

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

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1. PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of management services and investment holding.

The principal activities of the subsidiaries are described in Note 8 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) issued by the Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and on a going concern basis.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors’ best knowledge of events and actions, actual results could differ from those estimates.

(B) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity controlled by the Group, i.e. the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity’s relevant activities (power over the investee).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.

The Group's financial statements incorporate the results, cash flows, assets and liabilities of Aturmaju Resources Berhad and all of its directly and indirectly controlled subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group effectively obtains control of the acquired business, until that control ceases.

The non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the consolidated statement of financial position and consolidated statement of profit or loss, and consolidated statement of comprehensive income.

Total comprehensive income (i.e. profit or loss and each component of other comprehensive income) is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for as transactions with owners in their capacity as owners (i.e. equity transactions). The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Upon loss of control of a subsidiary, the Group's profit or loss is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments excludes transaction costs.

(ii) Business combinations

The Group applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values (with few exceptions as required by MFRS 3 *Business Combinations*).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) Basis of consolidation (continued)

(ii) Business combinations (continued)

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group.

Acquisition-related costs (e.g. finder's fees, consulting fees, administrative costs, etc.) are recognised as expenses in the periods in which the costs are incurred and the services are received.

On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition-date fair value of the Group's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after appropriate reassessment, the amount as calculated above is negative, it is recognised immediately in profit or loss as a bargain purchase gain.

At acquisition date, non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made separately for each business combination. Other components of non-controlling interests are measured at their acquisition-date fair values, unless otherwise required by MFRS.

The acquisition-date fair value of any contingent consideration is recognised as part of the consideration transferred by the Group in exchange for the acquiree. Changes in the fair value of contingent consideration that result from additional information obtained during the measurement period (maximum one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill. Other changes resulting from events after the acquisition date are adjusted at each reporting date, only when the contingent consideration is classified as an asset or a liability, and the adjustment is recognised in profit or loss.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. If any, changes in the value of the Group's equity interest in the acquiree that have been previously recognised in other comprehensive income are reclassified to profit or loss, if appropriate had that interest been disposed of directly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

(C) Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value. The principal annual rates are as follows:

| | |
|--|---|
| Leasehold land | Over the lease period of 51 and 915 years |
| Building | 2% |
| Plant and machinery | 14% |
| Tractors, motor vehicles and tug boats | 10% - 20% |
| Furniture, fittings and office equipment | 10% |

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) Property, plant and equipment (continued)

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(i) Leased assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Assets and liabilities arising from finance lease contracts are initially recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease rentals.

After initial recognition, the depreciation policy applied is consistent with that for depreciable assets that are owned. As a result, the depreciation recognised is calculated in accordance with the useful life stated for property, plant and equipment (the Group and the Company does not hold leased intangible assets). In cases where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

The interest element of rental obligations is charged to profit or loss over the period of the lease at a constant rate on the balance of finance lease obligations outstanding.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Incentives to take out operating leases are credited to the profit or loss on a straight-line basis over the lease term.

Provision is made in the statement of financial position for the present value of the onerous element of operating leases. This typically arises when the Group and the Company ceases to use premises and they are left vacant to the end of the lease or are sublet at rentals, which fall short of the amount payable by the Group and the Company under the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Intangible assets

Goodwill

Goodwill arising in a business combination is initially measured at its cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

(E) Impairment of non-financial assets

(i) Impairment of property, plant and equipment

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit which impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(ii) Impairment of goodwill

Irrespective of whether there is any indication of impairment, such assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) Impairment of non-financial assets (continued)

(ii) Impairment of goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment is not reversed in any circumstances.

(F) Inventories

Inventories are carried in the statement of financial position at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads based on normal levels of activity.

Write-down is made for obsolete and slow-moving items based on their expected future use and net realisable value.

Net realisable value is the estimated sales price in the ordinary course of business after allowing for all further costs of completion and disposal.

(G) Financial instruments

(i) Initial recognition and measurement

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group and the Company become a party to the contractual provisions of the instruments.

If a contract is a host financial liability or a non-financial host contract that contains an embedded derivative, the Group and the Company assess whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group and the Company become a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group and the Company do not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial liability out of the fair value through profit or loss category. Embedded derivatives in host financial assets are not separated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables and government loans at below market interest rates) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(ii) Derecognition of financial instruments

For derecognition purposes, the Group and the Company first determine whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial assets, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group and the Company transfer the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company act only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(iii) Financial assets

For the purpose of subsequent measurement, the Group and the Company classify financial assets into three measurement categories, namely: (i) financial asset at amortised cost (“AC”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”) and (iii) financial assets at fair value through profit or loss (“FVPL”). The classification is based on the Group’s and the Company’s business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) Financial instruments (continued)

(iii) Financial assets (continued)

After initial recognition, the Group and the Company measure financial assets, as follow:

- (i) Financial assets at AC
A financial asset is measured at amortised cost if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.
- (ii) Financial assets at FVOCI
A financial asset is measured at FVOCI if: (a) it is held within the Groups' and the Company's business objective to hold the asset both to collect contractual cash flows and selling the financial asset, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.
- (iii) Financial asset at FVPL
A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

(iv) Financial liabilities

After initial recognition, the Group and the Company measure all financial liabilities at amortised cost using the effective interest method, except for:

- (i) Financial liabilities at fair value through profit or loss (including derivatives that are liabilities) are measured at fair value.
- (ii) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Paragraph 3.2.15 and 3.2.17 of MFRS 9 apply to the measurement of such financial liabilities.
- (iii) Financial guarantee contracts issued, and commitments to provide loans at a below-market interest rate given, by the Group and the Company are measured at the higher of: (a) the amount of impairment loss determined and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 *Revenue from Contracts with Customers*.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) Financial instruments (continued)

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3(Q).

(vi) Impairment of financial assets

The Group and the Company apply the expected credit loss model of MFRS 9 to recognise impairment losses of financial assets measured at amortised cost or at fair value through other comprehensive income. Except for trade receivables, a 12-month expected credit loss is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Group and the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime expected credit loss is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company have availed the exception to the 12-month ECL requirement to recognise only lifetime expected credit losses.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12-month expected credit loss is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increase significantly if payments are more than 30 days past due if no other borrower-specific information is available without undue cost or effort.

The expected credit loss (ECL) is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidence of impairment), the lifetime ECL is determined individually.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) Financial instruments (continued)

(vi) Impairment of financial assets (continued)

For trade receivable, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivable, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by type of customers and businesses, and the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

(H) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value with original maturities period of three months or less.

For the purpose of the statements of cash flows only, cash and cash equivalents are presented net of pledged deposit.

(I) Equity

Equity instruments are contracts that give a residual interest in the net assets of the Group and the Company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction.

(J) Provisions

Where, at reporting date, the Group and the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group and the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) Employees benefits

(i) Short-term benefit

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absence such as paid annual leave are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employee render their services. Once the contributions have been paid, the Group and the Company has no further payment obligations.

(L) Revenue recognition

(i) Revenue from contracts with customers

The Group's and the Company's revenue comprises manufacture of wood products, hire of scows and tug boat, timber contractor, resell customised Enterprise Resource Planning (ERP) software system and information technology outsourcing (ITO) services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applies revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expects that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

For a service contract with a customer, when control of the promised service is transferred over time to the customer (and hence the performance obligation is satisfied over time), revenue is recognised in profit or loss over time or progressively by reference to the stage of completion in a performance obligation. For service contracts, the stage of completion is measured using the value of work performed to date as a percent of estimated total contract value basis (an output method).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

When the outcome of service contract cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The Group and the Company measure revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of a trade discounts and volume rebates given to the customer. If the transaction price includes variable considerations, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range of possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For a contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

(ii) Management fee

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(M) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) Income taxes

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that the Group and the Company consider that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

(O) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(Q) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group and the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group and the Company at the end of the reporting period during which the change occurred.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2018, except for Amendments to MFRS 2, 1, 128, 140 and IC Interpretation 22 which are not applicable to the Group and the Company:

- MFRS 9 *Financial Instruments* (2014)
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 15 – *Clarifications to MFRS 15*

The adoption of the above-mentioned accounting standards and amendments have no significant impact on the financial statements of the Group and of the Company.

The impacts of initial application of MFRS 15 and MFRS 9 are disclosed below:

a) MFRS 15 *Revenue from Contracts with Customers*

The core principle of this new MFRS is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- (i) identifying the contract with a customer;
- (ii) identifying the performance obligations in the contract;
- (iii) determining the transaction price;
- (iv) allocating the transaction price to the separate performance obligations in the contract; and
- (v) recognising revenue when (or as) the entity satisfies a performance obligation.

For a contract with a customer that has multiple elements, MFRS 15 requires that the contract shall be identified into separate performance obligations if they are individually distinct. The transaction price (i.e. the consideration receivable) in the contract shall be allocated to the performance obligations on the relative standalone selling price method. If the consideration receivable is variable, a probability weighted estimate or the most likely outcome is applied in the measurement of revenue, depending on which is the more appropriate basis under the particular circumstances. Revenue for a performance obligation is recognised in profit or loss when, or as, the entity transfers control of an asset (i.e. the good or service), to the customer. MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, timing and uncertainty of revenue and cash flows from contracts with customers.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (continued)

a) MFRS 15 *Revenue from Contracts with Customers* (continued)

Other than the enhanced new disclosures about contracts with customers, which the Group and the Company have complied with in the current year, the adoption of this new MFRS has no effect on the Group's and Company's financial position or results.

The amendments to MFRS 15 are to clarify certain aspects of MFRS 15 to make them easier for reporting entities to apply the requirements of the new Revenue Standard. In assessing whether an entity's promises to transfer goods or services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.

