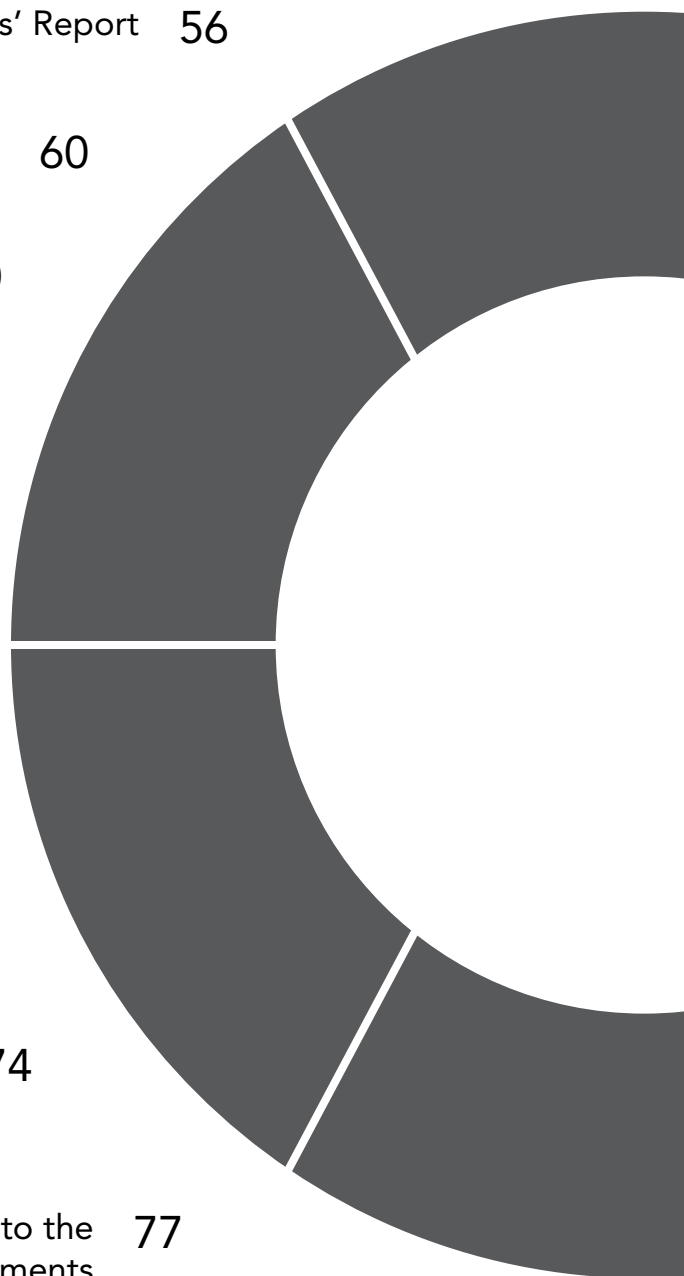


# CONTENTS

Directors' Report	56
Statement by Directors	60
Statutory Declaration	60
Independent Auditors' Report to the Members	61
Statements of Comprehensive Income	67
Statements of Financial Position	68
Statements of Changes in Equity	71
Statements of Cash Flows	74
Notes to the Financial Statements	77



# DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

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

## RESULTS

	Group RM	Company RM
Net loss for the financial year	27,849,657	68,650,449

## RESERVES AND PROVISIONS

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

## ISSUANCE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Company is not in a position to pay or declare dividends for the current financial year.

## DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are:

Dato' Ding Seng Huat, DSAP

Dato' Doh Jee Ming

Dato' Doh Tee Leong

YM Ungku A Razak Bin Ungku A Rahman

Sandeep Singh A/L Gurbachan Singh

Foo Kwai Kheng

Dato' Ding Chong Chow, DIMP, PPT

Dato' Cheng Lay Miew

YM Raja Azlan Shah Bin Raja Azwa

Appointed on 26 October 2018

Resigned on 26 October 2018

Resigned on 26 October 2018

Resigned on 17 December 2018

# DIRECTORS' REPORT (Cont'd)



## DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act, 2016, the Directors who served in the subsidiaries (including Directors who are also Directors of the Company) since the beginning of the financial year to the date of this report are as follows:

Dato' Ding Chong Chow, DIMP, PPT

Dato' Ding Seng Huat, DSAP

Dato' Doh Jee Ming

Dato' Doh Tee Leong

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interest of Directors in office at the end of financial year in shares in or debentures of the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares				Amount	
	At 1.1.2018 Unit	Bought Unit	Sold Unit	At 31.12.2018 Unit	At 1.1.2018 RM	At 31.12.2018 RM
<b>Name of Directors</b>						
<i>Ordinary shares in the Company</i>						
Direct interest:						
- Dato' Ding Seng Huat, DSAP	130,903,374	-	-	130,903,374	4,581,618	3,927,101
- Dato' Doh Jee Ming	47,520,000	10,000,000	-	57,520,000	1,663,200	1,725,600
- Foo Kwai Kheng	-	380	-	380	-	11
Indirect interest:						
- Dato' Doh Jee Ming *	234,741,784	704,538,436	-	939,280,220	8,215,963	28,178,407
- Dato' Doh Tee Leong * #	235,174,684	704,538,436	432,900	939,280,220	8,231,114	28,178,407

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

# Indirect interest by virtue of shares held by his spouse pursuant to Section 59(11)(c) of the Companies Act, 2016 in Malaysia.

Dato' Doh Jee Ming and Dato' Doh Tee Leong are deemed to have interest in the shares held by the Company in its subsidiaries by virtue of their substantial interest in shares of the Company.

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

# DIRECTORS' REPORT (Cont'd)

## DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiaries for their services to the Company and its subsidiaries were as follows:

	Company RM	Subsidiaries RM
Fee	90,000	-
Salary, allowances and bonus	168,000	1,224,465
Contributions to defined contribution plan	-	108,000
Others	-	6,424
<b>Total fees and other benefits</b>	<b>258,000</b>	<b>1,338,889</b>

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed 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, other than those as disclosed in Note 27 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object 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.

## OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values 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.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

# DIRECTORS' REPORT (Cont'd)



## OTHER STATUTORY INFORMATION (Cont'd)

- (d) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
  - (ii) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.
- (e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company is RM40,000 and its subsidiaries is RM85,000.
- (f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director or past Director of the Company.
- (g) The total amount of indemnity given to or insurance effected for Directors of the Company is RM5,000,000.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events are disclosed in Note 33 to the financial statements.

## EVENT SUBSEQUENT TO THE END OF FINANCIAL YEAR

Details of significant events are disclosed in Note 34 to the financial statements.

## AUDITORS

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 19 April 2019.

Dato' Ding Seng Huat, DSAP

Dato' Doh Jee Ming

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on page 67 to 150 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 19 April 2019.

Dato' Ding Seng Huat, DSAP

Dato' Doh Jee Ming

# STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, Dato' Ding Seng Huat, DSAP, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on page 67 to 150 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed  
at Kuala Lumpur in the Federal Territory  
on 19 April 2019

Dato' Ding Seng Huat, DSAP

Before me,

Tan Kim Chooi  
No. W 661  
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 2018 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 page 67 to 150.

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

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

Key Audit Matters	Our audit performed and responses thereon
<p><b>Impairment Review of Plant and Equipment</b></p> <p>As at 31 December 2018, as shown in Note 8 to the financial statements, the carrying amount of the Group's property, plant and equipment amounted to RM68,366,565, representing approximately 57% of the Group's total assets and the Group's impairment loss recognised during the financial year is RM16,489,175.</p> <p>One of the main operating subsidiaries of the Group with material plant and equipment balances are in continuous loss-making and significant accumulated losses position has resulted in multiple indications that the carrying amount of plant and equipment may be impaired. Accordingly, the Group estimated the recoverable amount of the plant and equipment based on value-in-use ("VIU") calculation using cash flows projections derived from the most recent financial forecast approved by Directors covering a five-year period.</p> <p>We have identified the impairment review of plant and equipment as a key audit matter as impairment test involves significant management judgement in estimating the underlying assumptions to be applied in the discounted cash flows projections of the VIU calculation. The recoverable amount of the Group's plant and equipment is highly sensitive to key assumptions applied in respect of future revenue growth rate, gross margin, the long-term growth rate and the pre-tax discount rate used in the cash flows projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount.</p>	<p>We have performed the following audit procedures to evaluate management's methodology and assumptions used in the VIU:</p> <ul style="list-style-type: none"><li>• Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors;</li><li>• Evaluated management's budgeting processing by comparing actual results to historical cash flows projections;</li><li>• Compared the key assumptions including forecast revenue, growth rate, gross margin and discount rate against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available;</li><li>• Performed a sensitivity analysis by changing certain key assumptions used in the VIU calculation and assessed the impact of the recoverable amount of the plant and equipment; and</li><li>• Assessed the adequacy and appropriateness of the disclosures made in the financial statements.</li></ul>

# INDEPENDENT AUDITORS' REPORT

to the members of D.B.E. GURNEY RESOURCES BERHAD (Cont'd)

## Key Audit Matters (Cont'd)

Key Audit Matters	Our audit performed and responses thereon
<p><b>Valuation of Biological Assets</b></p> <p>Biological assets of the Group consist of breeders and broilers. These assets are measured at fair value less cost to sell upon the adoption of MFRS 141, Agriculture with effect from 1 January 2018. At the reporting date, the balance of the biological assets of the Group were carried at RM8,132,542.</p> <p>The key assumptions used in determining the fair value of breeders and broilers are disclosed in Note 12 to the financial statements.</p> <p>We identified the valuation of the Group's biological assets as a key audit matter due to the significant judgement associated with the determination of fair value based on valuation carried out by an independent professional valuer ("the Valuer").</p>	<p>We have performed the following audit procedures to evaluate Valuer's methodology and assumptions used in the valuation of biological assets:</p> <ul style="list-style-type: none"><li>• Considered the objectivity, independence and expertise of the Valuer engaged by the Management;</li><li>• Obtained an understanding of the methodology adopted by the Valuer in estimating the fair value of biological assets and assessed whether such methodology is consistent with those used in the industry;</li><li>• Discussion with the Valuer to obtain understanding of the market value used as inputs to the valuation models and of the adjustments made to the observable inputs;</li><li>• Tested the mathematical accuracy of the Valuer's workings; and</li><li>• Tested checked the assumptions used by valuer against historical data and found them to be in agreement.</li></ul>
<p><b>Valuation of Inventories</b></p> <p>As at 31 December 2018, as shown in Note 13 to the financial statements, the carrying amount of inventories held by the Group is RM15,138,598 which represents approximately 13% of total assets of the Group. Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises the cost of purchase of raw materials, direct labour, plus conversion costs such as variable costs, fixed overheads and property development costs.</p> <p>This key audit matter focused on inventories arising from poultry segment amounting to RM7,151,336. We focused on this area due to significant judgement involved to determine the multiple inputs used to arrive at the cost allocation to the various finished goods.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of the inventories valuation policy and its related processes in allocating, recording and computing the cost of inventories;</li><li>• Reviewing the computation of inventory costing which includes costs of raw materials, direct labour, other direct costs, and other incidental costs incurred in bringing the inventories to their present location and condition;</li><li>• Observing year end physical inventory count to examine physical existence and condition of the finished goods; and</li><li>• Reviewing the Group's assessment on the net realisable value of finished goods.</li></ul>



# INDEPENDENT AUDITORS' REPORT

to the members of D.B.E. GURNEY RESOURCES BERHAD (Cont'd)



## Key Audit Matters (Cont'd)

Key Audit Matters	Our audit performed and responses thereon
<b>Recoverability Assessment of Trade Receivables</b>	
<p>As at 31 December 2018, as shown in Note 14 to the financial statements, the Group has total net trade receivables of RM17,443,288 and the Group's impairment loss recognised during the year is RM701,833. The total net trade receivables representing approximately 14% of the Group's total assets.</p>	<p>We have performed the following audit procedures to assess the management's assessment about the recoverability of trade receivables:</p>
<p>We focused on this area because the Directors made significant judgement over assumptions about risk of default and expected loss rate. In making the assumptions, the Directors selected inputs to the impairment calculation, based on the Group's past history and forward-looking information at the end of the reporting period.</p>	<ul style="list-style-type: none"><li>• Understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports prepared by management;</li><li>• Reviewing subsequent receipts and considering level of activity with the customer and management explanation on recoverability with significantly past due balances;</li><li>• Review management's assessment on the recoverability of past due debts to assess the sufficiency of allowance for trade receivables through specific and collective provisions with reference to historical payment behavior of the customers, historical trend of bad debts or impairment provided for and correlation with macroenvironment factors; and</li><li>• Assessed the adequacy and appropriateness of the disclosures made in the financial statements.</li></ul>
<b>Going Concern</b>	
<p>As at 31 December 2018, the Group and the Company recorded loss after tax of RM27,849,657 and RM68,650,449 respectively. The Group and the Company also recorded negative operating cash flows of RM1,140,131 and RM1,176,388 respectively for the financial year ended 31 December 2018.</p>	<p>We have performed the following audit procedures:</p>
<p>The Group has continued to adopt the going concern basis in preparing the financial statements after having considered the surplus cash flows contributed from the property development segment and obtaining continued financial support from two major shareholders to enable the Group to have sufficient resources to continue its operations for the period of at least 12 months from the reporting date.</p>	<ul style="list-style-type: none"><li>• Reviewed the Group's assessment in relation to going concern;</li><li>• Assessed whether the cash flows forecast was prepared by management based on the approved budgets by the Directors;</li><li>• Assessed the ability of the major shareholders to provide continuous financial support for at least 12 months from the end of the financial year;</li><li>• Reviewed the cash flows forecast by comparing the Group's key assumptions to our assessments to assess their reasonableness and achievability of the forecasting;</li><li>• Tested the mathematical accuracy of the cash flows forecast calculation;</li><li>• Performed sensitivity analysis for a range of reasonably possible scenarios; and</li><li>• Obtained confirmation from the major shareholders of the Company who extended an advance to the Group amounted to approximately RM12.3 million which is repayable on demand.</li></ul>
<p>The assessment on the Group's ability to continue as a going concern was an area of focus as the assessment requires the exercise of significant judgement by the Directors on assumptions supporting the cash flows forecast, including the revenue and profit margins. These are fundamental to the appropriateness of the going concern basis which was adopted for the preparation of the financial statements.</p>	

