



# **ATURMAJU RESOURCES BERHAD**

(Company No. 448934-M)  
(Incorporated in Malaysia)

Annual Report 2016

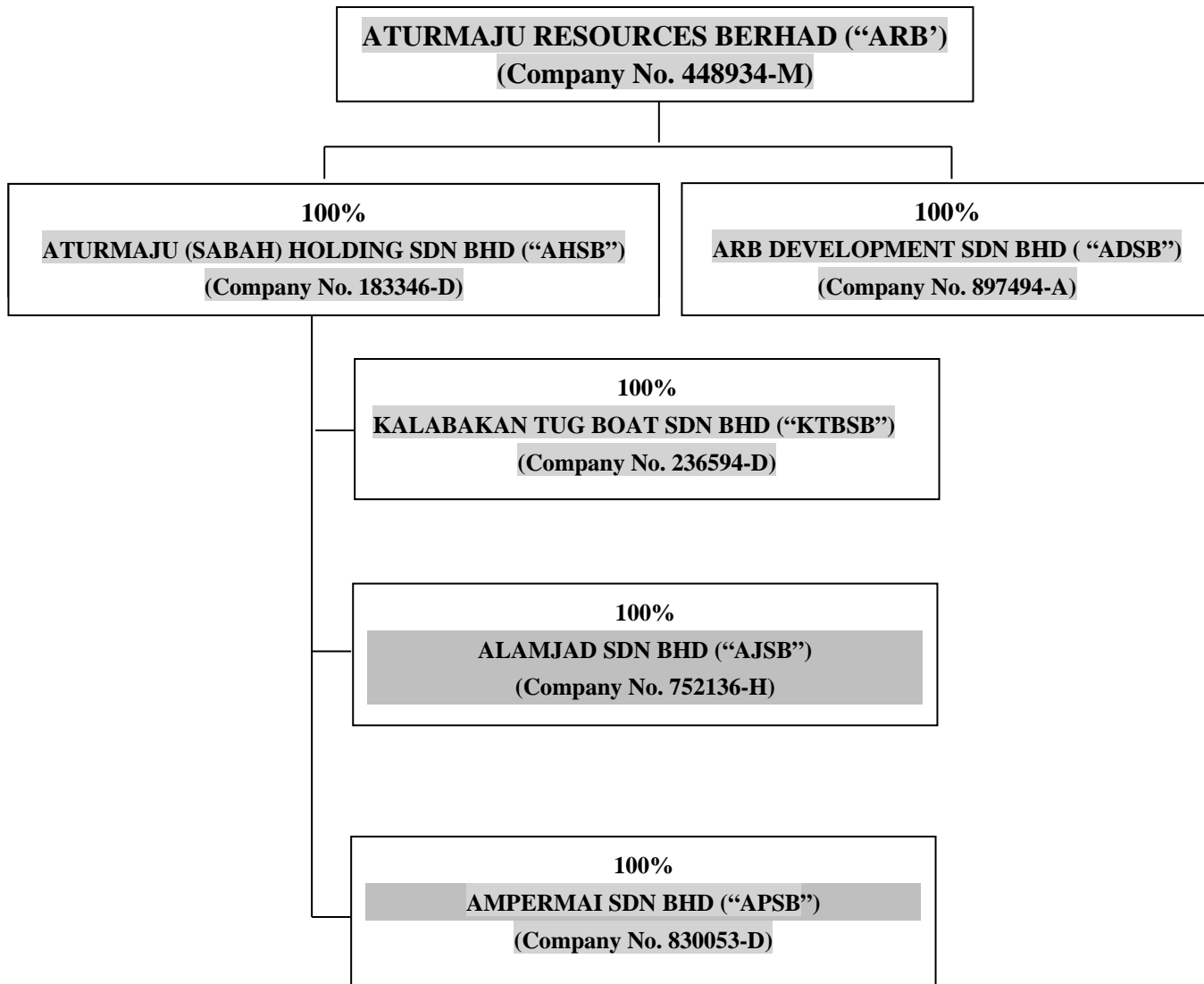
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## Corporate Profile and Structure

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



## *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)

Ho Pui Hold  
(Independent Non-Executive Director)

### **COMPANY SECRETARIES**

Tan Tong Lang (MAICSA 7045482)  
Chong Voon Wah (MAICSA 7055003)

### **AUDIT COMMITTEE**

Ng Kok Wah (Chairman)  
Datuk Baharon Bin Talib  
Ho Pui Hold

### **NOMINATION COMMITTEE**

Datuk Baharon Bin Talib (Chairman)  
Ng Kok Wah  
Ho Pui Hold

### **REMUNERATION COMMITTEE**

Datuk Baharon Bin Talib (Chairman)  
Ng Kok Wah  
Ho Pui Hold

## **STOCK EXCHANGE LISTING**

Bursa Malaysia Securities Berhad  
Main Market  
Stock Name: ATURMJU  
Stock Code:7181

## **SHARE REGISTRAR**

Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur  
Tel : 03-2783 9299  
Fax : 03-2783 9222

## **PRINCIPAL BANKERS**

Hong Leong Bank Berhad  
Public Bank Berhad

## **AUDITORS**

**Messrs RSM Malaysia (AF 0768)**  
5<sup>th</sup> 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 / REGISTERED 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](http://www.aturmaju.com.my)

## *Board of Directors' Profiles*

### **DATUK BAHARON BIN TALIB**

*65 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 posses 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**

*67 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 involvement 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.

**LIM YUN NYEN**

*46 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 11 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.

**YEO GEE KUAN**

*41 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<sup>th</sup> July 2001. He has considerable and direct experience of over 7 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 (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.

**NG KOK WAH**

*39 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 Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a member of Malaysian Institute of Accountants (MIA).**

**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.**

**He also sits on the Board of AppAsia Berhad and BCM Alliance 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.**

**HO PUI HOLD**

*(Independent Non-Executive Director)*

*35 years of age, Malaysian, Male*

*Member of Audit Committee, Nomination Committee and Remuneration Committee*

**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 Association of Chartered Certified Accountants (FCCA), United Kingdom and a member of Malaysian Institute of Accountants (MIA).**

**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 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 HB Global Limited, Milux Corporation Berhad, Malaysia Pacific Corporation Berhad and Multi-Usage Holdings 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*

### **DATUK YEO WANG SENG**

*67 years of age, Malaysian, Male*

*(Managing Director)*

The management team is headed by our Managing Director, Datuk Yeo Wang Seng. He is the Key Senior Management and his profile as set out in the Board of Directors' Profiles on pages 5 and 6 of this Annual Report.

## *Chairman's Statement*

### **DEAR SHAREHOLDERS,**

On behalf of the Board of Directors of Aturmaju Resources Berhad (“ARB” or “the Company” or “the Group”), I am pleased to present the Annual Report and Audited Consolidated Financial Statement of the Company for the financial year ended 31 December 2016.

### **FINANCIAL RESULTS**

For the financial year ended 31 December 2016, the Group's revenue increased by 21% to RM 35.04 million, as compared to the preceding year revenue of RM 28.97 million. The Group recorded a loss before taxation of RM 15.60 million for the financial year as compared to a loss before tax of RM 0.78 million for the last financial year. The loss is largely attributable to the impairment of stock.

### **DIVIDENDS**

The Group did not recommend any payment of dividend during the financial year.

### **PROSPECTS AND CHALLENGES**

In year 2017, the global and Malaysian economic situation remains slow and uncertainty. In the timber industry, it is expected to be caution in view of the dumping of veneer from China's manufacturers into the global market, and subsequently affected the decrease in pricing. For sawn timber sector, our traditional buyers such as Thailand, Middle East and South Africa are expected to be slow down in respect of the depreciation of their currency against US Dollar. We, however, focus to consolidate to a more competitive cost structure and strive to further improve operational efficiency.

### **APPRECIATION**

On behalf of the Board of Directors, I would like to thank Mr Yeo Wang Ting who has resigned from the Board, for his invaluable contributions to the Group throughout his tenure as Executive Director.

On behalf of the Board, I wish to extend my sincere appreciation to our shareholders, business partners and associates, customers, bankers and agents for their continued support and confidence in us.

To my fellow Board members and the management team and staff, my heartfelt thanks to all of you for your hard work and royalty contribute to the Group.

**DATUK BAHARON BIN TALIB**  
*Independent Non-Executive Chairman*

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## *Management Discussion and Analysis*

The Aturmaju Group is an integrated wood manufacturer which currently processing/providing:

- i) Sawn timber;
- ii) Veneer; and
- iii) Hiring of scow and tug boat.

### **OPERATION REVIEW**

- i) Manufacturing

Our manufacturing segment is a significant contributor to the Group's revenue, which comprises of sawn timber and veneer.

For the financial year ended 31 December 2016 ("FY2016"), our Manufacturing segment achieved RM34.27 million or 98 % of the Group's revenue, as compared to the financial year ended 31 December 2015 ("FY2015") of RM28.15 million or 97 % of the Group's revenue. The notable increase is mainly due to the stock replenishment of tropical wood in global market.

Over the years, the Group has progressively built a creditable reputation in deploying quality for both sawn timber and veneer, and export to our traditional markets such as Thailand, South Africa, Middle-East, Taiwan and Korea.

- ii) Services

The Services segment covers the hiring of scow and tug boat for transporting of round log and wood products around Tawau water way.

For FY2016, our Services segment achieved RM 0.77 million or 2% of the Group's revenue, as compared to FY2015 of RM0.82 million or 3% of the Group's revenue.

### **FINANCIAL OVERVIEW**

In the year under review, the Group suffered a net loss of RM15.60 million which was mainly due to the impairment of inventory and the fair value loss on derivative financial instrument.

The Group has provided for an impairment of inventories for RM14.96 million. This was in relation to veneer inventory which has been identified as slow and non-moving inventories throughout the years.

The fair loss on derivative financial instrument of RM0.79 million was incurred due to currency hedging for future contracts. Out of the amount, realized fair loss was RM0.39 million and unrealized portion of RM0.40 million.

## **PROSPECT**

Looking forward into 2017, the Management expects a decreasing demand in the global market since the slumping of buying country's currency against US Dollar, and subsequently result the buyers to press down the selling price to a lower level. However, the Group is in the midst of reconditioning all plant and machinery in order to achieve the highest recovery of the production lines.

Datuk Yeo Wang Seng  
Managing Director

## *Corporate Sustainability Statement*

The Board of Directors acknowledge the importance of corporate social responsibility (“CSR”) and strive to fulfil the expectation of its stakeholders by enhancing its social environmental and economical performance while ensuring the sustainability and operational success of the Company.

Sustainability is an integral part of our business and the Group’s corporate responsibility practices focus on four areas - Environment, Workplace, Market Place and Community which aim to deliver sustainable value to society at large.

### **I) Environment**

The Group recognizes the impact of its day to day business on the environment. As such, the Group is committed by implementing environmentally friendly work processes while raising the environmental awareness among its staff.

### **II) Workplace**

The Group believes that employees are key resources that drive long term and sustainable organisational successes. As such, the Group continuously creates a safe, pleasant and conducive working environment for its employee.

The Group respects the different cultures, gender and religions of our stakeholders as we understand that the diversity and differences give us broader range of competence, skills and experience to enhance our capabilities to achieve business results which is important for the overall business sustainability. Thus, the Group is committed to provide our staff an environment of equal opportunity to strive while promoting diversity in workforce.

To optimise the employee talents and capacities, various in-house training, external training programmes and seminar are continuously provided to all employees to enhance their knowledge and skill while promoting a motivated working team and fostering a closer relationship with each other.

### **III) Market place**

The Group is committed to ensure that the interests of all its important stakeholders – shareholders, analysts, bankers, customers, suppliers, authority bodies and public are being taken care of. The Group emphasises on good corporate governance practices, transparency and accountability to meet shareholders’ expectations.

