FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors of D.B.E. GURNEY RESOURCES BERHAD, hereby submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company was principally involved in investment holding. The principal activities of the subsidiary companies are disclosed in Note 10 to the financial statements. There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

RESULTS

	Group RM	Company RM
Loss attributable to owners of the Company	**20,313,670**	**17,628,161**

DIVIDENDS

No dividends have been proposed, declared or paid by the Group and of the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

SHARE CAPITAL

During the financial year, the Company increased its issued and paid up share capital from 1,083,163,945 units to 2,678,229,306 units by way of issuance of:

i. 1,595,065,361 units of ordinary shares pursuant to the conversion RM36,050,000 nominal value Redeemable Convertible Notes converted at the following conversion price per ordinary share:

Conversion date	Number of Ordinary Shares in Unit	Conversion Price Per Ordinary Share RM	Total RM'000
06/01/2017	21,875,000	0.0320	700,000
16/01/2017	25,000,000	0.0320	800,000
17/01/2017	31,250,000	0.0320	1,000,000
14/03/2017	35,714,285	0.0280	1,000,000
10/04/2017	35,714,285	0.0280	1,000,000
17/05/2017	51,194,539	0.0293	1,500,000
01/06/2017	35,714,285	0.0280	1,000,000
04/07/2017	20,833,333	0.0240	500,000
10/07/2017	39,647,577	0.0227	900,000
18/09/2017	23,474,178	0.0213	500,000
04/10/2017	93,896,713	0.0213	2,000,000
09/10/2017	46,948,356	0.0213	1,000,000

SHARE CAPITAL (CONT'D)

During the financial year, the Company increased its issued and paid up share capital from 1,083,163,945 units to 2,678,229,306 units by way of issuance of (Cont'd):

i. 1,595,065,361 units of ordinary shares pursuant to the conversion RM36,050,000 nominal value Redeemable Convertible Notes converted at the following conversion price per ordinary share (Cont'd):

Conversion date	Number of Ordinary Shares in Unit	Conversion Price Per Ordinary Share RM	Total RM'000
16/10/2017	46,948,356	0.0213	1,000,000
02/11/2017	46,948,356	0.0213	1,000,000
06/11/2017	46,948,356	0.0213	1,000,000
08/11/2017	70,422,535	0.0213	1,500,000
13/11/2017	30,516,431	0.0213	650,000
14/11/2017	46,948,356	0.0213	1,000,000
22/11/2017	239,436,619	0.0213	5,100,000
30/11/2017	103,286,384	0.0213	2,200,000
06/12/2017	173,708,920	0.0213	3,700,000
20/12/2017	328,638,497	0.0213	7,000,000
	1,595,065,361		36,050,000

The new ordinary shares issued during the financial year will ranked pari passu in all respects with the existing issued and fully paid-up ordinary shares except that they shall not be entitled to any dividend, right, and/or other distribution that may be declared, made or paid prior to the date of issuance and relevant allotment date of the said ordinary shares.

ii. There were no issues of debentures by the Company.

WARRANTS

On 20 January 2017, the Company issued 580,644,468 warrants on the basis of one (1) warrant for every two (2) existing shares held on the entitlement date. The Company executed the Deed Poll constituting the warrants and the issue price and exercise price of the warrants have been fixed at RM0.05 each respectively.

The warrants may be exercised at any time commencing on the date of issue of warrants on 23 January 2017 but not later than 22 January 2022. Any warrants which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

The new ordinary shares allotted and issued upon exercised of the warrants shall rank pari passu in all respect with the then existing ordinary shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares arising from exercise of the warrants.

As at 31 December 2017, the total number of warrants that remain unexercised were 580,644,468 (2016: Nil).

DIRECTORS

The Directors who held office since the date of the last report:

Dato' Ding Chong Chow, DIMP, PPT	
Dato' Ding Seng Huat, DSAP	
Dato' Cheng Lay Miew	
YM Ungku A Razak Bin Ungku A Rahman	
YM Raja Azlan Shah Bin Raja Azwa	(Appointed on 15/11/2017)
Sandeep Singh A/L Gurbachan Singh	(Appointed on 28/11/2017)
Dato' Doh Jee Ming	(Appointed on 20/12/2017)
Dato' Doh Tee Leong	(Appointed on 20/12/2017)
Lee Kean Cheong	(Resigned on 08/12/2017)
Dato' Ting Heng Peng	(Resigned on 08/12/2017)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of the Directors in office as at the end of the financial year in the shares and warrants of the Group and the Company during the financial year were as follows:

	Number of ordinary share			
	At 1.1.2017	Purchased	(Sold)	At 31.12.2017
Direct Interest				
Dato' Ding Chong Chow, DIMP, PPT	135,246	-	-	135,246
Dato' Ding Seng Huat, DSAP	130,903,374	-	-	130,903,374
Dato' Cheng Lay Miew	7	-	-	7
Dato' Doh Jee Ming	-	47,520,000	-	47,520,000
Deemed Interest				
Dato' Doh Jee Ming *	-	234,741,784	-	234,741,784
Dato' Doh Tee Leong *#	-	235,174,684	-	235,174,684

* Deemed interest pursuant to Section 8(4) of the Companies Act, 2016 via Doh Properties Holdings Sdn. Bhd. and

Deemed interest by virtue of his spouse pursuant to Section 59(11)(c) of the Companies Act, 2016.

	Number of Warrants 2017/2022			
	At 1.1.2017	Bonus Issued	(Sold)	At 31.12.2017
Direct Interest				
Dato' Ding Chong Chow, DIMP, PPT	-	67,623	-	67,623
Dato' Ding Seng Huat, DSAP	-	65,451,687	(65,451,687)	-
Dato' Cheng Lay Miew	-	3	-	3

Dato' Ding Chong Chow, DIMP, PPT, Dato' Ding Seng Huat, DSAP, and Dato' Cheng Lay Miew are deemed to have interest in the shares held by the Company in its subsidiaries by virtue of their substantial interest in share of the Company.

None of the other Directors held any share whether direct or indirect, in the Company during the financial year.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

DIRECTORS' REMUNERATIONS

The amounts of the remunerations of the directors or past directors of the Group and the Company comprising remunerations received/receivable from the Group and the Company during the year are as follows:

		2017
	Group RM	**Company RM**
Remunerations	**1,440,000**	**-**
Contribution to defined contribution plan	**136,801**	**-**
Fees	**90,000**	**90,000**
Others (Petrol, medical, accomodation and meeting allowance)	**80,452**	**25,000**
	1,747,253	**115,000**

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

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

OTHER STATUTORY INFORMATION

Before the Statement of Comprehensive Income and Statement of Financial Position of the Group and the Company were made out, the Directors took reasonable steps:-

a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that no known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render it necessary to write off any bad debts or provide for any doubtful debts, or

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

(c) 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.

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

OTHER STATUTORY INFORMATION (CONT’D)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet its obligations as and when they fall due.

At the date of this report, there does not exist:-

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

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

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this financial statement, which would render any amount stated in the financial statements misleading.

In the opinion of the Director:-

(a) the results of the Group and of the Company’s operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;

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

AUDITORS’ REMUNERATIONS

Total amounts paid to or receivable by the auditors as remunerations for their services as auditors are as follows:

	2017	
	Group RM	**Company RM**
Statutory audit	**96,500**	**37,000**

AUDITORS

The auditors, Messrs. AFRIZAN TARMILI KHAIRUL AZHAR, have expressed their willingness to continue in office.

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

DATO’ DING CHONG CHOW, DIMP, PPT
Director

DATO’ DING SENG HUAT, DSAP
Director

Kuala Lumpur, Malaysia

Date: 13 APRIL 2018

STATEMENTS BY DIRECTORS

PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT, 2016

We, DATO' DING CHONG CHOW, DIMP, PPT, and DATO' DING SENG HUAT, DSAP, being two of the Directors of D.B.E. GURNEY RESOURCES BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance and cash flows for the financial year then ended.

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

DATO' DING CHONG CHOW, DIMP, PPT
Director

DATO' DING SENG HUAT, DSAP
Director

Kuala Lumpur, Malaysia

Date: 13 APRIL 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, DATO' DING SENG HUAT, DSAP, (NRIC: 741002-08-5203),, being the Director primarily responsible for the financial management of D.B.E. GURNEY RESOURCES BERHAD, do solemnly and sincerely declare that the accompanying financial statements are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the	}
abovenamed DATO' DING SENG HUAT, DSAP at	}
Kuala Lumpur in the Federal Territory on 13 APRIL	}
2018	}

DATO' DING SENG HUAT, DSAP

Before me:

KAPT (B) AFFANDI BIN AHMAD
Commissioner For Oaths

Kuala Lumpur, Malaysia

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF D.B.E. GURNEY RESOURCES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of D.B.E Gurney Resources Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 89.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Carrying value of property, plant and equipment

The Group property, plant and equipment has a carrying amount of RM79,963,448 as disclosed in Note 9 which represents most significant balances recorded in the consolidated statement of financial position.

The management has assessed these carrying amounts against the recoverable amount. The revaluation of the recoverable amount requires significant estimates and judgments in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets.

Our audit procedure included:

- Check the valuation report prepared by the professional valuer, including the valuers' competency, to verify the ownership, existence and valuation of leasehold land, freehold land and buildings;

- Performed physical sighting and observed that there is no major damage or significant repair incurred which show impairment indicators exist;

- Evaluating and challenged the reasonableness of the key assumptions used by the management in the cash flow projection, i.e. revenue growth and gross margin; and

- Assessed the reliability of management's forecast by comparing past trends of actual financial performance against previous forecasted results.

Carrying Value And Recoverability of Trade Receivables

The Group trade receivables and other receivables amounted to RM13,473,544 and RM7,146,381 respectively as disclosed in Note 14 and Note 15 which represents significant balances recorded in the consolidated statement of financial position.