# INDEPENDENT AUDITORS' REPORT

to the members of D.B.E. GURNEY RESOURCES BERHAD (Cont'd)

## Key Audit Matters (Cont'd)

Key Audit Matters	Our audit performed and responses thereon
<p><b>Impairment Review of the Company's Investment in Subsidiaries</b></p> <p>As at 31 December 2018, as shown in Note 9 to the financial statements, the carrying amount of the Company's investment in subsidiaries amounted to RM250,001 and the Company's impairment loss on investment in subsidiaries recognised during the year is RM44,362,928.</p> <p>A history of recent losses and significant accumulated losses recorded by certain subsidiaries has resulted in multiple indications that the carrying amount of investment in subsidiaries may be impaired. Accordingly, the Company estimated the recoverable amount of the investment in subsidiaries based on value-in-use ("VIU") calculation using cash flows projections derived from the most recent financial forecast approved by Directors covering a five-year period.</p> <p>We have identified the impairment review of investment in subsidiaries as a key audit matter as impairment test involves significant judgement in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amount of the Company's investment in subsidiaries is highly sensitive to key assumptions applied in respect of future revenue growth rate, gross margin, the long-term growth rate and the pre-tax discount rate used in the cash flows projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount.</p>	<p>We have performed the following audit procedures to evaluate management's methodology and assumptions used in the VIU and for respective subsidiaries:</p> <ul style="list-style-type: none"><li>• Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors;</li><li>• Evaluated management's budgeting processing by comparing actual results to historical cash flows projections;</li><li>• Compared the key assumptions including forecast revenue, growth rates, gross margin and discount rate against our knowledge of the subsidiaries's historical performance, business and cost management strategies based on facts and circumstances currently available;</li><li>• Performed a sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the cost of investment; and</li><li>• Assessed the adequacy and appropriateness of the disclosures made in the financial statements.</li></ul>
<p><b>Recoverability of Amounts due from Subsidiaries</b></p> <p>As at 31 December 2018, as shown in Note 16 to the financial statements, the Company recorded net amounts due from subsidiaries amounted to RM11,723,361 and the Company's impairment loss on amounts due from subsidiaries recognised during the year is RM22,585,617.</p> <p>We identified the recoverability of amounts due from subsidiaries as a key audit matter due to the recognition of these assets involving judgement by management as to the likelihood of the recoverability of these amounts due from subsidiaries, which is based on a number of factors, including whether there will be sufficient cash flows in the future to repay the outstanding amounts.</p>	<p>We have performed the following audit procedures to assess the management's assessment about the recoverability of amounts due from subsidiaries:</p> <ul style="list-style-type: none"><li>• Evaluating management's assessment on the sufficiency of future cash flows in support of the low credit risk of amounts due from subsidiaries by comparing management's forecasts of future cash flows to historical results and evaluating the assumptions used in those forecasts; and</li><li>• Performed sensitivity analysis by changing certain key assumptions used in the forecast of future cash flows calculations and assessed the impact to the future cash flows.</li></ul>

# INDEPENDENT AUDITORS' REPORT

to the members of D.B.E. GURNEY RESOURCES BERHAD (Cont'd)



## 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 information included in the Annual Report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report 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 Annual Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

## Responsibilities of the Directors for the Financial Statements

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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 and 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 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 and the Company to cease to continue as a going concern.

# INDEPENDENT AUDITORS' REPORT

to the members of D.B.E. GURNEY RESOURCES BERHAD (Cont'd)

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

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

- (e) 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Other Matters

- (i) As stated in Note 2(a) to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the financial year then ended.
- (ii) 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 contents of this report.
- (iii) The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 13 April 2018.

MOORE STEPHENS ASSOCIATES PLT  
LLP0000963-LCA & AF002096  
Chartered Accountants

Petaling Jaya, Selangor  
Date: 19 April 2019

STEPHEN WAN YENG LEONG  
02963/07/2019 J  
Chartered Accountant

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018



	Note	Group		Company	
		2018	Restated 2017	2018	2017
		RM	RM	RM	RM
Revenue	4	<b>108,232,330</b>	111,721,035	-	-
Cost of sales		<b>(106,373,402)</b>	(108,873,939)	-	-
<b>Gross profit</b>		<b>1,858,928</b>	2,847,096	-	-
Other income		<b>6,813,462</b>	1,694,234	<b>2,728</b>	-
Administrative expenses		<b>(13,896,013)</b>	(14,714,035)	<b>(1,106,040)</b>	(2,453,581)
Selling and marketing expenses		<b>(973,996)</b>	-	-	-
Other expenses		<b>(19,496,430)</b>	(8,166,324)	<b>(67,547,137)</b>	(15,174,580)
<b>Loss from operations</b>		<b>(25,694,049)</b>	(18,339,029)	<b>(68,650,449)</b>	(17,628,161)
Finance costs	5	<b>(1,128,447)</b>	(2,094,624)	-	-
Share of result of associates	10	<b>(80,722)</b>	(28,953)	-	-
<b>Loss before tax</b>	5	<b>(26,903,218)</b>	(20,462,606)	<b>(68,650,449)</b>	(17,628,161)
Income tax expense	6	<b>(946,439)</b>	209,093	-	-
<b>Loss for the year, net of tax</b>		<b>(27,849,657)</b>	(20,253,513)	<b>(68,650,449)</b>	(17,628,161)
<b>Other comprehensive income, net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Revaluation surplus, net of tax		<b>223,250</b>	9,721,409	-	-
<b>Total comprehensive income for the financial year</b>		<b>(27,626,407)</b>	(10,532,104)	<b>(68,650,449)</b>	(17,628,161)
<b>Loss per ordinary share attributable to Owners of the Company:</b>					
Basic and diluted (sen):	7	<b>(0.010)</b>	(0.014)		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

	Group		Company	
	31.12.2018	Restated 31.12.2017	31.12.2018	31.12.2017
Note	RM	RM	RM	RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	68,366,565	68,120,065	4
Investment in subsidiaries	9	-	-	44,362,928
Investment in associates	10	-	211,047	-
Investment in unquoted shares	11	-	-	-
		<b>68,366,565</b>	<b>68,120,065</b>	<b>59,469,788</b>
<b>Current assets</b>				
Biological assets	12	8,132,542	9,561,332	-
Inventories	13	15,138,598	6,479,024	-
Trade receivables	14	17,443,288	15,108,496	-
Other receivables	15	2,414,701	8,837,526	-
Amounts due from subsidiaries	16	-	-	47,131,739
Tax recoverable		8,064	-	-
Fixed deposits with licensed banks	17	5,367,189	29,000	29,000
Cash and bank balances		3,136,200	1,183,496	1,931,191
		<b>51,640,582</b>	<b>41,500,923</b>	<b>18,269,167</b>
		<b>120,007,147</b>	<b>109,620,988</b>	<b>77,738,955</b>
			<b>11,723,743</b>	<b>93,454,862</b>
			<b>11,973,748</b>	
			<b>11,723,361</b>	
			<b>382</b>	
			<b>250,005</b>	
			<b>250,001</b>	
			<b>4</b>	



# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018 (Cont'd)

	Group		Company	
	31.12.2018	Restated 31.12.2017	31.12.2018	31.12.2017
Note	RM	RM	RM	RM
		Restated 1.1.2017		1.1.2017
		RM		RM
<b>Current liabilities</b>				
Trade payables	15,811,689	15,053,052	-	-
Other payables	13,620,045	8,235,905	78,391	236,711
Redeemable convertible notes	-	2,283,678	-	2,283,678
Amount due to Directors	12,255,225	46,161	-	-
Amounts due to subsidiaries	-	-	-	12,828,277
Borrowings - secured	5,162,092	9,925,229	-	-
Provision for taxation	1,116,922	17,209	-	-
	<b>47,965,973</b>	<b>35,561,234</b>	<b>78,391</b>	<b>15,348,666</b>
	<b>62,579,441</b>	<b>49,882,367</b>	<b>78,391</b>	<b>15,412,584</b>
<b>TOTAL LIABILITIES</b>				
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>120,007,147</b>	<b>109,620,988</b>	<b>11,973,748</b>	<b>77,738,955</b>

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.



# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2018



	Attributable to Owners of the Company		Non-Distributable				Total Equity
	Share Capital	Share Premium	Share Revaluation Reserve	Asset Revaluation Reserve	Other Reserve	Redeemable Convertible Notes	
Note	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>							
<b>At 1 January 2017, as previously reported</b>	10,831,639	9,960,693	10,759,199	38,578,011	202,404	(9,856,837)	60,475,109
Effect of first time adoption of MFRS	-	-	-	-	-	(736,488)	(736,488)
<b>At 1 January 2017, as restated</b>	10,831,639	9,960,693	10,759,199	38,578,011	202,404	(10,593,325)	59,738,621
Loss for the year, as previously reported	-	-	-	-	-	(20,313,670)	(20,313,670)
Effect of first time adoption of MFRS	-	-	-	-	-	706,417	706,417
Prior year adjustment	-	-	-	-	-	(646,260)	(646,260)
Loss for the year, as restated	-	-	-	-	-	(20,253,513)	(20,253,513)
<b>Other comprehensive income</b>							
Asset revaluation reserve, net of tax	-	-	9,721,409	-	-	-	9,721,409
Realisation of asset revaluation reserve	-	-	(633,669)	-	-	633,669	-
<b>Total comprehensive income for the financial year, as restated</b>	-	-	9,087,740	-	-	(19,619,844)	(10,532,104)
<b>Transactions with Owners of the Company:</b>							
Issuance of Redeemable Convertible Notes	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)	-	-	-	-	-
<b>Total transactions with Owners of the Company</b>	46,010,693	(9,960,693)	-	-	(202,404)	-	35,847,596
<b>At 31 December 2017, as restated</b>	56,842,332	-	19,846,939	38,578,011	-	(30,213,169)	85,054,113

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2018 (Cont'd)

Group	Attributable to Owners of the Company		Non-Distributable		Total Equity	
	Share Capital	Asset Revaluation Reserve	Other Reserve	Accumulated Losses	RM	RM
Note	RM	RM	RM	RM	RM	RM
<b>At 1 January 2018, as restated</b>	56,842,332	19,846,939	38,578,011	(30,213,169)	85,054,113	
Loss for the year	-	-	-	(27,849,657)	(27,849,657)	
<b>Other comprehensive income</b>						
Asset revaluation reserve, net of tax	-	223,250	-	-	223,250	
Realisation of asset revaluation reserve	-	(539,862)	-	539,862	-	
<b>Total comprehensive income for the financial year</b>	-	(316,612)	-	539,862	223,250	
Capital reduction	-	-	(38,578,011)	38,578,011	-	
<b>At 31 December 2018</b>	<b>56,842,332</b>	<b>19,530,327</b>	<b>-</b>	<b>(18,944,953)</b>	<b>57,427,706</b>	

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2018 (Cont'd)



Company	Attributable to Owners of the Company		Non-Distributable		Distributable		Total Equity
	Share Capital	Share Premium	Other Reserve	Redeemable Convertible Notes	Retained Earning/ (Accumulated Losses)	RM	
Note	RM	RM	RM	RM	RM	RM	RM
<b>At 1 January 2017</b>	10,831,639	9,960,693	38,578,011	202,404	2,753,624	62,326,371	
Loss for the year	-	-	-	-	(17,628,161)	(17,628,161)	
<b>Transactions with Owners of the Company:</b>							
Issuance of Redeemable Convertible Notes	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)	-	-	-	-	
<b>Total transactions with Owners of the Company</b>	46,010,693	(9,960,693)	-	(202,404)	-	35,847,596	
<b>At 31 December 2017</b>	56,842,332	-	38,578,011	-	(14,874,537)	80,545,806	
<b>At 1 January 2018</b>	56,842,332	-	38,578,011	-	(14,874,537)	80,545,806	
Loss for the year	-	-	-	-	(68,650,449)	(68,650,449)	
Capital reduction	-	-	(38,578,011)	-	38,578,011	-	
<b>At 31 December 2018</b>	56,842,332	-	-	-	(44,946,975)	11,895,357	

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

	Group		Company		
	Note	2018 RM	Restated 2017 RM	2018 RM	2017 RM
<b>Cash Flows from operating activities</b>					
Loss before tax		<b>(26,903,218)</b>	(20,462,606)	<b>(68,650,449)</b>	(17,628,161)
Adjustments for:					
Changes in fair value on unquoted shares		<b>1,070,000</b>	-	<b>1,070,000</b>	-
Depreciation of property, plant and equipment		<b>6,393,003</b>	5,619,338	-	-
Loss/(Gain) on disposal of property, plant and equipment		<b>13,710</b>	(30,711)	-	-
Impairment loss on:					
- amounts due from subsidiaries		-	-	<b>22,585,617</b>	65,183
- investment in associates		<b>268,251</b>	-	-	-
- investment in subsidiaries		-	-	<b>44,362,928</b>	15,402,610
- property, plant and equipment		<b>16,489,175</b>	123,772	-	-
- receivables		<b>701,833</b>	7,574,966	-	-
Interest expense		<b>1,128,447</b>	2,094,624	-	-
Interest income		<b>(329,730)</b>	-	<b>(2,728)</b>	-
Reversal of impairment loss on:					
- amounts due from subsidiaries		-	-	<b>(471,408)</b>	-
- investment in subsidiaries		-	-	-	(295,757)
- receivables		<b>(6,196,744)</b>	(1,574,875)	-	-
Share of result of associates		<b>80,722</b>	28,953	-	-
Written off on:					
- Deposit		<b>8,990</b>	-	-	-
- amounts due from subsidiaries		-	-	-	2,540
- investment in subsidiaries		-	-	-	3
- property, plant and equipment		<b>419,984</b>	867	-	-
<b>Operating loss before changes in working capital</b>		<b>(6,855,577)</b>	(6,625,672)	<b>(1,106,040)</b>	(2,453,582)
Biological assets		<b>974,940</b>	453,850	-	-
Inventories		<b>(8,659,574)</b>	302,049	-	-
Receivables		<b>5,842,962</b>	(2,269,099)	-	-
Payables		<b>8,356,936</b>	866,993	<b>(73,075)</b>	(85,245)
<b>Cash used in operations</b>		<b>(340,313)</b>	(7,271,879)	<b>(1,179,115)</b>	(2,538,827)
Interest received		<b>329,730</b>	-	<b>2,728</b>	-
Interest paid		<b>(1,128,447)</b>	(2,094,624)	-	-
Income tax paid		<b>(1,101)</b>	(15,185)	-	-
<b>Net cash used in operating activities</b>		<b>(1,140,131)</b>	(9,381,688)	<b>(1,176,387)</b>	(2,538,827)