#### **IV) Community**

The Group recognises the co-relationship between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, the Group is obligated to nourish and improve the quality of the society at large.

The Group shall continue to focus its corporate responsibility on enhancing community sustainability.

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## *Statement on Corporate Governance*

The Board of Directors of Aturmaju Resources Berhad (“ARB” or “the Company” or “the Group”) is committed to ensuring that the Principles and Best Practices of the Malaysian Code on Corporate Governance (“the Code”) are observed and practiced as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and financial performance of the Group.

This statement sets out the commitment of the Board towards the Code and describes how the Group has applied the principles laid down in the Code and the Group has complied with the Best Practices of the Code throughout the financial year.

### **1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

#### **1.1 Clear functions of the Board and those delegated to Management**

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 Director, representing the Management, are primarily responsible for the Group’s day-to-day management and operations. The Managing Director and Executive Director 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 and controls. They provide broader views, independent assessments and opinions on management proposals.

#### **1.2 Board’s Roles and Responsibilities**

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 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 shareholder and other stakeholder 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.

- 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](http://www.aturmaju.com.my).

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, advice 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.

### **1.3 Code of Conducts and Ethics**

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised 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](http://www.aturmaju.com.my).

#### **1.4 Board Charter**

As part of governance process, the Board has formalised and 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](http://www.aturmaju.com.my).

#### **1.5 Whistle-blowing Policy**

The Board acknowledges that misconduct such as violation of laws, rules, regulations, production 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.

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](http://www.aturmaju.com.my).

#### **1.6 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 long term stability of the business, succession planning and sustainability of the environment. The Corporate Sustainability Statement of the Group is also presented in pages 12 and 13 of this Annual Report.

### **1.7 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 shall keep himself/herself 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 is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

### **1.8 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 paper 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 is 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.

## **2 – STRENGTHEN COMPOSITION**

### **2.1 Board Committees**

To assist the Board to effectively discharge its roles and functions, the Board delegates certain of its role and functions to three (3) Board Committees which operate within clearly defined terms of reference.

The Chairman of the respective Committees will brief the Board on the matters discussed at the Committee meetings and minutes of these meetings are circulated to the Board. The Board Committees are:-

- a) Audit Committee;
- b) Nomination Committee; and
- c) Remuneration Committee

**(i) Audit Committee (“AC”)**

The terms of the Company’s AC and its activities during the financial year are outlined under the Audit Committee Report in pages 41 and 42 of this Annual Report.

**(ii) Nomination Committee (“NC”)**

The NC composed exclusively of non-executive directors, of whom are independent, as follows:-

**Chairman**

Datuk Baharon Bin Talib - Independent Non-Executive Chairman

**Members**

Ng Kok Wah - Independent Non-Executive Director

Ho Pui Hold - Independent Non-Executive Director

The NC shall meet at least once a year unless otherwise determine by the NC. The quorum for meeting and/or for the sanction and endorsement of approvals in writing shall be at least two (2) members, of which at least one (1) shall be an independent director.

In fulfilling its primary objectives, the NC shall undertake, amongst others, the following duties and responsibilities:

- i) to regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- ii) to evaluate the effectiveness of the Board as a whole, the various Committees and each individual Director’s contribution to the effectiveness on the decision making process of the Board;
- iii) give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- iv) prepare a description of the role and capabilities required for a particular appointment;

- 
- v) identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
  - vi) in determining the process for the identification of suitable new candidates, the NC will ensure that an appropriate review or search is undertaken by an independent third party to ensure the requirement and qualification of the candidate nominated;
  - vii) to make recommendations to the Board on candidates it considers appropriate for appointment; and
  - viii) to recommend to the Board concerning the re-election by shareholders of any director under the “retirement by rotation” provisions in the Company’s Article of Association.

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

- (a) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
- (b) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company’s Articles of Association; and
- (c) Reviewed the Terms of Reference of the NC.

**(iii) Remuneration Committee (“RC”)**

The RC composed wholly of non-executive directors, as follows:-

**Chairman**

Datuk Baharon Bin Talib - Independent Non-Executive Chairman

**Members**

Ng Kok Wah - Independent Non-Executive Director

Ho Pui Hold - Independent Non-Executive Director

The RC 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 RC shall meet at least once a year and at such time, the Chairman of the Remuneration Committee may

request for a meeting as and when deemed necessary. The quorum of the RC meeting shall be two (2) members, of which at least one (1) shall be an independent director.

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 RC'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 RC 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 organizations, 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.

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

- (a) Reviewed and recommended the payment of Directors' fees to Directors; and
- (b) Reviewed the Terms of Reference of the RC.

## **2.2 Directors' Remuneration**

Details of Director's remuneration are set out below and in note to the financial statements.

(a) Aggregate remuneration of Director categorised into appropriate components.

Director	Company		Group	
	Fees (RM'000)	Salaries and * other emoluments (RM'000)	Fees (RM'000)	Salaries and * other emoluments (RM'000)
Executive Directors	260	-	260	1,102
Non-Executive Directors	47	-	47	-
<b>Total</b>	<b>307</b>	<b>-</b>	<b>307</b>	<b>1,102</b>

*\*Other emoluments include bonus and the Company's contribution to Employer Provident Fund.*

(b) The remuneration paid to Directors during the year analysed into bands of RM50,000, which complies with the disclosure requirements under Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The number of Directors whose remuneration fell within the following bands is shown below:

Range of Remuneration	Number of Directors			
	Company		Group	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	1	3	-	3
RM50,000 to RM100,000	1	-	-	-
RM100,001 to RM150,000	1	-	1	-
RM400,001 to RM450,000	-	-	1	-
RM800,001 to RM850,000	-	-	1	-

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosures by band and analysis between Executive and Non-Executive Directors satisfy the accountability and transparency aspects of the Code.

### 2.3 Appointment to the Board

Prior to the appointment of a director, the NC will recommend the appointment to the Board by submitting the nomination for Board's deliberation on the suitability of the candidate for directorship and approval. 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.

## 2.4 Criteria for Recruitment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. 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 Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC 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.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC 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 NC reviews the Board's composition through Board assessment/evaluation;
- (ii) The NC determines skills matrix;
- (iii) The NC evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
- (iv) The NC recommends to the Board for appointment; and
- (v) The Board approves the appointment of the candidates.

Factors considered by the NC 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;

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- (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.

## **2.5 Criteria for Board Assessment**

The NC 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 NC 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 2016, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

## **2.6 Boardroom Diversity**

The Board has not set a gender diversity targets as of the reporting period as it is of the view the Board membership should be determined based on a candidate's skills, experience and other qualities regardless of gender but will nevertheless considers appointing more directors of the female gender where suitable.

The Board believes that candidature to the Board should be based on a candidate's merits but in line with the Code, the Board will consider more females onto the Board in due course to bring about a more diverse perspective.

## **2.7 Re-election of Directors**

The procedure on re-election of directors by rotation is set out in Article No. 89 of the Company's Articles of Association ("the Articles"). Pursuant to the Articles, all Directors who are appointed by the Board during the year are subject to re-election by

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shareholders at the first meeting after their appointment. The Articles 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 NC 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 2017 are as stated in the Notice of Annual General Meeting.

### **3 – REINFORCE INDEPENDENCE**

#### **3.1 Assessment of Independent Directors Annually**

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.

The Independent Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of monthly business performance.

Based on the assessment carried out during the financial year ended 31 December 2016, 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 MMLR of Bursa Securities.

#### **3.2 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 and therefore the Board does not deemed it appropriate to impose a fixed term limit for Independent Directors at this juncture.

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However, as recommended by the Code, 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 director's re-designation 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 shareholders' approval at a general meeting, normally the annual general meeting of the Company.

As at the date of this statement, none of the current independent board members had served the Company for more than nine (9) years as per the recommendations of the Code. Should the tenure of an independent director exceed nine (9) years, shareholders' approval will be sought at an AGM or if the services of the director concerned are still required, the director concerned will be re-designated as a non-independent director.

### **3.3 Roles of Independent Non-Executive Chairman, Managing Director, Executive Directors and Independent Directors**

Indeed, there is a clear segregation of duties between the Chairman of the Board ("the Chairman") and the Managing Director and Executive Directors 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.

There is also a balance in the Board with the presence of the 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 an independent view, advice and judgment to take into account the interest of Group, shareholders, employees and communities in which the Group conducts its business.

### **3.4 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.

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

### 3.5 Board Balance

The current Board of Directors consists of six (6) members comprising:

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

The Company had complied with the requirement of the Paragraph 15.02 (1) of the MMLR of Bursa Securities to have one third (1/3) of its members make up of Independent Non-Executive Director as well as for a director who is a member of the Malaysia Institute of Accountants to sit in the AC. 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 NC regularly reviews the composition of the Board and Board Committees.

The Board has yet to identify a Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and the general public, However, 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 5 to 8 of this Annual Report.

## 4 – FOSTER COMMITMENT

### 4.1 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 any number as may be prescribed by the relevant authorities. 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, 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/her 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 MMLR.

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.

## 4.2 Board Meeting and Attendance

The Board meets on a quarterly basis, with additional meetings convened as and when required. The agenda of each meeting, covers amongst others, to review and approve the Group's unaudited results and financial statements, deliberate corporate proposals, investment plans, status of operations of all business units, the Group's budget, compliance matters and matters reserved for Board's decision in accordance with the principles of good corporate governance.

During the financial year ended 31 December 2016, 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 MMLR of Bursa Securities. The summary of attendance at the Board meetings is as follows:-

<b>Name of Directors</b>	<b>Attendance</b>	<b>Percentage of Attendance</b>
Datuk Yeo Wang Seng	5/5	100%
Yeo Wang Ting <i>(Resigned on 23 May 2016)</i>	3/3	100%
Yeo Gee Kuan	5/5	100%
Lim Yun Nyen	5/5	100%
Datuk Baharon Bin Talib	5/5	100%
Ng Kok Wah	5/5	100%
Ho Pui Hold <i>(Appointed on 29 February 2016)</i>	4/4	100%

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2016.

### **4.3 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”). 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:

<b>Director</b>	<b>Date</b>	<b>Conference/Seminars/Training Attended</b>
Ng Kok Wah	15 Nov 2016	MIA Conference 2016 organized by MIA
	21 Nov 2016	Launch of the AGM Guide and CG Breakfast Series organized by Bursa Securities
Ho Pui Hold	21 Jan 2016	Tax issue for Land Traders, Investors and Property Developers organized by MIA
	27 Jun 2016	Future of Auditor Reporting- The Game Changer for Boardroom organized by Bursa Securities
	10 Aug 2016	Nominating Committee Programme Part 2: Effective Boards Evaluations organized by Bursa Securities
	23 Aug 2016	Fraud Risk Management Workshop organized by Bursa Securities

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

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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.

## **5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING**

### **5.1 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, 1965 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 MMLR of Bursa Securities is set out in page 37 of 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, 1965.

### **5.2 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

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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 AGM on the recommendation of the Board. The external auditors are being invited to attend the AGM of the Company to response and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

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 2016.

The Audit Committee is satisfied with the competence and independence of the external auditors for the financial year under review.

A full Audit Committee Report is set out in pages 41 to 44 of this Annual Report.

## **6 – RECOGNISE AND MANAGE RISKS**

### **6.1 Sound Framework to Manage Risk**

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, internal auditors and External Auditors, to safeguard the Group's assets.

### **6.2 Internal Audit Function**

The Board and Audit Committee have appointed GovernanceAdvisory.Com Sdn. Bhd., for the establishment of an independent internal audit function which is in compliance with the MMLR.

The Statement on Risk Management and Internal Control as included on pages 38 to 40 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2016.

## **7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

### **7.1 Corporate Disclosure Policies**

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 Code with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the MMLR of Bursa Securities.