Key Audit Matters (Cont’d)

Carrying Value And Recoverability of Trade Receivables (Cont’d)

Receivables are stated at their original invoiced value less appropriate allowance for estimated irrecoverable amounts. As disclosed in note 14(b), note 15 and note 31(i) to the consolidated financial statements, the Group assesses at each reporting date whether there is objective evidence that financial asset is impaired.

The assessment of recoverability of receivables involves judgements and estimation uncertainty in analysing historical bad debts, debtors creditworthiness and its ability to pay and by reference to past default experience, receivables payment terms and subsequent to year end collections.

We focused our testing of the impairment and recoverability of receivables on the key assumptions made by the management.

Our audit procedure included:

- Reviewing the ageing analysis of trade and other receivables and testing the accuracy of ageing;
- Enquiring management regarding action plans to recover overdue amounts;
- Reviewing subsequent collection from major and overdue receivables;
- Examining other audit evidence including customers correspondences, and proposed settlement plans;
- Evaluating the reasonableness and adequacy of the allowance for the impairment of receivables being provided; and
- Assessing the adequacy of the Group’s disclosures in respect of credit risk.

Biological Assets and Inventories

The Group biological assets and inventories amounted to RM8,732,658 and RM7,125,284 respectively as disclosed in Note 12 and Note 13 which recorded in the consolidated statement of financial position.

The valuation of biological assets and inventories are identified as key audit matter because of the judgement involved in identifying slow moving and obsolete inventories and in assessing the level of allowance required for inventories written down.

Management periodically reviews the inventories for potential write-downs by identifying slow moving or obsolete inventories as well as evaluating their net realisable value. These reviews involves judgements and estimation uncertainty in forming expectations about future sales and demands.

Our audit procedure included:

- Reviewing the stock ageing report to identify slow moving aged items;
- Attending year end physical inventory count to observe physical existence and condition of raw material and finished goods and assessing the implementation of controls during the count;
- Reviewing and verifying the subsequent selling price against unit cost of sample of inventory used in the final inventory listing to ensure inventories are stated at lower of cost and net realisable value; and
- Evaluating the reasonableness and the adequacy of the allowance for inventories written down.

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 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.

Key Audit Matters (Cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

If, based on the work we have performed, we conclude that there is a material misstatement of the 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 Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- 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.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore they 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

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

AFRIZAN TARMILI KHAIRUL AZHAR
[AF: 1300]
Chartered Accountants

KHAIRUL AZAHAR BIN ARIFFIN
Chartered Accountant
01665/04/2019 J
Partner

Kuala Lumpur, Malaysia

Date:13 APRIL 2018

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

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	5	**111,721,035**	112,979,877	**-**	-
Direct costs		**(104,794,198)**	(95,512,179)	**-**	-
Gross profit		**6,926,837**	17,467,698	**-**	-
Other income		**1,121,441**	80,671	**295,757**	27,575
Administrative expenses		**(25,979,878)**	(15,359,103)	**(17,923,918)**	(1,302,244)
Other expenses		**(467,586)**	(383,195)	**-**	-
(Loss)/Profit before taxation	6	**(18,399,186)**	1,806,071	**(17,628,161)**	(1,274,669)
Finance costs		**(2,094,624)**	(1,710,032)	**-**	-
Share of result in an associate		**(28,953)**	-	**-**	-
(Loss)/Profit before taxation		**(20,522,763)**	96,039	**(17,628,161)**	(1,274,669)
Taxation	7	**209,093**	153,828	**-**	-
Net (loss)/profit for the financial year		**(20,313,670)**	249,867	**(17,628,161)**	(1,274,669)
Other comprehensive income					
Revaluation surplus, net of deferred tax		**9,721,409**	-	**-**	-
Total comprehensive (loss)/income		**(10,592,261)**	249,867	**(17,628,161)**	(1,274,669)
(Loss)/Profit attributable to:-					
Owners of the Company		**(20,313,670)**	249,867	**(17,628,161)**	(1,274,669)
Total comprehensive income attributable to:-					
Owners of the Company		**(10,592,261)**	249,867	**-**	-
(Loss)/Earning per share attributable to owners of the Company (sen)	8	**(0.76)**	0.02		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Non current assets					
Property, plant and equipment	9	**79,963,448**	68,120,065	**4**	4
Investment in subsidiaries	10	**-**	-	**44,362,928**	59,469,784
Investment in associate	11	**211,047**	-	**-**	-
Total non current assets		**80,174,495**	68,120,065	**44,362,932**	59,469,788
Current assets					
Biological asset	12	**8,732,658**	9,725,027	**-**	-
Inventories	13	**7,125,284**	6,781,073	**-**	-
Trade receivables	14	**13,473,544**	15,681,289	**-**	-
Other receivables	15	**7,146,381**	8,837,526	**-**	-
Amounts due by subsidiaries	16	**-**	-	**47,131,739**	18,224,427
Tax recoverable		**6,963**	-	**-**	-
Fixed deposits		**1,363,366**	29,000	**29,000**	29,000
Cash and bank balances		**15,301,577**	1,183,496	**1,931,191**	15,740
Total current assets		**53,149,773**	42,237,411	**49,091,930**	18,269,167
Total assets		**133,324,268**	110,357,476	**93,454,862**	77,738,955

The accompanying notes form an integral part of the financial statements

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Equity and liabilities					
Share capital and reserves					
Share capital	17	**56,842,332**	10,831,639	**56,842,332**	10,831,639
Reserves	18	**28,888,112**	49,441,066	**23,703,474**	51,292,328
Redemable convertible notes	19	**-**	202,404	**-**	202,404
Total equity attributable to owners of the Company		**85,730,444**	60,475,109	**80,545,806**	62,326,371
Non-current liabilities					
Borrowings - secured	20	**10,497,508**	11,321,286	**-**	-
Deferred tax liabilities	25	**5,513,242**	2,999,847	**-**	63,918
Total non current liabilities		**16,010,750**	14,321,133	**-**	63,918
Current liabilities					
Trade payables	26	**15,685,743**	15,053,052	**-**	-
Other payables	27	**8,470,207**	8,235,905	**151,466**	236,711
Redemable convertible notes	19	**-**	2,283,678	**-**	2,283,678
Amount due to director	28	**107,443**	46,161	**-**	-
Amounts due to subsidiaries	16	**-**	-	**12,757,590**	12,828,277
Borrowings - secured	20	**7,319,681**	9,925,229	**-**	-
Taxation		**-**	17,209	**-**	-
Total current liabilities		**31,583,074**	35,561,234	**12,909,056**	15,348,666
Total liabilities		**47,593,824**	49,882,367	**12,909,056**	15,412,584
Total equity and liabilities		**133,324,268**	110,357,476	**93,454,862**	77,738,955

The accompanying notes form an integral part of the financial statement

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

Group	Share capital RM	Share Premium RM	Asset Revaluation Reserve RM	Other Reserve RM	Warrant Reserve RM	Redeemable Convertible Notes RM	Accumulated losses RM	Total Equity RM
	Attributable to equity holders							
	Non Distributable						Distributable	
As at 1 January 2016	7,682,166	2,710,166	11,300,815	38,578,011	6,061,166	134,937	(16,709,486)	49,757,775
Total comprehensive income for the financial year	-	-	-	-	-	-	249,867	249,867
Reversal of warrant reserve	-	-	-	-	(6,061,166)	-	6,061,166	-
Issuance of Redeemable Convertible Notes (Equity Component)	3,149,473	7,250,527	-	-	-	67,467	-	10,467,467
Realisation of asset revaluation reserves	-	-	(541,616)	-	-	-	541,616	-
As at 31 December 2016	10,831,639	9,960,693	10,759,199	38,578,011	-	202,404	(9,856,837)	60,475,109

The accompanying notes form an integral part of the financial statement

	Attributable to equity holders						
	Non Distributable					Distributable	
Group	Share capital RM	Share Premium RM	Asset Revaluation Reserve RM	Other Reserve RM	Redeemable Convertible Notes RM	Accumulated losses RM	Total Equity RM
As at 1 January 2017	10,831,639	9,960,693	10,759,199	38,578,011	202,404	(9,856,837)	60,475,109
Total comprehensive income/(loss) for the financial year	-	-	9,721,409	-	-	(20,313,670)	(10,592,261)
Issuance of Redeemable Convertible Notes (Equity Component)	34,331,250	1,718,750	-	-	(202,404)	-	35,847,596
Transfer pursuant to Section 618(2) of the Companies Act, 2016	11,679,443	(11,679,443)	-	-	-	-	-
Realisation of asset revaluation reserves	-	-	(633,669)	-	-	633,669	-
As at 31 December 2017	56,842,332	-	19,846,939	38,578,011	-	(29,536,838)	85,730,444

The accompanying notes form an integral part of the financial statement

	Attributable to equity holders						
	Non Distributable					Distributable	
Company	Share capital RM	Share Premium RM	Other Reserve RM	Warrant Reserve RM	Redeemable Convertible Notes RM	Accumulated (losses)/profit RM	Total Equity RM
As at 1 January 2016	7,682,166	2,710,166	38,578,011	6,061,166	134,937	(2,032,873)	53,133,573
Total comprehensive loss for the financial year	-	-	-	-	-	(1,274,669)	(1,274,669)
Reversal of warrant reserves	-	-	-	(6,061,166)	-	6,061,166	-
Issuance of Redeemable Convertible Notes (Equity Component)	3,149,473	7,250,527	-	-	67,467	-	10,467,467
As at 31 December 2016	10,831,639	9,960,693	38,578,011	-	202,404	2,753,624	62,326,371