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018 (Cont'd)



	Note	Group		Company	
		2018 RM	Restated 2017 RM	2018 RM	2017 RM
Balance brought forward		(1,140,131)	(9,381,688)	(1,176,387)	(2,538,827)
<b>Cash Flows from Investing Activities</b>					
Acquisition of associate		(137,926)	(240,000)	-	-
Acquisition of subsidiaries		-	-	(250,001)	-
Acquisition of unquoted shares		(1,070,000)	-	(1,070,000)	-
Cash written off		-	(3)	-	-
Purchase of property, plant and equipment	8(c)	(10,976,645)	(3,278,168)	-	-
Proceeds from disposal property, plant and equipment		7,800	39,231	-	-
<b>Net cash used in investing activities</b>		<b>(12,176,771)</b>	<b>(3,478,940)</b>	<b>(1,320,001)</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>					
Advances from Directors		12,147,782	61,282	-	-
Advances from/(Repayment to) subsidiaries		-	-	536,579	(29,045,722)
Drawdown of borrowings		-	24,593,311	-	-
Proceeds from issuance of shares		-	36,050,000	-	36,050,000
Proceeds from Redeemable Convertible Note		-	(2,550,000)	-	(2,550,000)
Uplift of/(increase in) fixed deposits pledged		1,334,366	(1,334,366)	-	-
Repayment of borrowings		(6,892,743)	(32,840,448)	-	-
<b>Net cash from financing activities</b>		<b>6,589,405</b>	<b>23,979,779</b>	<b>536,579</b>	<b>4,454,278</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,727,497)</b>	<b>11,119,151</b>	<b>(1,959,809)</b>	<b>1,915,451</b>
Cash and cash equivalents at beginning of the year		12,232,414	1,113,263	1,960,191	44,740
<b>Cash and cash equivalents at end of the year</b>	(i)	<b>5,504,917</b>	<b>12,232,414</b>	<b>382</b>	<b>1,960,191</b>

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018 (Cont'd)

(i) Cash and cash equivalents comprise the following:

	Note	Group		Company	
		2018 RM	Restated 2017 RM	2018 RM	2017 RM
Cash and bank balances		<b>3,136,200</b>	15,301,577	<b>382</b>	1,931,191
Fixed deposits with licensed banks	17	<b>5,367,189</b>	1,363,366	-	29,000
		<b>8,503,389</b>	16,664,943	<b>382</b>	1,960,191
Less: Fixed deposits pledged with licensed banks	17	-	(1,334,366)	-	-
Cashline-i	22	<b>(2,998,467)</b>	(3,000,000)	-	-
Bank overdraft	22	<b>(5)</b>	(98,163)	-	-
		<b>5,504,917</b>	12,232,414	<b>382</b>	1,960,191

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018



## 1. CORPORATE INFORMATION

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

The registered office of the Company is located at No. 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600, Jelutong, Penang.

The principal place of business of the Company is located at Plot 137 & 138 Kawasan Perindustrian Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan, Perak Darul Ridzuan.

The Company is principally engaged in investment holding. The principal activity of the subsidiaries is disclosed in Note 9. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 19 April 2019.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS"). The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2018, the comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening MFRSs statements of financial position as at 1 January 2017 (date of transition to MFRSs).

The changes in accounting policies as a consequence of the transition to MFRSs are presented in Note 32.

### **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int**

#### **(i) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new MFRSs and Amendments/Improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and for the Company:

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (Cont'd)

### (a) Statement of compliance (Cont'd)

#### **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Cont'd)**

#### **(i) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (Cont'd)**

##### ***Effective for financial periods beginning on or after 1 January 2019***

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretations 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015-2017 Cycle	

##### ***Effective for financial periods beginning on or after 1 January 2020***

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
IC Interpretation 132	Intangible Assets-Web Site Costs

##### ***Effective for financial periods beginning on or after 1 January 2021***

MFRS 17	Insurance Contracts
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##### ***Effective date to be announced***

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial applications, except as described below:



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 2. BASIS OF PREPARATION (Cont'd)

### (a) Statement of compliance (Cont'd)

**New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Cont'd)**

- (i) **New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (Cont'd)**

#### **MFRS 16 Leases**

The Group will elect to use the exemption proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application.

During the year, the Group has performed a detailed assessment of MFRS 16 and the summary of the impact of adoption of the standard is as follows:

#### **Impact to statement of financial position as at 31 December 2019:**

	<b>31.12.2019</b>
	<b>RM</b>
<b>Asset</b>	
Lease assets	1,210,720
<b>Liabilities</b>	
Lease liabilities	(1,950,646)
Deferred tax liabilities	(177,582)
<b>Net impact on equity</b>	<u>(917,508)</u>

#### **Impact to statement of comprehensive income (increase/(decrease)) for the financial year ended 31 December 2019:**

	<b>31.12.2019</b>
	<b>RM</b>
Cost of sales (operating lease expense)	(1,344,400)
Administrative expenses (operating lease expense)	(465,925)
Amortisation of lease assets	817,379
Finance costs	529,494
<b>Profit for the year</b>	<u>(463,452)</u>

Due to the adoption of MFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under MFRS 117.

### (b) Basis of Measurement

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (Cont'd)

### (c) Functional and presentation currency

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

### (d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's result of operations, 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 affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures 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 amounts of assets and liabilities within the next financial year are set out below.

#### (i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 5 to 99 years.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### (ii) Biological assets

The fair value of biological assets is determined based on valuations performed by an independent professional valuer.

In measuring the fair value of biological assets, estimates and judgements are required which include the market price, expected quantity of eggs to be produced over the life of the breeders, value of eggs produced by breeders, mortality rate, feed consumption rate, feed costs and other direct costs. Changes to any of these assumptions would affect the fair value of the biological assets.

The key assumptions used in the valuation methods are disclosed in Note 12 to the financial statements.

#### (iii) Impairment of Non-financial Assets

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 2. BASIS OF PREPARATION (Cont'd)

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

#### (iv) Impairment of receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loan and receivables at the reporting date are disclosed in note to the financial statements.

In adoption of MFRS 9, the Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

For amount due from subsidiaries, the Company applies the approach permitted by MFRS 9, which requires the Company measures the allowance for impairment loss for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

#### (v) Revaluation of properties

All properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining the fair values of the buildings based on replacement cost model less the amount of accrued physical depreciation as evidenced by the observed condition and assuming the continued use of the installed property for the designed purpose as part of a going concern but without specific relation to earnings.

Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

#### (vi) Carrying value of investment in subsidiaries

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiaries.

#### (vii) Property development

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract). In making the estimate, management relies on opinion/service of experts, past experience and a continuous monitoring mechanism.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. BASIS OF PREPARATION (Cont'd)

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

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

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

(ix) Control over an investee

The Directors considers that the Group has no significant control of Harumi International Holdings Limited ("HIHL") even though it owns 98.7% of the equity shares. Based on MFRS 10, such investment has not been treated as subsidiary or jointly controlled investment entity given the Group has no significant influence over its operating and financing activities. Hence, it is regarded as investment in an equity instrument carried at fair value as disclosed in Note 11.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

### (a) Basis of consolidation

#### Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the 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 controls 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 a 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 previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. 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 control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### 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, measured at acquisition date fair value 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 interests 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 changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

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.

#### Subsidiaries

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

#### Associates

Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Revenue and other income recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (b) Revenue and other income recognition (Cont'd)

#### Sale of on-going construction units

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract).

#### Sale of goods

Revenue from sale of goods is recognised upon delivery of goods where control of the goods has been passed to the customers, or performance of services, net of sales and goods and services taxes and discounts.

Other revenue earned by the Group are recognised on the following bases:

#### Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on asset.

#### Rental income

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

### (c) Employee benefits

#### (i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial 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, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

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

#### (ii) Defined contribution plans

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (d) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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.

### (e) Income taxes

#### Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

#### Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

#### Goods and Services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (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.

#### (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.

Leasehold land which is in substance is an operating lease is classified as prepaid lease payments and amortised on a straight-line basis over the lease period as disclosed in the notes to the financial statements.

### (g) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise free warrants granted to shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (h) Property, plant and equipment

Property, plant and equipment are measured at cost/valuation less accumulated depreciation and accumulated impairment losses.

#### (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.

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.

The Group revalues its properties comprising land and building every 3 to 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

#### (ii) Subsequent costs

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

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its 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.

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 at the following annual rates:

Long leasehold lands	Over remaining leasehold period
Buildings	50 years
Cold room, installation, and plant and machineries	6 - 20 years
Motor vehicles	10 years
Signboard, furniture and fittings, and office equipments	5 - 10 years

Freehold lands have an indefinite useful life and therefore is not depreciated.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Biological assets

Biological assets comprise breeders and broilers are measured at fair value less cost to sell.

The fair value of breeders is determined using income approach based on the expected number of eggs produced by each breeder and after allowing for feed costs, contributory asset charges for the land and farm houses owned by the entity and other costs incurred in getting the breeders to maturity.

The fair value of broilers is determined using comparison approach by entails analysing recent transactions, asking price and sector benchmarks of similar biological assets in and around the locality for comparison purposes with adjustments made for age, size, weight and market condition.

Costs to sell include the incremental selling costs, exclude finance costs and income taxes.

Changes in fair value of biological assets are recognised in the statement of profit or loss.

### (j) Inventories

Inventories are measured at the lower of cost and net realisable value. The inventories of the Group are made up of poultry related inventories and relevant cost of land and development expenditure.

#### (i) Poultry related inventories

The cost of inventories is measured based on weighted average cost method and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition, are accounted for as follows:

- cost of raw materials and packaging materials comprise cost of purchase and are stated on a standard cost basis (which approximates average actual cost).
- cost of finished goods includes raw materials, labour and an appropriate proportion of production overheads.

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

#### (ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as contract assets within trade receivables and the excess of billings to the purchasers over revenue recognised in profit or loss is classified as contract liabilities within trade payables.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (k) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand and fixed deposits with licensed banks that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, cashline-i and pledged deposits, if any.

### (l) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively.

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

##### ***Current financial year***

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

##### ***Previous financial year***

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An 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 as 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (I) Financial instruments (Cont'd)

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### **Financial assets**

##### **Current financial year**

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

##### **(a) Amortised cost**

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(m)(i)) where the effective interest rate is applied to the amortised cost.

##### **(b) Fair value through profit or loss**

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 3(m)(i)).

##### **Previous financial year**

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, Financial Instruments: Recognition and Measurement as follows:

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost. Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Financial instruments (Cont'd)

#### (ii) Financial instrument categories and subsequent measurement (Cont'd)

##### *Financial assets (Cont'd)*

##### *Previous financial year (Cont'd)*

#### (b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value, through profit or loss, are subject to review for impairment (see Note 3(m)(i)).

##### *Financial liabilities*

##### *Current financial year*

The category of financial liabilities at initial recognition is as follows:

#### (a) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

##### *Previous financial year*

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost.

#### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

#### (iv) Financial guarantee contracts

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

##### *Current financial year*

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (l) Financial instruments (Cont'd)

#### (iv) Financial guarantee contracts (Cont'd)

##### *Previous financial year*

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

#### (v) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (a) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, 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.

### (m) Impairment of assets

#### (i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively.

##### *Current financial year*

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowance of the Group are measured on either of the following bases:

- (i) 12-month ECL - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- (ii) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (m) Impairment of assets (Cont'd)

#### (i) Financial assets (Cont'd)

##### **Current financial year (Cont'd)**

##### Simplified approach - trade receivables, lease receivables and contract assets

The Group applies the simplified approach to provide ECLs for all trade receivables, lease receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

##### General approach- other financial instruments and financial guarantee contracts

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-months ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 1 year past due.

The Company considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### Credit Impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (m) Impairment of assets (Cont'd)

#### (i) Financial assets (Cont'd)

##### **Current financial year (cont'd)**

##### Credit Impaired financial assets (cont'd)

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event (e.g being more than 1 year past due)
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

##### Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

##### **Previous financial year**

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (m) Impairment of assets (Cont'd)

#### (ii) 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.

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 of the assets 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 flow 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 cost 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 assessment of 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 exist. 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 assets 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 assets 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.

### (n) Equity instrument

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

#### Ordinary shares

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.

### (o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (p) Operating segments

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

### (r) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 4. REVENUE

	Note	Group	
		2018 RM	2017 RM
Live broilers and other farm related products	(i)	<b>34,121,775</b>	28,790,261
Processed products	(ii)	<b>59,701,250</b>	80,858,662
Property development revenue	(iii)	<b>12,742,411</b>	-
Restaurants and kiosk	(iv)	<b>1,666,894</b>	2,072,112
		<b><u>108,232,330</u></b>	<u>111,721,035</u>

Disaggregation of revenue by segment is disclosed in Note 28.

Revenue represents the Group's and the Company's revenue from contracts with customers which are recognised at a point in time.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 4. REVENUE (Cont'd)

### (i) Live broilers and other farm related products

The Group is engaged in trading of live broilers and other farm related products such as chicken feeds, egg and chemicals. The Group entered into contract with customers upon issuance of sales invoice to customers.

### (ii) Processed products

The Group is engaged in trading of processed products. The Group entered into contract with customers via a supply of poultry products agreement and upon issuance of sales invoice to customers.

#### *Performance Obligation ("PO") of (i) and (ii)*

PO is satisfied upon delivery of goods to customers and acknowledged by customers. The credit term granted to customers generally ranged from cash on delivery to 30 days. No allocation of transaction price required to PO as each contract consists of one PO only and transaction price is determined based on market price of the goods.

#### *Timing of recognition of (i) and (ii)*

Revenue is recognised at point in time when the Group had satisfied PO, i.e. delivery of goods to customers. At the end of the financial year end, there is no unsatisfied PO, i.e. unperformed services and therefore no cut-off issue on the recognition of revenue.

### (iii) Property development costs

The Group generates revenue from sale of on-going construction units.