The adoption of MFRS 15 does not have any significant impact on the financial statements of the Group and of the Company as at 31 December 2018.

b) MFRS 9 *Financial Instruments* (2014)

For the purpose of subsequent measurement, the Group and the Company classifies financial assets into three measurement categories, namely:

- (i) financial assets at amortised cost;
- (ii) financial assets at fair value through other comprehensive income; and
- (iii) financial assets at fair value through profit or loss.

The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group and the Company measure financial assets at AC. A financial asset is measured at amortised cost if: (a) it is held within the Group and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (continued)

b) MFRS 9 *Financial Instruments (2014)* (continued)

MFRS 9 also introduces a new impairment methodology for financial assets, lease receivables and contract assets subject to impairment requirements and a new hedged accounting model. It uses a single forward-looking expected credit loss model that requires a 12-month expected credit loss be provided on initial recognition of a financial instrument, and if, and only if, there has been a significant deterioration in the credit risk after initial recognition, a lifetime expected credit loss shall be recognised. Also, the new hedge accounting model has been aligned to an entity's business model for managing financial risk, with eligible qualifying hedged items being extended to cover hedges of non-financial items.

The date of initial application of MFRS 9 is 1 January 2018. The effects of the adoption are discussed below:

Changes in measurement categories

The original measurement categories of the Group's and of the Company's financial assets have been changed to conform with the new measurement categories from original measurement category in MFRS 139 (Loans & receivables) to new measurement in category in MFRS 9 (Financial assets at AC).

Reconciliation of carrying amount:

Group

| | Amount under MFRS 139 RM'000 | Effect of transition RM'000 | Amount under MFRS 9 RM'000 |
|---|---|--|---|
| Loans and receivables reclassified as financial assets at AC | | | |
| Trade receivables | 1,443 | - | 1,443 |
| Other receivables and deposits | 4,965 | - | 4,965 |
| Cash and cash equivalents | 1,082 | - | 1,082 |
| Total | 7,490 | - | 7,490 |

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (continued)

b) MFRS 9 *Financial Instruments (2014)* (continued)

Changes in measurement categories (continued)

Company

| | Amount under MFRS 139 RM'000 | Effect of transition RM'000 | Amount under MFRS 9 RM'000 |
|---|---------------------------------------|-----------------------------------|-------------------------------------|
| Loans and receivables reclassified as financial assets at AC | | | |
| Amount due from subsidiaries | 1 | - | 1 |
| Cash and cash equivalents | 1 | - | 1 |
| Total | 2 | - | 2 |

Classification basis and reasons

The classifications of loans and receivables under MFRS 139 have been changed to financial assets measured at amortised cost model because MFRS 9 no longer has the former measurement categories. The measurement basis for such instruments at amortised cost effective interest method is retained because the Group's and the Company's business model objective for such financial assets is to collect contractual cash flows of interest and principal and the instruments have these contractual cash flow characteristics.

For financial liabilities, the Group and the Company did not change the measurement categories because the requirements in MFRS are substantially similar to those in the former MFRS 139.

c) Other new and revised MFRSs

The adoption of the other new and revised accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group and of the Company.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

MFRSs, Amendments to MFRSs and Interpretations effective for annual period beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 11 *Joint Arrangements - Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

Amendments to MFRSs effective date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

The directors anticipate that the above-mentioned accounting standards, interpretations and amendments will be adopted by the Group and the Company when they become effective.

Amendments to MFRS 4 *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* and MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

The Group and the Company have assessed, where practicable, the potential impact of all these accounting standards, amendments and interpretations that will be effective in future period, as below:

MFRS 16 Leases

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group and the Company are required to account for major part of their operating leases in the statement of financial position by recognising the ‘right-of-use’ assets and the lease liability, thus increasing the assets and liabilities of the Group and of the Company.

The financial effects arising from the adoption of this standard are still being assessed by the Group and the Company.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Group and the Company has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group and the Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of investments in subsidiaries and amounts due from subsidiaries

The Group reviews the investments in subsidiaries for impairment when there is an indication of impairment and assesses the impairment of receivables on the amounts owing by subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and amounts owing by subsidiaries is assessed by reference to the higher of its fair value less cost to sell and its value in use of the respective subsidiaries.

The value in use in the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. Such a discounted cash flow method involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement was also used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact that income tax and deferred tax provisions in the year in which such determination is made.

(d) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

(e) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(f) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(g) Loss allowances of financial assets

The Group and the Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial positions and results.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(h) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership life. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(i) Fair value estimates for certain financial assets and liabilities

The Group carries certain financial assets and liabilities at fair value, which required extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

6. PROPERTY, PLANT AND EQUIPMENT

Group

2018

Cost

At 1.1.2018

Additions

Disposal

At 31.12.2018

Accumulated depreciation

At 1.1.2018

Charge for the financial year

Disposal

At 31.12.2018

Accumulated impairment loss

At 1.1.2018

Disposal

At 31.12.2018

Net carrying amount

At 31.12.2018

| | Leasehold land and buildings RM'000 | Plant and machinery RM'000 | Tractors, motor vehicles and tug boats RM'000 | Furniture, fittings and office equipment RM'000 | Construction work-in- progress RM'000 | Total RM'000 |
|-------------------------------|--|----------------------------------|---|---|--|-----------------|
| At 1.1.2018 | 16,749 | 72,060 | 7,330 | 400 | 1,654 | 98,193 |
| Additions | - | - | - | 45 | - | 45 |
| Disposal | - | - | (923) | - | - | (923) |
| At 31.12.2018 | 16,749 | 72,060 | 6,407 | 445 | 1,654 | 97,315 |
| At 1.1.2018 | 7,248 | 71,590 | 6,561 | 314 | - | 85,713 |
| Charge for the financial year | 261 | 79 | 159 | 15 | - | 514 |
| Disposal | - | - | (638) | - | - | (638) |
| At 31.12.2018 | 7,509 | 71,669 | 6,082 | 329 | - | 85,589 |
| At 1.1.2018 | - | - | 285 | 1 | - | 286 |
| Disposal | - | - | (285) | - | - | (285) |
| At 31.12.2018 | - | - | - | 1 | - | 1 |
| At 31.12.2018 | 9,240 | 391 | 325 | 115 | 1,654 | 11,725 |

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Leasehold land and buildings RM'000 | Plant and machinery RM'000 | Tractors, motor vehicles and tug boats RM'000 | Furniture, fittings and office equipment RM'000 | Construction work-in- progress RM'000 | Total RM'000 |
|------------------------------------|--|----------------------------------|---|---|--|-----------------|
| 2017 | | | | | | |
| <u>Cost</u> | | | | | | |
| At 1.1.2017 | 16,749 | 71,895 | 7,868 | 390 | 1,002 | 97,904 |
| Additions | - | 165 | - | 10 | 652 | 827 |
| Written off | - | - | (538) | - | - | (538) |
| At 31.12.2017 | 16,749 | 72,060 | 7,330 | 400 | 1,654 | 98,193 |
| <u>Accumulated depreciation</u> | | | | | | |
| At 1.1.2017 | 6,987 | 71,188 | 6,902 | 300 | - | 85,377 |
| Charge for the financial year | 261 | 402 | 197 | 14 | - | 874 |
| Written off | - | - | (538) | - | - | (538) |
| At 31.12.2017 | 7,248 | 71,590 | 6,561 | 314 | - | 85,713 |
| <u>Accumulated impairment loss</u> | | | | | | |
| At 1.1.2017/31.12.2017 | - | - | 285 | 1 | - | 286 |
| <u>Net carrying amount</u> | | | | | | |
| At 31.12.2017 | 9,501 | 470 | 484 | 85 | 1,654 | 12,194 |

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Included in the net carrying amount of leasehold land of the Group amounted to RM57,000 (2017: RM57,000) are registered in the name of a third party.
- (b) Included in the net carrying amount of property, plant and equipment of the Group at the end of the reporting period which were acquired under finance lease arrangements are as follows:

| | Group | |
|--|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Tractors, motor vehicles and tug boats | <u>181</u> | <u>251</u> |

7. GOODWILL ON CONSOLIDATION

| | Group | |
|---|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| At cost: | | |
| At 1 January | - | - |
| Acquisition through business combinations | <u>45</u> | <u>-</u> |
| At 31 December | <u>45</u> | <u>-</u> |
| Accumulated impairment loss: | | |
| At 1 January/31 December | <u>-</u> | <u>-</u> |
| Net carrying amount | | |
| At 31 December | <u>45</u> | <u>-</u> |

8. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|-------------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Unquoted shares, at cost | 60,915 | 60,915 |
| Accumulated impairment losses | <u>(50,084)</u> | <u>(48,284)</u> |
| | <u>10,831</u> | <u>12,631</u> |

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

| <u>Name of subsidiary</u> | <u>Country of incorporation</u> | <u>Effective interest</u> | | <u>Principal activities</u> |
|--|---------------------------------|---------------------------|-------------|---|
| | | <u>2018</u> | <u>2017</u> | |
| | | % | % | |
| Aturmaju (Sabah) Holding Sdn. Bhd. (^) | Malaysia | 100 | 100 | Manufacturing of wood products |
| ARB Development Sdn. Bhd. (^) | Malaysia | 100 | 100 | Reselling customised Enterprise Resource Planning (ERP) software system and Information Technology related business |
| Kalabakan Tug Boat Sdn. Bhd. (#) (*) (^) | Malaysia | 100 | 100 | Hire of scows and tug boat |
| Ampermai Sdn. Bhd. (#) (*) (^) | Malaysia | 100 | 100 | Dormant |
| Alamjad Sdn. Bhd. (#) (*) (^) | Malaysia | 100 | 100 | Dormant |
| Baritech Sdn. Bhd. (Δ) (^) | Malaysia | 100 | - | Consulting services for project management |

(#) Interest held by Aturmaju (Sabah) Holding Sdn. Bhd.