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.

### **7.2 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](mailto:aturmaju_arb@yahoo.com).

## **8 – STRENGTHEN RELATIONSHIP BETWEEN AND SHAREHOLDERS**

### **8.1 Encourage Shareholder Participation at General Meeting**

The Annual General Meeting (“AGM”) is the principal forum for dialogue with the shareholders. The shareholders will be notified of the meeting together with a copy of

the Company's Annual Report at least twenty one (21) days before the meeting. 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.

## **8.2 Encourage Poll Voting**

In line with Paragraph 8.29A of the MMLR, 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.

## **8.3 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 Code 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 MMLR; and

iv) Annual General Meetings.

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](http://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. The Board considers that the Statement on Corporate Governance provides the information necessary to enables shareholders to evaluate how the Code has been applied. The Board considers and is satisfied that the Company has fulfilled its obligation under the Code, the MMLR of Bursa Securities and all applicable laws and regulations throughout the financial year ended 31 December 2016.

## *Statement of Directors' Responsibility in Respect of the Audited Financial Statements*

The Directors are required to lay before the Company at its Annual General Meeting, the financial statements, which includes the consolidated statement of financial position and the consolidated statement of comprehensive income of the Company and its subsidiaries ("the Group") for each financial year made out in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965. This is also in line with Paragraph 15.26(a) of MMLR of Bursa Securities.

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year ended 31 December 2016.

The financial statements of the Company and the Group for the financial year under review are set out from pages 45 to 116 of this Annual Report.

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 application 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 MMLR, the provisions of the Companies Act, 1965 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 2016, 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.

# *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 key elements of the internal control system within the Group. 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 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 internal control, the Group’s 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 against financial losses or fraud.

The Board has received assurance from the Managing Director and Executive Director of the Group that, to the best of their knowledge, the Group’s risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

## **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 Board confirms there is an on-going process of identifying, evaluating, monitoring and managing risks to achieve the objectives of the Group for the financial year under review. 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) Frequent on-site visits to the operating units by Senior Management; and
- (iii) Quarterly and comprehensive information provided to the Management, covering financial performance and key business indicators.

#### **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 on independent assurance on the effectiveness of the Group's systems of internal control.

During the financial year under review, internal audit review visit was carried out the key coverage on Property, Plant and Equipment Function. GASB assessed the adequacy and effectiveness of the Group's key business areas in terms of governance, potential risk and system of internal control. Internal Audit review report from the internal audit review carried out was submitted and presented to the Audit Committee with the feedback and agreed corrective actions to be undertaken by Management. Subsequently, the Audit Committee who in turn reports to the Board on its activity, audit results or findings and the necessary recommendations or actions needed to be taken by the Management to rectify highlighted issues.

**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 STATEMENT BY EXTERNAL AUDITORS**

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 2016 Annual Report. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised): 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. RPG 5 (Revised) 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 19 April 2017.

## *Audit Committee Report*

### **COMPOSITION**

In compliance with Paragraph 15.09 of the MMLR of Bursa Securities, the AC comprises three (3) directors, whom are Independent Non-Executive Directors.

#### **Chairman**

Ng Kok Wah - Independent Non-Executive Director

#### **Members**

Datuk Baharon Bin Talib - Independent Non-Executive Chairman

Ho Pui Hold - Independent Non-Executive Director

### **DETAILS OF ATTENDANCE**

<b>Name</b>	<b>Attendance</b>
Ng Kok Wah (Chairman)	5/5
Datuk Baharon Bin Talib	5/5
Ho Pui Hold ( <i>Appointed on 29 February 2016</i> )	4/4

### **SUMMARY OF ACTIVITIES**

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

- a) 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;
- b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2016;
- c) 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;

- d) 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;
- e) Evaluated the performance of the external auditors for the financial year ended 31 December 2016 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;
- f) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;
- g) 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;
- h) Reviewed the effectiveness of the Group's system of internal control;
- i) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;
- j) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- k) Reviewed the Company's compliance with the MMLR, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;
- l) Reviewed the Audit Committee Report 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 OF THE AUDIT COMMITTEE**

The Terms of Reference of the AC which laid down its duties and responsibilities are accessible via the Company's website at [www.aturmaju.com.my](http://www.aturmaju.com.my).

## INTERNAL AUDIT FUNCTION

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 improvement of the organisational's management controls, records, accounting policies, as well as on the identification and management of significant risk.

Besides that, the internal audit functions also include among others the review of the compliance with established procedures, guideline and statutory requirements as well as assessing the efficiency of the Group's operations.

The costs incurred for the internal audit function in respect of the financial year is approximately RM10,000.00.

During the financial year under review, the Internal Auditors has conducted an internal audit review on the Property, Plant and Equipment management of the Aturmaju (Sabah) Holdings Sdn Bhd and Kalabakan Tug Boat Sdn Bhd and the objectives of the said review are listed as below: -

### Policies and Procedures

- i) To ensure established policy and procedures on Property, Plant and Equipment management are documented for employees' reference.
- ii) To ensure the policy and procedures are reflective of the current practices.

### Addition/ Acquisition of Property, Plant and Equipment

- i) To ensure capital expenditures (i.e. addition/ purchase of Property, Plant and Equipment) are budgeted for and approved by the authorised personnel (as per Delegation of Authority Limit prior to purchase).
- ii) To ascertain that addition/ purchase of Property, Plant and Equipment are accurately and timely reflected in the Fixed Assets Register and Accounting System.

### Write-off/ Disposal of Property, Plant and Equipment

- i) To ensure Property, Plant and Equipment written-off/ disposed are supported and approved by the authorised personnel (as per Delegation of Authority Limit) prior to write-off/ disposal.
- ii) To ascertain that Property, Plant and Equipment written-off/ disposed are accurately and timely reflected in the Fixed Assets Register and Accounting System.

### Management of Property, Plant and Equipment (assets tagging and periodic assets verification)

- i) To ensure assets are assigned and tagged with unique asset number for easy identification.
- ii) To ensure Property, Plant and Equipment are identified, recorded and periodically verified of their existence.

Depreciation

- i) To determine that Property, Plant and Equipment depreciation rate is accurate and in accordance with the Company's policy and respective accounting standards.

Safeguarding of Property, Plant and Equipment

- i) To ensure all Property, Plant and Equipment are adequately protected/ insured.
- ii) To assess effectiveness of insurance policies validity monitoring mechanism.

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

**REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2016**

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## DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

## 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 7 to the financial statements.

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss for the financial year attributable to:		
Equity holders of the Company	(15,593)	(19,287)
Non-controlling interests	-	-
	<u>(15,593)</u>	<u>(19,287)</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.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or 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  
Ho Pui Hold  
Yeo Wang Ting

(Resigned on 23 May 2016)

### **SUBSIDIARY COMPANIES**

Datuk Yeo Wang Seng  
Yeo Gee Kuan  
Lim Yun Nyen  
Yeo Wan Ting

(Resigned on 23 May 2016)

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 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follows:

	<b>Number of ordinary shares</b>			<b>At 31.12.2016</b>
	<b>At 1.1.2016</b>	<b>Acquired</b>	<b>(Disposed)</b>	
<b>THE COMPANY</b>				
<b>Direct interest</b>				
Yeo Gee Kuan	1,619,927	-	-	1,619,927
Lim Yun Nyen	6,612	-	-	6,612
<b>Indirect interest</b>				
Datuk Yeo Wang Seng <sup>1</sup>	32,875,496	-	(1,443,200)	31,432,296
Yeo Gee Kuan <sup>2</sup>	3,692,065	-	(741,200)	2,950,865

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

<sup>2</sup> Indirect interest through his family members.

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## **DIRECTORS (continued)**

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 7 to the financial statements.

## **AUDITORS' REMUNERATION**

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

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**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.
- (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**

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

19 April 2017

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	6	12,241	10,775	-	-
Investments in subsidiaries	7	-	-	15,496	32,845
		<u>12,241</u>	<u>10,775</u>	<u>15,496</u>	<u>32,845</u>
<b>CURRENT ASSETS</b>					
Inventories	8	6,311	18,853	-	-
Trade receivables	9	1,886	5,262	-	-
Other receivables, deposits and prepayments	10	4,668	7,596	-	-
Amount due from subsidiaries	11	-	-	-	2,142
Derivative asset	12	-	391	-	-
Current tax asset		313	344	-	-
Cash and cash equivalents	13	1,495	549	-	-
		<u>14,673</u>	<u>32,995</u>	<u>-</u>	<u>2,142</u>
<b>TOTAL ASSETS</b>		<u><u>26,914</u></u>	<u><u>43,770</u></u>	<u><u>15,496</u></u>	<u><u>34,987</u></u>
<b>EQUITY</b>					
Share capital	14	61,100	61,100	61,100	61,100
Share premium	15	7,761	7,761	7,761	7,761
Accumulated losses		<u>(47,282)</u>	<u>(31,689)</u>	<u>(53,814)</u>	<u>(34,527)</u>
<b>TOTAL EQUITY</b>		<u>21,579</u>	<u>37,172</u>	<u>15,047</u>	<u>34,334</u>
<b>NON-CURRENT LIABILITIES</b>					
Finance lease liability	16	144	-	-	-
Deferred tax liability	17	-	200	-	-
		<u>144</u>	<u>200</u>	<u>-</u>	<u>-</u>

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016 (continued)**

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CURRENT LIABILITIES</b>					
Trade payables	18	2,378	2,495	-	-
Other payables and accruals	19	1,068	1,651	345	650
Amount due to directors	20	1,164	2,182	3	3
Finance lease liability	16	80	70	-	-
Derivative liability	12	400	-	-	-
Current tax liability		101	-	101	-
		<u>5,191</u>	<u>6,398</u>	<u>449</u>	<u>653</u>
<b>TOTAL LIABILITIES</b>		<u>5,335</u>	<u>6,598</u>	<u>449</u>	<u>653</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>26,914</u>	<u>43,770</u>	<u>15,496</u>	<u>34,987</u>

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

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
REVENUE	21	35,036	28,971	322	315
COST OF SALES		<u>(28,672)</u>	<u>(23,756)</u>	-	-
GROSS PROFIT		6,364	5,215	322	315
OTHER INCOME		723	453	535	-
ADMINISTRATIVE EXPENSES		(19,972)	(4,253)	(444)	(415)
DISTRIBUTION EXPENSES		(2,720)	(2,000)	-	-
OTHER OPERATING EXPENSES		-	-	<u>(19,599)</u>	<u>(28,069)</u>
RESULTS FROM OPERATING ACTIVITIES		(15,605)	(585)	(19,186)	(28,169)
FINANCE COSTS	22	<u>(78)</u>	<u>(51)</u>	-	-
LOSS BEFORE TAXATION	23	(15,683)	(636)	(19,186)	(28,169)
INCOME TAX CREDIT/ (EXPENSE)	24	<u>90</u>	<u>(147)</u>	<u>(101)</u>	-
LOSS FOR THE FINANCIAL YEAR		(15,593)	(783)	(19,287)	(28,169)
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-	-	-
COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR		<u>(15,593)</u>	<u>(783)</u>	<u>(19,287)</u>	<u>(28,169)</u>
<b>Loss attributable to:</b>					
Owner of the Company		(15,593)	(783)		
Non-controlling interests		-	-		
LOSS FOR THR FINANCIAL YEAR		<u>(15,593)</u>	<u>(783)</u>		
LOSS PER SHARE (SEN)	25				
Basic		<u>(25.52)</u>	<u>(1.28)</u>		
Diluted		<u>N/A</u>	<u>N/A</u>		