The accompanying notes form an integral part of the financial statement

Company	Share capital RM	Share Premium RM	Other Reserve RM	Redeemable Convertible Notes RM	Accumulated profit/(losses) RM	Total Equity RM
	Attributable to equity holders					
	Non Distributable				Distributable	
As at 1 January 2017	10,831,639	9,960,693	38,578,011	202,404	2,753,624	62,326,371
Total comprehensive loss during the financial year	-	-	-	-	(17,628,161)	(17,628,161)
Issuance of Redeemable Convertible Notes (Equity Component)	34,331,250	1,718,750	-	(202,404)	-	35,847,596
Transfer pursuant to Section 618(2) of the Companies Act, 2016	11,679,443	(11,679,443)	-	-	-	-
As at 31 December 2017	56,842,332	-	38,578,011	-	(14,874,537)	80,545,806

The accompanying notes form an integral part of the financial statement

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

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
Cash Flows from operating activities				
(Loss)/Profit before taxation	**(20,522,763)**	96,039	**(17,628,161)**	(1,274,669)
Adjustments for:-				
Depreciation of property, plant and equipment	**5,619,338**	5,019,035	**-**	-
Impairment loss on receivables	**7,170,071**	-	**-**	-
Impairment loss on investment in subsidiary	**-**	-	**15,402,610**	-
Impairment loss on property, plant and equipment	**123,772**	-	**-**	-
Gain on disposal of property, plant and equipment	**(30,711)**	(2,499)	**-**	-
Interest expenses	**702,545**	1,247,501	**-**	-
Profit payment for Bai' Bithaman Ajil facility	**1,382,201**	747,725	**-**	-
Investment in subsidiary written off	**-**	-	**3**	2
Amount due from subsidiary written off	**-**	-	**2,540**	39,803
Property, plant and equipment written off	**867**	7,979	**-**	-
Reversal of impairment on:				
- amounts owing by subsidiaries	**-**	-	**(295,757)**	(27,573)
- investment in subsidiaries	**-**		**-**	(2)
- loan and receivables	**(1,002,082)**	-	**-**	-
Share of result in an associates	**28,953**	-		
Waiver of interest	**-**	(285,194)	**-**	-
Operating (loss)/profit before working capital changes	**(6,527,809)**	6,830,586	**(2,518,765)**	(1,262,439)
Biological asset	**992,369**	90,385	**-**	-
Inventories	**(344,211)**	(2,623,034)	**-**	-
Trade receivables	**2,750,715**	(2,822,346)	**-**	-
Other receivables	**(5,019,814)**	6,573,749	**-**	-
Trade payables	**632,691**	(9,433,659)	**-**	-
Other payables	**234,305**	(2,413,436)	**(85,245)**	43,141
Cash used in operation activities	**(7,281,754)**	(3,797,755)	**(2,604,010)**	(1,219,298)
Income tax paid	**(15,185)**	-	**-**	-
Interest paid	**(702,545)**	(1,247,501)	**-**	-
Profit payment for Bai' Bithaman Ajil facility	**(1,382,201)**	(462,531)	**-**	-
Net cash used in operating activities	**(9,381,685)**	(5,507,787)	**(2,604,010)**	(1,219,298)

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOW (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash Flows from Investing Activities				
Acquisition of investment in subsidiary	**-**	-	**-**	(50,000,000)
Acquisition of investment in associate	**(240,000)**	-	**-**	-
Cash written off	**(3)**	-	**-**	-
Proceeds from disposal of property, plant and equipment	**39,231**	2,500	**-**	-
Purchase of property, plant and equipment	**(5,097,049)**	(3,160,425)	**-**	-
Net cash used in investing activities	**(5,297,821)**	(3,157,925)	**-**	(50,000,000)
Cash Flows from Financing Activities				
Advance received (paid to)/from subsidiaries companies	**-**	-	**(28,980,539)**	39,983,687
Proceeds from issuance of shares	**36,050,000**	10,400,000	**36,050,000**	10,400,000
Increase in fixed deposits pledged	**(1,334,366)**	-	**-**	-
Proceeds from Redeemable Convertible Note	**(2,550,000)**	850,000	**(2,550,000)**	850,000
Repayment to Director	**61,282**	(516,187)	**-**	-
Drawdown of Banker Acceptance	**24,382,110**	-	**-**	-
Payment of Banker Acceptance	**(19,632,826)**	-	**-**	-
Drawdown of term loans	**(7,963,436)**	969,094	**-**	-
Repayment of Bai' Bihtaman Ajil Facility	**(990,672)**	(2,361,846)	**-**	-
Drawdown of finance lease payables	**2,030,082**	-	**-**	-
Repayment of finance lease payables	**(1,253,517)**	105,621	**-**	-
"Net cash genereated from financing activities"	**28,798,657**	9,446,682	**4,519,461**	51,233,687
Net increase in cash and cash equivalents	**14,119,151**	780,970	**1,915,451**	14,389
Cash and cash equivalents at beginning of the financial year	**1,113,263**	332,293	**44,740**	30,351
Cash and cash equivalents at end of the financial year	**15,232,414**	1,113,263	**1,960,191**	44,740
Cash and cash equivalents at end of the financial year comprise:				
Cash and bank balances	**15,301,577**	1,183,496	**1,931,191**	15,740
Fixed deposit	**1,363,366**	29,000	**29,000**	29,000
Bank overdraft	**(98,163)**	(99,233)	**-**	-
	16,566,780	1,113,263	**1,960,191**	44,740
Fixed deposit pledged to banks	**(1,334,366)**	-	**-**	-
	15,232,414	1,113,263	**1,960,191**	44,740

The accompanying notes form an integral part of the financial statements

1. CORPORATE INFORMATION

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

The registered office of the company is located at No. 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600, Penang and the principal place of business are located at Lot 137 & 138 Kawasan Perindustrian Pelabuhan Lumut, Kampung Acheh 32000 Sitiawan, Perak Darul Ridzuan.

The Company is principally engaged in investment holding and the principal activities of the subsidiary companies are disclosed in Note 10 to the Financial Statements. There have been no significant changes in the nature of the activities of the Company and of the subsidiary companies during the financial year.

2. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Standards issued became effective for the financial year

The following FRSs became effective for the financial period under review:-

Desciption	Effective for annual periods beginning on or after
FRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 101 *Disclosure Initiative*	1 January 2016
Amendments to FRS 116 and FRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 127 Equity *Method in Separate Financial Statements*	1 January 2016
Annual Improvements to FRS Standards 2012 - 2014 Cycle	1 January 2016

The adoption of the above FRSs did not result in any significant changes in the accounting policies of the Group and of the Company.

2. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (CONT'D)

Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Group and the Company intends to adopt these standards, if applicable, when they become effective.

Desciption	Effective for annual periods beginning on or after
FRS 9 *Financial Instruments (IFRS 9 Financial Instruments as issued by IASB in July 2014)*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to FRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 4 *Applying* FRS 9 *Financial Instruments with FRS 4 Insurance Contracts*	1 January 2018
Amendments to FRS 10 and FRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2019
Amendments to FRS 107 *Disclosure Initiative*	1 January 2017
Amendments to FRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 140 *Transfers of Investment Property*	1 January 2018
Annual Improvements to FRS Standards 2014 - 2016 Cycle:-	
(i) Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards*	1 January 2018
(ii) Amendments to FRS 12 *Disclosure of Interests in Other Entities*	1 January 2017
(iii) Amendments to FRS 128 *Investments in Associates and Joint Ventures*	1 January 2018

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below :-

FRS 9 *Financial Instruments*

FRS 9 Financial Instruments, which replaces FRS 139 Financial Instruments: Recognition and Measurement, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by FRS 9 (that are relevant to the Company) relate to the classification and measurement of financial assets. Under FRS 9, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics.

Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and of the Company.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141: Agriculture (MFRS 141") and IC Interpretation 15: Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venture (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer the adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards Framework until the MFRS Framework is mandated by the MASB. According to the announcement made by MASB on 2 September 2015, all Transitioning Entities shall adopt the MFRS Framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group and the Company will present its first set of MFRS financial statements for annual periods beginning on or after 31 December 2018 as mandated by the MASB.

2. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (CONT'D)

Malaysian Financial Reporting Standards (MFRS Framework) (Cont'd)

In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group and the Company has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements could be different if prepared under the MFRS Framework.

3. BASIS OF PREPARATION

a) Basis of measurement

The financial statement has been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Group's functional currency.

c) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 4 are essential to understand the Group's result of preparations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They effect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosure made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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

(i) Useful lives of plant and equipment

Management estimates the useful lives of the plant and equipment to be within 5 to 99 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2017, the management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded deprecation and decrease the value of property, plant and equipment.

(ii) Impairment of property, plant and equipment

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher off the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flow are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

3. BASIS OF PREPARATION (CONT'D)

c) Significant accounting estimates and judgements (Cont'd)

(iii) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax allowances and deductibility of certain expense in determining the Group wide provision for income taxes. The Group recognises liabilities for expected tax issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the financial year in which such determination is made.

(iv) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(v) Amount due by subsidiaries

The Company determine the recoverability of the amounts due by certain subsidiaries when these debts exceeded their capital investments. The Directors are of the opinion that adequate allowance for impairment has been made for the debts due from these subsidiaries to the extent the Company is able to realise these debts through internal group restructuring including possible offsets against debts owed by the Company to certain other subsidiaries, should such need arise.

(vi) Impairment of loan and receivable

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(vii) Estimation of fair values of property, plant and equipment

The Group adopts revaluation policy for its land and buildings. The Group engaged independent valuation specialists to determine the fair values. The fair values were determined by adopting the following methods:

- Land: Comparison Method which compares the subject properties with similar type of properties that have been sold recently and those that are currently being offered for sale in vicinity with appropriate adjustment made to reflect improvement and other dissimilarities and to arrive at the value of the subject land as an improved properties.