(Δ) Interest held by ARB Development Sdn. Bhd.

(*) The auditors' reports of these subsidiaries contain an emphasis of matter on the appropriateness of the going concern assumption applied for the preparation of the financial statements

(^) Audited by RSM Malaysia

On 13 November 2018, the Group has acquired 100,000 ordinary shares of Baritech Sdn. Bhd., for a total consideration of RM1.

9. INVENTORIES

| | Group | |
|---|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| At cost: | | |
| Consumables materials | <u>10</u> | <u>-</u> |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | <u>6,921</u> | <u>11,817</u> |

10. TRADE RECEIVABLES

The Group's normal trade credit terms range from 0 to 120 (2017: 0 to 60) days.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | |
|-------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Other receivables | 3,220 | 4,950 |
| Deposits | 126 | 15 |
| Prepayments | <u>18</u> | <u>8</u> |
| | <u>3,364</u> | <u>4,973</u> |

12. AMOUNT DUE FROM SUBSIDIARIES

| | Company | |
|------------------------------------|------------------------|------------------------|
| | 2018 RM'000 | 2017 RM'000 |
| Non-trade balances | 3,378 | 2,572 |
| Less: Impairment losses | <u>(2,109)</u> | <u>(2,571)</u> |
| | <u>1,269</u> | <u>1</u> |
| Impairment losses: | | |
| At 1 January | 2,571 | 2,749 |
| Reversal during the financial year | <u>(462)</u> | <u>(178)</u> |
| At 31 December | <u>2,109</u> | <u>2,571</u> |

Amount due from subsidiaries are non-trade in nature, unsecured, interest-free, repayable upon demand and are to be settled in cash.

13. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed deposit with licensed bank | 20 | 20 | - | - |
| Cash and bank balances | 2,531 | 1,062 | 4 | 1 |
| Balance as stated in the Statements of Financial Position at 31 December | 2,551 | 1,082 | 4 | 1 |
| Less: fixed deposit pledged with licensed bank | (20) | (20) | - | - |
| Balance for Statements of Cash Flows purposes at 31 December | 2,531 | 1,062 | 4 | 1 |

The Group's fixed deposit is pledged to a licensed bank for bank guarantee granted to a subsidiary.

The interest rate for fixed deposit is 3.00% (2017: 3.00%) per annum.

14. SHARE CAPITAL

| | Group and Company | | | |
|---|--------------------------|-------------------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Number of shares | Number of shares | RM | RM |
| | '000 | '000 | RM'000 | RM'000 |
| Issued and fully paid | | | | |
| Ordinary shares | | | | |
| At 1 January | 61,100 | 61,100 | 68,861 | 61,100 |
| Capital reduction | - | - | (54,379) | - |
| Issuance of shares via private placement | 6,110 | - | 1,266 | - |
| Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 | - | - | - | 7,761 |
| At 31 December | 67,210 | 61,100 | 15,748 | 68,861 |

14. SHARE CAPITAL (CONTINUED)

Included in share capital is share premium account amounting to RM7,761,000 that are available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

On 11 June 2018, the Company had undertaken a capital reduction by RM54,379,000 or RM0.89 per ordinary shares pursuant to Section 116 of the Companies Act 2016 by way of set off with accumulated losses of the Company.

On 24 September 2018, the Company has issued 6,110,000 new ordinary shares at RM0.22 per ordinary shares via a private placement to eligible investors for a total consideration of RM1,265,902.

15. FINANCE LEASE LIABILITY

| | Group | |
|--|---------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Non-current | | |
| Finance lease liability | - | 59 |
| Current | | |
| Finance lease liability | 59 | 85 |
| | <u>59</u> | <u>144</u> |
| Finance lease liability is payable as follows: | | |
| Less than one year | 60 | 90 |
| Between one and five years | - | 60 |
| Future minimum lease | 60 | 150 |
| Less: Future interest charges | (1) | (6) |
| Present value of minimum lease payments | <u>59</u> | <u>144</u> |

The Group's finance lease liability bears interest rate of 2.72% (2017: 2.72%) per annum.

16. DEFERRED TAX LIABILITY

| | Group | |
|--|---------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| At 1 January | - | - |
| Recognised in profit or loss (Note 24) | 4 | - |
| At 31 December | <u>4</u> | <u>-</u> |

16. DEFERRED TAX LIABILITY (CONTINUED)

The components and movements of deferred tax liability during the financial year are as follows:

| | 2018 RM'000 | 2017 RM'000 |
|--|----------------|----------------|
| Excess of net carrying amount over tax written down value of property, plant and equipment | <u>4</u> | <u>-</u> |

17. TRADE PAYABLES

The Group's normal trade credit terms range from 0 to 60 (2017: 0 to 60) days.

18. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|------------------|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Other payables | 366 | 257 | 275 | 77 |
| Accruals | 257 | 514 | 73 | 312 |
| Deposit received | <u>3</u> | <u>3</u> | <u>-</u> | <u>-</u> |
| | <u>626</u> | <u>774</u> | <u>348</u> | <u>389</u> |

19. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary is non-trade in nature, unsecured, interest free, repayable upon demand and is to be settled in cash.

20. AMOUNT DUE TO DIRECTORS

| | Group | | Company | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Non-trade balances | <u>67</u> | <u>497</u> | <u>-</u> | <u>3</u> |

The amount due to directors is unsecured, interest free, repayable upon demand and are to be settled in cash.

21. REVENUE

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Sales of goods | 7,009 | 11,376 | - | - |
| Rental income | 255 | 41 | - | - |
| Rendered of information technology services | 7,993 | - | - | - |
| Management fee | - | - | 84 | 79 |
| | <u>15,257</u> | <u>11,417</u> | <u>84</u> | <u>79</u> |
| Timing of revenue: | | | | |
| At a point in time | 7,009 | 11,376 | - | - |
| Over time | 8,248 | 41 | 84 | 79 |
| | <u>15,257</u> | <u>11,417</u> | <u>84</u> | <u>79</u> |

22. FINANCE COSTS

| | Group | |
|---|------------|------------|
| | 2018 RM | 2017 RM |
| <i>Interest expense of financial liabilities that are not at fair value through profit or loss:</i> | | |
| - finance lease liability | 5 | 10 |
| - letter of credit | 10 | 9 |
| | <u>15</u> | <u>19</u> |
| - other | 27 | 22 |
| | <u>42</u> | <u>41</u> |

23. PROFIT/(LOSS) BEFORE TAXATION

(a) Profit/(Loss) before taxation is stated after charging/(crediting):

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Auditors' remuneration | | | | |
| - statutory audit | 81 | 70 | 25 | 25 |
| - other services | 56 | 6 | 56 | - |
| Amortisation of leasehold land | 36 | 36 | - | - |
| Depreciation on property, plant and equipment | 478 | 838 | - | - |
| Directors' fees | 80 | 75 | 80 | 75 |
| Directors' other emoluments | 495 | 553 | - | - |

23. PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

(a) Profit/(Loss) before taxation is stated after charging/(crediting): (continued)

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impairment loss on investments in subsidiaries | - | - | 1,800 | 2,865 |
| Reversal of impairment loss on amount due from subsidiaries | - | - | (462) | (178) |
| Fair value gain on derivative financial instrument | - | (227) | - | - |
| Rental of machinery and jetty | 66 | 79 | - | - |
| Rental of premises | 206 | 234 | - | - |
| Staff costs: | | | | |
| - salaries and other benefits (Note 26) | 1,753 | 1,528 | - | - |
| Gain on disposal of property, plant and equipment | (125) | - | - | - |
| Interest income | (1) | - | - | - |
| Rental income from premises | (3) | (3) | - | - |
| Rental income from cylinder | - | (1) | - | - |
| Waiver of liabilities | (45) | - | - | - |

(b) Net gains/(losses) arising from financial instruments

| | Group | | Company | |
|--|----------|------------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net gains/(losses) on: | | | | |
| Financial assets at FVPL | - | 227 | - | - |
| Financial assets and financial liabilities at AC | 4 | (41) | 462 | 178 |
| | <u>4</u> | <u>186</u> | <u>462</u> | <u>178</u> |

24. TAX EXPENSE/(CREDIT)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Current financial year | | | | |
| - income tax expense | 17 | - | - | - |
| - deferred tax expense | 4 | - | - | - |
| | <u>21</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Over provision in prior financial year | | | | |
| - income tax credit | - | (2) | - | (2) |
| | <u>21</u> | <u>(2)</u> | <u>-</u> | <u>(2)</u> |

A reconciliation of income tax expense/(credit) on profit/(loss) before taxation with the applicable statutory income tax rate is as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Profit/(Loss) before taxation | <u>4,253</u> | <u>(3,651)</u> | <u>(2,092)</u> | <u>(2,871)</u> |
| Tax at the statutory tax rate of 24% (2017: 24%) | 1,021 | (876) | (502) | (689) |
| Tax effects of: | | | | |
| Non-deductible expenses | 264 | 271 | 475 | 689 |
| Deferred tax assets not recognised | 394 | 605 | 27 | - |
| Utilisation of deferred tax assets previously not recognised | (9) | - | - | - |
| Non-taxable income | (7) | - | - | - |
| Tax exempt income | <u>(1,642)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Current financial year tax expense | <u>21</u> | <u>-</u> | <u>-</u> | <u>-</u> |

24. TAX EXPENSE/(CREDIT) (CONTINUED)

As at 31 December 2018, the Group and the Company has the following deferred tax assets which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:

| | Group | |
|--|---------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Other deductible temporary differences | (998) | (972) |
| Unabsorbed capital allowances | 390 | 294 |
| Unutilised tax losses | 4,977 | 4,653 |
| | <u>4,369</u> | <u>3,975</u> |

As at 31 December 2018, the Group has unabsorbed capital allowance and utilised tax losses of approximately RM1,625,000 and RM20,737,000 (2017: RM1,225,000 and RM19,387,000), which are available to set off against future chargeable income up to the year of assessment 2025.

25. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The basic earnings/loss per ordinary share of the Group is calculated based on the profit/(loss) attributable to owners of ordinary shareholders divided by the weighted average number of shares in issue.

| | Group | |
|--|---------------|----------------|
| | 2018 | 2017 |
| Continuing operations | | |
| Profit/(Loss) attributable to owners of the Company (RM'000) | <u>4,232</u> | <u>(3,649)</u> |
| Weighted average number of ordinary shares at 31 December ('000) | <u>67,210</u> | <u>61,100</u> |
| Basic earnings/(loss) per share (sen) | <u>6.30</u> | <u>(5.97)</u> |

(b) Diluted earnings/(loss) per share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares as at the end of the reporting period.

The diluted loss per share of the Group for the financial year ended 31 December 2017 is not presented in the financial statements as the effect of assumed subscriptions for new ordinary shares is anti-dilutive.

26. STAFF COST

| | Group | |
|--------------------------------|---------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Salaries, wages and allowances | 1,665 | 1,441 |
| EPF contributions | 77 | 80 |
| SOCSSO contributions | 10 | 7 |
| EIS contributions | 1 | - |
| | <u>1,753</u> | <u>1,528</u> |

27. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:

| | Group | | Company | |
|--------------------------|---------------|---------------|----------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Executive directors: | | | | |
| - fee | 20 | 25 | 20 | 25 |
| - non-fee emoluments | 495 | 553 | - | - |
| Non-executive directors: | | | | |
| - fee | 60 | 50 | 60 | 50 |
| | <u>575</u> | <u>628</u> | <u>80</u> | <u>75</u> |

28. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include all the Directors of the Group and of the Company.

The Group has related party relationship with its subsidiaries, directors and companies in which directors of the Group have interest.

28. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Management fees received/receivable from subsidiaries | - | - | 84 | 79 |
| Rental paid/payable to a company in which a Company's director has substantial financial interests | | | | |
| - office premises | 124 | 111 | - | - |
| - scows and tug boats | 150 | 240 | - | - |
| Key management personnel compensation: | | | | |
| - short-term employee benefits | 575 | 628 | 80 | 75 |

29. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

29. OPERATING SEGMENTS (CONTINUED)

The Group is organised into 5 main business segments as follows:-

- (a) Investment holdings and others segment - involved in management services and investment holding.
- (b) Manufacturing of wood products segment - involved in manufacturer of wood products.
- (c) Barging segment - involved in hire of scows and tug boats.
- (d) Timber segment - involved in timber contractor.
- (e) Information technology segment – involved in resell of customised Enterprise Resource Planning (ERP) software system and Information Technology related business.

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in manner similar to transactions with third parties.

29. OPERATING SEGMENTS (CONTINUED)

Business segments

| | Investment holdings and others RM'000 | Manufac- turing of wood products RM'000 | Barging RM'000 | Timber RM'000 | Information technology RM'000 | Group RM'000 |
|--|--|---|-------------------|------------------|-------------------------------------|-----------------|
| 2018 | | | | | | |
| <u>Revenue</u> | | | | | | |
| External revenue | - | 7,008 | 256 | - | 7,993 | 15,257 |
| Inter-segment revenue | 84 | - | 118 | - | 6,855 | 7,057 |
| | 84 | 7,008 | 374 | - | 14,848 | 22,314 |
| Adjustments and eliminations | | | | | | (7,057) |
| Consolidated revenue | | | | | | 15,257 |
| <u>Results</u> | | | | | | |
| Results before following adjustments | (2,092) | (1,290) | (120) | (8) | 6,973 | 3,463 |
| Adjustments and elimination | (546) | 1,998 | (114) | - | (28) | 1,310 |
| Depreciation | - | (440) | (36) | - | (2) | (478) |
| Segment results | (2,638) | 268 | (270) | (8) | 6,943 | 4,295 |
| Finance costs | | | | | | (42) |
| Tax expense | | | | | | (21) |
| Consolidated profit after taxation | | | | | | 4,232 |
| <u>Assets</u> | | | | | | |
| Segment assets | 5 | 16,752 | 208 | 22 | 7,847 | 24,834 |
| Adjustment | | | | | | (45) |
| Consolidated total assets | | | | | | 24,789 |
| <u>Liabilities</u> | | | | | | |
| Segment liabilities | 494 | 696 | 99 | 6 | 66 | 1,361 |
| Consolidated total liabilities | | | | | | 1,361 |

29. OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

| | Investment holdings and others RM'000 | Manufacturing of wood products RM'000 | Barging RM'000 | Timber RM'000 | Group RM'000 |
|--------------------------------------|--|--|-------------------|------------------|-----------------|
| 2017 | | | | | |
| <u>Revenue</u> | | | | | |
| External revenue | - | 11,376 | 41 | - | 11,417 |
| Inter-segment revenue | 79 | - | 78 | - | 157 |
| | 79 | 11,376 | 119 | - | 11,574 |
| Adjustments and eliminations | | | | | (157) |
| Consolidated revenue | | | | | 11,417 |
| <u>Results</u> | | | | | |
| Results before following adjustments | (2,886) | (2,022) | (537) | (8) | (5,453) |
| Adjustments and elimination | (79) | 2,839 | (79) | - | 2,681 |
| Depreciation | - | (802) | (36) | - | (838) |
| Segment results | (2,965) | 15 | (652) | (8) | (3,610) |
| Finance costs | | | | | (41) |
| Tax credit | | | | | 2 |
| Consolidated loss after taxation | | | | | (3,649) |
| <u>Assets</u> | | | | | |
| Segment assets | 3 | 18,722 | 213 | 1,025 | 19,963 |
| Consolidated total assets | | | | | 19,963 |
| <u>Liabilities</u> | | | | | |
| Segment liabilities | 563 | 1,171 | 292 | 7 | 2,033 |
| Consolidated total liabilities | | | | | 2,033 |

29. OPERATING SEGMENTS (CONTINUED)

Geographical information

The Group operates predominantly in Malaysia and revenue from overseas is insignificant. Accordingly, the information by geographical segment is not presented.

Major customers

There are three (3) (2017: one (1)) major customers contributing to 10% or more of the Group's revenue.

30. FINANCIAL INSTRUMENTS

(A) Financial risk management

The Group and the Company has exposure to the following risks from its use of financial instruments:

- (a) Market risk
- (b) Credit risk
- (c) Liquidity risk

(a) Market risk

(i) Foreign currency risk

The Group does not have any transactions or balances dominated in foreign currencies and hence not exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 30(A)(c) to the financial statements.

Interest rate risk sensitivity analysis

The Group is not exposed to interest rate risk as the interest-bearing financial instruments carry fixed interest rates and are measured at amortised costs. As such, sensitivity analysis is not disclosed.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(a) Market risk (continued)

(iii) Equity price risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from its receivables from subsidiaries.

Receivables

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group.

When an account is more than 120 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group identifies as a default account if it is more than 1 year past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics). The Group classifies an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(b) Credit risk (continued)

Receivables (continued)

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categories the different risk classes (low risk, medium risk and high risk) and the ageing profiles. The collective lifetime ECLs are measured based on the Group's past lost rate experiences, current conditions and forecast of future economic conditions. The past lost rates are adjusted upward in the measurement in worsening current conditions and forecasts of future macroeconomic conditions.

Concentration of credit risk

The Group assesses concentrations of credit risk by exposure to single-large customers, industry sectors and overseas jurisdictions.

There are 3 (2017: 1) customers concentrated in trade receivables balances. There was no significant exposure to single customers or to industry groups.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

The exposure of credit risk for trade and other receivables by geographical region is as follows:

| | Group | |
|-----------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Malaysia | 9,939 | 4,950 |
| Singapore | - | 1,443 |
| | <u>9,939</u> | <u>6,393</u> |

Past due and impaired financial assets

The exposure of credit risk for trade receivables as at the end of the reporting period by business segment was:

| | Group | |
|--------------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Information technology | 6,719 | - |
| Manufacturing of wood products | - | 1,443 |
| | <u>6,719</u> | <u>1,443</u> |

30. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(b) Credit risk (continued)

Receivables (continued)

Past due and impaired financial assets (continued)

The ageing analysis of trade receivables at the end of the reporting period was:

| | GROUP | | | |
|----------------------|------------------------|---------------------------------|---------------------------------|----------------------|
| | Gross amount RM'000 | Individual impairment RM'000 | Collective impairment RM'000 | Net amount RM'000 |
| 2018 | | | | |
| Not past due | 6,569 | - | - | 6,569 |
| Past due 1-30 days | - | - | - | - |
| Past due 31-120 days | 150 | - | - | 150 |
| | <u>6,719</u> | <u>-</u> | <u>-</u> | <u>6,719</u> |
| | | | | |
| | Gross amount RM'000 | Individual impairment RM'000 | Collective impairment RM'000 | Net amount RM'000 |
| 2017 | | | | |
| Not past due | 1,443 | - | - | 1,443 |
| Past due 1-30 days | - | - | - | - |
| Past due 31-120 days | - | - | - | - |
| | <u>1,443</u> | <u>-</u> | <u>-</u> | <u>1,443</u> |

There is no allowance made for impairment losses of trade receivable for the Group during the financial year.