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

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

Group	Attributable to owners of the Company					Total equity RM'000
	Non-distributable Share capital RM'000	Share premium RM'000	Distributable Accumulated losses RM'000	Non-controlling interest RM'000	Total RM'000	
Balance as at 1.1.2015	61,100	7,761	(30,906)	-	37,955	37,955
Loss after tax/ Total comprehensive expense for the financial year	-	-	(783)	-	(783)	(783)
Balance as at 31.12.2015/1.1.2016	61,100	7,761	(31,689)	-	37,172	37,172
Loss after tax/ Total comprehensive expense for the financial year	-	-	(15,593)	-	(15,593)	(15,593)
Balance as at 31.12.2016	61,100	7,761	(47,282)	-	21,579	21,579

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)**

Company	Attributable to owners of the Company			Total equity RM'000
	Non-distributable Share capital RM'000	Share premium RM'000	Distributable Accumulated losses RM'000	
Balance as at 1.1.2015	61,100	7,761	(6,358)	62,503
Loss after tax/ Total comprehensive expense for the financial year	-	-	(28,169)	(28,169)
Balance as at 31.12.2015/1.1.2016	61,100	7,761	(34,527)	34,334
Loss after tax/ Total comprehensive expense for the financial year	-	-	(19,287)	(19,287)
Balance as at 31.12.2016	61,100	7,761	(53,814)	15,047

The annexed notes form an integral part of the financial statements

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before taxation	(15,683)	(636)	(19,186)	(28,169)
Adjustments for:				
Amortisation of leasehold land	36	36	-	-
Bad debts written off	-	15	-	-
Depreciation of property, plant and equipment	1,796	1,752	-	-
Gain on disposal of property, plant and equipment	(19)	-	-	-
Impairment loss on investment in subsidiaries	-	-	2,250	-
Impairment loss on amount due from subsidiaries	-	-	17,350	28,069
Interest expenses	78	51	-	-
Inventories written off	14,958	-	-	-
Fair value loss on derivative financial instrument	791	369	-	-
Waiver of debts	(595)	(394)	(595)	-
<b>Operating profit/(loss) before working capital changes</b>	<b>1,362</b>	<b>1,193</b>	<b>(181)</b>	<b>(100)</b>
(Increase)/Decrease in inventories	(2,415)	4,197	-	-
Decrease/(Increase) in trade receivables	7,826	(7,576)	-	-
(Increase)/Decrease in other receivables, deposits and prepayments	(1,523)	4,833	-	-
Decrease in trade payables	(117)	(839)	-	-
Increase/(Decrease) in other payables and accruals	11	(1,583)	289	259
<b>Cash generated from operations</b>	<b>5,144</b>	<b>225</b>	<b>108</b>	<b>159</b>
Interest paid	(78)	(51)	-	-
Income tax paid	(156)	(386)	-	-
Income tax refund	178	79	-	-
<b>Net cash from/(used in) operating activities</b>	<b>5,088</b>	<b>(133)</b>	<b>108</b>	<b>159</b>

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment (Note (a))	(3,048)	(6)	-	-
Proceeds from disposal of property, plant and equipment	19	-	-	-
Advances to subsidiaries	-	-	(108)	(159)
<b>Net cash used in investing activities</b>	<u>(3,029)</u>	<u>(6)</u>	<u>(108)</u>	<u>(159)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(Repayment to)/Advances from directors	(1,017)	1,671	-	-
Repayment of finance lease liability	(96)	(110)	-	-
Repayment of term loans	-	(918)	-	-
<b>Net cash (used in)/from financing activities</b>	<u>(1,113)</u>	<u>643</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	946	504	-	-
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<u>529</u>	<u>25</u>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 13)</b>	<u>1,475</u>	<u>529</u>	<u>-</u>	<u>-</u>

**NOTES TO THE STATEMENTS OF CASH FLOWS**

- (a) Acquisition of property, plant and equipment and addition of prepaid lease payment during the financial year are financed by:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash	3,048	6	-	-
Finance lease liabilities	250	-	-	-
	<u>3,298</u>	<u>6</u>	<u>-</u>	<u>-</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016****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 7 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 the applicable approved Malaysian Financial Reporting Standards (“MFRSs”) issued by the Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia except that Note 35 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive issued by Bursa Malaysia Securities Berhad.

**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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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).

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (B) Basis of consolidation (continued)

##### (i) Subsidiaries (continued)

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 includes 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*).

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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(B) Basis of consolidation (continued)****(ii) Business combinations (continued)**

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.

**(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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (C) Property, plant and equipment (continued)

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%

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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(C) Property, plant and equipment (continued)****(i) Leased assets (continued)**

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.

**(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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(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.

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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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 recognises a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Group and the Company recognises all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price. The transaction price for financial assets / liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition / issue of the financial instrument. Transaction costs incurred on acquisition of a financial asset and issue of a financial liability classified at fair value through profit or loss are expensed immediately.

The Group and the Company recognises financial assets using settlement date accounting, thus an asset is recognised on the day it is received by the Group and the Company and derecognised on the day that it is delivered by the Group and the Company.

##### (ii) Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. The Group and the Company classifies financial assets in one of the following four categories:

###### (a) Financial assets at fair value through profit or loss (FVTPL)

Assets are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (G) Financial instruments (continued)

##### (ii) Subsequent measurement of financial assets (continued)

###### (a) Financial assets at fair value through profit or loss (FVTPL) (continued)

Gains or losses arising on remeasurement of financial assets at FVTPL incorporate any dividend or interest earned and are recognised in profit or loss.

###### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that the Group and the Company intends to sell immediately or in the near term cannot be classified in this category. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility.

Typically trade and other receivables (excluding prepayments and non-refundable deposits), amount due from subsidiaries and cash and cash equivalents are classified in this category.

###### (c) Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition the Group and the Company designates as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables cannot be classified in this category. Similar to loans and receivables, these assets are carried at amortised cost using the effective interest method minus any reduction for impairment or uncollectibility.

For the financial years that ended on 31 December 2016 and 2015, the Group and the Company did not carry any financial asset classified in this category.

###### (d) Available-for-sale (AFS) financial assets

These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. They are carried at their fair value. However, unquoted equity instruments are carried at cost, where it is not possible to reliably measure their fair value.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(G) Financial instruments (continued)****(ii) Subsequent measurement of financial assets (continued)****(d) Available-for-sale (AFS) financial assets (continued)**

Except for foreign exchange gains and losses on debt instruments, interest income and dividends that are recognised in profit or loss, changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in revaluation reserve, until the investment is disposed of or is determined to be impaired. At that time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified from equity to profit or loss.

For the financial years that ended on 31 December 2016 and 2015, the Group and the Company did not carry any financial asset classified in this category.

**(iii) Impairment of financial assets**

At the end of each reporting period, the Group and the Company assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

For AFS equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group and the Company assesses them collectively for impairment, based on the Group's and the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(G) Financial instruments (continued)****(iii) Impairment of financial assets (continued)**

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of AFS equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

**(iv) Derecognition of financial assets**

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the “substance over form” based on derecognition test prescribed by MFRS 139. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognised/derecognised in full or recognised to the extent of the Group’s and the Company’s continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (G) Financial instruments (continued)

##### (v) Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Group and the Company classifies financial liabilities in one of the following two categories:

##### (a) Liabilities at fair value through profit or loss (FVTPL)

Liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as they arise.

##### (b) Other financial liabilities

All liabilities which have not been classified in the previous category fall into this residual category.

These liabilities are carried at amortised cost using the effective interest method.

Typically, trade and other payables, amount due to directors and finance lease liability are classified in this category.

Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

##### (vi) Derecognition of financial liabilities

A financial liability is removed from the Group's and the Company's statement of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (G) Financial instruments (continued)

##### (vii) Hedging

The normal course of the Group's and the Company's business expose it to currency and interest rate risks. In order to hedge these risks in accordance with the Board's written treasury policies, the Group and the Company uses derivatives and other hedging instruments. MFRS 139 allows 3 types of hedging relationships:

- Fair value hedge
- Cash flow hedge
- Hedge of a net investment in a foreign operation

The Group and the Company use hedge accounting only when the following conditions at the inception of the hedge are satisfied:

- The hedging instrument and the hedged item are clearly identified
- Formal designation and documentation of the hedging relationship is in place. Such hedge documentation includes the hedge strategy and the method used to assess the hedge's effectiveness; and
- The hedge relationship is expected to be highly effective throughout the life of the hedge

The above documentation is subsequently updated at each reporting date in order to assess whether the hedge is still expected to be highly effective over its remaining life.

##### (a) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount (for a non-derivative hedging instrument) is recognised in the profit or loss. The gain or loss on the hedged item attributable to the hedged risk is also recognised in the profit or loss. If the hedge is terminated, no longer meets the criteria for hedge accounting or is revoked, the adjusted carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (G) Financial instruments (continued)

##### (vii) Hedging (continued)

###### (b) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised (net of tax) in other comprehensive income and accumulated under hedging reserve, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the profit or loss.

No adjustment is made to the hedged item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in equity are recycled into profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the Group and the Company removes the associated gains and losses that were accumulated in equity and includes them in the initial cost or other carrying amount of the asset or liability (basis adjustment).

###### (c) Hedge of a net investment in a foreign operation

Hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and accumulated under the foreign currency translation reserve, whilst the ineffective portion is recognised immediately profit or loss.

The gain or loss on the hedging instrument that has been accumulated in equity is reclassified to profit or loss on disposal of the foreign operation.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(G) Financial instruments (continued)****(viii) Derivatives**

All derivatives are initially recognised and subsequently carried at fair value. The Group's and the Company's policy is to use derivatives only for hedging purposes. Accounting for derivatives engaged in hedging relationships is described in the above section.

Sometimes, the Group and the Company enter into certain derivatives in order to hedge some transactions but the strict hedging criteria prescribed by MFRS 139 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised in profit or loss and accounting for the hedged item follows the Group's and the Company's policies for that item.

**(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) Foreign currencies transactions and balances**

Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the Group using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except when deferred in other comprehensive income as qualifying cash flow hedges).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Translation differences on non-monetary items that are measured at fair value in a foreign currency (e.g. available-for-sale equity instruments) are translated using the exchange rates at the date when the fair value is determined.

**(J) 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.

To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(K) 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.

**(L) 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.

**(M) Revenue recognition****(i) Revenue from the sale of goods**

Revenue from the sale of goods is recognised in profit or loss on the date that goods are delivered to the customer and legal title has passed. Revenue is the fair value of the consideration received or receivable for goods and is net of estimated returns, trade discounts and sales-based taxes (e.g. value added tax).

**(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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (M) Revenue recognition (continued)

##### (iv) Rental income

Rental income is recognised on an accrual basis.

#### (N) Borrowing costs

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

#### (O) 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 considers 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(P) 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.

**(Q) 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.

**(R) 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).

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (R) Fair value measurements (continued)

- 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 and Amendments to MFRSs adopted

For the preparation of the financial statements, the following accounting standards and amendments of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 5, 11 and 127 which are not applicable to the Group and the Company:

- Amendments to MFRS 7 *Financial Instruments: Disclosures – Servicing Contracts and Applicability of the Amendments to MFRS 7 to Condensed Interim Financial Statements (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10 *Consolidated Financial Statements*, MFRS 12 *Disclosure of Interests in Other Entities* and MFRS 128 *Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 138 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119 *Employee Benefits – Discount Rates: Regional Market Issue (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 134 *Interim Financial Reporting – Disclosure of Information ‘Elsewhere in the Interim Financial Report’ (Annual Improvements 2012-2014 Cycle)*

The adoption of the above mentioned accounting standards and amendments are not expected to have any 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 and 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:

##### **Amendments to MFRSs effective for annual periods beginning on or after 1 January 2017**

- Amendments to MFRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)*

##### **MFRSs, Amendments to MFRSs and Interpretations effective for annual period beginning on or after 1 January 2018**

- MFRS 9 *Financial Instruments (2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 15 – *Clarifications to MFRS 15*
- Amendments to MFRS 2 *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 1 *First-time Adoption of Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 140 – *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

##### **MFRSs effective for annual periods beginning on or after 1 January 2019**

- MFRS 16 *Leases*

##### **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*

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* has not been taken into consideration because it is not applicable to the Group and the Company.