- Buildings: Depreciated Replacement Cost which estimates the reconstructing a building of some kind and design as when new based on current market prices for materials, labour and present construction techniques and deducting therefrom the accrued depreciation due to use and disrepair, age and obsolescence through technology and market changes.

(viii) Valuation of biological assets

The Group applies base-value method in estimating the value of biological asset, which includes in its value, the purchase costs of starters and average consumption of feed and other consumables (based on the feed and consumables consumption standard most applicable to the Group's breed of livestock) at each stage of growth for a period of 66 weeks as the starters mature to layers, taking into consideration the health conditions of the livestock population.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company control an investee if and only if the Company has all the following:

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

When the Company has less than majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at pervious shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balance, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not results in the group losing control over the subsidiaries are accounted for as equity transaction. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) The previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained profit. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment.

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measure at acquisition date fair values and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent change in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with FRS 139 either in profit or loss or a change to other comprehensive income, if the contingent consideration is classified as equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation (Cont'd)

Business combination (Cont'd)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Subsidiaries

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

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

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

(b) Revenue recognition

(i) Good sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rental income

Rental income is recognised in profit or loss on accrual basis

(iii) Interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Employee benefits

(i) Short term employee 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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences.

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(d) Income tax

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

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

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

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(e) Property, plant and equipment

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, plant and equipment (Cont'd)

(i) Recognition and measurement

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

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

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss. On disposal of a revalued asset, the amounts in revaluation reserve relating to those assets are transferred to retained profits.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less it residual value. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Long term leasehold land	Over remaining leasehold period
Buildings	20 – 50 years
Cold room, installation, and plant and machinery	6 – 20 years
Motor Vehicles	10 years
Signboard, furniture and fittings, and office equipment	5 – 10 years

Depreciated methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appreciate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(f) Leases

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

(i) Finance Lease

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

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

(ii) Operating Lease

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials, consumables, medical and finished goods: Costs are determined on weighted average basis.
- Processed chickens and feed: Costs are determined on weighted average basis which include materials, labour and a proportion of overheads costs.
- Breeder eggs: Costs of direct materials, direct labour and a proportion of overhead cost incurred to maintain the layer during their egg laying stage.

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

(h) Biological asset

Biological asset comprise of breeders which are held to produce day old chicks for sale. Breeders are measured at lower amortised cost and net realisable value. Cost breeders includes cost of parent stock plus all attributable cost including relevant overheads in breeding the parent stock and is amortised over its estimated economic useful lives of approximately 41 weeks.

(i) Cash and cash equivalent

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(j) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated for goodwill and intangible assets with indefinite useful lives, these are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets (Cont'd)

(ii) Financial assets

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

Financial assets carried at amortised cost to determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(k) Share capital and issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(l) Borrowing costs

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

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

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

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Provisions (Cont'd)

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

(n) Financial assets

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

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

Embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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

The Group classifies their financial assets depending on the purpose for which it was acquired at initial recognition, into the following categories:

Loans and receivables

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

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

Regular way purchase or sale of financial assets

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

Derecognition

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

(o) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when the Group becomes a party to the contractual provisions of the financial instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial liabilities (Cont'd)

Financial liabilities are recognised on the statement of financial position when, and only when the Group becomes a party to the contractual provisions of the financial instruments.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group classifies their financial liabilities at initial recognition, into the following category:

<u>Other liabilities measured at amortised cost</u>

Other financial liabilities are non-derivatives financial liabilities. The Group's other financial liabilities comprise trade and other payables and borrowings. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process

The Group has not designated any financial liabilities as at fair value through profit or loss.

Derecognition

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Off setting of Financial Instruments

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

(p) Contingencies

A contingent liability and asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

(q) Fair value measurement

Fair value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in the highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Fair value measurement (Cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting date.

For the purpose of fair value disclosures, the Group had determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(r) Redeemable Convertible Notes

MFRS 132 – Financial Instruments: Disclosure and Presentation requires the Group as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. Consequently, RCN, which, amongst other conditions are regarded as compound instruments, consisting of a liability component and an equity component.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar type of instrument. The difference between the proceeds from the issue of RCN and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods.

(s) Investment in Associated Companies

An associated company is an entity over which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Significant influence is presumed to exist when the Group owns, directly or indirectly not less than 20% of the voting power of the investee.

The results and assets and liabilities of associated companies are incorporated in the financial statements of the Group using the equity method of accounting based on the latest audited and/or management financial statements of the associated companies made up to 31 December 2017 while dividends received are reflected as a reduction of the investment in the consolidated balance sheet.

Under the equity method, investments in associated companies are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associated companies, less any impairment in the value of individual investments. Losses of an associated company in excess of the Group's interest in that associated company (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company) are not recognised unless the Group has incurred obligations or made payments on behalf of the associated company. Where necessary, adjustments are made to the financial statements of associated companies to bring their accounting policies into line with those used by other members of the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Investment in Associated Companies (Cont'd)

Where a company entity transacts with an associated company of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company, except where losses provide evidence of an impairment of the asset transferred, in which case, appropriate provision is made for impairment.

(t) Significant changes in regulatory requirements

<u>Companies Act, 2016</u>

Amongst the key changes introduced in the New Act which will affect the financial statements of the company upon the commencement of New Act on 31 January 2017 are

a) the removal of the authorised share capital; and

b) the ordinary shares of the company will cease to have par or nominal value.

The adoption of the New Act has no financial impact on the company for the financial year ended 31 December 2017. The effects of the adoption are mainly on the disclosure to the financial statements of company.

5. REVENUE

Revenue represents sale of frozen chicken, related farm products, materials and rental income.

6. (LOSS)/PROFIT BEFORE TAXATION

(a) (Loss)/Profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Audit fee	**96,500**	98,000	**37,000**	37,000
Depreciation of property, plant and equipment	**5,619,338**	5,019,035	**-**	-
Impairment loss on				
- Amount due by subsidiary	**-**	-	**65,183**	-
- Receivables	**7,170,071**	-	**-**	-
- Investment in subsidiaries	**-**	-	**15,402,610**	-
- Property, plant and equipment	**123,772**	-	**-**	-
Interest expense on:				
- Bank overdraft	**9,878**	10,172	**-**	-
- Bankers' acceptance	**135,433**	-		
- Finance lease payables	**133,464**	106,917	**-**	-
- Term loans	**433,648**	1,130,412	**-**	-
Profit payment for Bai' Bithaman Ajil Facility	**1,815,849**	747,725	**-**	-
Property, plant and equipment written off	**867**	7,980	**-**	-
Rental of:				
- Cold room	**200,180**	86,205	**-**	-
- Crane and forklift	**44,557**	54,310	**-**	-
- Equipment	**52,032**	55,161	**-**	-
- Farm	**3,972,000**	3,126,000	**-**	-
- Hostel	**424,060**	184,600	**-**	-
- Motor vehicles	**629,424**	613,141	**-**	-
Staff costs:				
- Salaries and allowances	**12,036,917**	8,812,068	**115,000**	116,300
- Employee Provident Fund	**725,648**	606,815	**-**	-
Gain on disposal of property, plant and equipment	**(30,711)**	(2,499)	**-**	-
Reversal of impairment loss on				
- Investment in subsidiaries	**-**	-	**(295,757)**	(2)
- Amount due by subsidiaries	**-**	-	**-**	(27,573)
- Receivables	**(1,002,082)**	-	**-**	-
Investment in subsidiaries written off	**-**	-	**3**	2
Amount due by subsidiaries written off	**-**	-	**2,540**	39,803
Waiver of interest	**-**	(285,194)	**-**	-

6. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

(b) Directors' remuneration

Included in staff costs were aggregate amount of remuneration (excluding benefit in kind) received and receivable by the Directors during the financial year as follow:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Directors of the Company				
Executive Directors				
- Salaries and allowances	**1,465,000**	1,082,300	**25,000**	26,300
Non-executive Directors				
- Fees	**90,000**	90,000	**90,000**	90,000
	1,555,000	1,172,300	**115,000**	116,300

The number of Directors of the Group and the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2017 RM	**2016 RM**
Executive:		
RM200,001 - RM250,000	**1**	1
RM400,001 - RM450,000	**-**	2
RM550,001 - RM600,000	**2**	-
Non-executive:		
Below RM50,000	**4**	3

7. TAXATION

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Taxation based on loss before taxation for the financial years:-				
Malaysian income tax	**-**	17,209	**-**	-
Deferred taxation (Note 25)	**(200,107)**	(171,037)	**-**	-
	(200,107)	(153,828)	**-**	-
Overprovision in prior years				
Malaysian income tax	**(8,986)**	-	**-**	-
Tax expenses for the year	**(209,093)**	(153,828)	**-**	-

Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated assessable profits for the financial year.

7. TAXATION (CONT'D)

The reconciliation of the tax amount at statutory income tax rate to the Group and the Company's tax expense is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit before taxation	**(20,522,763)**	96,039	**(17,628,161)**	(1,274,669)
Tax at the Malaysian statutory income tax rate of 24%	**(4,925,463)**	23,049	**(4,230,759)**	(305,921)
Tax effect on non-deductible expenses	**2,740,299**	805,570	**4,301,741**	305,921
Tax effect on non-taxable income	**(256,490)**	(16,039)	**(70,982)**	-
Deferred tax assets/(liabilities) not recognised during the year	**2,441,654**	(795,371)	**-**	-
Overprovision of income tax expense in prior year	**(8,986)**	-	**-**	-
Realisation of deferred tax liability arising from depreciable revaluation reserve	**(200,107)**	(171,037)	**-**	-
Tax expenses for the financial year	**(209,093)**	(153,828)	**-**	-

The Group has the following estimated unutilised tax losses, unabsorbed capital allowance and unutilised reinvestment allowance available for set-off against future taxable profit:

	Group	
	2017 RM	2016 RM
Unutilised tax losses	**47,103,226**	41,505,348
Unabsorbed capital allowances	**56,696,844**	53,353,189
Unutilised reinvestment allowance	**47,428,883**	47,567,740
	151,228,953	142,426,277

8. (LOSS)/EARNING PER SHARE

The basis (loss)/earning per share ("LPS") has been calculated based on the Group's (loss)/profit attributable to owners of the Company of –RM20,313,670 (2016: RM249,867) divided by the number of ordinary shares in issues during the financial year of 2,678,229,306 (2016: 1,083,163,945) ordinary shares of RM0.01 each.