Inter-company advances

The Company provides unsecured advances to its subsidiaries and monitors the results of the subsidiaries regularly.

As at end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries as individual impairment has been provided for.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| 2018 | Contractual interest rate % | Carrying amount RM'000 | Contractual cash flows RM'000 | Within 1 year RM'000 | Over 1 year RM'000 |
|---|-----------------------------------|------------------------------|-------------------------------------|----------------------------|--------------------------|
| Group | | | | | |
| <i>Non derivative financial liabilities</i> | | | | | |
| Trade payables | - | 546 | 546 | 546 | - |
| Other payables and accruals | - | 626 | 626 | 626 | - |
| Amount due to directors | - | 67 | 67 | 67 | - |
| Finance lease liability | 2.72 | 59 | 60 | 60 | - |
| | | 1,298 | 1,299 | 1,299 | - |
| Company | | | | | |
| Other payables and accruals | - | 348 | 348 | 348 | - |
| Amount due to a subsidiary | - | 362 | 362 | 362 | - |
| | | 710 | 710 | 710 | - |

30. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(c) Liquidity risk (continued)

| | Contractual interest rate % | Carrying amount RM'000 | Contractual cash flows RM'000 | Within 1 year RM'000 | Over 1 year RM'000 |
|---|-----------------------------------|------------------------------|-------------------------------------|----------------------------|--------------------------|
| 2017 | | | | | |
| Group | | | | | |
| <i>Non derivative financial liabilities</i> | | | | | |
| Trade payables | - | 556 | 556 | 556 | - |
| Other payables and accruals | - | 774 | 774 | 774 | - |
| Amount due to directors | - | 497 | 497 | 497 | - |
| Finance lease liability | 2.72 | 144 | 150 | 90 | 60 |
| | | 1,971 | 1,977 | 1,917 | 60 |
| Company | | | | | |
| Other payables and accruals | - | 389 | 389 | 389 | - |
| Amount due to directors | - | 3 | 3 | 3 | - |
| | | 392 | 392 | 392 | - |

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) Capital risk management

The Group manages its capital to ensure that the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory requirement, if any. The debt-to-equity ratio calculated as total borrowings from financial institutions divided by total equity.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

| | Group | |
|------------------------------|----------------|---------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Finance lease liability | 59 | 144 |
| Less: Cash and bank balances | (2,551) | (1,082) |
| Net asset | <u>(2,492)</u> | <u>(938)</u> |
| Total equity | <u>23,428</u> | <u>17,930</u> |
| Debt-to-equity ratio | <u>(0.11)</u> | <u>(0.05)</u> |

The Group has insignificant external borrowings. The debt-to-equity ratio does not provide a meaningful indicator of the risk of borrowings.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less RM40 million. The Company has complied with this requirement.

(C) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables, payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(C) Fair value of financial instruments (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

| | GROUP | | | | | | | | | |
|-------------------------|---|-------------------|-------------------|-----------------|---|-------------------|-------------------|----------------------------|---------------------------|-----------------|
| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | Total fair value RM'000 | Carrying amount RM'000 | |
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | | | Total RM'000 |
| 2018 | - | - | - | - | - | - | 59 | 59 | 59 | 59 |
| Financial liability | | | | | | | | | | |
| Finance lease liability | | | | | | | | | | |
| 2017 | - | - | - | - | - | - | 144 | 144 | 144 | 144 |
| Financial liability | | | | | | | | | | |
| Finance lease liability | | | | | | | | | | |

30. FINANCIAL INSTRUMENTS (CONTINUED)

(C) Fair value of financial instruments (continued)

Policy of transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

| Type | Valuation technique |
|---------------------------|--|
| Finance lease liabilities | Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting rate. |

Valuation process applied by the Group for Level 3 fair value

The Group has established control framework in respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Executive Director. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

31. ACQUISITION OF A SUBSIDIARY

On 13 November 2018, the Group acquired all the shares in Baritech Sdn. Bhd. for a total consideration of RM1, satisfied in cash and from that date the Group gained control. The company provides information technology outsourcing (ITO) services.

The effects of the acquisition of the subsidiary on the financial results of the Group between the date of acquisition and the end of the financial year are as follows:

| | GROUP 2018 RM'000 |
|-------------------------------------|----------------------------------|
| Sales | 6,854 |
| Cost of sales | (19) |
| Gross profit | 6,835 |
| Other income | 45 |
| Administrative expenses | (5) |
| Profit before tax | 6,875 |
| Tax expenses | - |
| Net profit for the financial period | 6,875 |

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 November 2018.

| | GROUP 2018 RM'000 |
|---|----------------------------------|
| Identified assets acquired and liabilities assumed | |
| Cash and cash equivalents | 2 |
| Other payables | (2) |
| Amount due to a director | (45) |
| Total identifiable net liabilities | (45) |
| Goodwill on acquisition | 45 |
| Total purchase consideration | * - |
| Less: Cash and cash equivalents | (2) |
| Net cash inflows | 2 |

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

| | GROUP 2018 RM'000 |
|---------------------------------------|----------------------------------|
| Total consideration transferred | * - |
| Fair value of identifiable net assets | 45 |
| Goodwill | 45 |

* represent RM1

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 3 January 2018, the Company announced that it proposes to undertake a reduction of the Company's share capital pursuant to Section 116 of the Companies Act 2016 by RM54,379,000 or RM0.89 per ordinary shares.

The capital reduction has been completed on 11 June 2018.

- (b) On 28 August 2018, the Company announced that it proposes to undertake private placement of up to 6,110,000 new ordinary shares representing up to 10% of the Company's total number of issued shares ("Proposed Placement").

Bursa Securities had vided its letter dated 12 September 2018, approved the Proposed Placement subject to the following conditions:

- (i) the Company and the Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Placement;
- (ii) Investment Bank to furnish Bursa Securities with details of the placees as per Paragraph 6.15 of the Listing Requirements for Bursa Securities' review, prior to the issuance/allotment of the Placement Shares;
- (iii) the Company and Investment Bank to inform Bursa Securities upon the completion of the Proposed Placement; and
- (iv) Investment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Placement is completed.

On 24 September 2018, the Company announced that the Placement has been completed following the listing of and quotation for 6,110,000 new ordinary shares on the Main Market Bursa Securities.

- (c) On 15 October 2018, the Company announced that it proposes to undertake the following corporate exercises:
- (i) proposed renounceable right issue of up to 1,008,150,000 irredeemable convertible preference shares ("ICPS") on the basis of 15 ICPS for every 1 existing ordinary share in the Company held on an entitlement date to be determined later at an issue price of RM0.01 per ICPS ("Proposed Right Issues");
 - (ii) proposed diversification of the principal activities of the Company of its subsidiaries to include the provision of information technology solutions and services and related activities ("Proposed Diversification"); and
 - (iii) proposed amendments to the Company's Constitution to facilitate the issuance of the ICPS ("Proposed Amendments").

(collectively referred to as the "corporate exercises")

Bursa Securities had vided its letter dated 31 October 2018, resolved to approve the following:

- (i) admission to the Official List and the listing of up to 1,008,150,000 ICPS to be issued pursuant to the Proposed Right Issue; and
- (ii) listing of up to 1,008,150,000 new ordinary shares of the Company to be issued pursuant to the conversion of the ICPS.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

The approval of corporate exercise by Bursa Securities is subjected to the following conditions:

- (i) the Company and Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Right Issue;
- (ii) Investment Bank to inform Bursa Securities upon the completion of the Proposed Right Issue;
- (iii) Investment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Right is completed;
- (iv) the Company to furnish Bursa Securities on a quarterly basis of summary of the total number of ordinary shares listed pursuant to the conversion of the ICPS as at the end of each quarter together with a detailed computation of listing fees payable; and
- (v) to incorporate Bursa Securities' comments in the circular to shareholders in relation to the Proposed Right Issue and Proposed Diversification.

On 4 December 2018, the Company announced that the corporate exercises were duly passed by way of poll at the Extraordinary General Meeting.

- (d) On 2 November 2018, the Company announced that ARB Development Sdn. Bhd., a wholly-owned subsidiary had entered into a Share Purchase Agreement for the acquisition of 100,000 ordinary shares in Baritech Sdn. Bhd., representing 100% of the issued share capital of Baritech Sdn. Bhd. for a total consideration of RM1.

The acquisition has been completed on 13 November 2018.

33. EVENTS AFTER THE REPORTING DATE

- (a) On 14 January 2019, the Company announced that it had received valid acceptances and excess applications for a total of 1,429,705,325 ICPS, representing a subscription rate of 141.8% over the total number of ICPS available for subscription under the Right Issue, resulting in an over-subscription rate of 41.8%.

On 18 January 2019, the Company announced that the corporate exercises have been completed.

- (b) On 16 January 2019, the Group announced that it had entered into a Memorandum of Understanding ("MOU") with Yes's Comm. Enterprise Sdn. Bhd.. Subsequently on 24 January 2019, the Group announced that it had entered into a Business Contract ("Contract") with Yes's Comm. Enterprise Sdn. Bhd. for an estimated value of RM20 million.

33. EVENTS AFTER THE REPORTING DATE (CONTINUED)

- (c) On 26 February 2019, the Company announced that it is proposing to change its name from “Aturmaju Resources Berhad” to “ARB Berhad”. (“Proposed Change of Name”)

The use of the proposed name “ARB Berhad” was approved and reserved by the Companies Commission of Malaysia (“CCM”) on 15 February 2019 (“Validity Period”). Subsequently, the validity period was extended by the CCM to 16 May 2019.