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

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

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 9 *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

###### **MFRS 15 *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

###### **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.

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## 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 owing 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.

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**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) Impairment of trade and other receivables**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from estimation, such difference will impact the carrying value of receivables.

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**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

<b>Group</b>	<b>Leasehold land and buildings RM'000</b>	<b>Plant and machinery RM'000</b>	<b>Tractors, motor vehicles and tug boats RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Construction work-in- progress RM'000</b>	<b>Total RM'000</b>
<u>2016</u>						
<u>Cost</u>						
At 1.1.2016	15,235	71,512	7,621	341	-	94,709
Additions	1,514	383	350	49	1,002	3,298
Disposals	-	-	(103)	-	-	(103)
At 31.12.2016	16,749	71,895	7,868	390	1,002	97,904
<u>Accumulated depreciation</u>						
At 1.1.2016	6,511	70,000	6,849	288	-	83,648
Charge for the financial year	476	1,188	156	12	-	1,832
Disposals	-	-	(103)	-	-	(103)
At 31.12.2016	6,987	71,188	6,902	300	-	85,377
<u>Accumulated impairment loss</u>						
At 1.1.2016/31.12.2016	-	-	285	1	-	286
<u>Net carrying amount</u>						
At 31.12.2016	9,762	707	681	89	1,002	12,241

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	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	Total RM'000
2015					
<u>Cost</u>					
At 1.1.2015	15,235	71,512	7,621	335	94,703
Additions	-	-	-	6	6
At 31.12.2015	15,235	71,512	7,621	341	94,709
<u>Accumulated depreciation</u>					
At 1.1.2015	6,295	68,659	6,630	276	81,860
Charge for the financial year	216	1,341	219	12	1,788
At 31.12.2015	6,511	70,000	6,849	288	83,648
<u>Accumulated impairment loss</u>					
At 1.1.2015/31.12.2015	-	-	285	1	286
<u>Net carrying amount</u>					
At 31.12.2015	8,724	1,512	487	52	10,775

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the net book value 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:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Tractors, motor vehicles and tug boats	464	234

The net book value of property, plant and equipment of the Group at the end of the reporting period which have been pledged to licensed banks as security for banking facilities granted to the Group are as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Leasehold land and buildings	-	8,724

The Group had satisfied the charge with the facilities fully settled during the financial year.

## 7. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	60,915	60,914
Accumulated impairment losses	(45,419)	(28,069)
	15,496	32,845

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>2016</u>	<u>2015</u>	
		%	%	
Aturmaju (Sabah) Holding Sdn. Bhd. (^)	Malaysia	100	100	Manufacturing of wood products
ARB Development Sdn. Bhd. (*) (^)	Malaysia	100	99.95	Dormant
Kalabakan Tug Boat Sdn. Bhd. (#) (^)	Malaysia	100	100	Hire of scows and tug boat
Ampermai Sdn. Bhd. (#) (*) (^)	Malaysia	100	100	Timber contractor
Alamjad Sdn. Bhd. (#) (*) (^)	Malaysia	100	100	Dormant

## 7. INVESTMENTS IN SUBSIDIARIES (continued)

(#) Interest held by Aturmaju (Sabah) Holding 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 21 December 2016, the Company acquired one (1) ordinary share of RM1.00 each in ARB Development Sdn. Bhd. from a director of the Company for a total consideration of RM1.00 only.

## 8. INVENTORIES

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost:		
Raw materials	323	717
Finished goods	5,957	17,958
Consumables materials	31	178
	6,311	18,853
Recognised in profit or loss:		
Inventories recognised as cost of sales	21,075	17,369
Inventories written off	14,958	-
	14,958	-

## 9. TRADE RECEIVABLES

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables		
- third parties	1,817	4,899
- related parties	69	363
	1,886	5,262

The Group's normal trade credit terms range from 30 to 120 (2015: 30 to 120) days.

Amount due from related parties are unsecured, interest free, repayable upon demand and are to be settled in cash.

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables				
- third parties	3,546	6,453	-	-
- related parties	-	66	-	-
	<u>3,546</u>	<u>6,519</u>	<u>-</u>	<u>-</u>
Deposits	1,014	1,066	-	-
Prepayments	108	11	-	-
	<u>4,668</u>	<u>7,596</u>	<u>-</u>	<u>-</u>

Other receivables are non-trade in nature, unsecured, interest-free, repayable upon demand and are to be settled in cash.

Included in deposits is guarantee placed with Sabah State Government of RM1,000,000 (2015: RM1,000,000).

## 11. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Non-trade balances	2,749	2,641
Less: Impairment losses	<u>(2,749)</u>	<u>(499)</u>
	<u>-</u>	<u>2,142</u>
Impairment losses:		
At 1 January	499	499
Addition during the financial year	<u>2,250</u>	<u>-</u>
At 31 December	<u>2,749</u>	<u>499</u>

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

## 12. DERIVATIVE (LIABILITY)/ASSET

	Group			
	2016		2015	
	Contract/ Notional amount USD'000	Financial liability RM'000	Contract/ Notional amount USD'000	Financial asset RM'000
<b>Non-hedging derivative:</b>				
Forward currency contracts	<u>1,496</u>	<u>(400)</u>	<u>2,052</u>	<u>391</u>

## 12. DERIVATIVE (LIABILITY)/ASSET (continued)

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currency other than the functional currency of Group. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

The Group recognised a loss of RM791,000 (2015: RM369,000) arising from the fair value change in the spot exchange rate and the forward rate.

## 13. CASH AND CASH EQUIVALENTS

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed deposit with licensed bank	20	20
Cash and bank balances	1,475	529
Balance as stated in the Statements of Financial Position at 31 December	1,495	549
Less: Fixed deposit pledged with licensed bank	(20)	(20)
Balance for Statements of Cash Flows purposes at 31 December	1,475	529

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% (2015: 3.00%) per annum.

#### 14. SHARE CAPITAL

	Group and Company			
	2016 Number of shares '000	2015 '000	2016 RM RM'000	2015 RM RM'000
<b>Authorised</b>				
Ordinary shares of RM1 each				
At 1 January/31 December	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
<b>Issued and fully paid</b>				
Ordinary shares of RM1 each				
At 1 January/31 December	<u>61,100</u>	<u>61,100</u>	<u>61,100</u>	<u>61,100</u>

#### 15. SHARE PREMIUM

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965 in Malaysia.

#### 16. FINANCE LEASE LIABILITY

	Group	
	2016 RM'000	2015 RM'000
<b>Non-current</b>		
Finance lease liability	144	-
<b>Current</b>		
Finance lease liability	<u>80</u>	<u>70</u>
	<u>224</u>	<u>70</u>
Finance lease liability is payable as follows:		
Less than one year	90	71
Between one and five years	150	-
Future minimum lease	<u>240</u>	<u>71</u>
Less: Future interest charges	<u>(16)</u>	<u>(1)</u>
Present value of minimum lease payments	<u>224</u>	<u>70</u>

The Group's finance lease liability bears interest rate of 2.72% (2015: 2.35%) per annum.

## 17. DEFERRED TAX LIABILITY

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	(200)	-
Recognised in profit or loss	200	(200)
At 31 December	<u>-</u>	<u>(200)</u>

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

	<b>Property, plant and equipment RM'000</b>	<b>Unutilised tax losses RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	(700)	500	(200)
Recognised in profit or loss	700	(500)	200
At 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2015	-	-	-
Recognised in profit or loss	(700)	500	(200)
At 31 December 2015	<u>(700)</u>	<u>500</u>	<u>(200)</u>

## 18. TRADE PAYABLES

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Third parties	<u>2,378</u>	<u>2,495</u>

The Group's normal trade credit terms range from 30 to 120 (2015: 30 to 120) days.

## 19. OTHER PAYABLES AND ACCRUALS

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other payables	251	259	18	31
Accruals	814	1,357	327	619
Deposit received	3	35	-	-
	<u>1,068</u>	<u>1,651</u>	<u>345</u>	<u>650</u>

## 20. AMOUNT DUE TO DIRECTORS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-trade balances	1,164	2,182	3	3

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

## 21. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of goods	34,267	28,150	-	-
Rental income	769	821	-	-
Management fee	-	-	322	315
	<u>35,036</u>	<u>28,971</u>	<u>322</u>	<u>315</u>

## 22. FINANCE COSTS

	Group	
	2016 RM	2015 RM
<i>Interest expense of financial liabilities that are not at fair value through profit or loss:</i>		
- finance lease liability	5	5
- letter of credit	39	46
	<u>44</u>	<u>51</u>
- other	34	-
	<u>78</u>	<u>51</u>

## 23. LOSS BEFORE TAXATION

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditor' remuneration				
- statutory audit	75	72	25	24
- other services	6	-	6	-
Amortisation of leasehold land	36	36	-	-
Bad debts written off	-	15	-	-
Depreciation on property, plant and equipment	1,796	1,752	-	-
Directors' fees	307	300	307	300
Directors' other emoluments	1,102	1,118	-	-
Impairment loss on investments in subsidiaries	-	-	17,350	28,069
Impairment loss on amount due from subsidiaries	-	-	2,250	-
Inventories written off	14,958	-	-	-
Fair value loss on derivative financial instrument	791	369	-	-
Realised loss on foreign exchange	-	670	-	-
Rental of machinery and jetty	1	130	-	-
Rental of cylinder	-	2	-	-
Rental of premises	239	235	-	-
Staff costs:				
- salaries and other benefits (Note 26)	3,733	3,188	-	-
Gain on disposal of property, plant and equipment	(19)	-	-	-
Rental income from premises	(16)	(19)	-	-
Rental income from cylinder	(1)	-	-	-
Rental income from scows and tug boat	-	(33)	-	-
Waiver of debts	(595)	(394)	(595)	-

## 24. INCOME TAX (CREDIT)/EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current financial year				
- income tax expense	105	-	101	-
- deferred tax (income)/expense	(179)	200	-	-
	<u>(74)</u>	<u>200</u>	<u>101</u>	<u>-</u>
Under/(over) provision in prior financial years				
- income tax expense	5	-	-	-
- deferred tax expense	(21)	(53)	-	-
	<u>(16)</u>	<u>(53)</u>	<u>-</u>	<u>-</u>
	<u>(90)</u>	<u>147</u>	<u>101</u>	<u>-</u>

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loss before taxation	<u>(15,683)</u>	<u>(636)</u>	<u>(19,186)</u>	<u>(28,169)</u>
Tax at the statutory tax rate of 24% (2015: 25%)	(3,764)	(159)	(4,605)	(7,042)
Tax effects of:				
Non-deductible expenses	441	419	4,730	7,038
Non-taxable income	-	(14)	-	-
Deferred tax assets not recognised	3,336	4	-	4
Utilisation of deferred tax assets previously not recognised	(109)	(50)	(25)	-
Effect of changes in tax rate	22	-	1	-
Current financial year tax (credit)/expense	<u>(74)</u>	<u>200</u>	<u>101</u>	<u>-</u>

## 24. INCOME TAX (CREDIT)/EXPENSE (continued)

As at 31 December 2016, the Group and the Company has the following deferred tax assets/(liabilities) which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other deductible temporary differences	(519)	(542)	-	-
Unabsorbed capital allowances	207	68	-	-
Unutilised tax losses	4,277	1,212	-	25
	<u>3,965</u>	<u>738</u>	<u>-</u>	<u>25</u>

## 25. LOSS PER SHARE

### (a) Basic loss per share

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

	Group	
	2016 RM'000	2015 RM'000
<b>Continuing operations</b>		
Loss attributable to owners of the Company (RM'000)	<u>(15,593)</u>	<u>(783)</u>
Weighted average number of ordinary shares at 31 December	<u>61,100</u>	<u>61,100</u>
Basic loss per share (sen)	<u>(25.52)</u>	<u>(1.28)</u>

### (b) Diluted earnings per share

The diluted loss per share of the Group for the financial year ended 31 December 2015 is not presented in the financial statements as the effect of assumed subscriptions for new ordinary shares is anti-dilutive.