The Group has entered into a Joint Development Agreement with third party to develop an affordable mixed development (i.e. single-storey semi-detached house, single-storey terrace house, and single-storey shop house). Contract with customer is established upon signing the Sale and Purchase Agreement ("SPA").

Revenue recognition is based on stage of completion method. The stage of completion method is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

#### *Performance Obligation ("PO")*

The PO is satisfied upon the customer simultaneously receives and consumes the benefits provided by the Group's performance. The duration of the contract generally takes 24 months to complete. Payment is generally due upon issuance of progress billing and tax invoice to customer.

#### *Timing of recognition*

Revenue is recognised when the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. The residential units sold have generally no alternative use for the Group due to contractual restrictions. The Group has an enforceable right to payment for the certified workdone over the contract period as promised in the Sale and Purchase Agreement (SPA). Therefore, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that aforesaid performance obligation.

#### *Variable consideration*

Incremental costs of obtaining a contract with a customer are recognised as an asset if the Group expects to recover those costs. The incremental costs of obtaining a contract are costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group has recognised the incremental costs of obtaining a contract with a customer as assets under Note 13(a).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 4. REVENUE (Cont'd)

### (iii) Property development costs (Cont'd)

#### Asset related to contracts with customers

The Group has recognised the carried-forward asset and performance obligations that was satisfied during the year as follows:

	Note	2018 RM
Cumulative revenue recognised in profit or loss		12,742,411
Cumulative billing to purchasers		<u>(7,921,500)</u>
Net progress billings		<u>4,820,911</u>
Representing:		
Total contract assets, representing revenue recognised from performance obligations satisfied during the year	14	<u>4,820,911</u>

#### Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from property development revenue.

	2018 RM
Total transaction price	21,872,000
Less: Property development revenue recognised	<u>(12,742,411)</u>
Aggregate amount of the transaction price allocated to property development revenue that are partially or fully unsatisfied as at 31 December	<u>9,129,589</u>

### (iv) Restaurants and kiosk

The Group operates restaurants and kiosk with its own brand name. The Group entered into contract with customers upon issuance of invoice to customers.

#### Performance Obligation ("PO")

PO is satisfied upon delivery of food to customers and all payments are based on cash on delivery. No allocation of transaction price required to PO as each contract consists of one PO only and transaction price is determined based on selling price of the goods.

#### Timing of recognition

Revenue is recognised at point in time when the Group had satisfied PO, i.e. delivery of goods to customers. At the end of the financial year end, there is no unsatisfied PO, i.e. unperformed services and therefore no cut-off issue on the recognition of revenue.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 5. LOSS BEFORE TAX

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

	Group		Company	
	2018 RM	Restated 2017 RM	2018 RM	2017 RM
Auditors' remuneration				
- Statutory audit				
- Current year	125,000	46,500	40,000	37,000
- Overprovision in prior year	-	(50,000)	-	(50,000)
- Other services	5,000	7,000	5,000	7,000
Changes in fair value on unquoted shares	1,070,000	-	1,070,000	-
Depreciation of property, plant and equipment	6,393,003	5,619,338	-	-
Directors' remuneration (Note a)	1,596,889	1,456,422	258,000	115,000
Employee benefits expense (Note b)	14,290,761	13,969,693	-	-
Impairment loss on:				
- amounts due from subsidiaries	-	-	22,585,617	65,183
- investment in associates	268,251	-	-	-
- investment in subsidiaries	-	-	44,362,928	15,402,610
- property, plant and equipment	16,489,175	123,772	-	-
- receivables	701,833	7,574,966	-	-
Interest expense:				
- banker's acceptance	7,333	135,433	-	-
- bank overdraft	977	9,878	-	-
- Bai' Bithman Ajil Facility	736,725	1,382,191	-	-
- Finance lease payables	366,852	133,464	-	-
- Cashline-i	16,560	433,658	-	-
Interest income	(329,730)	-	(2,728)	-
Loss/(gain) on disposal of property, plant and equipment	13,710	(30,711)	-	-
Reversal of impairment loss on:				
- amounts due from subsidiaries	-	-	(471,408)	-
- investment in subsidiaries	-	-	-	(295,757)
- receivables	(6,196,744)	(1,574,875)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 5. LOSS BEFORE TAX (Cont'd)

Loss before tax is arrived at after charging/(crediting) (Cont'd):

	Group		Company	
	2018	Restated 2017	2018	2017
	RM	RM	RM	RM
Rental of:				
- coldroom	207,680	200,180	-	-
- crane and forklift	22,730	44,557	-	-
- equipment	59,247	52,032	-	-
- farm	3,987,000	3,972,000	-	-
- hostel	713,223	424,060	-	-
- motor vehicle	652,500	629,424	-	-
Rental income	(119,846)	(33,600)	-	-
Realised loss/(gain) on foreign exchange	3,911	(4,642)	-	-
Written off on:				
- deposit	8,990	-	-	-
- amount due from a subsidiary	-	-	-	2,540
- investment in subsidiaries	-	-	-	3
- property, plant and equipment	419,984	867	-	-

(a) Directors' remuneration:

	Group		Company	
	2018	Restated 2017	2018	2017
Fee	90,000	90,000	90,000	90,000
Salary, allowances and bonus	1,392,465	1,249,686	168,000	25,000
Contributions to defined contribution plan	108,000	108,001	-	-
Others	6,424	8,735	-	-
	<b>1,596,889</b>	<b>1,456,422</b>	<b>258,000</b>	<b>115,000</b>

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

	Group		Company	
	2018	No. of Directors 2017	2018	2017
<b>Executive Directors:</b>				
RM100,001 - RM150,000	1	-	1	-
RM600,001 - RM650,000	2	2	-	-
<b>Non-Executive Directors:</b>				
Below RM50,000	4	3	6	3

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 5. LOSS BEFORE TAX (Cont'd)

(b) Employee benefits expense:

	Group	
	2018	Restated 2017
	RM	RM
Salary, allowances and bonus	12,133,118	11,304,055
Contributions to defined contribution plan	631,226	617,647
Others	1,526,417	2,047,991
	<u>14,290,761</u>	<u>13,969,693</u>

## 6. INCOME TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
<b>Current tax:</b>				
- Current year provision	1,116,922	-	-	-
- Overprovision in prior year	-	(8,986)	-	-
<b>Deferred tax (Note 23):</b>				
- Realisation of deferred tax liability arising from depreciable revaluation reserve	(170,483)	(200,107)	-	-
Income tax expense/(credit) for the financial year	<u>946,439</u>	<u>(209,093)</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

The reconciliations from the tax amount at statutory income tax rate to the Group's and to the Company's tax expense/(credit) are as follows:

	Group		Company	
	2018	Restated 2017	2018	2017
	RM	RM	RM	RM
Loss before tax	<u>(26,903,218)</u>	<u>(20,462,606)</u>	<u>(68,650,449)</u>	<u>(17,628,161)</u>
Tax at the Malaysian statutory income tax rate of 24%	(6,456,773)	(4,911,025)	(16,476,108)	(4,230,759)
Income not subject to tax	(1,487,220)	(257,099)	(113,138)	(70,982)
Tax effect on non-deductible expenses	936,768	2,719,521	16,589,246	4,301,741
Tax effect on share of result of associates	19,373	6,949	-	-
Deferred tax assets not recognised	8,104,774	2,441,654	-	-
Realisation of deferred tax liability arising from depreciable revaluation reserve	(170,483)	(200,107)	-	-
Overprovision of income tax in prior year	-	(8,986)	-	-
	<u>946,439</u>	<u>(209,093)</u>	<u>-</u>	<u>-</u>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 6. INCOME TAX EXPENSE (Cont'd)

The Group has the following estimated items available for set-off against future taxable profits:

	Group	
	2018	Restated 2017
	RM	RM
Unutilised tax losses	57,337,430	47,317,073
Unabsorbed capital allowances	59,870,969	56,779,425
Unutilised reinvestment allowances	47,428,883	47,428,883
	<u>164,637,282</u>	<u>151,525,381</u>

The availability of tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit.

With effect from Year of Assessment ("YA") 2019, the unutilised business losses and unabsorbed capital allowances in a YA of the Group can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source.

## 7. LOSS PER ORDINARY SHARE

### Basic loss per ordinary share

Basic loss per ordinary share for the financial year is calculated by dividing the loss after tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
Loss after tax attributable to the Owners of the Company (RM)	<u>(27,849,657)</u>	<u>(20,253,513)</u>
Number of ordinary shares at beginning of the year	2,678,229,306	1,083,163,945
Effect of weighted average on conversion of Redeemable Convertible Note	-	356,963,731
Weighted average number of ordinary shares in issue at end of financial year	<u>2,678,229,306</u>	<u>1,440,127,676</u>
Basic loss per ordinary share (sen)	<u>(0.010)</u>	<u>(0.014)</u>

### Diluted loss per share

The Group has no dilution in its loss per ordinary share as the exercise price of the warrants have exceeded the average market price of ordinary shares during the financial year. The options do not have any dilution effect on the weighted average number of ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 8. PROPERTY, PLANT AND EQUIPMENT

	At valuation		At cost				Total RM
	Freehold lands RM	Long leasehold lands RM	Buildings RM	Cold room, installation, plant and machinery RM	Motor vehicles RM	Signboard, furniture and fittings, and office equipment RM	
<b>Group</b>							
<b>2018</b>							
<b>Cost/Valuation</b>							
At 1 January	5,525,000	14,600,000	40,623,015	57,293,723	9,483,840	4,643,668	132,169,246
Additions	-	-	9,342,998	665,333	626,339	857,119	11,491,789
Disposals	-	-	-	(47,800)	-	-	(47,800)
Written off	-	-	-	(1,035,781)	-	(390,399)	(1,426,180)
Revaluation surplus	235,000	-	-	-	-	-	235,000
At 31 December	5,760,000	14,600,000	49,966,013	56,875,475	10,110,179	5,110,388	142,422,055
<b>Accumulated depreciation</b>							
At 1 January	-	84,670	1,430,243	42,159,893	6,908,375	1,498,845	52,082,026
Charge for the financial year	-	165,596	2,900,553	2,385,946	446,424	494,484	6,393,003
Disposals	-	-	-	(26,290)	-	-	(26,290)
Written off	-	-	-	(970,494)	-	(35,702)	(1,006,196)
At 31 December	-	250,266	4,330,796	43,549,055	7,354,799	1,957,627	57,442,543

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	At valuation			At cost			Total RM
	Freehold lands RM	Long leasehold lands RM	Buildings RM	Cold room, installation, plant and machineries RM	Motor vehicles RM	Signboard, furniture and fittings, and office equipment RM	
<b>Group (cont'd)</b>							
<b>2018</b>							
<b>Accumulated impairment loss</b>							
At 1 January	-	-	123,772	-	-	-	123,772
Addition	10,000	-	-	13,326,419	-	3,152,756	16,489,175
At 31 December	10,000	-	123,772	13,326,419	-	3,152,756	16,612,947
<b>Net carrying amount</b>							
At 31 December	5,750,000	14,349,734	45,511,445	1	2,755,380	5	68,366,565

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	At valuation		At cost				Total RM
	Freehold lands RM	Long leasehold lands RM	Buildings RM	Cold room, installation, plant and machineries RM	Motor vehicles RM	Signboard, furniture and fittings, and office equipment RM	
<b>Group</b>							
<b>2017</b>							
<b>Cost/Valuation</b>							
At 1 January	4,355,000	9,230,000	43,886,936	55,514,097	9,126,066	2,328,003	124,440,102
Additions	-	-	142,307	1,802,212	827,890	2,324,640	5,097,049
Disposals	-	-	-	(20,504)	(470,116)	(8,975)	(499,595)
Revaluation surplus/(deficit)	1,170,000	5,370,000	(3,406,228)	-	-	-	3,133,772
Written off	-	-	-	(2,082)	-	-	(2,082)
At 31 December	5,525,000	14,600,000	40,623,015	57,293,723	9,483,840	4,643,668	132,169,246
<b>Accumulated depreciation</b>							
At 1 January	-	411,380	7,919,576	39,771,833	6,995,485	1,221,763	56,320,037
Charge for the financial year	-	136,092	2,412,924	2,405,206	387,579	277,537	5,619,338
Disposals	-	-	-	(20,504)	(470,116)	(455)	(491,075)
Reclassification	-	-	-	4,573	(4,573)	-	-
Elimination of accumulated depreciation on revaluation	-	(462,802)	(8,902,257)	-	-	-	(9,365,059)
Written off	-	-	-	(1,215)	-	-	(1,215)
At 31 December	-	84,670	1,430,243	42,159,893	6,908,375	1,498,845	52,082,026

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	At valuation		At cost				Total RM
	Freehold lands RM	Long leasehold lands RM	Buildings RM	Cold room, installation, plant and machineries RM	Motor vehicles RM	Signboard, furniture and fittings, and office equipment RM	
<b>Group (cont'd)</b>							
<b>2017</b>							
<b>Accumulated impairment loss</b>							
At 1 January	-	-	-	-	-	-	-
Addition	-	-	123,772	-	-	-	123,772
At 31 December	-	-	123,772	-	-	-	123,772
<b>Net carrying amount</b>							
At 31 December	5,525,000	14,515,330	39,069,000	15,133,830	2,575,465	3,144,823	79,963,448
At 1 January	4,355,000	8,818,620	35,967,360	15,742,264	2,130,581	1,106,240	68,120,065

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Office  
equipment,  
furniture and  
fittings and  
renovation  
RM

### Company

2018

#### Cost

As at 1 January/31 December

42,157

#### Accumulated depreciation

As at 1 January/31 December

42,153

**Net carrying amount - 1 January/31 December**

4

2017

#### Cost

As at 1 January/31 December

42,157

#### Accumulated depreciation

As at 1 January/31 December

42,153

**Net carrying amount - 1 January/31 December**

4

(a) Assets held under finance lease arrangements

	31.12.2018	Group 31.12.2017	1.1.2017
	RM	RM	RM
<b>Net carrying amount</b>			
Motor vehicles	1,856,522	1,557,055	1,185,958
Plant and machinery	-	2,868,820	1,973,247
	<u>1,856,522</u>	<u>4,425,875</u>	<u>3,159,205</u>

(b) Assets pledged as security

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

- (i) Freehold land, leasehold land and buildings with a total carrying amount of RM17,072,807 (31.12.2017: RM43,182,496; 1.1.2017: RM37,795,482) as disclosed in Note 22;
- (ii) Debenture over plant and machinery financed under term loan as disclosed in Note 22; and
- (iii) Specific debenture over fixed assets of a subsidiary as disclosed in Note 22.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

### (c) Acquisitions of property, plant and equipment

	Group	
	31.12.2018	31.12.2017
	RM	RM
Cash purchase	10,976,645	3,278,168
Financed through finance lease arrangement	515,144	1,818,881
Total acquisition of property, plant and equipment	<u>11,491,789</u>	<u>5,097,049</u>

### (d) Assets held in trust

Included property, plant and equipment of the Group is a motor vehicle with net carrying amount of RM48,004 (31.12.2017: RM57,936; 1.1.2017: RM67,668) held in trust by a Director of the Company.