The Proposed Change of Name is subjected to the approval being obtained from shareholders of the Company at the Annual General Meeting to be convened at a date to be announced later.

- (d) On 4 March 2019, the Group announced that it had entered into a MOU with Perkasa Selalu Sdn. Bhd. in developing an Intelligence Modern Lifestyle project located at the city of Daerah Kuala Selangor on Joint Venture basis for proposed value of RM78 million.
- (e) On 4 March 2019, the Company announced that it proposes to seek shareholders’ approval in relation to the proposed authority to the Company to purchase its own ordinary shares of up to 10% in the entire issued and paid-up share capital of the Company at any given point in time at the forthcoming Annual General Meeting of the Company to be convened.

34. OTHER INFORMATION

- (a) The Company is a limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.
- (b) The registered office of business is situated at:

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia
- (c) The principal place of business is situated at:

TB 8285, Lot 20C
Perdana Square Commercial Centre
Miles 3¹/₂, Jalan Apas
91000 Tawau
Sabah
- (d) The financial statements are expressed in Ringgit Malaysia, which is also the Group's and the Company's functional currency.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 March 2019.

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ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

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

We, the undersigned, being two of the directors of **ATURMAJU RESOURCES BERHAD (448934-M)** do hereby state that, in the opinion of the directors, the financial statements set out on pages 68 to 129 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2018 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATUK YEO WANG SENG

YEO GEE KUAN

Tawau

14 March 2019

| | |
|-------------|----------|
| Company No. | 448934-M |
|-------------|----------|

ATURMAJU RESOURCES BERHAD (448934-M)
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **LIM YUN NYEN**, being the director primarily responsible for the financial management of **ATURMAJU RESOURCES BERHAD (448934-M)** do solemnly and sincerely declare that the financial statements set out on pages 68 to 129 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

LIM YUN NYEN

Subscribed and solemnly declared
 by the abovenamed at Kuala Lumpur
 in the Federal Territory on 14 March 2019

Before me

TANG SOOK WEI
 W685
 Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATURMAJU RESOURCES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aturmaju Resources Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 68 to 129.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATURMAJU RESOURCES BERHAD (CONTINUED)

Key Audit Matters

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

We have determined that there is no key audit matters in the audit of financial statements of the Group and the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATURMAJU RESOURCES BERHAD (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATURMAJU RESOURCES BERHAD (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

RSM Malaysia
AF: 0768
Chartered Accountants

Kuala Lumpur

14 March 2019

Yeoh Kian Teck
03322/08/2019 J
Chartered Accountant

Group Properties Portfolio

The landed property of the Group as at the date of this Annual Report is as follows:

| | Registered Owner / Location | Land Area (sq.m) | Tenure | Description/Existing Use/Restriction in Interest | Land Area and Building's Built-up Area (sq. m.) | Approx. Age of Building (Year) | Net Book Value @ 31 Dec 2018 RM |
|---|---|------------------|---------------------------------------|---|---|---------------------------------|---|
| 1 | CL 105477361 Alongside the Kalabakan River, 100km to the North-west of Tawau Municipal Centre, Kalabakan, District of Tawau, State of Sabah | 31,760 | 99 years (01.01.1993 - 31.12.2091) | Land MiniSawBuilding 7 units timber sheds Store cum planner Workshop Generator House | 669 10,701 613 297 56 | 24 24 24 24 24 | 636,949 67,940 66,653 3,387 16,549 1,235 <u>792,713</u> |
| 2 | CL 105474557 Alongside the Kalabakan River, 100 km to the North-west of Tawau Municipal Centre, Kalabakan, District of Tawau, State of Sabah | 19,920 | 60 years (01.01.1992 - 31.12.2051) | Land Land Reclamation Sawmill Complex Double storey office cum senior staff quarters Badminton hall Canteen Double storey office cum senior staff quarters Canteen Building Labour Line | 483 238 260 1,085 | 24 24 24 17 14 9 | 322,308 165,926 1 1 7,320 1 14,974 1,087 26,883 <u>538,501</u> |

| Registered Owner / Location | Land Area (sq.m) | Tenure | Description/Existing Use/Restriction in Interest | Land Area and Building's Built- up Area (sq. m.) | Approx. Age of Building (Year) | Net Book Value @ 31 Dec 2018 RM |
|---|-------------------------|---|--|--|--|--|
| 3 CL 105491825 Alongside the Kalabakan River, 100 km to the north-west of Tawau Municipal Center, Kalabakan, District of Tawau, State of Sabah | 53,760 | 99 years (01.01.1995 - (31.12.2093) | Land Land Reclamation Plywood factory cum timber products shed Workshop cum store Generator store Boiler Shed Block board factory Polyester and Tego plywood factory cum kiln dry section 2 units water reservoir (cubic ft) High rise platform water tank (Cubic ft) Gate House Workshop Forestry House New Office | 17,561 929 297 334 2,055 7,808 453 37 | 17 17 17 17 17 17 17 19 17 23 21 | 1,018,291 90,737 3,131,009 3,355 1 1 142,347 1,400,638 1 21,462 1 1 1,167 117,184 |
| | | | | | | 5,926,195 |

| Registered Owner / Location | Land Area (sq.m) | Tenure | Description/Existing Use/Restriction in Interest | Land Area and Building's Built-up Area (sq. m.) | Approx. Age of Building (Year) | Net Book Value @ 31 Dec 2018 RM |
|---|------------------|--|---|---|--------------------------------|---|
| 4 CL 105438855 –TB3744 Taman Sri Aman Light Industrial Estate, Mile 3 ½, Jalan Apas, 91000 Tawau, Sabah. | 153.9 | 999 years (08.04.1920 - (07.04.2919) | Description/Existing Use An intermediate double storey terrace commercial unit currently used as warehouse Office Building Electrical Installation Renovation | 307.80 | 28 | 73,786 15,224 84,121 70,833 <hr/> 243,964 |
| 5 CL 105438864 –TB3745 Taman Sri Aman Light Industrial Estate, Mile 3 ½, Jalan Apas, 91000 Tawau, Sabah. | 153.9 | 999 years (08.04.1920 - (07.04.2919) | Description/Existing Use An intermediate double storey terrace commercial unit currently used as warehouse Renovation | 307.80 | 28 | 164,917 70,833 <hr/> 235,750 |

Analysis of Shareholdings

As at 25 February 2019

Total number of issued shares : 72,855,000 ordinary shares
 Class of shares : Ordinary shares
 Voting rights : One vote per ordinary share

Distribution of Shareholdings as at 25 February 2019

| Size of Shareholdings | Number of Holders | % | Number of Shares Held | % |
|--|-------------------|-----------------|-----------------------|-----------------|
| Less than 100 shares | 24 | 2.7273 | 869 | 0.0012 |
| 100 to 1,000 shares | 258 | 29.3182 | 105,170 | 0.1444 |
| 1,001 to 10,000 shares | 306 | 34.7727 | 1,631,900 | 2.2399 |
| 10,001 to 100,000 shares | 226 | 25.6818 | 7,691,033 | 10.5566 |
| 100,001 to less than 5% of issued shares | 64 | 7.2727 | 46,044,433 | 63.2001 |
| 5% and above of issued shares | 2 | 0.2273 | 17,381,595 | 23.8578 |
| TOTAL | 880 | 100.0000 | 72,855,000 | 100.0000 |

Substantial Shareholders Shareholding as at 25 February 2019

| Name of Substantial Shareholders | Direct Interest | | Indirect Interest | |
|----------------------------------|-----------------------|-------|---------------------------|-------|
| | No of ordinary shares | % | No of ordinary shares | % |
| Datuk Yeo Wang Seng | - | - | 23,470,561 ^(a) | 32.22 |
| Dato' Liew Kok Leong | 2,950,865 | 4.05 | 1,569,700 ^(b) | 2.15 |
| Aspirasi Puspita Sdn Bhd | 16,947,059 | 23.26 | - | - |
| Affinity Gateway Sdn Bhd | 6,523,502 | 8.95 | - | - |
| Yeo Wang Ting | - | - | 23,470,561 ^(a) | 32.22 |

Notes :

(a) Deemed interest through his substantial shareholdings in Affinity Gateway Sdn Bhd and Aspirasi Puspita Sdn Bhd pursuant to Section 8 of the Act

(b) Deemed interest through his substantial shareholdings in Ukay One Sdn Bhd pursuant to Section 8 of the Act