Diluted LPS is the same as the basic LPS as there is no dilutive potential ordinary shares outstanding during the financial year.

9. PROPERTY, PLANT AND EQUIPMENT

2017 Group	Freehold land RM	Long leasehold land RM	Buildings RM	Cold room, installation, plant and machinery RM	Motor Vehicle RM	Signboard, furniture and fittings, and office equipment RM	Total
At cost/valuation							
As at 1 January 2017	4,355,000	9,230,000	43,886,936	55,514,097	9,126,066	2,328,003	124,440,102
Addition	-	-	142,307	1,802,212	827,890	2,324,640	5,097,049
Revaluation surplus/(deficit)	1,170,000	5,370,000	(3,406,228)	-	-	-	3,133,772
Disposal	-	-	-	(22,586)	(470,116)	(8,975)	(501,677)
Impairment	-	-	(123,772)	-	-	-	(123,772)
As at 31 December 2017	5,525,000	14,600,000	40,499,243	57,293,723	9,483,840	4,643,668	132,045,474
Accumulated depreciation							
As at 1 January 2017	-	411,380	7,919,576	39,771,833	6,995,485	1,221,763	56,320,037
Charge for the year	-	136,092	2,412,924	2,405,206	387,579	277,537	5,619,338
Revaluation restatement	-	(462,802)	(8,902,257)	-	-	-	(9,365,059)
Disposal	-	-	-	(21,719)	(470,116)	(455)	(492,290)
As at 31 December 2017	-	84,670	1,430,243	42,155,320	6,912,948	1,498,845	52,082,026
Net book value	5,525,000	14,515,330	39,069,000	15,138,403	2,570,892	3,144,823	79,963,448

The long term leasehold land of the Group have an unexpired lease period of more than 50 years

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2016 Group	Freehold land RM	Long leasehold land RM	Buildings RM	Cold room, installation, plant and machinery RM	Motor Vehicle RM	Signboard, furniture and fittings, and office equipment RM	Total RM
At cost/valuation							
As at 1 January 2016	4,355,000	9,230,000	43,703,434	54,181,012	8,513,717	1,422,649	121,405,812
Addition	-	-	183,502	1,417,758	627,559	931,606	3,160,425
Disposal	-	-	-	-	-	(26,252)	(26,252)
Written off	-	-	-	(71,465)	(15,210)	-	(86,675)
Reclassification	-	-	-	(13,208)	-	-	(13,208)
As at 31 December 2016	4,355,000	9,230,000	43,886,936	55,514,097	9,126,066	2,328,003	124,440,102
Accumulated depreciation							
As at 1 January 2016	-	308,535	5,936,673	37,293,210	6,704,295	1,163,236	51,405,949
Charge for the year	-	102,845	1,982,903	2,542,110	306,399	84,778	5,019,035
Disposal	-	-	-	-	-	(26,251)	(26,251)
Written off	-	-	-	(63,487)	(15,209)	-	(78,696)
As at 31 December 2016	-	411,380	7,919,576	39,771,833	6,995,485	1,221,763	56,320,037
Net book value	4,355,000	8,818,620	35,967,360	15,742,264	2,130,581	1,106,240	68,120,065

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Office equipment, furniture and fittings and renovation RM
Company	
2017	
Cost	
As at 1 January/31 December	**42,157**
Accumulated depreciation	
As at 1 January/ 31 December	**42,153**
Net book value	**4**
2016	
Cost	
As at 1 January/ 31 December	42,157
Accumulated depreciation	
As at 1 January/ 31 December	42,153
Net book value	**4**

(i) Assets held under finance lease

The additions during the financial year were made under the following arrangements:

	Group	
	2017 RM	**2016 RM**
Cash payments	**3,278,168**	2,256,462
Hire purchase arrangement	**1,818,881**	903,963
	5,097,049	3,160,425

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(i) Assets held under finance lease (Cont'd)

Included in the property, plant and equipment of the Group are assets acquired under finance lease arrangement at the reporting date as follows:

	Group	
	2017 RM	2016 RM
Cost		
Plant and machineries	**7,649,069**	6,372,139
Motor vehicles	**1,901,951**	1,360,000
	9,551,020	7,732,139
Net carrying amount		
Plant and machineries	**2,868,820**	1,973,247
Motor vehicles	**1,557,055**	1,165,958
	4,425,875	3,139,205

(ii) Revaluation of freehold land, leasehold land and buildings

The Group's freehold land, leasehold land and buildings had been revalued in year 2017 based on valuations performed by accredited independent valuers.

Details of the independent professional valuations are as follows:

Description of Properties 2017	Valuation method	Valuation amount RM
Freehold land	Comparison method	**5,525,000**
Long leasehold land	Comparison method	**14,600,000**
Buildings	Depreciated replacement cost method	**40,100,000**
		60,225,000

If the Group's land and buildings were measured using the cost model, the net carrying amounts would be as follows:

	Net carrying amount	
2017	At valuation RM	At historical cost RM
Freehold land	**5,525,000**	**2,508,152**
Long leasehold land	**14,515,330**	**3,125,904**
Buildings	**39,069,000**	**28,115,092**
	59,109,330	**33,749,148**
2016		
Freehold land	4,355,000	2,508,152
Long leasehold land	8,818,620	2,809,331
Buildings	35,967,360	27,974,919
	49,140,980	33,292,402

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(iii) Assets pledged as security

In addition to assets held under finance lease, the following assets have been pledged to licensed bank as securities for credit facilities granted to the Group as follows:

(a) Freehold land, leasehold land and buildings with a total carrying amount of RM43,182,496 (2016: RM27,795,482) as disclosed in Notes 22 and 23;

(b) Debenture for RM19,534,000 over plant and machineries financed under the term loans as disclosed in Note 22; and

(c) Specific debenture over fixed assets of a subsidiary as disclosed in Note 23.

(iv) Asset held in trust

Included in property, plant and equipment of the Group is a motor vehicle with net carrying amount of RM57,936 (2015: RM67,868) held in trust by a Directors of the Company.

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM	**2016 RM**
Unquoted shares at cost		
Cost at beginning of the financial year	**110,669,922**	60,669,924
Addition	**-**	50,000,000
Written off	**(3)**	(2)
Reclasify	**912,357**	-
Cost at end of the financial year	**111,582,276**	110,669,922
Less: Accumulated impairment losses		
At beginning of the financial year	**(51,200,138)**	(51,200,140)
Add: Addition	**(15,402,610)**	-
Less: Reversal of impairment	**295,757**	2
Reclasify	**(912,357)**	-
At end of the financial year	**(67,219,348)**	(51,200,138)
Net carrying amount at end of the financial year	**44,362,928**	59,469,784

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries, all of which are incorporated and domiciled in Malaysia are:

Name of subsidiary	Principal activities	Effective equity Interest	
		2017 **%**	**2016** **%**
D.B.E. Poultry Sdn. Bhd.	Operating integrated Poultry broiler farm, processing plant, feeds productions and training in related farm products and materials	**100**	100
D.B.E. Breeding Sdn. Bhd.	Inactive	**100**	100
D.B.E. Hatchery Sdn. Bhd.	Inactive	**100**	100
D.B.E Marketing Sdn. Bhd.	Inactive	**100**	100
D.B.E. Food Processing Industries Sdn. Bhd.	Inactive	**100**	100
D.B.E Gurney Chicken Sdn. Bhd.	Inactive	**100**	100
D.B.E. Poultry Feedmills Sdn. Bhd.*	Dormant	**-**	100

* Strike off during the year

11. INVESTMENT IN ASSOCIATES

	Group	
	2017 **RM**	**2016** **RM**
Unquoted shares, at cost	**240,000**	-
Share of post acquisitions reserves	**(28,953)**	-
	211,047	-

Details of the associates company are as follows:-

Name of Company	Incorporation	Equity Interest		Principal activites
		2017 **%**	**2016** **%**	
Super Harumi Sdn. Bhd.	Malaysia	40	-	Activities of holding companies, restaurants and wholesale of variety of goods without any particular specialiation

11. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Company is as follow:-

	Group	
	2017 RM	**2016 RM**
Assets and liabilities:-		
Total assets	**565,852**	-
Total liabilities	**38,235**	-
Results:-		
Revenue	**22,894**	-
Loss for the financial year	**(72,383)**	-

The Company was incorporated on 19 October 2017 and no audited financial statement prepared for the period ended 31 December 2017. However, management account for the period ended 31 December 2017 has been provided.

12. BIOLOGICAL ASSET

	Group	
	2017 RM	**2016 RM**
At cost less amortisation:		
Breeders	**3,265,207**	2,772,267
Broiler Inventories	**5,467,451**	6,952,760
	8,732,658	9,725,027

13. INVENTORIES

	Group	
	2017 RM	**2016 RM**
At cost:		
Breeder eggs	**594,694**	700,627
Chicken feeds	**476,075**	457,016
Chilled and frozen chicken	**2,530,247**	3,048,317
Packing materials	**301,624**	184,630
Raw materials	**1,336,987**	981,370
Consumables	**1,885,657**	1,409,113
	7,125,284	6,781,073

14. TRADE RECEIVABLES

	Group	
	2017 **RM**	**2016** **RM**
Current assets		
Third parties	**16,430,574**	19,181,289
Less: Allowance for impairment	**(2,957,030)**	(3,500,000)
	13,473,544	15,681,289

(a) Credit terms of trade receivables

The normal credit terms of trade receivables range from 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on case by case basis.