### (e) Revaluation of freehold land, leasehold land and buildings

Freehold lands, leasehold lands and buildings were revalued on 13 July 2018, 21 February 2017 and 9 March 2017 respectively. Their fair values were arrived at by reference to market evidence of transaction prices for similar properties and were performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

The fair values of the freehold and leasehold lands were determined based on comparison method with similar lands that have been sold recently and those that are currently being offered for sale in the vicinity with appropriate adjustments made to reflect improvements and other dissimilarities and to arrive at the value of the subject lands.

The fair values of the buildings were determined based on replacement cost model less the amount of accrued physical depreciation as evidenced by the observed condition and assuming the continued use of the installed property for the designed purpose as part of a going concern but without specific relation to earnings.

The fair values of the freehold lands, leasehold lands and buildings are categorised at Level 3 of the fair value hierarchy and were estimated using observable inputs for the properties.

If the freehold lands, leasehold lands and buildings currently carried at valuation were measured using the cost model, the carrying amounts would have been as follows:

	Group		
	Net carrying amount		
	31.12.2018	31.12.2017	1.1.2017
	RM	RM	RM
<b>At historical cost:</b>			
Freehold lands	2,508,152	2,508,152	2,508,152
Long leasehold lands	3,090,243	3,125,904	2,809,331
Buildings	36,128,896	28,115,092	27,974,919
	<u>41,727,291</u>	<u>33,749,148</u>	<u>33,292,402</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

### (f) Impairment of plant and equipment

As at 31 December 2018, the Group carried out a review of the recoverable amount of its property, plant and equipment (except properties) in the poultry operating segment due to its continuously loss-making and significant accumulated losses position. An impairment loss of RM16,479,175 (31.12.2017: RM Nil; 1.1.2017: RM Nil) representing the impairment of the plant and equipment to the recoverable amount was recognised as "other expenses" line item of the statements of comprehensive income for the financial year ended 31 December 2018.

The recoverable amount of the plant and equipment was derived based on value-in-use calculation using cash flows projections derived from the most recent financial forecast approved by the Directors covering a five-years period.

The estimate of value-in-use was determined using a pre-tax discount rate of 9.80% (31.12.2017: Nil; 1.1.2017: Nil).

## 9. INVESTMENT IN SUBSIDIARIES

	Company	
	31.12.2018	31.12.2017
	RM	RM
<b>Unquoted shares</b>		
<b>At cost</b>		
At beginning of the year	111,582,276	110,669,922
Add: Additions	250,001	-
Add: Reclassification	-	912,357
Less: Written off	-	(3)
At end of the year	<b>111,832,277</b>	111,582,276
<b>Less: Accumulated impairment loss</b>		
At beginning of the year	(67,219,348)	(51,200,138)
Add: Additions	(44,362,928)	(15,402,610)
Add: Reclassification	-	(912,357)
Less: Reversal	-	295,757
At end of the year	<b>(111,582,276)</b>	(67,219,348)
<b>Net carrying amount at end of the year</b>	<b>250,001</b>	44,362,928
<b>Net carrying amount at beginning of the year</b>	<b>44,362,928</b>	59,469,784

On 26 January 2018, the Group had incorporated a wholly-owned subsidiary, DBE Development Sdn Bhd with a cash consideration of RM250,000. The principal activity of the subsidiary is property development.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 9. INVESTMENT IN SUBSIDIARIES (Cont'd)

On 12 February 2018, the Group had incorporated a wholly-owned subsidiary, D Construction Sdn Bhd with a cash consideration of RM1. Its intended principal activity is construction of buildings and houses.

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Equity Interest	
			31.12.2018 %	31.12.2017 %
D.B.E. Poultry Sdn Bhd #	Malaysia	Operating broiler farms, feeds processing activities and trading in related farm products and materials and operator of restaurants	100	100
D.B.E. Breeding Sdn Bhd *	Malaysia	Dormant	100	100
D.B.E. Hatchery Sdn Bhd *	Malaysia	Dormant	100	100
D.B.E. Marketing Sdn Bhd *	Malaysia	Dormant	100	100
D.B.E. Food Processing Industries Sdn Bhd *	Malaysia	Dormant	100	100
D.B.E. Gurney Chicken Sdn Bhd *	Malaysia	Dormant	100	100
DBE Development Sdn Bhd	Malaysia	Property development	100	-
D Construction Sdn Bhd	Malaysia	Dormant	100	-

### Impairment on investment in subsidiaries

# *D.B.E. Poultry Sdn Bhd*

As at 31 December 2018, the Group carried out a review of the recoverable amount of its investment in subsidiaries, namely D.B.E. Poultry Sdn Bhd ("DBEP") due to its continuously loss-making and significant accumulated losses position. An impairment loss of RM36,937,409 (31.12.2017: RM Nil) representing the impairment of the investment in DBEP to the recoverable amount was recognised as "other expenses" line item of the statements of comprehensive income for the financial year ended 31 December 2018. The recoverable amount was derived based on value-in-use calculation using cash flows projections derived from the most recent financial forecast approved by the Directors covering a five-year period. The estimate of value-in-use was determined using a pre-tax discount rate of 9.80% (31.12.2017: Nil; 1.1.2017: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 9. INVESTMENT IN SUBSIDIARIES (Cont'd)

Impairment on investment in subsidiaries (Cont'd)

\* Poultry related dormant companies

As at 31 December 2018, the Group carried out a review of the recoverable amount of its investment in subsidiaries on poultry related dormant companies due to its continuously loss-making and significant accumulated losses position after the debt rationalisation exercise as disclosed in Note 33. An impairment loss of RM7,425,519 (31.12.2017: RM Nil) representing the impairment of the investment in its poultry related dormant companies to the recoverable amount was recognised as "other expenses" line item of the statements of comprehensive income for the financial year ended 31 December 2018. The recoverable amount was derived based on fair value less costs of disposal which was measured based on adjusted net assets of these subsidiaries.

## 10. INVESTMENT IN ASSOCIATES

	Group	
	31.12.2018	31.12.2017
	RM	RM
<b>Unquoted shares, at cost</b>		
At beginning of the year	240,000	-
Add: Additions	137,926	240,000
At end of the year	377,926	240,000
<b>Less: Share of post acquisition reserves</b>		
At beginning of the year	(28,953)	-
Add: Additions	(80,722)	(28,953)
At end of the year	(109,675)	(28,953)
<b>Less: Accumulated impairment loss</b>		
At beginning of the year	-	-
Add: Additions	(268,251)	-
	(268,251)	-
<b>Net carrying amount at end of the year</b>	-	211,047
<b>Net carrying amount at beginning of the year</b>	211,047	-

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 10. INVESTMENT IN ASSOCIATES (Cont'd)

(a) Details of the associates are as follows:

Name of associates	Country of Incorporation	Principal Activities	Effective Equity Interest	
			31.12.2018 %	31.12.2017 %
Super Harumi Sdn Bhd *#	Malaysia	Investment holding company, restaurants and wholesaler of variety of goods without any particular specialisation	40	40
Super Harumi (Thailand) Co., Ltd. *#	Thailand	Quick service restaurant	30	-
GW Seasoning (M) Sdn Bhd *#	Malaysia	Seasoning powder manufacturer, wholesaler and distributor	30	-

\* Not audited by Moore Stephens Associates PLT

# The audited financial statements and auditors' report for the financial year end 31 December 2018 and 2017 were not made available.

On 19 October 2017, the Group had entered into a joint venture agreement and incorporated a company, Super Harumi Sdn Bhd ("SHSB") of which the Group has subscribed 40% of the equity interest for a total cash consideration of RM240,000. SHSB had ceased its operation in June 2018.

On 23 May 2018, the Group had entered into a joint venture agreement and incorporated a company, Super Harumi (Thailand) Co., Ltd. ("SHT") of which the Group has subscribed 30% of the equity interest for a total cash consideration of RM38,778.

On 26 September 2018, the Group had invested in GW Seasoning (M) Sdn Bhd ("GWSM") by subscribing 30% of the equity interest for a total cash consideration of RM99,148. GWSM has yet to commence its business activity.

(b) The summarised financial information of the associates, not adjusted for the proportion of the ownership interest held by the Group based on management accounts are as follows:

	31.12.2018 RM	31.12.2017 RM
<b>Assets and liabilities</b>		
Total assets	<b>532,597</b>	565,852
Total liabilities	<b>72,493</b>	38,235
<b>Results</b>		
Revenue	<b>254,534</b>	22,894
Loss for the financial year	<b>(317,311)</b>	(72,383)
Total comprehensive income	<b>(317,311)</b>	(72,383)

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 10. INVESTMENT IN ASSOCIATES (Cont'd)

### (c) Impairment on investment in associates

As at 31 December 2018, the Group carried a review of the recoverable amount of its investment in associates due to loss-making position of certain associates and cessation of business during the year. An impairment loss of RM268,251 (31.12.2017: RM Nil) representing the impairment of the investment in associates to the recoverable amount was recognised as "other expenses" line item of the statements of comprehensive income for the financial year ended 31 December 2018.

The recoverable amount of the investment in associates estimated based on fair value less cost of disposal. The fair value is measured based on adjusted net assets of the associates.

## 11. INVESTMENT IN UNQUOTED SHARES

	Group/Company	
	31.12.2018	31.12.2017
	RM	RM
<b>At fair value:</b>		
Unquoted shares	1,070,000	-
Less: Changes in fair value	(1,070,000)	-
<b>At end of the year</b>	<u>-</u>	<u>-</u>
<b>At beginning of the year</b>	<u>-</u>	<u>-</u>

On 5 February 2018, the Group has incorporated a 98.7% subsidiary namely Harumi International Holdings Limited in Taiwan (Republic of China) with a total cash consideration of RM1,070,000.

This investment has not been treated as subsidiary or jointly controlled investment entity given the Group has no control or significant influence over its operating and financing activities of such investment.

This investment does not have a quoted market price in an active market and hence, the fair value was derived based on adjusted net assets. The fair value of the investment is categorised at Level 3 of the fair value hierarchy and was estimated using observable inputs for the assets.

## 12. BIOLOGICAL ASSETS

	31.12.2018	Group	
		Restated 31.12.2017	Restated 1.1.2017
	RM	RM	RM
<b>At fair value:</b>			
Breeders	3,159,290	3,169,852	3,129,157
Broilers	4,973,252	5,937,630	6,432,175
	<u>8,132,542</u>	<u>9,107,482</u>	<u>9,561,332</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 12. BIOLOGICAL ASSETS (Cont'd)

Movement of breeders and broilers at fair value can be analysed as follows:

	Group	
	31.12.2018	31.12.2017
	RM	RM
At 1 January	9,107,482	9,561,332
Increase due to purchases	88,057,135	93,431,155
Depopulation	(8,807,999)	(14,613,628)
Change in fair value	24,450	374,824
Sale of biological assets	(80,248,526)	(79,646,201)
At 31 December	<u>8,132,542</u>	<u>9,107,482</u>

In measuring the fair value of biological assets, estimates and judgements are required which include the market price, expected quantity of eggs to be produced over the life of the breeders, value of eggs produced by breeders, mortality rate, feed consumption rate, feed costs and other direct costs.

The fair value of breeders is determined using income approach based on the expected number of eggs produced by each breeder and after allowing for feed costs, contributory asset charges for the land and farm houses owned by the entity and other costs incurred in getting the breeders to maturity.

The fair value of broilers is determined using comparison approach which entails analysing recent transactions, asking price and sector benchmarks of similar biological assets in and around the locality for comparison purposes with adjustments made for age, size, weight and market condition.

The fair values of the breeders and broilers are categorised at Level 3 of the fair value hierarchy and were estimated using observable inputs for the assets.

## 13. INVENTORIES

	Note	Group		
		31.12.2018	31.12.2017	1.1.2017
		RM	RM	RM
<b>At cost:</b>				
Breeder eggs		528,663	594,694	700,627
Chicken feeds		450,430	476,075	457,016
Chilled and frozen chicken		2,264,032	1,883,987	3,048,317
Packing materials		254,134	301,624	184,630
Raw materials		1,082,546	1,336,987	981,370
Consumables		2,571,531	1,885,657	1,409,113
Property development costs	(a)	7,987,262	-	-
		<u>15,138,598</u>	<u>6,479,024</u>	<u>6,781,073</u>

The Group recognised inventories as cost of sales amounted to RM61,804,743 (31.12.2017: RM70,270,180).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 13. INVENTORIES (Cont'd)

(a) Property development costs

	<b>31.12.2018</b>
	<b>RM</b>
<b>Cost incurred during the financial year</b>	
Land costs	6,476,359
Development costs	9,402,488
<b>At 31 December 2018</b>	<u>15,878,847</u>
<b>Cummulative cost recognised in statements of comprehensive income</b>	
At beginning of the year	-
Recognised to cost of sales during the financial year	6,920,759
Recognised to selling and marketing expenses during the financial year	970,826
At end of the year	<u>7,891,585</u>
<b>At 31 December 2018</b>	
- Land costs	5,654,306
- Development costs	2,332,956
	<u>7,987,262</u>

On 5 February 2018, the Group entered into business arrangement via a Joint Development Agreement ("JDA") with Misi Jutari Sdn Bhd ("MISI") to development a mixed development on a piece of freehold land for which MISI is the registered land owner ("JDA Land") while DBE Development Sdn Bhd, a subsidiary of the Group is the beneficial owner and have full control over the project.

Included in property development costs is an amount of RM1,656,000 which represent costs to obtain contracts with customers of which RM970,826 has been amortised and recognised based on stage of completion of the development.

The title to certain land under development are in the name of third party with the development right obtained by the Group through a Joint Development Agreement dated 5 February 2018.