Analysis of Shareholdings

List of Thirty(30) Largest Shareholders as at 25 February 2019

| No | Shareholder | No of Shares | % |
|-------|---|--------------|---------|
| 1 | Aspirasi Puspita Sdn. Bhd. | 12,237,800 | 16.7975 |
| 2 | Affinity Gateway Sdn. Bhd. | 5,143,795 | 7.0603 |
| 3 | Aspirasi Puspita Sdn. Bhd. | 3,479,098 | 4.7754 |
| 4 | Au Yee Boon | 3,001,900 | 4.1204 |
| 5 | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Liew Kok Leong | 2,950,865 | 4.0503 |
| 6 | Er Yan Shuen | 2,254,000 | 3.0938 |
| 7 | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For David Wong You King | 2,020,785 | 2.7737 |
| 8 | Lee Chee Kei | 1,881,700 | 2.5828 |
| 9 | SJ SEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Boon Siong (SMT) | 1,833,000 | 2.5160 |
| 10 | Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Khoo Phooi San (E-SS2) | 1,832,785 | 2.5157 |
| 11 | Chong Hwa Siong | 1,678,250 | 2.3035 |
| 12 | CIMSEC Nominees (Tempatan) Sdn Bhd CIMB BANK For Ukay One Sdn Bhd (PBCL-0G0636) | 1,569,700 | 2.1546 |
| 13 | Kenanga Nominees (Tempatan) Sdn Bhd Fantastic Hallmark Sdn Bhd (021) | 1,489,900 | 2.0450 |
| 14 | Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd For Khor Chong Yak | 1,476,300 | 2.0264 |
| 15 | Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd For Chai Sin Keong | 1,443,400 | 1.9812 |
| 16 | AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Affinity Gateway Sdn Bhd | 1,379,707 | 1.8938 |
| 17 | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Sinny United Sdn. Bhd. | 1,311,100 | 1.7996 |
| 18 | Maybank Nominees (Tempatan) Sdn Bhd Lee Boon Siong | 1,223,015 | 1.6787 |
| 19 | Kenanga Nominees (Tempatan) Sdn Bhd Westhill Capital Sdn Bhd (021) | 919,000 | 1.2614 |
| 20 | Ong Kian Huat | 806,900 | 1.1075 |
| 21 | Wong Sau Mooy | 780,800 | 1.0717 |
| 22 | CIMSEC Nominees (Tempatan) Sdn Bhd Danaharta Managers Sdn Bhd For Aspirasi Puspita Sdn Bhd (EKARHIJAU) | 778,367 | 1.0684 |
| 23 | Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Lee Foon (E-SS2) | 765,200 | 1.0503 |
| 24 | Ng Yeow Yin | 726,000 | 0.9965 |
| 25 | Cheong Sau Wah | 611,000 | 0.8387 |
| 26 | Lai Keat Woon | 611,000 | 0.8387 |
| 27 | Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Wai Yuan (8077425) | 500,000 | 0.6863 |
| 28 | Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loh Teck Wah (8090542) | 480,000 | 0.6588 |
| 29 | Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hong Jee Yong (E-TWU) | 430,500 | 0.5909 |
| 30 | Affinity Spring Sdn. Bhd. | 423,000 | 0.5806 |
| TOTAL | | 56,038,867 | 76.9184 |

Analysis of Shareholdings

Directors' Shareholding in shares as at 25 February 2019

| Name of Directors | Direct Interest | | Indirect Interest | |
|-------------------------|-----------------------|------|---------------------------|-------|
| | No of ordinary shares | % | No of ordinary shares | % |
| Datuk Baharon Bin Talib | - | - | - | - |
| Datuk Yeo Wang Seng | - | - | 23,470,561 ^(a) | 32.22 |
| Dato' Liew Kok Leong | 2,950,865 | 4.05 | 1,569,700 ^(b) | 2.15 |
| Au Yee Boon | 3,001,900 | 4.12 | - | - |
| Yeo Gee Kuan | - | - | - | - |
| Lim Yun Nyen | 6,612 | 0.01 | - | - |
| Ng Kok Wah | - | - | - | - |
| Khor Chin Meng | - | - | - | - |

Note :

(a) Deemed interest through his substantial shareholdings in Affinity Gateway Sdn Bhd and Aspirasi Puspita Sdn Bhd pursuant to Section 8 of the Act

(b) Deemed interest through his substantial shareholdings in Ukay One Sdn Bhd pursuant to Section 8 of the Act

Analysis of Shareholdings

As at 25 February 2019

Total number of issued shares : 999,455,000 ICPS
Class of shares : Preference Shares

Distribution of ICPS Holders as at 25 February 2019

| Size of Holdings | Number of ICPS Holders | % | Number of ICPS Held | % |
|--|------------------------|-----------------|---------------------|-----------------|
| Less than 100 ICPS | 0 | 0.0000 | 0 | 0.0000 |
| 100 to 1,000 ICPS | 3 | 1.3393 | 900 | 0.0001 |
| 1,001 to 10,000 ICPS | 22 | 9.8214 | 126,000 | 0.0126 |
| 10,001 to 100,000 ICPS | 89 | 39.7321 | 4,710,400 | 0.4713 |
| 100,001 to less than 5% of issued ICPS | 106 | 47.3214 | 303,313,357 | 30.3479 |
| 5% and above of issued ICPS | 4 | 1.7857 | 691,304,343 | 69.1681 |
| TOTAL | 224 | 100.0000 | 999,455,000 | 100.0000 |

ICPS Holders holding 5% or more of the total number of ICPS issued

| Name of ICPS Holders | Direct Interest | | Indirect Interest | |
|--------------------------|-----------------|-------|----------------------------|-------|
| | No of ICPS | % | No of ICPS | % |
| Datuk Yeo Wang Seng | - | - | 254,205,886 ^(a) | 25.43 |
| Dato' Liew Kok Leong | 173,269,457 | 17.34 | 23,545,500 ^(b) | 2.36 |
| Aspirasi Puspita Sdn Bhd | 254,205,886 | 25.43 | - | - |
| Yeo Wang Ting | - | - | 254,205,886 ^(a) | 25.43 |
| Dark Rock Sdn. Bhd. | 115,207,500 | 11.53 | - | - |
| Au Yee Boon | 148,632,400 | 14.87 | 115,207,500 ^(c) | 11.53 |

Notes :

(a) Deemed interest through his substantial shareholdings in Aspirasi Puspita Sdn Bhd pursuant to Section 8 of the Act

(b) Deemed interest through his substantial shareholdings in Ukay One Sdn Bhd pursuant to Section 8 of the Act

(c) Deemed interest through his substantial shareholdings in Dark Rock Sdn Bhd pursuant to Section 8 of the Act

Analysis of Shareholdings

List of Thirty(30) Largest ICPS Holders as at 25 February 2019

| No | ICPS Holder | No of ICPS Shares | % |
|-------|--|-------------------|---------|
| 1 | Aspirasi Puspita Sdn. Bhd. | 254,205,886 | 25.4345 |
| 2 | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Liew Kok Leong | 173,258,557 | 17.3353 |
| 3 | Au Yee Boon | 148,632,400 | 14.8713 |
| 4 | HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Dark Rock Sdn Bhd | 115,207,500 | 11.5270 |
| 5 | Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd For Khor Chong Yak | 43,140,500 | 4.3164 |
| 6 | Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd For Chai Sin Keong | 32,836,000 | 3.2854 |
| 7 | CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Ukay One Sdn Bhd (PBCL-0G0636) | 23,545,500 | 2.3558 |
| 8 | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Sun Ping | 23,000,000 | 2.3013 |
| 9 | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Ing Kiong | 20,631,500 | 2.0643 |
| 10 | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Sinny United Sdn. Bhd. | 19,666,500 | 1.9677 |
| 11 | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong You King | 13,000,000 | 1.3007 |
| 12 | Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Lee Foon (E-SS2) | 10,978,000 | 1.0984 |
| 13 | Wong Sau Mooy | 10,750,500 | 1.0756 |
| 14 | Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lee Pooi Ling (LEE4962C) | 8,000,000 | 0.8004 |
| 15 | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chua Joo Giok | 6,416,757 | 0.6420 |
| 16 | Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd For Phan Wong Chun | 5,327,000 | 0.5330 |
| 17 | Chong Poh Onn | 5,041,000 | 0.5044 |
| 18 | Cheong Sau Wah | 4,665,000 | 0.4668 |
| 19 | Yong Swee Koon | 4,600,000 | 0.4603 |
| 20 | Syarikat Rimba Timur (RT) Sdn Bhd | 4,500,000 | 0.4502 |
| 21 | Pang Shiew Wai | 4,000,000 | 0.4002 |
| 22 | Maybank Nominees (Tempatan) Sdn Bhd Tan Sun Ping | 3,916,500 | 0.3919 |
| 23 | Lai Yet Chung | 3,000,000 | 0.3002 |
| 24 | Low Hing Noi | 3,000,000 | 0.3002 |
| 25 | CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Chong Poh Onn (MY1507) | 3,000,000 | 0.3002 |
| 26 | Leow Pek Fong @ Liew Pek Fong | 2,820,000 | 0.2822 |
| 27 | Tan Kok Kin | 2,500,000 | 0.2501 |
| 28 | Lok Wei Seong | 2,460,000 | 0.2461 |
| 29 | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Sun Ping | 2,390,000 | 0.2391 |
| 30 | Wooi Kar Boon | 2,000,000 | 0.2001 |
| TOTAL | | 956,489,100 | 95.7011 |

Analysis of Shareholdings

Directors' Shareholding in ICPS as at 25 February 2019

| Name of Directors | Direct Interest | | Indirect Interest | |
|-------------------------|-----------------|-------|----------------------------|-------|
| | No of ICPS | % | No of ICPS | % |
| Datuk Baharon Bin Talib | - | - | - | - |
| Datuk Yeo Wang Seng | - | - | 254,205,886 ^(a) | 25.43 |
| Dato' Liew Kok Leong | 173,269,457 | 17.34 | 23,545,500 ^(b) | 2.36 |
| Au Yee Boon | 148,632,400 | 14.87 | 115,207,500 ^(c) | 11.53 |
| Yeo Gee Kuan | - | - | - | - |
| Lim Yun Nyen | 99,000 | 0.01 | - | - |
| Ng Kok Wah | - | - | - | - |
| Khor Chin Meng | - | - | - | - |

Note :

(a) Deemed interest through his substantial shareholdings in Aspirasi Puspita Sdn Bhd pursuant to Section 8 of the Act

(b) Deemed interest through his substantial shareholdings in Ukay One Sdn Bhd pursuant to Section 8 of the Act

(c) Deemed interest through his substantial shareholdings in Dark Rock Sdn Bhd pursuant to Section 8 of the Act



ATURMAJU RESOURCES BERHAD

(Company No. 448934-M)