## 26. STAFF COST

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries, wages and allowances	3,603	3,037
EPF contributions	116	136
SOCSO contributions	14	15
	3,733	3,188

## 27. DIRECTORS' REMUNERATION

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

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Executive directors:				
- fee	260	270	260	270
- non-fee emoluments	1,102	1,118	-	-
Non-executive directors:				
- fee	47	30	47	30
	1,409	1,418	307	300

- (b) Details of directors emoluments of the Group and of the Company received/receivable for the financial year in bands of RM50,000 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Number of director</b>	<b>Number of director</b>	<b>Number of director</b>	<b>Number of director</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Executive directors:-				
Below RM50,000	-	1	1	2
RM50,001 to RM100,000	-	-	1	1
RM100,001 to RM150,000	1	1	1	1
RM400,001 to RM450,000	1	1	-	-
RM800,001 to RM850,000	1	1	-	-
Non-Executive directors:-				
Below RM50,000	3	2	3	2
	6	6	6	6

## 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.

(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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Management fees received/receivable from subsidiaries	-	-	322	315
Rental paid/payable to a company in which a Company's director has substantial financial interests	-	120	-	-
Key management personnel compensation: - short-term employee benefits	<u>1,409</u>	<u>1,418</u>	<u>307</u>	<u>300</u>

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## 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.

The Group is organised into 4 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.

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	Group RM'000
2016					
<u>Revenue</u>					
External revenue	-	34,267	769	-	35,036
Inter-segment revenue	322	-	-	-	322
	322	34,267	769	-	35,358
Adjustments and eliminations					(322)
Consolidated revenue					35,036
<u>Results</u>					
Results before following adjustments	(19,209)	(15,708)	171	(2,906)	(37,652)
Adjustments and elimination	20,044	892	6	2,901	23,843
Depreciation	-	(1,760)	(36)	-	(1,796)
Segment results	835	(16,576)	141	(5)	(15,605)
Finance costs					(78)
Income tax credit					90
Consolidated loss after taxation					(15,593)

**29. OPERATING SEGMENTS (continued)**

**Business segments (continued)**

	<b>Investment holdings and others RM'000</b>	<b>Manufac- turing of wood products RM'000</b>	<b>Barging RM'000</b>	<b>Timber RM'000</b>	<b>Group RM'000</b>
2016					
<u>Assets</u>					
Segment assets	2	25,201	509	1,202	26,914
Consolidated total assets					<u>26,914</u>
<u>Liabilities</u>					
Segment liabilities	544	4,640	143	8	5,335
Consolidated total liabilities					<u>5,335</u>

## 29. OPERATING SEGMENTS (continued)

### Business segments (continued)

	Investment holdings and others RM'000	Manufac- turing of wood products RM'000	Barging RM'000	Timber RM'000	Group RM'000
2015					
<u>Revenue</u>					
External revenue	-	28,150	821	-	28,971
Inter-segment revenue	315	-	-	5,896	6,211
	315	28,150	821	5,896	35,182
Adjustments and eliminations					(6,211)
Consolidated revenue					28,971
<u>Results</u>					
Results before following adjustments	(32,267)	(2,958)	75	(66)	(35,216)
Adjustments and elimination	32,078	4,245	6	54	36,383
Depreciation	-	(1,716)	(36)	-	(1,752)
Segment results	(189)	(429)	45	(12)	(585)
Finance costs					(51)
Income tax expense					(147)
Consolidated loss after taxation					(783)

## 29. OPERATING SEGMENTS (continued)

### Business segments (continued)

	Investment holdings and others RM'000	Manufac- turing of wood products RM'000	Barging RM'000	Timber RM'000	Group RM'000
2015					
<u>Assets</u>					
Segment assets	54	41,916	598	1,202	43,770
Consolidated total assets					<u>43,770</u>
<u>Liabilities</u>					
Segment liabilities	908	5,250	222	18	6,398
Deferred tax liabilities					<u>200</u>
Consolidated total liabilities					<u>6,598</u>

### 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 is one (1) (2015: two (2)) major customer contributing to 10% or more of the Group's revenue.

## 30. FINANCIAL INSTRUMENTS

### (A) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follow:

- (i) Fair value through profit or loss ("FVTPL")  
- held for trading ("HFT");
- (ii) Loans and receivables ("L&R"); and
- (iii) Financial liabilities measured at amortised cost ("FL").

**30. FINANCIAL INSTRUMENTS (continued)**

**(A) Categories of financial instruments (continued)**

Group	← 2016 →			← 2015 →		
	Carrying amount RM'000	L&R RM'000	FVTPL - HFT RM'000	Carrying amount RM'000	L&R RM'000	FVTPL - HFT RM'000
<u>Financial assets</u>						
Trade receivables	1,886	1,886	-	5,262	5,262	-
Other receivables and deposits	4,560	4,560	-	7,585	7,585	-
Derivative asset	-	-	-	391	-	391
Cash and cash equivalents	1,495	1,495	-	549	549	-
<b>Total financial assets</b>	<b>7,941</b>	<b>7,941</b>	<b>-</b>	<b>13,787</b>	<b>13,396</b>	<b>391</b>
<u>Financial liabilities</u>						
	← 2016 →			← 2015 →		
	Carrying amount RM'000	FL RM'000	FVTPL - HFT RM'000	Carrying amount RM'000	FL RM'000	FVTPL - HFT RM'000
Trade payables	2,378	2,378	-	2,495	2,495	-
Other payables and accruals	1,068	1,068	-	1,651	1,651	-
Amount due to directors	1,164	1,164	-	2,182	2,182	-
Finance lease liability	224	224	-	70	70	-
Derivative liability	400	-	400	-	-	-
<b>Total financial liabilities</b>	<b>5,234</b>	<b>4,834</b>	<b>400</b>	<b>6,398</b>	<b>6,398</b>	<b>-</b>

**30. FINANCIAL INSTRUMENTS (continued)**

**(A) Categories of financial instruments (continued)**

<b>Company</b>	<b>Carrying amount RM'000</b>	<b>FL RM'000</b>
2016		
<u>Financial liabilities</u>		
Other payables and accruals	345	345
Amount due to directors	3	3
Total financial liabilities	<u>348</u>	<u>348</u>
	<b>Carrying amount RM'000</b>	<b>L&amp;R RM'000</b>
2015		
<u>Financial asset</u>		
Amount due from subsidiaries	2,142	2,142
Total financial asset	<u>2,142</u>	<u>2,142</u>
	<b>Carrying amount RM'000</b>	<b>FL RM'000</b>
<u>Financial liabilities</u>		
Other payables and accruals	650	650
Amount due to directors	3	3
Total financial liabilities	<u>653</u>	<u>653</u>

*Net gains and losses arising from financial instruments*

	<b>Group</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Net gains/(losses) on:		
Fair value through profit or loss		
- held for trading	(791)	(369)
Loans and receivables	595	394
Financial liabilities measured at amortised cost	(78)	(721)
	<u>274</u>	<u>696</u>

### 30. FINANCIAL INSTRUMENTS (continued)

#### (B) 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 is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar (“USD”). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

##### *Foreign currency exposure*

	<b>Group</b>	
	<b>USD 2016 RM'000</b>	<b>USD 2015 RM'000</b>
<u>Financial asset/(liability)</u>		
Trade receivables	1,366	3,615
Foreign exchange contracts	(400)	391
Currency exposure	966	4,006

##### *Foreign currency risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	<b>Group</b>	
	<b>Increase/ (Decrease) 2016 RM'000</b>	<b>Increase/ (Decrease) 2015 RM'000</b>
<u>Effect on profit after taxation</u>		
United States Dollar:		
- strengthened by 5%	37	150
- weakened by 5%	(37)	(150)

### 30. FINANCIAL INSTRUMENTS (continued)

#### (B) Financial risk management (continued)

##### (a) Market risk (continued)

##### (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(B)(c) to the financial statements.

##### *Interest rate risk sensitivity analysis*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivative as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Effect on profit after taxation</b>		
Increase of 10 basis points (bp)	5	1
Decrease of 10 basis points (bp)	<u>(5)</u>	<u>(1)</u>

##### (iii) Equity price risk

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

### 30. FINANCIAL INSTRUMENTS (continued)

#### (B) Financial risk management (continued)

##### (b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

##### (i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount due from five (5) customers constituted approximately 98% (2015: 65%) of its trade receivables at the end of the reporting period.

##### (ii) 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:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	5,188	9,243
Korea	476	817
Singapore	224	1,102
Taiwan	666	1,577
Thailand	-	119
	6,554	12,858

### 30. FINANCIAL INSTRUMENTS (continued)

#### (B) Financial risk management (continued)

##### (b) Credit risk (continued)

##### (iii) Ageing analysis

The ageing analysis of the Group's trade receivables (including amount owing by related parties) at the end of the reporting period is as follows:

	Gross amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Carrying value RM'000
<b>2016</b>				
Not past due	40	-	-	40
Past due:				
1-30 days	62	-	-	62
31-60 days	40	-	-	40
61-90 days	-	-	-	-
More than 91 days	1,744	-	-	1,744
	1,846	-	-	1,846
	1,886	-	-	1,886

	Gross amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Carrying value RM'000
<b>2015</b>				
Not past due	459	-	-	459
Past due:				
1-30 days	1,232	-	-	1,232
31-60 days	194	-	-	194
61-90 days	13	-	-	13
More than 91 days	3,364	-	-	3,364
	4,803	-	-	4,803
	5,262	-	-	5,262

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

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**30. FINANCIAL INSTRUMENTS (continued)**

**(B) Financial risk management (continued)**

**(b) Credit risk (continued)**

**(iii) Ageing analysis (continued)**

*Trade receivables that are past due but not impaired*

The Group believes that no impairment allowance is necessary in respect of these receivables. They are substantially companies with good collection track record and no recent history of default.

*Trade receivables that are neither past due nor impaired*

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 91 days, which are deemed to have higher credit risk, are monitored individually.

**(c) Liquidity risk**

Liquidity risk arises mainly from 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.