Land costs comprise cost incurred via acquisition or business arrangement. Any consideration payable for the land with deferred payment will be determined based on the present value of the deferred payment.

## 14. TRADE RECEIVABLES

	<b>31.12.2018</b>	<b>Group Restated 31.12.2017</b>	<b>Restated 1.1.2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade receivables, gross	<b>18,145,121</b>	16,430,574	19,181,289
Less: Allowance for impairment loss (Note 14(a))	<b>(701,833)</b>	(3,361,925)	(4,072,793)
Trade receivables, net	<u><b>17,443,288</b></u>	<u>13,068,649</u>	<u>15,108,496</u>

The normal credit terms of trade receivables range from 30 to 90 days (31.12.2017: 30 to 90 days; 1.1.2017: 30 to 90 days).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 14. TRADE RECEIVABLES (Cont'd)

Included in gross trade receivables amounting to RM7,377,039 (31.12.2017: RM Nil; 1.1.2017: RM Nil) is derived from property development segment as follows:

	Note	31.12.2018 RM
Trade receivables		2,556,128
Contract assets	4	4,820,911
		<b>7,377,039</b>

The contract assets primarily relate to the Group's right to consideration for work completed on property development but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 60 days.

### (a) Allowance for impairment loss

The movement in the impairment losses on trade receivables during the financial year were:

	Group	
	31.12.2018 RM	31.12.2017 RM
Balance at 1 January as per MFRS 139	2,957,030	3,500,000
Adjustment on initial application of MFRS 9	404,895	572,793
Balance at 1 January as per MFRS 9	3,361,925	4,072,793
Additional impairment loss	701,833	864,007
Reversal	(3,361,925)	(1,574,875)
Balance at 31 December	701,833	3,361,925

## 15. OTHER RECEIVABLES

	31.12.2018 RM	Group	
		31.12.2017 RM	1.1.2017 RM
Other receivables, gross	5,032,167	9,296,456	6,298,794
Less: Allowance for impairment loss (Note 15(a))	(3,876,140)	(6,710,959)	-
Less: Written off	(8,990)	-	-
Other receivables, net	1,147,037	2,585,497	6,298,794
Deposits	1,094,271	1,054,038	1,015,995
Prepayments	173,393	3,506,846	1,522,737
	<b>2,414,701</b>	<b>7,146,381</b>	<b>8,837,526</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 15. OTHER RECEIVABLES (Cont'd)

- (a) Allowance for impairment loss

The movement in the impairment losses on other receivables during the financial year were:

	<b>Group</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>
At beginning of the year	<b>6,710,959</b>	-
Addition	-	6,710,959
Reversal	<b>(2,834,819)</b>	-
At end of the year	<b><u>3,876,140</u></b>	<u>6,710,959</u>

## 16. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	<b>Company</b>		
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>1.1.2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amounts due from subsidiaries, gross	<b>34,308,978</b>	47,603,147	18,630,652
Less: Allowance for impairment loss (Note 16(a))	<b><u>(22,585,617)</u></b>	<u>(471,408)</u>	<u>(406,225)</u>
Amounts due from subsidiaries, net	<b><u>11,723,361</u></b>	<u>47,131,739</u>	<u>18,224,427</u>
Amounts due to subsidiaries	-	<u>(12,757,590)</u>	<u>(12,828,277)</u>

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest free advances and are collectible/repayable on demand.

- (a) Allowance for impairment loss

The movement in the impairment losses on amounts due from subsidiaries during the financial year were:

	<b>Group</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>
At beginning of the year	<b>471,408</b>	406,225
Addition	<b>22,585,617</b>	65,183
Reversal	<b>(471,408)</b>	-
At end of the year	<b><u>22,585,617</u></b>	<u>471,408</u>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 17. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits placed with licensed banks bore an effective interest rates of 3.83% (31.12.2017: 3.30% to 4.20%; 1.1.2017: Nil) per annum, and had maturity periods ranging from 1 to 12 months (31.12.2017: 3 to 12 months; 1.1.2017: Nil).

Included in fixed deposits is an amount of RM Nil (31.12.2017: RM1,334,366; 1.1.2017: RM Nil) pledged to licensed banks as security for banking facilities of Trade Working Capital Financing-I ("TWCF-I") granted to the Group. As at financial year ended 31 December 2018, 31 December 2017 and 1 January 2017, the Group did not utilise this facility.

## 18. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Unit	Unit	RM	RM
<b>Authorised:</b>				
At 1 January	-	100,000,000	-	100,000,000
Abolishment of authorised share capital under the Companies Act, 2016	-	(100,000,000)	-	(100,000,000)
At 31 December	-	-	-	-
<b>Issued and fully paid:</b>				
At 1 January	<b>2,678,229,306</b>	1,083,163,945	<b>56,842,332</b>	10,831,639
Transfer pursuant to Section 618(2) of the Companies Act, 2016	-	-	-	11,679,443
Conversion of Redeemable Convertible Note	-	1,595,065,361	-	34,331,250
At 31 December	<b>2,678,229,306</b>	2,678,229,306	<b>56,842,332</b>	56,842,332

### (a) "No Par Value" Regime

In prior year, the Group's and the Company's authorised share capital comprised 100,000,000 ordinary shares with a par value of RM0.0213 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduced the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provision under Section 618(2) of the Companies Act, 2016 the amount standing to the credit of the Group's and of the Company's share premium account has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the related entitlement of any of the shareholders. The Company has a period of 24 months from the effective date of the Companies Act, 2016 to use the existing balance credited in the share premium in a manner specified under Section 618(3) of the Companies Act, 2016.

### (b) Conversion of Redeemable Convertible Note ("RCN")

In prior year, the Group and 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 of RM36,050,000 nominal value RCN converted at the conversion price per ordinary share.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 18. SHARE CAPITAL (Cont'd)

### (c) Warrants

On 27 January 2017, the Company completed the listings of bonus issue of 580,644,468 free 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 2018, the total number of warrants that remain unexercised were 580,644,468 (31.12.2017: 580,644,468; 1.1.2017: Nil).

## 19. RESERVES

	Note	31.12.2018 RM	Group Restated 31.12.2017 RM	Restated 1.1.2017 RM
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### Distributable:

Accumulated losses		(18,944,953)	(30,213,169)	(10,593,325)
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### Non-distributable:

Asset revaluation reserve	(a)	19,530,327	19,846,939	10,759,199
Other reserve	(b)	-	38,578,011	38,578,011
Share premium	18	-	-	9,960,693
		<u>19,530,327</u>	<u>58,424,950</u>	<u>59,297,903</u>
		<u>585,374</u>	<u>28,211,781</u>	<u>48,704,578</u>

	Note	31.12.2018 RM	Company 31.12.2017 RM	1.1.2017 RM
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### Distributable:

(Accumulated losses)/Retained earning		(44,946,975)	(14,874,537)	2,753,624
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### Non-distributable:

Other reserve	(b)	-	38,578,011	38,578,011
Share premium	18	-	-	9,960,693
		<u>-</u>	<u>38,578,011</u>	<u>48,538,704</u>
		<u>(44,946,975)</u>	<u>23,703,474</u>	<u>51,292,328</u>

(a) Asset revaluation reserve

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 19. RESERVES (Cont'd)

### (b) Other reserve

These represents excess credit offset the accumulated losses of the Group and the Company and credited to other reserve of the Group and the Company which shall be applied towards setting off future losses of the Group and the Company as permitted by the High Court of Malaya arising from previous capital reduction exercise undertaken by the Company. During the year, the Group and the Company have transferred the other reserve to accumulated losses to set-off against losses incurred.

## 20. REDEEMABLE CONVERTIBLE NOTE ("RCN")

	Note	Group/Company		
		31.12.2018	31.12.2017	1.1.2017
		RM	RM	RM
RCN:				
- Equity component		-	-	202,404
- Liability component		-	-	2,283,678
- Deferred tax liabilities (Note 23)		-	-	63,918
		<u>-</u>	<u>-</u>	<u>2,550,000</u>

The salient terms of the RCN are as follows:

- (a) Notes Up to RM50 million nominal value of RCN comprising four (4) tranches of a principal amount of RM10 million each for Tranche 1, Tranche 2 and Tranche 3, RM20 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 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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 20. REDEEMABLE CONVERTIBLE NOTE ("RCN") (Cont'd)

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

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

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<sup>th</sup>) 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<sup>th</sup>) 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<sup>th</sup>) 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) Conversion 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% 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 dispatch a notice of the Maturity Date to the Noteholders.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 21. TRADE PAYABLES

	31.12.2018 RM	Group 31.12.2017 RM	1.1.2017 RM
<b>Non-current</b>			
Trade payables	3,081,152	-	-
<b>Current</b>			
Trade payables	<u>15,811,689</u>	<u>15,685,743</u>	<u>15,053,052</u>
	<b>18,892,841</b>	<b>15,685,743</b>	<b>15,053,052</b>

The normal credit terms granted to the Group range from 30 to 90 days (31.12.2017: 30 to 90 days; 1.1.2017: 30 to 90 days).

	Group 31.12.2018 RM
<b>Present value of trade payables:</b>	
- Repayable within one year	15,811,689
- Repayable later than one year and not later than five years	<u>3,081,152</u>
	<b>18,892,841</b>
<b>Minimum payments:</b>	
- Repayable within one year	15,842,671
- Repayable later than one year and not later than five years	<u>4,093,300</u>
	19,935,971
Less: Fair value adjustment on trade payables on initial measurement	<u>(1,043,130)</u>
Present value of trade payables	<b>18,892,841</b>

The non-current trade payables of the Group represent the outstanding sum of RM4,093,300 for purchase of a leasehold land for property development purpose which is to be repayable within 5 years.

The effective interest rate of the non-current trade payable is based on estimated borrowing costs of similar instruments with collateral at prevailing market rate of 6.90% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 22. BORROWINGS

		<b>Group</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>1.1.2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-current liabilities (secured)</b>			
Bai' Bithaman Ajil Facility	(a) <b>4,720,068</b>	5,926,188	6,071,076
Finance lease payables	(b) <b>1,457,739</b>	1,571,320	1,196,770
Term loans	(c) -	-	4,053,440
	<b>6,177,807</b>	7,497,508	11,321,286
<b>Current liabilities (secured)</b>			
Bai' Bithaman Ajil Facility	(a) <b>1,153,769</b>	1,437,088	2,282,873
Bank overdraft	(d) <b>5</b>	98,163	99,233
Finance lease payables	(b) <b>1,009,851</b>	1,035,146	633,131
Term loans	(c) -	-	6,909,992
Bankers' acceptance	(a) -	4,749,284	-
Cashline-i	(a) <b>2,998,467</b>	3,000,000	-
	<b>5,162,092</b>	10,319,681	9,925,229
<b>Total borrowings (secured)</b>			
Bai' Bithaman Ajil Facility	(a) <b>5,873,837</b>	7,363,276	8,353,949
Bank overdraft	(d) <b>5</b>	98,163	99,233
Finance lease payables	(b) <b>2,467,590</b>	2,606,466	1,829,901
Term loans	(c) -	-	10,963,432
Bankers' acceptance	(a) -	4,749,284	-
Cashline-i	(a) <b>2,998,467</b>	3,000,000	-
	<b>11,339,899</b>	17,817,189	21,246,515

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

	<b>31.12.2018</b>	<b>Group</b>	<b>1.1.2017</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Bai' Bithaman Ajil Facility	<b>8.90 - 10.85</b>	8.90 - 10.85	8.90 - 10.85
Bank overdraft	<b>9.10</b>	9.10	9.10
Cashline-i	<b>BFR* + 4%</b>	BFR* + 4%	-
Finance lease payables	<b>4.64 - 7.38</b>	4.64 - 7.38	4.64 - 7.38
Term loans	-	-	7.86 - 8.75
Bankers' acceptance	-	7.75	-

\* BFR - Bank Financing Rate

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 22. BORROWINGS (Cont'd)

### (a) Bai' Bithaman Ajil Facility ("BBA")

	31.12.2018	Group 31.12.2017	1.1.2017
	RM	RM	RM
BBA I	-	-	722,873
BBA II	-	593,065	868,113
BBA III	<b>5,873,837</b>	6,770,211	6,762,963
	<b>5,873,837</b>	7,363,276	8,353,949
<b>Representing:</b>			
Repayable within one year (current)	<b>1,153,769</b>	1,437,088	2,282,873
Repayable between one and two years	<b>1,217,031</b>	1,162,292	1,560,000
Repayable between two and five years	<b>2,637,917</b>	4,369,054	4,511,076
Repayable more than five years	<b>865,120</b>	394,842	-
Repayable after one year (non-current)	<b>4,720,068</b>	5,926,188	6,071,076
	<b>5,873,837</b>	7,363,276	8,353,949

The BBA, bankers' acceptance and cashline-i facilities of the Group are secured by the following:

- (i) First legal charge on the freehold land and buildings of the Group as disclosed in Note 8;
- (ii) Corporate guarantee from the Company;
- (iii) Jointly and severally guaranteed by two Directors of the Company; and
- (iv) Assignment of sale proceeds of 5% into a Designated Escrow account in respect of Supply of Poultry Products Agreement between the Company and Approved Buyers. This was discharged during the financial year due to the full settlement of bankers' acceptance.

### (b) Finance lease payables

	31.12.2018	Group 31.12.2017	1.1.2017
	RM	RM	RM
<b>Minimum finance lease payments:</b>			
Within 1 year	<b>1,132,842</b>	1,174,756	743,241
More than 1 year and less than 5 years	<b>1,555,690</b>	1,660,854	1,332,583
More than 5 years	<b>30,181</b>	136,265	-
	<b>2,718,713</b>	2,971,875	2,075,824
Less: Future finance charges	<b>(251,123)</b>	(365,409)	(245,923)
Present value of finance lease payables	<b>2,467,590</b>	2,606,466	1,829,901
<b>Present value of finance lease payables:</b>			
Within 1 year	<b>1,009,851</b>	1,035,146	633,131
More than 1 year and less than 5 years	<b>1,428,251</b>	1,463,609	1,196,770
More than 5 years	<b>29,488</b>	107,711	-
	<b>2,467,590</b>	2,606,466	1,829,901

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 22. BORROWINGS (Cont'd)

### (c) Term loans

	31.12.2018	Group 31.12.2017	1.1.2017
	RM	RM	RM
Term loan I	-	-	2,772,626
Term loan II	-	-	3,190,806
Term loan III	-	-	5,000,000
	<u>-</u>	<u>-</u>	<u>10,963,432</u>
<b>Representing:</b>			
Repayable within one year (current)	-	-	6,909,992
Repayable between one and two years	-	-	1,909,992
Repayable between two and five years	-	-	2,143,448
Repayable after one year (non-current)	-	-	4,053,440
	<u>-</u>	<u>-</u>	<u>10,963,432</u>

The term loans of the Group were secured by the followings:

- (i) Second legal charge on the freehold land and buildings of the Group as disclosed in Note 8;
- (ii) Corporate guarantee from the Company;
- (iii) Specific debenture over fixed assets of a subsidiary; and
- (iv) Jointly and severally guaranteed by two Directors of the Company.