(Incorporated in Malaysia)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-First (21st) Annual General Meeting (“AGM”) of Aturmaju Resources Berhad (“ARB” or “the Company”) will be held at Palm Ballroom 1, AVANI SEPANG GOLDCOAST RESORT 67, Jalan Pantai Bagan Lalang, Kampung Bagan Lalang, 43950 Sungai Pelek, Selangor Darul Ehsan, Malaysia on Monday, 15 April 2019, at 9.00 a.m. for the purpose of transacting the following businesses:

AGENDA

| | | |
|--|--|---|
| 1 | To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. | Please refer to Explanatory Note 1 |
| 2 | To approve the payment of Directors’ fees of up to RM70,000 for the financial year ending 31 December 2019 to be divided amongst the Directors in such manner as the Directors may determine and other benefits payable of up to RM1,566,000 for the period commencing from 15 April 2019 until the conclusion of up to the next AGM of the Company. | Ordinary Resolution 1 |
| 3 | To re-elect Datuk Yeo Wang Seng who retire pursuant to Clause 105 of the Company’s Constitution and who, being eligible, offer himself for re-election. | Ordinary Resolution 2 |
| 4 | To re-elect Datuk Baharon Bin Talib who retire pursuant to Clause 105 of the Company’s Constitution and who, being eligible, offer himself for re-election. | Ordinary Resolution 3 |
| 5 | To re-elect Dato’ Liew Kok Leong who retire pursuant to Clause 114 of the Company’s Constitution and who, being eligible, offer himself for re-election. | Ordinary Resolution 4 |
| 6 | To re-elect Mr Au Yee Boon who retire pursuant to Clause 114 of the Company’s Constitution and who, being eligible, offer himself for re-election. | Ordinary Resolution 5 |
| 7 | To re-elect Mr Khor Chin Meng who retire pursuant to Clause 114 of the Company’s Constitution and who, being eligible, offer himself for re-election. | Ordinary Resolution 6 |
| 8 | To re-appoint Messrs RSM Malaysia as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 7 |
| AS SPECIAL BUSINESS | | |
| To consider and if thought fit, with or without any modification, to pass the following resolutions: | | |
| 9 | AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 “THAT subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company, or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier.” | Ordinary Resolution 8 |

Notice of Annual General Meeting

AGENDA

| | | |
|----|---|-----------------------|
| 10 | <p>PROPOSED AUTHORITY TO ATURMAJU RESOURCES BERHAD TO PURCHASE ITS OWN ORDINARY SHARES OF UP TO TEN PERCENT (10%) IN THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY AT ANY GIVEN POINT IN TIME (“PROPOSED SHARE BUY-BACK”)</p> <p>“THAT subject to the compliance with Section 127 of the Act and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed ten percent (10%) of the existing issued share capital of the Company including the shares previously purchased and retained as treasury shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in the Circular to Shareholders dated 16 March 2019.</p> <p>AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) and any other relevant authorities.</p> <p>AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Listing Requirements and any other relevant authorities.</p> <p>AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company.”</p> | Ordinary Resolution 9 |
| 11 | <p>PROPOSED CHANGE OF NAME OF THE COMPANY FROM “ATURMAJU RESOURCES BERHAD” TO “ARB BERHAD” (“PROPOSED CHANGE OF NAME”)</p> <p>“THAT the name of the Company be changed from “Aturmaju Resources Berhad” to “ARB Berhad” with effect from the date of the Notice of Registration of New Name issued by the Companies Commission of Malaysia and the Constitution of the Company be hereby amended accordingly, wherever the name of the Company appears.”</p> <p>AND THAT the Board of Directors of the Company be and is hereby authorised to carry out all the necessary steps and formalities in affecting the Proposed Change of Name.”</p> | Special Resolution 1 |
| 12 | To transact any other business of the Company for which due notice shall have been given. | |

Notice of Annual General Meeting

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482)

THIEN LEE MEE (LS0009760)

Company Secretaries

Kuala Lumpur

Date: 16 March 2019

Notes:

- (1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
- (2) Where a member duly executed the form of proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member.
- (3) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
- (4) Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (5) In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney, duly authorised.
- (6) The instrument appointing a proxy must be deposited at the Share Registrar’s office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
- (7) For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors (“ROD”) as at 9 April 2019 and only members whose name appears on the ROD as at 9 April 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Notice of Annual General Meeting

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Audited Financial Statements for the Financial Year Ended 31 December 2018

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolution 1: To Approve the Payment of Directors' Fees and Other Benefits Payable

The Directors' benefits payable comprises of meeting attendance allowances and other benefits.

In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated benefits and estimated number of meetings for the Board and Board Committees held for the period commencing from 15 April 2019 until the conclusion of the next AGM of the Company.

3. Ordinary Resolution 8: Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The Proposed Ordinary Resolution 8, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next AGM.

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

As at the date of this Notice, the Company had issued 6,110,000 new ordinary shares at issue price of RM0.22 per share by way of private placement pursuant to the General Mandate granted to the Directors at the Twentieth (20th) AGM held on 12 May 2018 and which will lapse at the conclusion of the Twenty-First (21st) AGM.

Additional Disclosure in respect of the total proceeds raised from previous mandate and the details and status of the utilization of proceeds as at 25 February 2019 were duly disclosed in the Annual Report 2018.

4. Ordinary Resolution 9: Proposed Share Buy-Back

This Ordinary Resolution 9, if passed, will allow the Directors of the Company to exercise the power of the Company to purchase not more than ten percent (10%) of the total number of issued shares of the Company at any time within the time period stipulated in the Listing Requirements. This authority, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next AGM of the Company. Further details are set out in the Circular to Shareholders dated 16 March 2019.

5. Special Resolution 1: Proposed Change of Name

The proposed Change of Name is to reflect a new corporate identity under our flagship and further enhance the marketability of our product.

The proposed name "ARB Berhad" was approved and reserved by the Companies Commission of Malaysia on 15 February 2019 ("Validity Period"). Subsequently, the Validity Period was extended by the CCM on 16 May 2019.

This Special Resolution 1, if passed, will allow the Company to change its name from "Aturmaju Resources Berhad" to "ARB Berhad", with effect from the date of the issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia.

ATURMAJU RESOURCES BERHAD

(Company No. 448934 M)

Incorporated in Malaysia

FORM OF PROXY

(Before completing this form please refer to the notes below)

| | | |
|---------------------------|----------|--|
| No. of shares held | : | |
| CDS Account No. | : | |

I/We (NRIC No./Passport No./Company No.)

 (Full name in block letters)

of

 (Full address)

being a member/members of **ATURMAJU RESOURCES BERHAD** hereby appoint the following person(s):-

| <u>Name of proxy, NRIC No. & Address</u> | <u>No. of shares to be represented by proxy</u> |
|--|---|
| 1. | |
| 2. | |

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend, speak and vote for *me/us and on my/our behalf at the Twenty-First (21st) Annual General Meeting to be held at Palm Ballroom 1, AVANI SEPANG GOLDCOAST RESORT 67, Jalan Pantai Bagan Lalang, Kampung. Bagan Lalang, 43950 Sungai Pelek, Selangor Darul Ehsan, Malaysia on Monday, 15th April 2019 at 9.00 a.m. and at every adjournment thereof to vote as indicated below:-

| ORDINARY RESOLUTIONS | | FIRST PROXY | | SECOND PROXY | |
|-----------------------------|---|--------------------|----------------|---------------------|----------------|
| | | FOR | AGAINST | FOR | AGAINST |
| 1. | To approve the payment of Directors fees for financial year 2019. | | | | |
| 2. | To re-elect the director, Datuk Yeo Wang Seng | | | | |
| 3. | To re-elect the director, Datuk Baharon Bin Talib | | | | |
| 4. | To re-elect the director, Dato' Liew Kok Leong | | | | |
| 5. | To re-elect the director, Mr. Au Yee Boon | | | | |
| 6. | To re-elect the director, Mr. Khor Chin Meng | | | | |
| 7. | To re-appoint the retiring auditors, Messrs. RSM Malaysia | | | | |
| 8. | Authority to issue shares | | | | |
| 9. | Proposed Share Buy-Back | | | | |
| SPECIAL RESOLUTION | | | | | |
| 1. | Proposed Change of Company's name | | | | |

(Please indicate with an "x" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

As witness my hand this.....day of.....2019

.....
 Signature/Common Seal

*** Strike out whichever is not desired.**

Notes:-

- (1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
- (2) Where a member duly executed the form of proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/her proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member.
- (3) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
- (4) Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (5) In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney, duly authorised.
- (6) The instrument appointing a proxy must be deposited at the Share Registrar's office, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
- (7) For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a Record of Depositors ("ROD") as at 9 April 2019 and only members whose name appears on the ROD as at 9 April 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Then fold here

AFFIX
STAMP

The Share Registrar, Mega Corporate Services Sdn Bhd
ATURMAJU RESOURCES BERHAD (448934 M)
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

1st fold here

REQUEST FORM FOR PRINTED COPY OF ATURMAJU RESOURCES BHD ANNUAL REPORT 2018

To : Aturmaju Resources Berhad
c/o Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Please find below my complete particulars for the delivery of a printed copy of Aturmaju Annual Report 2018:

Particulars of Shareholder

Name:

Identity Card No./Passport No./Company No.:

CDS Account No.:

Mailing Address:

Telephone No.:

Date:

Signature of Shareholder:

Name



TB 8285, Lot 20C
Perdana Square Commercial Centre
Mile 3 1/2, Jalan Apas, 91000
Tawau, Sabah, Malaysia



089-911026 / 089-913970



089-911304



www.aturmaju.com.my