(b) Ageing analysis of trade receivables

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

	Group	
	2017 **RM**	**2016** **RM**
Neither past due nor impaired	**6,790,781**	6,949,707
1 to 30 days past due not impaired	**5,549,584**	5,214,699
31 to 60 days past due not impaired	**507,600**	388,614
More than 60 days past due not impaired	**625,579**	3,128,269
	6,682,763	8,731,582
	13,473,544	15,681,289
Impaired	**2,957,030**	3,500,000
	16,430,574	19,181,289

Receivables that are neither past due nor impaired

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

Other than as disclosed above, none of the other trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. However, the Directors are of the opinion that these debts should be realisable in full without materials losses in the ordinary course of business.

14. TRADE RECEIVABLES (CONT'D)

(b) Ageing analysis of trade receivables (cont'd)

Receivables that are impaired

The Group trade receivables that are impaired at the reporting date is as follows:

	Individually Impaired	
	2017 **RM**	**2016** **RM**
Trade receivables (nominal amounts)	**2,957,030**	5,780,318
Less: Allowance for impairment	**(2,957,030)**	(3,500,000)
	-	2,280,318

Movement in allowance for impairment on trade receivable (individually impaired) is as follows:

	Group	
	2017 **RM**	**2016** **RM**
At beginning of the financial year	**3,500,000**	3,500,000
Addition	**459,112**	-
Reversal	**(1,002,082)**	-
At end of the financial year	**2,957,030**	3,500,000

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements and under legal case.

15. OTHER RECEIVABLES

	Group	
	2017 **RM**	**2016** **RM**
Third parties	**9,296,456**	6,298,794
Less: Allowance of impairment	**(6,710,959)**	-
	2,585,497	6,298,794
Deposits	**1,054,038**	1,015,995
Prepayments	**3,506,846**	1,522,737
	7,146,381	8,837,526

16. AMOUNTS DUE BY/(TO) SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Amounts due by subsidiaries	**47,603,147**	18,630,652
Less: Allowance for impairment	**(471,408)**	(406,225)
	47,131,739	18,224,427
Amounts due to subsidiaries	**(12,757,590)**	(12,828,277)

Movement in allowance for impairment is as follows:

	Company	
	2017 RM	2016 RM
At beginning of the financial year	**406,225**	433,798
Addition/(Reversal) of impairment loss	**65,183**	(27,573)
At end of the financial year	**471,408**	406,225

These amounts are non-trade in nature, unsecured, interest free and are repayable on demand by cash.

17. SHARE CAPITAL

	Group/Company			
	2017	2016	2017	2016
	Number of Shares		RM	RM
Ordinary Shares				
Authorised				
At the beginning of the year	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Adjustment for effect of Companies Act, 2016	**(100,000,000)**	-	**(100,000,000)**	-
At the end of the year	**-**	100,000,000	**-**	100,000,000
Issued and fully paid:				
At the beginning of year Issuance of shares pursuant to the	**1,083,163,945**	768,216,635	**10,831,639**	7,682,166
- Transfer pursuant to Section 618(2) of the Companies Act, 2016	**-**	-	**11,679,443**	-
- Conversion of RCN	**1,595,065,361**	314,947,310	**34,331,250**	3,149,473
	2,678,229,306	1,083,163,945	**56,842,332**	10,831,639

17. SHARE CAPITAL (CONT'D)

During the financial year:-

a) Pursuant to the Companies Act, 2016 effective from 31 January 2017, the concept of authorised share capital and par value has been abolished. Amount standing to the credit of share premium account was transferred to share capital as at the date.

b) The Company increased its issued and paid up share capital from 1,083,163,945 to 2,678,229,306 by way of issuance of 1,595,065,361 ordinary shares pursuant to the conversion RM36,050,000 nominal value Redeemable Convertible Notes converted at the following conversion price per ordinary share.

Conversion date	Number of Ordinary Shares in Unit	Conversion Price Per Ordinary Share RM	Total RM'000
06/01/2017	21,875,000	0.0320	700,000
16/01/2017	25,000,000	0.0320	800,000
17/01/2017	31,250,000	0.0320	1,000,000
14/03/2017	35,714,285	0.0280	1,000,000
10/04/2017	35,714,285	0.0280	1,000,000
17/05/2017	51,194,539	0.0293	1,500,000
01/06/2017	35,714,285	0.0280	1,000,000
04/07/2017	20,833,333	0.0240	500,000
10/07/2017	39,647,577	0.0227	900,000
18/09/2017	23,474,178	0.0213	500,000
04/10/2017	93,896,713	0.0213	2,000,000
09/10/2017	46,948,356	0.0213	1,000,000
16/10/2017	46,948,356	0.0213	1,000,000
02/11/2017	46,948,356	0.0213	1,000,000
06/11/2017	46,948,356	0.0213	1,000,000
08/11/2017	70,422,535	0.0213	1,500,000
13/11/2017	30,516,431	0.0213	650,000
14/11/2017	46,948,356	0.0213	1,000,000
22/11/2017	239,436,619	0.0213	5,100,000
30/11/2017	103,286,384	0.0213	2,200,000
06/12/2017	173,708,920	0.0213	3,700,000
20/12/2017	328,638,497	0.0213	7,000,000
	1,595,065,361		36,050,000

The new ordinary shares issued during the financial year will ranked pari passu in all respects with the existing issued and fully paid-up ordinary shares except that they shall not be entitled to any dividend, right, and/or other distribution that may be declared, made or paid prior to the date of issuance and relevant allotment date of the said ordinary shares.

18. RESERVES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Distributable				
Accumulated (losses)/profit	**(29,536,838)**	(9,856,837)	**(14,874,537)**	2,753,624
Non-distributable				
Share premium	**-**	9,960,693	**-**	9,960,693
Asset revaluation reserve	**19,846,939**	10,759,199	**-**	-
Other reserve	**38,578,011**	38,578,011	**38,578,011**	38,578,011
	28,888,112	49,441,066	**23,703,474**	51,292,328

The nature and purpose of each category of reserves are as follows:

Asset revaluation reserve

The asset revaluation reserve represents increase in fair value of freehold land, leasehold land and buildings, net of tax.

19. REDEEMABLE CONVERTIBLE NOTE ("RCN")

	Group/Company	
	2017 RM	**2016 RM**
RCN:		
- Equity component	**-**	202,404
- Liability component	**-**	2,283,678
- Deferred tax liability (Note 25)	**-**	63,918
	-	2,550,000

The salient terms of the RCN are as follows:

(a) Notes

Up to RM50.0 million nominal value of RCN comprising four (4) tranches of a principal amount of RM10.0 million each for Tranche 1, Tranche 2 and Tranche 3, RM20.0 million for Tranche 4 (collectively, the RCN shall be referred to as the "Notes").

Each of Tranche 1 Notes shall comprise forty (40) equal sub-tranche of RM0.25 million each, Tranche 2 Notes and Tranche 3 Notes shall comprise twenty (20) equal sub-tranches of RM0.50 million each and Tranche 4 Notes shall comprise twenty (20) equal sub-tranches of RM1.0 million each.

(b) Tenure/Maturity

Thirty-six (36) months from the closing date of the first sub- tranche of Tranche 1 Notes.

(c) Coupon rate

2.0% per annum payable semi-annually.

19. REDEEMABLE CONVERTIBLE NOTE ("RCN") (CONT'D)

The salient terms of the RCN are as follows: (Cont'd)

(d) Issue and subscription date of tranche 1 Notes and the option issue the remaining sub-tranches thereafter

In respect of the first sub-tranche of tranche 1Notes , the date falling five (5) market days immediately after the fulfillment of the last conditions precedent or such other date as the parties may agree in writing, such date being the closing date for the first sub-tranche of Tranche 1 Notes.

In respect of the subsequent sub-tranche of tranche 1 Notes, the date falling five (5) market days immediately after the fulfillment of the last conditions precedent or such other date as the parties may agree in writing, such date being the closing date for the first sub-tranche of Tranche 1 Notes.

The Company has the option in respect of each of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes to require the Subscriber to subscribe for such Notes from the Company during the relevant option period as follows:

(a) Tranche 2 Notes: the period commencing from and including the conversion date of the last of the Notes comprised in the last subtranche of Tranche 1 Notes to and including the tenth (10^{th}) market day thereafter;

(b) Tranche 3 Notes: the period commencing from and including the conversion date of the last of the Notes comprised in the last subtranche of Tranche 2 Notes to and including the tenth (10^{th}) market day thereafter; and

(c) Tranche 4 Notes: the period commencing from and including the conversion date of the last of the Notes comprised in the last subtranche of Tranche 3 Notes to and including the tenth (10^{th}) market day thereafter,

hereinafter referred to as "Option Period".

If the Subscriber does not receive the exercise notice from the Company during the relevant Option Period, the options in respect of the respective tranches and all the subsequent tranches shall lapse and cease to have any force or effect whatsoever and the Subscriber will have no further obligation to subscribe and pay for the respective tranches and all the subsequent tranches.

(e) Conversation term

The Notes may be converted into New DBE Shares at the Conversion Price at the option of the Noteholders, subject to the Redemption Option term (as set out below).

The number of Conversion Shares shall be determined by dividing the aggregate principal amount of the Notes held by the applicable Conversion Price.

Fractions of New DBE Shares will not be issued on conversion and no adjustment or cash payment will be made in respect thereof.

The applicable accrued interest thereon up to and including the conversion date will be payable to the Noteholders in cash on the conversion date.

(f) Redemption option

The Notes that are not redeemed or purchased, converted or cancelled by the Company will be redeemed by the Company at 100.0% of their principal amount on the Maturity Date. The Company shall at least one (1) month prior to the Maturity Date, issue an announcement notifying the shareholders of the same and shall despatch a notice of the Maturity Date to the Noteholders.