### (d) Bank overdraft

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 23. DEFERRED TAX LIABILITIES

	Group		Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
At beginning of the year	<b>5,513,242</b>	2,999,847	-	63,918
Recognised in profit or loss (Note 6)	<b>(170,483)</b>	(200,107)	-	-
Recognised in equity	<b>11,750</b>	2,713,502	-	(63,918)
At end of the year	<b>5,354,509</b>	5,513,242	-	-

The recognised deferred tax (assets)/liabilities before offsetting are as follows:

	Unabsorbed capital allowances	Property, plant and equipment	Asset revaluation reserve	Redeemable Convertible Notes	Total
	RM	RM	RM	RM	RM
Deferred tax (assets)/liabilities					
1 January 2018	<b>(5,848,912)</b>	<b>5,848,912</b>	<b>5,513,242</b>	-	<b>5,513,242</b>
Recognised in profit or loss	<b>(6,480,710)</b>	<b>6,480,710</b>	<b>(170,483)</b>	-	<b>(170,483)</b>
Recognised in equity	-	-	<b>11,750</b>	-	<b>11,750</b>
At 31 December 2018	<b>(12,329,622)</b>	<b>12,329,622</b>	<b>5,354,509</b>	-	<b>5,354,509</b>
1 January 2017	(5,836,989)	5,836,989	2,935,929	63,918	2,999,847
Recognised in profit or loss	(11,923)	11,923	(200,107)	-	(200,107)
Recognised in equity	-	-	2,777,420	(63,918)	2,713,502
At 31 December 2018	<b>(5,848,912)</b>	<b>5,848,912</b>	<b>5,513,242</b>	-	<b>5,513,242</b>

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

	Group	
	31.12.2018	Restated 31.12.2017
	RM	RM
Unutilised tax losses	<b>57,337,430</b>	47,317,073
Unabsorbed capital allowances	<b>8,497,544</b>	2,207,273
Unutilised reinvestment allowances	<b>47,428,883</b>	47,428,883
Other deductible temporary differences	<b>17,459,262</b>	-
	<b>130,723,119</b>	96,953,229

The availability of tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the subsidiaries of the Company can utilise the benefits therefrom.

The comparative figures have been restated to reflect the actual tax losses carrying forward, capital allowances and reinvestment allowances to the subsidiaries of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 24. OTHER PAYABLES

	31.12.2018	Group	
	RM	31.12.2017	1.1.2017
		RM	RM
Other payables	11,078,983	6,669,701	4,685,044
Refundable deposits	257,233	249,671	230,171
Accruals	2,283,829	1,550,835	3,320,690
	<b>13,620,045</b>	<b>8,470,207</b>	<b>8,235,905</b>

	31.12.2018	Company	
	RM	31.12.2017	1.1.2017
		RM	RM
Other payables	7,191	10,466	93,211
Accruals	71,200	141,000	143,500
	<b>78,391</b>	<b>151,466</b>	<b>236,711</b>

## 25. AMOUNT DUE TO DIRECTORS

Amount due to Directors is non-trade in nature, unsecured, interest free advances and is repayable on demand.

## 26. OPERATING LEASE COMMITMENTS

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

	Group	
	31.12.2018	31.12.2017
	RM	RM
Not more than one year	1,810,325	3,635,600
Later than one year and not later than two years	1,129,000	1,497,000
Later than one year and not later than five years	1,302,000	424,000
Five years and more than five years	280,700	-
	<b>4,522,025</b>	<b>5,556,600</b>

## 27. RELATED PARTY DISCLOSURES

### Identity of related parties

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

The Group and the Company have related party relationships with its subsidiaries, Directors and key management personnel. The fellow subsidiary is subsidiary of its holding company.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 27. RELATED PARTY DISCLOSURES (Cont'd)

### Significant related party transactions

Other than disclosed elsewhere in the financial statements, the significant related party transactions between the Group and the Company and their related parties during the financial year are as follows:

	31.12.2018	31.12.2017
	RM	RM
<b>Group</b>		
<b>Directors</b>		
Advances from Directors	12,147,782	61,282
<b>Related parties</b>		
Construction works	6,582,310	-
Advances	100,505	-
Repayments	(6,682,815)	-
<b>Transaction with parties connected to the Directors</b>		
Hostel rental	12,000	12,000
Salaries, allowance and bonus	1,079,381	1,119,300
<b>Company</b>		
<b>Debt rationalisation exercise with subsidiaries in poultry segment</b>		
Assignment of debts due from D.B.E. Breeding Sdn Bhd	7,750,755	-
Assignment of debts due from D.B.E. Food Processing Industries Sdn Bhd	2,447,027	-
Assignment of debts due from D.B.E. Gurney Chicken Sdn Bhd	415,087	-
Assignment of debts due from D.B.E. Hatchery Sdn Bhd	2,132,481	-
Assignment of debts due from D.B.E. Marketing Sdn Bhd	(574,311)	-
Assignment of debts due from D.B.E. Poultry Sdn Bhd	(12,171,039)	-
<b>Subsidiaries</b>		
Advances from/(Repayment to)	536,579	(29,045,722)

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in Notes 16 and 25 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 27. 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 and of the Company either directly or indirectly. The key management personnel include all the Directors of the Group and of the Company and certain members of senior management of the Company.

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

	Group		Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Short-term employee benefits	<b>1,556,000</b>	1,555,000	<b>258,000</b>	115,000
Post-employment benefits	<b>119,760</b>	136,800	-	-
	<b><u>1,675,760</u></b>	<u>1,691,800</u>	<b><u>258,000</u></b>	<u>115,000</u>

## 28. SEGMENT INFORMATION

### (a) Reporting format

Segment information is presented in respect of the Group's business segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Investment holding	Investment holding company
Poultry	Broiler farms, feeds processing activities and trading in related farm products and materials and operator of restaurants
Property development	Property development

### Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent profit or loss before finance costs and tax of the segments.

### Segment assets

Segment assets are measured based on all assets of the segment, excluding deferred tax assets and tax assets.

### Segment liabilities

Segment liabilities are measured based on all liabilities of the segment, excluding deferred tax liabilities and tax liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 28. SEGMENT INFORMATION (cont'd)

	Investment Holding	Poultry	Property Development	Total Segments	Elimination	Note	Consolidated
	RM	RM	RM	RM	RM		RM
<b>2018</b>							
<b>Revenue</b>							
External revenue	-	95,489,919	12,742,411	108,232,330			108,232,330
<b>Result</b>							
Interest expenses	-	1,128,447	-	1,128,447			1,128,447
Interest income	(2,728)	(209,813)	(117,189)	(329,730)			(329,730)
Other non-cash expenses/(income)	67,547,137	31,498,585	-	99,045,722	(79,796,798)	a(ii)	19,248,924
Segment results	(68,650,449)	(41,361,124)	4,520,726	(105,490,847)	79,796,798		(25,694,049)
Segment (loss)/profit before tax	(68,650,449)	(42,570,293)	4,520,726	(106,700,016)	79,796,798	a(ii)	(26,903,218)
<b>Segment assets</b>	11,973,747	98,770,750	21,230,947	131,975,444	(11,976,361)		119,999,083
<b>Segment liabilities</b>	78,390	87,201,039	16,460,220	103,739,649	(47,631,639)		56,108,010
<b>Other information</b>							
Additions to non-current assets excluding deferred tax assets and financial assets	-	11,491,789	-	11,491,789			11,491,789

(i) Inter-segment balances are eliminated on consolidation

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 28. SEGMENTS INFORMATION (Cont'd)

### (a) Operating segments

- (ii) Other non-cash expenses/(income) consist of the following items as presented in the respective notes to the financial statements:

	<b>Group 2018 RM</b>
Changes in fair value on unquoted shares	1,070,000
Depreciation of property, plant and equipment	6,393,003
Loss on disposal of property, plant and equipment	13,710
Impairment loss on:	
- investment in associates	268,251
- property, plant and equipment	16,489,175
- receivables	701,833
Reversal of impairment on receivables	(6,196,744)
Share of result of associate	80,722
Written off on:	
- Deposit	8,990
- property, plant and equipment	419,984
	<u>19,248,924</u>

- (iii) Additions to non-current assets excluding deferred tax assets and financial assts consist of:

	<b>Group 2018 RM</b>
Property, plant and equipment	<u>11,491,789</u>

### (b) Geographical Information

All of the segments are operated within Malaysia.

### (c) Major customer information

The Group has 3 major customers which contribute 30% (31.12.2017: 58%) amounting to RM32,947,328 (31.12.2017: RM64,455,988) of the Group's revenue during the financial year.

In prior year, no segment information reporting by industry and geographical segments has been prepared as the Group was primarily involved in the business of poultry farming and operates principally in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 29. FINANCIAL INSTRUMENTS

### Categories of financial instruments

The Group's and the Company's financial assets and financial liabilities are all categorised at amortised costs, respectively except for investment in unquoted shares which is categorised at fair value through profit and loss.

### Financial Risk Management Objectives and Policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, interest risk, commodity price risk, liquidity risk and foreign currency risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

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

#### (a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables (which consist of trade receivables and other receivables). The Company's exposure to credit risk arises principally from amounts due from subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

#### Trade receivables and contract assets

#### *Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

There are no significant changes as compared to previous year.

#### *Exposure to credit risk, credit quality and collateral*

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

#### *Concentration of credit risk*

The Group determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

At the end of the reporting period, there is 1 customer with balances amounting to 24% (31.12.2017: 3 customers amounting to 15%, 19% and 29%; 1.1.2017: 1 customer amounting to 31%;) of the Group's gross trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

#### (a) Credit risk (Cont'd)

##### ***Recognition and measurement of impairment loss***

###### Trade receivables from Poultry Operating Segment

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Any receivables having significant balances past due more than 1 year, which are deemed to have higher credit risk, are monitored individually. The Group has recognised a loss allowance of 100% against all receivables over 1 year past due (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable.

The Group applies the simplified approach to provide for expected credit losses for all its trade receivables. The Group uses a provision matrix to measure the lifetime expected credit losses allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and number of days past due. Loss rates are based on actual credit loss experience over the past three years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to repay the debts.

###### Trade receivables and contract assets from Property Development Operating Segment

The Group recognises a loss allowance for expected credit losses on a financial asset that is measured as receivable and a contract asset if the credit risk on that financial instrument has increased significantly since initial recognition. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition as the trade receivable is determined to have low credit risk at the reporting date.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately by the Group. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable (ie the estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it).

The Group has possession of the legal title to the properties sold and this had served as a collateral and in the event of defaults by the purchaser, the expected cash shortfall from selling the collateral less the cost of obtaining and selling the collateral is immaterial.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

#### (a) Credit risk (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018, 31 December 2017 and 1 January 2017 which are grouped together as they are expected to have similar risk nature.

	Gross RM	Group Loss Allowance RM	Net RM
<b>31.12.2018</b>			
Not past due	6,125,808	(13,619)	6,112,189
Past due but not impaired:			
1 day to 30 days	3,345,285	(13,591)	3,331,694
31 days to 120 days	668,213	(47,977)	620,236
More than 120 days	628,776	(626,646)	2,130
	<b>4,642,274</b>	<b>(688,214)</b>	<b>3,954,060</b>
	<b>10,768,082</b>	<b>(701,833)</b>	<b>10,066,249</b>
<b>Collateralised trade receivables</b>			
Trade receivables	2,556,128	-	2,556,128
Contract assets	4,820,911	-	4,820,911
	<b>7,377,039</b>	<b>-</b>	<b>7,377,039</b>
Total	<b>18,145,121</b>	<b>(701,833)</b>	<b>17,443,288</b>
<b>31.12.2017</b>			
Not past due	6,790,781	(37,125)	6,753,656
Past due but not impaired:			
Less than 30 days	5,549,584	(36,693)	5,512,891
31 days to 120 days	831,416	(131,753)	699,663
More than 120 days	807,603	(705,164)	102,439
	<b>7,188,603</b>	<b>(873,610)</b>	<b>6,314,993</b>
	<b>13,979,384</b>	<b>(910,735)</b>	<b>13,068,649</b>
<b>Credit impaired</b>			
Individually impaired	2,451,190	(2,451,190)	-
Total	<b>16,430,574</b>	<b>(3,361,925)</b>	<b>13,068,649</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

#### (a) Credit risk (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018, 31 December 2017 and 1 January 2017 which are grouped together as they are expected to have similar risk nature (Cont'd).

	Gross RM	Group Loss Allowance RM	Net RM
<b>1.1.2017</b>			
Not past due	6,949,708	(21,351)	6,928,357
Past due but not impaired:			
Less than 30 days	5,214,699	(18,436)	5,196,263
31 days to 120 days	565,727	(40,801)	524,926
More than 120 days	2,972,506	(513,556)	2,458,950
	<u>8,752,932</u>	<u>(572,793)</u>	<u>8,180,139</u>
	15,702,640	(594,144)	15,108,496
<b>Credit impaired</b>			
Individually impaired	3,478,649	(3,478,649)	-
Total	<u>19,181,289</u>	<u>(4,072,793)</u>	<u>15,108,496</u>

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by collateral such as land and equity instruments held as securities and other credit enhancement in managing exposure to credit risk.