### 30. FINANCIAL INSTRUMENTS (continued)

#### (B) Financial risk management (continued)

##### (c) Liquidity risk (continued)

The table below summarises the maturity profile of the Group and of the Company'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):-

<b>Group</b>	<b>Contractual</b>	<b>Carrying</b>	<b>Contractual</b>	<b>Within 1</b>	<b>Over 1</b>
<b>2016</b>	<b>interest rate</b>	<b>amount</b>	<b>cash flows</b>	<b>year</b>	<b>year</b>
	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Non derivative financial liabilities</i>					
Trade payables	-	2,378	2,378	2,378	-
Other payables and accruals	-	1,068	1,068	1,068	-
Amount due to directors	-	1,164	1,164	1,164	-
Finance lease liability	2.72	224	240	90	150
		4,834	4,850	4,700	150
<i>Derivative financial liability</i>					
Forward exchange contract (gross settled)					
- outflow	-	-	6,311	6,311	-
- inflow	-	(400)	(6,711)	(6,711)	-
		4,434	4,450	4,300	150
		4,434	4,450	4,300	150

### 30. FINANCIAL INSTRUMENTS (continued)

#### (B) 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
<b>Group</b>					
<b>2015</b>					
<i>Non derivative financial liabilities</i>					
Trade payables	-	2,495	2,495	2,495	-
Other payables and accruals	-	1,651	1,651	1,651	-
Amount due to directors	-	2,182	2,182	2,182	-
Finance lease liability	2.35	70	71	71	-
		<u>6,398</u>	<u>6,399</u>	<u>6,399</u>	<u>-</u>
<b>Company</b>					
<b>2016</b>					
Other payables and accruals	-	345	345	345	-
Amount due to directors	-	3	3	3	-
		<u>348</u>	<u>348</u>	<u>348</u>	<u>-</u>
<b>2015</b>					
Other payables and accruals	-	650	650	650	-
Amount due to directors	-	3	3	3	-
		<u>653</u>	<u>653</u>	<u>653</u>	<u>-</u>

### 30. FINANCIAL INSTRUMENTS (continued)

#### (C) 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, 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:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Finance lease liability	224	70
Less: Cash and bank balances	(1,495)	(549)
Net debt	<u>(1,271)</u>	<u>(479)</u>
Total equity	<u>21,579</u>	<u>37,172</u>
Debt-to-equity ratio	<u>(0.06)</u>	<u>(0.01)</u>

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

#### (D) 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.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

### 30. FINANCIAL INSTRUMENTS (continued)

#### (D) 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.

	Fair value of financial instruments carried at fair value				GROUP Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2016										
<u>Financial liabilities</u>										
Forward exchange contract	-	-	400	400	-	-	-	-	400	400
Finance lease liability	-	-	-	-	-	-	224	224	224	224
	-	-	400	400	-	-	224	224	624	624
2015										
<u>Financial liabilities</u>										
Finance lease liability	-	-	-	-	-	-	70	70	70	70

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## 30. FINANCIAL INSTRUMENTS (continued)

### (D) 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.

#### *Derivatives*

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

#### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

#### *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 (2015: no transfer in either directions).

### 30. FINANCIAL INSTRUMENTS (continued)

#### (D) Fair value of financial instruments (continued)

##### 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.

##### (a) Financial instruments carried at fair value

Type	Valuation technique	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative used for hedging	The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instruments at the measurement date.	The estimated fair value would increase (decrease) if the interest rate were higher (lower).

##### (b) 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 Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

### 31. COMPARATIVE FIGURES

The financial statements of the Group and of the Company were audited by another firm of chartered accountants.

### 31. COMPARATIVE FIGURES (continued)

Certain figures in the financial statements have been reclassified to conform with the presentation in the current financial year. The reclassification made are as follows:

	As reported RM'000	Adjustments RM'000	As restated RM'000
<b>Statement of financial position</b>			
Trade receivables	9,713	(4,451)	5,262
Other receivables, deposits and prepayments	3,145	4,451	7,596
Current tax liability	200	(200)	-
Deferred tax liability	-	200	200

### 32. SUBSEQUENT EVENT

On 18 April 2017, the Company announced a Proposed Private Placement of up to 6,110,000 new ordinary shares ("Placement Shares") in the Company to independent third party investor(s) to be identified at a later date. The 6,110,000 Placement Shares represent 10.0% of the issued and paid up share capital of the Company as at the date of this announcement.

The issue price of the Placement Shares will only be determined and fixed by the Board of Directors at a later date, after all relevant approvals have been obtained for the Proposed Private Placement.

The proceeds to be raised from the Placement Shares are expected to be utilised mainly for the Company's working capital purposes.

### 33. 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 and principal place of business are situated at:
 

TB 8285, Lot 20C  
Perdana Square Commercial Centre  
Miles 3<sup>1</sup>/<sub>2</sub>, Jalan Apas  
91000 Tawau  
Sabah
- (c) The financial statements are expressed in Ringgit Malaysia, which is also the Group's functional currency.

### 34. 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 19 April 2017.

**35. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)**

The breakdown of the retained profits of the Group and the Company at the end of the reporting period into realised and unrealised losses are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements* as issued by the Malaysian Institute of Accountants, as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total accumulated losses of the Company and its subsidiaries				
- realised	(76,708)	(37,864)	(53,814)	(34,527)
- unrealised	(791)	(200)	-	-
	<u>(77,499)</u>	<u>(38,064)</u>	<u>(53,814)</u>	<u>(34,527)</u>
Less: Consolidation adjustments	30,217	6,375	-	-
At 31 December	<u>(47,282)</u>	<u>(31,689)</u>	<u>(53,814)</u>	<u>(34,527)</u>

The disclosure of realised and unrealised losses above is presented solely for compliance with the directive issued by Bursa Malaysia and should not be used for any other purpose.

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**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 51 to 114 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act 1965 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 2016 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

In the opinion of the directors, the information set out in Note 35 on page 115 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**DATUK YEO WANG SENG**

**YEO GEE KUAN**

Tawau

19 April 2017

**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 51 to 115 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 Tawau  
in the state of Sabah on 19 April 2017

Before me

**VOO TSUN PING**  
S129  
Commissioner for Oaths

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**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 2016 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 51 to 114.

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

The financial statements of the Group and of the Company for the financial year ended 31 December 2015 were audited by another firm of chartered accountants whose report dated 8 April 2016 expressed an unmodified opinion.

*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.

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

*Independence and Other Ethical Responsibilities*

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

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Recoverability of trade receivables</b></p> <p><i>Refer to Note 3(G)(ii)(b) (Significant Accounting Policies), Note 5(g) (Significant Accounting Estimates and Judgements), Note 9 (Trade receivables) and Note 30(B)(b)(iii) (Credit risk)</i></p> <p>As at 31 December 2016, trade receivables that were past due and not impaired amounted to RM1.846 million (2015: RM4.803 million).</p> <p>Management recognised allowances for impairment losses on trade receivables based on specific known facts or circumstances on customers' ability to pay.</p> <p>The determination of whether trade receivables are recoverable involves significant management judgement.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• evaluated the credit process operated by management over the recoverability of trade receivables of the Group;</li> <li>• critically assessed recoverability of receivables that were past due but not impaired with reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and</li> <li>• assessed cash receipts subsequent to the end of the reporting period for its effect reducing amounts outstanding as at the end of the reporting period.</li> </ul> <p>Based on our assessment, there were no significant exception noted.</p>

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

*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 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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**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.

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## **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.

### **Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF ATURMAJU RESOURCES BERHAD (continued)***Other Reporting Responsibilities*

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

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 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

19 April 2017

**Yong Chung Sin**  
2892/04/18(J)  
Chartered Accountant

## *Additional Disclosures*

### 1. UTILISATION OF PROCEEDS

During the financial year under review, there were no proceeds raised by the Company from any corporate exercise carried out by the Company.

### 2. AUDIT AND NON AUDIT 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 2016 were as follows :

		<b>Company (RM'000)</b>	<b>Group (RM'000)</b>
<b>Audit Services Rendered</b>		25	75
<b>Non-Audit Services Rendered</b>			
(a)	Review of Statement on Risk Management and Internal Control	-	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' interests.

### 4. CONTRACTS 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 A REVENUE OR TRADING NATURE

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

## Group Properties Portfolio

The landed property of ARB 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 2016 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)	<ul style="list-style-type: none"> <li>• Land</li> <li>• Mini Saw Building</li> <li>• 7 units timber sheds</li> <li>• Store cum planner</li> <li>• Workshop</li> <li>• Generator House</li> </ul>	669 10,701 613 297 56	22 22 22 22 22	654,400 73,161 72,244 3,641 17,944 1,350 <u>822,740</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)	<ul style="list-style-type: none"> <li>• Land</li> <li>• Land Reclamation</li> <li>• Sawmill Complex</li> <li>• Double storey office cum senior staff quarters</li> <li>• Badminton hall</li> <li>• Canteen</li> <li>• Double storey office cum senior staff quarters</li> <li>• Canteen Building</li> <li>• Labour Line</li> </ul>	483 238 260 1,085	22 22 22 15 12 7	341,841 170,472 1 1 7,989 1 16,109 1,187 28,247 <u>565,848</u>
3	CL 105491825	53,760	99 years	• Land			1,045,445

<b>Registered Owner / Location</b>	<b>Land Area (sq.m)</b>	<b>Tenure</b>	<b>Description/Existing Use/Restriction in Interest</b>	<b>Land Area and Building's Built-up Area (sq. m.)</b>	<b>Approx. Age of Building (Year)</b>	<b>Net Book Value @ 31 Dec 2016 RM</b>
Alongside the Kalabakan River, 100 km to the north-west of Tawau Municipal Center, Kalabakan, District of Tawau, State of Sabah		(01.01.1995 - (31.12.2093)	<ul style="list-style-type: none"> <li>• Land Reclamation</li> <li>• Plywood factory cum timber products shed</li> <li>• Workshop cum store</li> <li>• Generator store</li> <li>• Boiler Shed</li> <li>• Block board factory</li> <li>• Polyester and Tego plywood factory cum kiln dry section</li> <li>• 2 units water reservoir (cubic ft)</li> <li>• High rise platform water tank (Cubic ft)</li> <li>• Gate House</li> <li>• Workshop</li> <li>• Forestry House</li> <li>• New Office</li> </ul>	<ul style="list-style-type: none"> <li>17,561</li> <li>929</li> <li>297</li> <li>334</li> <li>2,055</li> <li>7,808</li> <li>453</li> <li>37</li> <li></li> <li></li> <li></li> <li></li> <li></li> </ul>	<ul style="list-style-type: none"> <li>15</li> <li>15</li> <li>15</li> <li>15</li> <li>15</li> <li>15</li> <li>15</li> <li>15</li> <li>17</li> <li>15</li> <li>21</li> <li>19</li> </ul>	<ul style="list-style-type: none"> <li>93,156</li> <li>3,363,179</li> <li>3,665</li> <li>1</li> <li>1</li> <li>152,668</li> <li>1,496,422</li> <li></li> <li>23,345</li> <li></li> <li>1,266</li> <li>123,786</li> </ul>
	<b>6,302,937</b>					

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 2016 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 <ul style="list-style-type: none"> <li>• An intermediate double storey terrace commercial unit currently used as warehouse</li> <li>• Office Building</li> <li>• Electrical Installation</li> <li>• Renovation</li> </ul>	307.80	26	77,485
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 <ul style="list-style-type: none"> <li>• An intermediate double storey terrace commercial unit currently used as warehouse</li> <li>• Renovation</li> </ul>	307.80	26	171,855
						74,833

## *Analysis of Shareholdings*

*As At 31 March 2017*

Total Number of Issued Shares	:	61,100,000
Issued Share Capital	:	RM61,100,000.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

### ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	Number of Holders	%	Number of Shares	%
1 - 99	25	2.893	864	0.001
100 - 1,000	241	27.893	96,870	0.158
1,001 - 10,000	328	37.962	1,799,800	2.945
10,001 - 100,000	219	25.347	7,271,033	11.900
100,001 to less than 5% of issued shares	47	5.439	24,314,840	39.795
5% and above of issued shares	4	0.462	27,616,593	45.199
<b>TOTAL :</b>	<b>864</b>	<b>100.00</b>	<b>61,100,000</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS

*(ACCORDING TO THE COMPANY'S REGISTERED OF SUBTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017)*

Name	Direct		Indirect	
	No. Of Ordinary Shares	Share Capital (%)	No. Of Ordinary Shares	Share Capital (%)
Datuk Yeo Wang Seng	-	-	31,432,296 <sup>(1)</sup>	51.60
Yeo Wang Ting	1,284,950	2.11	27,105,246 <sup>(2)</sup>	44.50
Aspirasi Puspita Sdn. Bhd.	16,947,059	27.78	-	-
Affinity Gateway Sdn. Bhd.	8,629,495	14.12	-	-
Yeo Gee Kuan	1,619,927	2.66	2,950,865 <sup>(3)</sup>	4.84
Datin Yap Que Chun	1,528,692	2.51	3,042,100 <sup>(4)</sup>	4.99
Yeo Ten Fong	3,270,200	5.37	-	-

*Notes:-*

- (1) Deemed interest through direct shareholdings of his brother (Mr. Yeo Wang Ting), son (Mr. Yeo Gee Kuan), sister-in-law (Mdm. Soh Poh Choo) and daughter (Ms. Yeo Sim Lan) and his substantial shareholdings in Affinity Gateway Sdn. Bhd. and Aspirasi Puspita Sdn. Bhd.
- (2) Deemed interest through direct shareholdings of his spouse (Mdm. Soh Poh Choo), sister-in-law (Datin Yap Que Chun) and his substantial shareholdings in Affinity Gateway Sdn. Bhd. and Aspirasi Puspita Sdn. Bhd.
- (3) Deemed interest through direct shareholdings of his mother (Datin Yap Que Chun) and sister (Ms. Yeo Sim Lan).
- (4) Deemed interest through direct shareholdings of her son (Mr. Yeo Gee Kuan) and her daughter (Ms. Yeo Sim Lan).

**DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017**

Name	Direct		Indirect	
	No. Of Ordinary Shares	Share Capital (%)	No. Of Ordinary Shares	Share Capital (%)
Datuk Baharon Bin Talib	30,000	0.05	0	0.00
Datuk Yeo Wang Seng	0	0	31,432,296 <sup>(1)</sup>	51.60
Lim Yun Nyen	6,612	0.01	0	0.00
Yeo Gee Kuan	1,619,927	2.656	2,950,865 <sup>(2)</sup>	17.70
Ho Pui Hold	0	0	0	0
Ng Kok Wah	0	0	0	0

*Notes :-*

- (1) Deemed interest through direct shareholdings of his spouse (Datin Yap Que Chun), brother (Mr. Yeo Wang Ting), son (Mr. Yeo Gee Kuan), sister-in-law (Mdm. Soh Poh Choo) ) and daughter (Ms. Yeo Sim Lan) and his substantial shareholdings in Affinity Gateway Sdn. Bhd. and Aspirasi Puspita Sdn. Bhd.
- (2) Deemed interest through direct shareholdings of his mother (Datin Yap Que Chun) and sister (Ms. Yeo Sim Lan).

**THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDER**

(ACCORDING TO REGISTER OF DEPOSITORS AS AT 31 MARCH 2017)

No.	Name	Holdings	
		No.	(%)
1.	ASPIRASI PUSPITA SDN BHD	15,716,898	25.723
2.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AFFINITY GATEWAY SDN BHD	5,143,795	8.418
3.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AFFINITY GATEWAY SDN BHD	3,485,700	5.704
4.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO TEN FONG (E-TWU)	3,270,200	5.352
5.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO GEE KEING (E-TWU)	3,001,900	4.913
6.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO GEE KUAN (E-TWU)	1,619,927	2.651
7.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP QUE CHUN (E-TWU)	1,528,692	2.501
8.	KENANGA NOMINEES (TEMPATAN) SDN BHD FANTASTIC HALLMARK SDN BHD (021)	1,489,900	2.438
9.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO SIM LAN (E-TWU)	1,422,173	2.327
10.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO WANG TING (E-TWU)	1,284,950	2.103
11.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO GEE HONG (E-TWU)	1,259,565	2.061
12.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SINNY UNITED SDN. BHD.	1,215,300	1.989
13.	KENANGA NOMINEES (TEMPATAN) SDN BHD WESTHILL CAPITAL SDN BHD (021)	919,000	1.504
14.	CIMSEC NOMINEES (TEMPATAN) SDN BHD DANAHARTA MANAGERS SDN BHD FOR ASPIRASI PUSPITA SDN BHD (EKARHIJAU)	778,367	1.273
15.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LEE FOON (E-SS2)	765,200	1.252

16.	ONG KIAN HUAT	756,900	1.238
17.	NG YEOW YIN	726,000	1.188
18.	CHEONG SAU WAH	611,000	1.000
19.	CHOK KWONG MING	427,600	0.699
20.	AFFINITY SPRING SDN. BHD.	423,000	0.692
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD DANAHARTA MANAGERS SDN BHD FOR ASPIRASI PUSPITA SDN BHD (MILYAKIN)	393,461	0.643
22.	CHUA JOO GIOK	380,000	0.621
23.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	302,600	0.495
24.	AMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHAN BAN HIN (SMART)	276,600	0.452
25.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG SIAW WEI (MQ0323)	270,200	0.442
26.	CHAI KIM KIONG	254,400	0.416
27.	SYARIKAT RIMBA TIMUR (RT) SDN BHD	250,000	0.409
28.	CHONG POH ONN	229,700	0.375
29.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HONG JEE YONG (E-TWU)	224,700	0.367
30.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LUI CHEE SEONG (STA1)	217,100	0.355
	<b>TOTAL</b>	<b>48,644,828</b>	<b>79.615</b>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Nineteenth (19<sup>th</sup>) Annual General Meeting of Aturmaju Resources Berhad (“ARB” or “the Company”) will be held at TB 8285 Lot 20C, Perdana Square Commercial Centre, Mile 3 ½, Jalan Apas, 91000 Tawau, Sabah, Malaysia on Saturday, 20 May 2017, at 10.00 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 2016 together with the Reports of the Directors and Auditors thereon.	<b>Please refer to Note A.</b>
2.	To approve the payment of Directors’ fees of RM307,000.00 to the directors of the Company for the financial year ended 31 December 2016.	(Ordinary Resolution 1)
3.	To approve the payment of Directors’ fees and other benefits payable of up to RM350,000.00 to the directors of the Company for the financial year ending 31 December 2017.	(Ordinary Resolution 2)
4.	To re-elect Datuk Baharon Bin Talib as a Director of the Company in accordance with Article 89 of the Company’s Articles of Association.	(Ordinary Resolution 3)
5.	To re-elect Mr. Ng Kok Wah as a Director of the Company in accordance with Article 89 of the Company’s Articles of Association.	(Ordinary Resolution 4)
6.	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 5)
	<b>As Special Business:</b> To consider and, if thought fit, to pass the following resolutions:	
7.	<b>Authority to Allot Shares Pursuant to Section 75 of the Companies Act, 2016</b>  THAT subject always to the Companies Act, 2016 (“the Act”), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other governmental / regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Section 75 of the Act, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.	(Ordinary Resolution 6)

8.	To transact any other business of the Company for which due notice shall have been given.	

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482)  
CHONG VOON WAH (MAICSA 7055003)  
Company Secretaries

Kuala Lumpur  
Date: 28 April 2017

**NOTES ON APPOINTMENT OF PROXY**

- A. This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 and the Company's Articles of Association provide that the audited financial statements are to be laid in the general meeting. Hence, it is not put forward for voting.
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 and / or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
  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 Registered Office at TB 8285, Lot 20C, Perdana Square Commercial Centre, Mile 3 1/2, Jalan Apas, 91000 Tawau, Sabah, Malaysia not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
  7. For the purpose of determining a member who shall be entitled to attend the Nineteenth (19<sup>th</sup>) Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 12 May 2017. Only members whose name appears on the Record of Depositors as at 12 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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## EXPLANATORY NOTES ON SPECIAL BUSINESS

### Ordinary Resolution 6: Authority to Allot Shares Pursuant to Section 75 of the Companies Act, 2016

The Proposed Ordinary Resolution 6, 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 Annual General Meeting.

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, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the Eighteenth (18<sup>th</sup>) Annual General Meeting held on 21 May 2016 and which will lapse at the conclusion of the Nineteenth (19<sup>th</sup>) Annual General Meeting.

### STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Nineteenth (19<sup>th</sup>) Annual General Meeting of the Company are :-

- |     |                         |            |                         |
|-----|-------------------------|------------|-------------------------|
| i)  | Datuk Baharon Bin Talib | Article 89 | (Ordinary Resolution 3) |
| ii) | Mr. Ng Kok Wah          | Article 89 | (Ordinary Resolution 4) |

The profile of the Directors standing for re-election for Ordinary Resolutions 3 and 4 is set out on pages 5 and 7 of the Annual Report 2016. The shareholdings of the abovenamed Directors in the Company is disclosed on page 129 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 29 of the Annual Report 2016.

The Nineteenth (19<sup>th</sup>) Annual General Meeting of the Company will be held at TB 8285 Lot 20C, Perdana Square Commercial Centre, Mile 3 ½, Jalan Apas, 91000 Tawau, Sabah, Malaysia on Saturday, 20 May 2017, at 10.00 a.m.

# Proxy Form

I / We (Full Name in Block Letters) \_\_\_\_\_

NRIC No. / Passport No. / Company No. \_\_\_\_\_

of \_\_\_\_\_

being a member / members of ATURMAJU RESOURCES BERHAD, hereby appoint \_\_\_\_\_

\_\_\_\_\_ NRIC No. / Passport No. / Company No. \_\_\_\_\_

of \_\_\_\_\_

and / or \_\_\_\_\_

NRIC No. / Passport No. \_\_\_\_\_

of \_\_\_\_\_

as my / our proxy to vote and act on my / our behalf at the Nineteenth (19<sup>th</sup>) Annual General Meeting of Aturmaju Resources Berhad (“ARB” or “the Company”) to be held at TB 8285 Lot 20C, Perdana Square Commercial Centre, Mile 3 ½, Jalan Apas, 91000 Tawau, Sabah, Malaysia on Saturday, 20 May 2017 at 10.00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors’ fees to the directors of the Company.		
2.	To approve the payment of Directors’ fees and other benefits payable for the financial year ending 31 December 2017.		
3.	To re-elect Datuk Baharon Bin Talib as Director.		
4.	To re-elect Mr. Ng Kok Wah as Director.		
5.	To re-appoint Messrs RSM Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	<b>As Special Business :-</b> To approve the authority to allot shares pursuant to Section 75 of the Companies Act, 2016.		

(Please indicate with ‘X’ how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

Signature : \_\_\_\_\_

(If shareholder is a corporation, this form should be executed under seal)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

<p>The proportions of my/our holdings to be represented by my/our proxies are as follows:-</p> <p><b>First Proxy</b></p> <p>No. of Shares: .....</p> <p>Percentage : .....%</p> <p><b>Second Proxy</b></p> <p>No. of Shares: .....</p> <p>Percentage : .....%</p>
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## NOTES:

- 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 and / or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
- 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.
- 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.
- 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.
- 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.
- The instrument appointing a proxy must be deposited at the Registered Office at TB 8285, Lot 20C, Perdana Square Commercial Centre, Mile 3 1/2, Jalan Apas, 91000 Tawau, Sabah, Malaysia not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend the Nineteenth (19<sup>th</sup>) Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 12 May 2017. Only members whose name appears on the Record of Depositors as at 12 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

*Fold this flap for sealing*

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AFFIX  
STAMP

**THE COMPANY SECRETARY**

Aturmaju Resources Berhad (Company No. 448934-M)

TB 8285, Lot 20C, Perdana Square Commercial Centre


Mile 3 1/2, Jalan Apas, 91000 Tawau, Sabah, Malaysia

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*2<sup>nd</sup> fold here*

*1<sup>st</sup> fold here*

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**Management Office :**

TB 8285, Lot 20C, Perdana Square Commercial Centre,  
Mile 3½, Jalan Apas, 91000 Tawau, Sabah, Malaysia.  
Tel: 089-911026, 913970 Fax: 089-911304  
Email: [aturmaju\\_arb@yahoo.com](mailto:aturmaju_arb@yahoo.com)  
Website: [www.aturmaju.com.my](http://www.aturmaju.com.my)