20. BORROWINGS

	Group	
	2017 **RM**	**2016** **RM**
Non-current liabilities		
Secured		
Term loans (Note 22)	**3,000,000**	4,053,440
Bai' Bithaman Ajil Facility (Note 23)	**5,926,188**	6,071,076
Finance lease payables (Note 24)	**1,571,320**	1,196,770
	10,497,508	11,321,286
Current liabilities		
Secured		
Bank overdraft (Note 21)	**98,163**	99,233
Term loans (Note 22)	**-**	6,909,992
Bai' Bithaman Ajil Facility (Note 23)	**1,437,088**	2,282,873
Finance lease payables (Note 24)	**1,035,146**	633,131
Bankers' acceptance	**4,749,284**	-
	7,319,681	9,925,229
Total borrowings		
Secured		
Bank overdraft (Note 21)	**98,163**	99,233
Term loans (Note 22)	**3,000,000**	10,963,432
Bai' Bithaman Ajil Facility (Note 23)	**7,363,276**	8,353,949
Finance lease payables (Note 24)	**2,606,466**	1,829,901
Bankers' acceptance	**4,749,284**	-
	17,817,189	21,246,515

The effective interest/profit rates per annum on the borrowings of the Group are as follows:

	2017 **%**	**2016** **%**
Bank overdraft	**9.10**	9.10
Term loans	**7.86-8.75**	7.86-8.75
Bai' Bithaman Ajil Facility	**8.9-10.85**	8.9-10.85
Finance lease payables	**2.00-6.24**	2.45-6.24
Bankers' acceptance	**7.75**	-

21. BANK OVERDRAFT

The bank overdraft of the subsidiary is secured jointly and severally by two Directors and a former Director of the Group.

22. TERM LOANS

	Group	
	2017	**2016**
	RM	**RM**
<u>Secured</u>		
Term loan I	**-**	2,772,626
Term loan II	**3,000,000**	3,190,806
Term loan III	**-**	5,000,000
	3,000,000	10,963,432
Repayable as follows:		
Non-current liabilities		
- later than one year and not later than two years	**3,000,000**	1,909,992
- later than two years and not later than five years	**-**	2,143,448
	3,000,000	4,053,440
Current liabilities		
- not later than one year	**-**	6,909,992
	3,000,000	10,963,432

The term loan I bears interest at a rate 2% per annum above the bank's Base Rate and is secured by the following:

i) Debenture for RM19,534,000 over plant and machineries (Note 9);
ii) Legal charge over freehold and leasehold land building of the Company (Note 9);
iii) Corporate guarantee by the holding company; and
iv) Jointly and severally guaranteed by two Directors and a former Director of the Group.

The term loan II is repayable on demand which bears effective profit rate of 4% per annum above the bank's Base Rate and is secured by the following:

i) Second legal charge on the freehold land and buildings of the Group (Note 9);
ii) Corporate guarantee from the Group;
iii) Specific debenture over fixed assets of a subsidiary (Note 9); and
iv) Jointly and severally guaranteed by two Directors of the Company.

The term loan III bears interest at a rate 1% per month and is secured by the Legal charge over leasehold land and building of the Company (Note 9);

23. BAI' BITHAMAN AJIL FACILITY ("BBA")

	Group	
	2017 **RM**	**2016** **RM**
Secured		
BBA I - specific	**-**	722,873
BBA IV - normal	**593,065**	868,113
BBA V - normal	**6,770,211**	6,762,963
	7,363,276	8,353,949
Repayable as follows:		
Non-current liabilities		
- later than one year and not later than two years	**1,162,292**	1,560,000
- later than two years and not later than five years	**4,369,054**	4,511,076
- later than five years	**394,842**	-
	5,926,188	6,071,076
Current liabilities		
- not later than one year	**1,437,088**	2,282,873
	7,363,276	8,353,949

The BBA I bear effective profit rate of 2.3% (2016: 2.3%) per annum above the bank's Base Rate.

The BBA IV and V bear effective profit rate of 4% per annum above the bank's Base Rate.

BBA I is secured by the following:

i) Second legal charge on the freehold land and buildings of the Group (Note 9);and
ii) Corporate guarantee from the Company

BBA IV and V are secured by the following:

i) First legal charge on the freehold land and buildings of the Group (Note 9)
ii) Corporate guarantee from the Company;
iii) Specific debenture over fixed assets of a subsidiary (Note 9); and
iv) Jointly and severally guaranteed by two Directors of the Company.

24. FINANCE LEASE PAYABLES

	Group	
	2017 RM	**2016 RM**
Minimum lease payments	**2,971,875**	2,072,554
Less: Future interest charges	**(365,409)**	(242,653)
Present value of finance lease payables	**2,606,466**	1,829,901
Payable within 1 year		
Minimum lease payments	**1,174,756**	743,241
Less : Future interest charge	**(139,610)**	(110,110)
Present value of finance lease payables	**1,035,146**	633,131
Payable after 1 year but not later than 5 years		
Minimum lease payments	**1,660,854**	1,332,583
Less: Future interest charge	**(197,245)**	(135,813)
Present value of finance lease payables	**1,463,609**	1,196,770
Payable after 5 years		
Minimum lease payments	**136,265**	-
Less: Future interest charge	**(28,554)**	-
Present value of finance lease payables	**107,711**	-
	2,606,466	1,829,901

25. DEFERRED TAX LIABILITIES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
At beginning of the year	**2,999,847**	3,149,578	**63,918**	42,612
Recognised in profit or loss (Note 7)	**(200,107)**	(171,037)	**-**	-
Recognised in equity (Note 19)	**2,713,502**	21,306	**(63,918)**	21,306
At end of the year	**5,513,242**	2,999,847	**-**	63,918

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Difference between the carrying amount property, plant and equipment and their tax base	**5,848,912**	5,836,989	**-**	-
Revaluation surplus	**5,513,242**	2,935,929		-
Unabsorbed capital allowances	**(5,848,912)**	(5,836,989)	**-**	-
Future tax liability on issuance of Redeemable Convertible Notes"	**-**	63,918	**-**	63,918
	5,513,242	2,999,847	**-**	63,918

25. DEFERRED TAX LIABILITIES (CONT'D)

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Group	
	2017 RM	2016 RM
Unutilised tax losses	**44,560,226**	38,962,454
Unabsorbed capital allowances	**54,512,844**	51,199,324
Untilised reinvestment allowances	**47,428,883**	47,567,740
	146,501,953	137,729,518

Deferred tax assets have not been recognised in respect of these items as they relate to those loss making subsidiaries and it is not probable that they will be utilized by taxable profits in the foreseeable future.

26. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 days to 90 days (2016: 30 days to 90 days). However, the credit terms may vary on negotiation with the suppliers.

27. OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	**4,951,034**	4,685,044	**10,466**	93,211
Accruals	**3,519,173**	3,550,861	**141,000**	143,500
	8,470,207	8,235,905	**151,466**	236,711

28. AMOUNT DUE TO DIRECTOR

This amount is non-trade in nature, unsecured, interest free and is repayable on demand by cash.

29. SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party transaction

The significant related party transactions of the Group are shown below. The related party balances are shown in Notes 14, 16 and 28.

Transactions with parties connected to the Directors:

	Group	
	2017 RM	2016 RM
Hostel rental	**12,000**	12,000
Salaries, allowance and bonus	**1,119,300**	803,859

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Company and its subsidiaries, and certain members of senior management of the Group.

The remuneration of the Directors and other members of key management personnel during the financial year were as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Short-term employee benefits	**1,555,000**	1,172,300	**115,000**	116,300
Post-employement benefits	**136,800**	101,520	**-**	-
	1,691,800	1,273,820	**115,000**	116,300

Included in the total compensation of key management personnel is directors' remuneration as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Directors				
Short-term employee benefits	**1,315,000**	1,172,300	**115,000**	116,300
Post-employement benefits	**108,000**	101,520	**-**	-
	1,423,000	1,273,820	**115,000**	116,300

30. FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial assets and financial liabilities are measured on an on going basis at amortised cost. The principal accounting policies in Note 4 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Group			
2017			
Financial assets			
Trade receivables	**13,473,544**	**-**	**13,473,544**
Other receivables	**7,146,381**	**-**	**7,146,381**
Fixed deposit	**1,363,366**	**-**	**1,363,366**
Cash and bank balances	**15,301,577**	**-**	**15,301,577**
	37,284,868	**-**	**37,284,868**
Financial liabilities			
Trade payables	**-**	**15,685,743**	**15,685,743**
Other payables	**-**	**8,470,207**	**8,470,207**
Amount owing to Director	**-**	**107,433**	**107,433**
Borrowings	**-**	**17,817,189**	**17,817,189**
	-	**42,080,572**	**42,080,572**
2016			
Financial assets			
Trade receivables	15,681,289	-	15,681,289
Other receivables	8,837,526	-	8,837,526
Fixed deposit	29,000	-	29,000
Cash and bank balances	1,183,496	-	1,183,496
	25,731,311	-	25,731,311
Financial liabilities			
Trade payables	-	15,053,052	15,053,052
Other payables	-	8,235,905	8,235,905
Amount due to Director	-	46,161	46,161
Redeemable Convertible Notes	-	2,283,678	2,283,678
Borrowings	-	21,246,515	21,246,515
	-	46,865,311	46,865,311

30. FINANCIAL INSTRUMENTS (CONT'D)

Classification of financial instruments (Cont'd)

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Company			
2017			
Financial assets			
Amounts due from subsidiaries	**47,131,739**	**-**	**47,131,739**
Fixed deposit	**29,000**	**-**	**29,000**
Cash and bank balances	**1,931,191**	**-**	**1,931,191**
	49,091,930	**-**	**49,091,930**
Financial liabilities			
Other payables	**-**	**151,466**	**151,466**
Amount due to subsidiaries	**-**	**12,757,590**	**12,757,590**
	-	**12,909,056**	**12,909,056**
2016			
Financial assets			
Amounts due from subsidiaries	18,224,427	-	18,224,427
Fixed deposit	29,000	-	29,000
Cash and bank balances	15,740	-	15,740
	18,269,167	-	18,269,167
Financial liabilities			
Other payables	-	236,711	236,711
Redeemable Convertible Notes	-	2,283,678	2,283,678
Amount due to subsidiaries	-	12,828,277	12,828,277
	-	15,348,666	15,348,666

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, and commodity price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Accountant. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting

The following sections provide details regarding the Group and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating units, the Group does not offer credit terms without the approval of the executive directors.

<u>Exposure to credit risk</u>

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial' assets recognised in the statement of financial position.

The Group's exposure to credit risk arises principally from major concentration of credit risk related to the amount due from a single receivable of approximately RM Nil (2016: RM7,063,660) which constituted approximately -% (2016: 29%) of its receivables.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 14 and 15.

<u>Inter company balances</u>

The Company provides unsecured loan and advance to subsidiaries. As at the end of the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting date, there was no indication that the loans and advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. The Company monitors the results of the subsidiaries regularly.

<u>Financial guarantees</u>

The Company provides secured corporate guarantees amounting to RM40,015,800 (2016: RM40,015,800) to banks in respect of banking facilities granted to certain subsidiaries.

At the end of the reporting date, there was no indication that the subsidiary which was granted with the banking facilities would default on repayment. Hence, the financial guarantee granted by the Company has not been recognised since the fair value on initial recognition was not material.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its borrowings.

Borrowing at floating rate amounting to RM15,112,560 (2016: RM19,317,381) exposed the Company to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM2,606,466 (2016: RM1,829,901) exposed the Company to fixed interest rate risk.

The Group has no exposure to interest rate risk arising from its financial assets. As the Group has no significant interest bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/ higher, with all other variable held constant, the Company's loss net of tax would have been RM37,781 (2016: RM48,293) lower/higher, arising mainly as a result of lower/ higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's exposures to liquidity risk arise primarily from mismatched of financial assets and liabilities. The Group's financial liabilities comprise trade payables and other payables which are due within one year or payable on demand and borrowings which have fixed terms of repayment.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligation

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Liquidity risk (Cont'd)

	Carrying amount RM	Contractual cash flow RM	On demand or within 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
Group						
2017						
Trade payable	**15,685,743**	**15,685,743**	**15,685,743**	**-**	**-**	**-**
Other payable	**8,470,207**	**8,470,207**	**8,470,207**	**-**	**-**	**-**
Amount due to Director	**107,443**	**107,443**	**107,443**	**-**	**-**	**-**
Borrowings:						
- Bank overdraft	**98,163**	**98,163**	**98,163**	**-**	**-**	**-**
- Terms loan	**3,000,000**	**3,061,656**	**61,656**	**3,000,000**	**-**	**-**
- Bai' Bithaman Ajil Facility	**7,363,276**	**9,363,068**	**1,953,065**	**1,600,000**	**5,040,000**	**770,003**
- Finance lease payables	**2,606,466**	**2,971,875**	**1,174,756**	**877,892**	**782,962**	**136,265**
- Bankers' acceptance	**4,749,284**	**4,799,732**	**4,799,732**	**-**	**-**	**-**
	42,080,582	**44,557,887**	**27,551,033**	**5,477,892**	**5,822,962**	**906,268**
2016						
Trade payable	15,053,052	15,053,052	15,053,052	-	-	-
Other payable	8,235,905	8,235,905	8,235,905	-	-	-
Amount due to Director	46,161	46,161	46,161	-	-	-
Borrowings:						
- Bank overdraft	99,233	99,233	99,233	-	-	-
- Terms loan	10,963,432	12,449,946	6,909,992	1,909,831	3,630,123	-
- Bai' Bithaman Ajil Facility	8,353,949	11,735,941	2,282,873	1,503,065	7,950,003	-
- Finance lease payables	1,829,901	2,072,557	735,754	899,336	437,467	-
	44,581,633	49,692,795	33,362,970	4,312,232	12,017,593	-

The Company's liabilities at the reporting date mature within a year or are repayable on demand.

(iv) Commodity price risk

The price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops. During its ordinary course of business, the value of the Group's open sales and purchases commitments and inventory of raw material changes continuously in line with movements in the prices of the underlying commodities. To the extent that its open sales and purchases commitments do not match at the end of each business day, the Group is subject to price fluctuations in the commodities market.

While the Group is exposed to fluctuations in agricultural commodities prices, its policy is to minimise their risks arising from such fluctuations either through purchase of the commodity in advance or through increases in sales price, where appropriate.

Sensitivity analysis for commodity price risk

At the reporting date, if the commodity price had been 5% higher/lower, with all other variables held constant, the Company's loss net of tax would have been RM2,743,528 (2016: RM2,241,534) higher/lower.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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

The carrying amount of long term floating rate borrowings approximates its fair value as the loans will be re-priced to market interest rate on or near reporting date

Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The carrying amounts of the financial assets and liabilities of the Group at the reporting date reasonably approximate their fair values except as follows:

	Group	
	Carrying amount RM	**Fair Values RM**
2017		
Financial liability		
Finance lease payables (non-current)	**1,571,320**	**1,688,358**
2016		
Financial liability		
Finance lease payables (non-current)	1,196,770	1,256,494

The fair value of finance lease payables is estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements.

33. FAIR VALUE MEASUREMENT

The fair value measurement hierarchies used to measure assets and liabilities carried at fair value in the statements of financial position as at 31 December 2017 are as follows:

(i) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e prices) or indirectly (i.e derived from prices).

(iii) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table provides the fair value measurement hierarchies of the Group's assets and Liabilities:

Group				
2017	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Assets				
Property, plant and equipment (Note 9)				
- Freehold land	-	**5,525,000**	-	**5,525,000**
- Leasehold land	-	**14,515,330**	-	**14,515,330**
- Buildings	-	**39,069,000**	-	**39,069,000**

33. FAIR VALUE MEASUREMENT (CONT'D)

Group **2016**	**Level 1** **RM**	**Level 2** **RM**	**Level 3** **RM**	**Total** **RM**
Assets				
Property, plant and equipment (Note 9)				
- Freehold land	-	4,355,000	-	4,355,000
- Leasehold land	-	8,818,620	-	8,818,620
- Buildings	-	35,967,360	-	35,967,360

There were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

The Group does not have any financial assets/liabilities carried at fair value nor did any financial assets/liabilities classify as level 3 as at 31 December 2014 and 31 December 2017.

34. OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group **2017** **RM**	 **2016** **RM**
Not later than one year	**3,635,600**	3,756,000
Later than one year and not later than two years	**1,497,000**	3,035,600
Later than two years and not later than five years	**424,000**	1,062,000
	5,556,600	7,853,600

The Group leases a number of land under operating leases. The leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. Lease payments are increased every 3 to 5 years to reflect market rentals.

Minimum lease payments recognised in profit or loss for the financial year ended 31 December 2017 amounted to RM3,972,000 (2016: RM3,126,000).

35. SEGMENT INFORMATION

No segment information reporting by industry and geographical segments has been prepared as the Group is primarily involved in the business of poultry farming and operates principally in Malaysia.

Information about major customer

The Group's revenue derived from one major customer amounting to RM45,923,716 (2016: RM45,843,487), which constituted approximately 41% (2016: 41%) of the Group total revenue.

On 29 December 2017, the Group and the major customer have mutually agreed not to renew the supply of poultry products agreements. The current agreements amongst the parties will be ending on 31 December 2017.

36. CAPITAL MANAGEMENT

The Group's management manage its capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings (exclude trade and other payables, amount owing to Director, less cash and cash equivalents).

The gearing ratio is as follows:

	Group	
	2017 RM	**2016 RM**
Borrowings (RM)	**17,719,026**	21,246,515
Less: Cash and bank balances (RM)	**(14,700,650)**	(1,212,496)
Total net debts (RM)	**3,018,376**	20,034,019
Total equity	**36,937,409**	60,475,109
Debt-to-equity ratio	**8%**	33%

There were no changes in the Groups approach to capital management during the financial year.
The Group is not subject to any externally imposed capital requirements.

37. SUBSEQUENT EVENT AFTER BALANCE SHEET DATE

On 12 February 2018, the Company had incorporated a wholly-owned subsidiary, D Construction Sdn. Bhd. ("DCSB"), by subscribing for one ordinary share, representing the entire issued share capital of DCSB. The principal activity is construction of buildings and houses. The directors of DCSB are Dato' Doh Jee Ming, Dato' Doh Tee Leong and Dato' Ding Seng Huat.

On 26 January 2018, the Company had incorporated a wholly-owned subsidiary, DBE Development Sdn Bhd ("DBED") (Company No. 1266179-W), by subscribing for one (1) ordinary share, representing the entire issued share capital of DBED. The principal activity is property development. The Directors of DBED are Dato' Doh Jee Ming, Dato' Doh Tee Leong and Dato' Ding Seng Huat.

On 9 January 2018, the Company has incorporated a 98.7% subsidiary namely Harumi International Holdings Limited in Taiwan (Republic of China) with an initial paid up capital of NT$7,500,000 (equivalent of approximately RM997,080/-). The purpose of incorporating a new subsidiary in Taiwan is to promote the Harumi products via retail chains in Taiwan as well as in China. None of the Directors or major shareholders of DBE or persons connected with them have any direct or indirect interest in the incorporation of said new subsidiary.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Directors in accordance with a resolution of the Board of Directors on the date of these financial statements.