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

### Comparative information under MFRS 139, Financial instruments: Recognition and measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross RM	Individual Impairment RM	Group Collective Impairment RM	Net RM
<b>31.12.2017</b>				
Not past due	6,790,781	-	-	6,790,781
Past due but not impaired:				
1 day to 30 days	5,549,584	-	-	5,549,584
31 days to 120 days	507,600	-	-	507,600
More than 120 days	3,582,609	(2,497,918)	(459,112)	625,579
	<u>9,639,793</u>	<u>(2,497,918)</u>	<u>(459,112)</u>	<u>6,682,763</u>
	16,430,574	(2,497,918)	(459,112)	13,473,544

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

#### (a) Credit risk (Cont'd)

#### **Comparative information under MFRS 139, Financial instruments: Recognition and measurement (cont'd)**

##### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

##### **Cash and cash equivalents**

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

##### **Other receivables and deposits**

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statements of financial position. The Group has assessed a debtor which is past due more than 1 year and considered as credit impaired. As such, the Group has provided allowances for expected credit losses on the debtor as disclosed in Note 15.

##### **Financial guarantees**

The Company provides financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

##### **Exposure to credit risk, credit quality and collateral**

The maximum exposure to credit risk amounts to RM8,872,304 (31.12.2017: RM15,112,563; 1.1.2017: RM19,317,381) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period. The financial guarantees are provided as credit enhancements to the subsidiary's fully secured loans.

##### **Recognition and measurement of impairment loss**

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available. The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote at the initial recognition as the borrowings in the subsidiary are adequately secured by assets as disclosed in Note 22. Should the subsidiary default any loan repayments, the proceeds from the realisation of assets will be able to satisfy the outstanding debts.

##### **Inter-company loans and advances**

##### **Risk management objectives, policies and processes for managing the risk**

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

##### **Exposure to credit risk, credit quality and collateral**

As at the end of the financial year, the maximum exposure to credit risk arising from amounts due from subsidiaries is represented by the carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

#### (a) Credit risk (Cont'd)

##### Inter-company loans and advances (cont'd)

##### Recognition and measurement of impairment loss

Intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date.

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advances to the Company in full given insufficient highly liquid resources when the loan is demanded.

The Company determines the probability of default for these loans and advances individually using internal information available.

At the reporting date, the Company assumes that there is a significant increase in credit risk given a subsidiary's financial position has deteriorated significantly which may lead to high probability of default for the advance to the subsidiaries. As a result, the Company has made an allowance for impairment loss of RM22,585,617 on such advances during the financial year ended 31 December 2018.

#### (b) Interest rate risk

	31.12.2018	Group 31.12.2017	1.1.2017
	RM	RM	RM
<b>Floating rate interest</b>			
Financial assets	5,367,189	1,363,366	29,000
Financial liabilities	(8,872,309)	(15,210,723)	(19,416,614)
	<u>(3,505,120)</u>	<u>(13,847,357)</u>	<u>(19,387,614)</u>

	31.12.2018	Company 31.12.2017	1.1.2017
	RM	RM	RM
<b>Floating rate interest</b>			
Financial assets	-	29,000	29,000

The Group and the Company are exposed to interest rate risk through the impact of rate changes in floating rate fixed deposits and borrowings. The interest rates of fixed deposits and borrowings are disclosed in Notes 17 and Note 22.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

#### (b) Interest rate risk (Cont'd)

##### Interest rate risk sensitivity analysis

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

	Group	
	31.12.2018 (Increase)/ Decrease RM	31.12.2017 (Increase)/ Decrease RM
<b>Effects on loss after tax</b>		
Increase of 10 basis points	(2,664)	(10,524)
Decrease of 10 basis points	2,664	10,524

	Company	
	31.12.2018 (Increase)/ Decrease RM	31.12.2017 (Increase)/ Decrease RM
<b>Effects on loss after tax</b>		
Increase of 10 basis points	-	22
Decrease of 10 basis points	-	(22)

#### (c) 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 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 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 the risks arising from such fluctuations through purchase of the commodity in advance, 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 Group's loss net of tax would have been RM22,459 (2017: RM27,981) lower/higher.

#### (d) Foreign currency risk

The Group and the Company did not have any material foreign currency instruments as at 31 December 2018 and 2017, a change in foreign currency rates would not have any material impact to the loss after tax and equity of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

(e) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's and the Company's exposures to liquidity risk arise primarily from mismatch of financial assets and liabilities. The Group's and the Company's financial liabilities comprise trade payables, other payables and amount due to Directors which are due within one year or payable on demand and borrowings which have fixed terms of repayment. The Group and the Company practice prudent risk management by maintaining sufficient cash balances and availability of funding through financial support from major shareholders.

The Group's and the Company's liquidity risk management policy is to manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintain sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

All of the Company's liabilities at the reporting date mature within one year or repayable on demand.

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 obligations:

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

(e) Liquidity risk (Cont'd)

	Carrying amount RM	Contractual cash flows RM	Contractual cash flows			
			Within one year RM	Between 1 and 2 years RM	Between 2 and 5 years RM	More than 5 years RM
<b>Group</b>						
<b>31.12.2018</b>						
Trade payables	18,892,841	19,935,971	15,842,671	480,000	3,613,300	-
Other payables	13,620,045	13,620,045	13,620,045	-	-	-
Borrowings:						
- Bai' Bithaman Ajil Facility	5,873,837	7,458,835	1,640,000	1,680,000	4,138,835	-
- Bank overdraft	5	5	5	-	-	-
- Finance lease payables	2,467,590	2,718,713	1,132,842	724,561	831,129	30,181
- Cashline-i	2,998,467	3,020,119	3,020,119	-	-	-
Amount due to Directors	12,255,225	12,255,225	12,255,225	-	-	-
	56,108,010	59,008,913	47,510,907	2,884,561	8,583,264	30,181
<b>Group</b>						
<b>31.12.2017</b>						
Trade payables	15,685,743	15,685,743	15,685,743	-	-	-
Other payables	8,470,207	8,470,207	8,470,207	-	-	-
Borrowings:						
- Bai' Bithaman Ajil Facility	7,363,276	9,363,068	1,953,065	1,600,000	5,040,000	770,003
- Bank overdraft	98,163	99,140	99,140	-	-	-
- 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	-	-	-
- Cashline-i	3,000,000	3,061,656	61,656	3,000,000	-	-
Amount due to a Director	107,443	107,443	107,443	-	-	-
	42,080,582	44,558,864	32,351,742	5,477,892	5,822,962	906,268

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 29. FINANCIAL INSTRUMENTS (Cont'd)

### Financial Risk Management Objectives and Policies (Cont'd)

(e) Liquidity risk (Cont'd)

Group	Carrying amount RM	Contractual cash flows RM	Contractual cash flows			
			Within one year RM	Between 1 and 2 years RM	Between 2 and 5 years RM	More than 5 years RM
<b>1.1.2017</b>						
Trade payables	15,053,052	15,053,052	15,053,052	-	-	-
Other payables	8,235,905	8,235,905	8,235,905	-	-	-
Borrowings						
- Bai' Bithaman Ajil Facility	8,353,949	11,735,941	3,665,064	2,292,675	5,778,202	-
- Bank overdraft	99,233	109,111	109,111	-	-	-
- Finance lease payables	1,829,901	2,075,824	743,241	1,332,583	-	-
- Term loans	10,963,432	12,449,946	6,909,992	1,909,831	3,630,123	-
Redeemable convertible notes	2,283,678	2,283,678	2,283,678	-	-	-
Amount due to a Director	46,161	46,161	46,161	-	-	-
	<b>46,865,311</b>	<b>51,989,618</b>	<b>37,046,204</b>	<b>5,535,089</b>	<b>9,408,325</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 30. FAIR VALUES INFORMATION

### Assets and liabilities carried at fair value

The fair value measurement hierarchies used to measure non-financial assets at fair values in the statements of financial position are disclosed in Notes 8, 11 and 12.

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

### 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 financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments and insignificant impact of discounting.

The carrying amounts of long-term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The fair values of finance lease payables are determined by discounting the relevant cashflows using current interest rates for similar instruments as at the end of the reporting period.

Table below analyses liabilities carried at fair value and those not carried at fair value for which fair value is disclosed together with the carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at net present value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>Group</b>					
<b>31.12.2018</b>					
<b>Financial liability</b>					
Finance lease (non-current)	-	-	1,448,084	1,448,084	1,457,739
<b>31.12.2017</b>					
<b>Financial liability</b>					
Finance lease (non-current)	-	-	1,526,960	1,526,960	1,571,320
<b>1.1.2017</b>					
<b>Financial liability</b>					
Finance lease (non-current)	-	-	1,188,297	1,188,297	1,196,770

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

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

Level 3: The fair values of finance lease are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are 4.44% (31.12.2017: 2.48%; 1.1.2017: 2.48%).

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern. The Group monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements. The Group is dependent on its continued financial support from its shareholders to enable it to meet its obligations as and when they fall due.

The Group monitors capital using net debt-to-equity ratio which is the net debt divided by total capital. Net debt includes loans and borrowings, less cash and cash equivalent whilst total capital is equity attributable to Owners of the Company.

The net debt-to-equity ratios at end of the reporting period are as follows:

	Group	
	31.12.2018	Restated 31.12.2017
	RM	RM
Borrowings	11,339,899	17,817,189
Less: Cash and cash equivalents	<u>(8,503,389)</u>	<u>(16,664,943)</u>
Total net debts	2,836,510	1,152,246
Total equity	<u>57,427,706</u>	<u>85,054,113</u>
Debt-to-equity ratio (%)	<u>5%</u>	<u>1%</u>

The Group is in compliance with all externally imposed capital requirements.

## 32. COMPARATIVE FIGURES

- (i) The financial statements of the Group and of the Company for the financial year ended 31 December 2017 were audited by a firm of chartered accountants other than Moore Stephens Associates PLT who expressed an unmodified opinion on those financial statements on 13 April 2018.
- (ii) The following are changes in comparative figures due to changes in accounting framework, prior year adjustment and reclassification.

### (a) Transition from Financial Reporting Standards Framework ("FRS") to MFRS

The financial statement of the Group and the Company for the financial year ended 31 December 2018 are the first sets of the financial statements prepared in accordance with MFRS.

The accounting policies set out in Note 3 have been applied in the opening MFRS statement of financial position as at 1 January 2017 and throughout all periods presented in the financial statements.

The effect of the Group's transition to MFRS are as follows:

#### (i) MFRS 141 Agriculture

Prior to the adoption of MFRS 141, Agriculture, biological assets were stated at the lower of amortised cost and net realisable value under FRS 141. Under MFRS 141, the fair values of breeders and broilers are determined using income and comparison model based on the expected number of eggs produced by each breeder, the expected projected selling price of matured broiler and salvage value for old breeders and after allowing for feed costs, contributory asset charges for the land and farm houses owned by the entity and other costs incurred in getting the breeders and broilers to maturity.

The adoption of MFRS 141 has resulted in the change in measurement basis to recognise the biological assets at fair value as presented in Note 32(d). The related deferred tax impact has not been included in the financial statements as the Management has made assessment and concluded that the impact is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 32. COMPARATIVE FIGURES (Cont'd)

- (ii) The following are changes in comparative figures due to changes in accounting framework, prior year adjustment and reclassification. (Cont'd)

### (a) Transition from Financial Reporting Standards Framework ("FRS") to MFRS (Cont'd)

The effect of the Group's transition to MFRS are as follows: (Cont'd)

#### (ii) MFRS 9 Financial Instruments

For financial assets in the scope of MFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of MFRS 9's impairment requirements as at 1 January 2017 resulted in an additional allowance for impairment as presented in Note 32(d).

### (b) Prior year adjustment

The external auditors had conducted a review of the opening balances in accordance with International Standards of Auditing 510 - Initial Audit Engagements - Opening Balances. Based on the findings of the review, the following areas were re-assessed by the Directors and the adjustments arising therefrom have been adjusted as prior period adjustments in accordance with the requirements of MFRS 108 - Accounting Policies, Changes in Accounting Estimates and Errors.

#### Measurement of inventories

Based on the re-assessment conducted by the Directors, it was found that certain closing inventories were erroneously carry at selling price instead of cost in the financial year ended 31 December 2017.

Accordingly, those inventories have been adjusted as prior year adjustments in respect of financial year ended 31 December 2017, in accordance with the requirement stated in MFRS 108 as presented in Note 32(d).

### (c) Reclassification

The comparative figures are reclassified to conform with the current year's presentation.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 32. COMPARATIVE FIGURES (Cont'd)

(ii) The following are changes in comparative figures due to changes in accounting framework, prior year adjustment and reclassification. (Cont'd)

### (d) Reconciliation between FRS and MFRS framework

	As previously reported FRS	Effect of transition to MFRS	Prior year adjustment	Reclassification	As restated MFRS
	RM	RM	RM	RM	RM
<b>Group</b>					
<b>1 January 2017</b>					
<b>Statements of financial position</b>					
Biological assets (Note 12)	9,725,027	(163,695)	-	-	9,561,332
Trade receivables (Note 14)	15,681,289	(572,793)	-	-	15,108,496
Reserves	49,441,066	(736,488)	-	-	48,704,578
	<u>(9,856,837)</u>	<u>(736,488)</u>	<u>-</u>	<u>-</u>	<u>(10,593,325)</u>
<b>Statements of changes in equity</b>					
Accumulated losses					
	<u>(9,856,837)</u>	<u>(736,488)</u>	<u>-</u>	<u>-</u>	<u>(10,593,325)</u>
<b>31 December 2017</b>					
<b>Statements of comprehensive income</b>					
Cost of sales:					
- effect of transition to MFRS on 31 December 2017	-	374,824	-	-	374,824
- prior year adjustment	-	-	(646,260)	-	(646,260)
- reclassification	-	-	-	(3,972,000)	(3,972,000)
- reversal of effect of transition to MFRS on 1 January 2017	-	163,695	-	-	163,695
	<u>(104,794,198)</u>	<u>538,519</u>	<u>(646,260)</u>	<u>(3,972,000)</u>	<u>(108,873,939)</u>
Other income	1,121,441	572,793	-	-	1,694,234
Administrative expenses	(25,979,878)	-	-	11,265,843	(14,714,035)
Other expenses	<u>(467,586)</u>	<u>(404,895)</u>	<u>-</u>	<u>(7,293,843)</u>	<u>(8,166,324)</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 32. COMPARATIVE FIGURES (Cont'd)

(ii) The following are changes in comparative figures due to changes in accounting framework, prior year adjustment and reclassification. (Cont'd)

### (d) Reconciliation between FRS and MFRS framework (Cont'd)

	As previously reported FRS	Effect of transition to MFRS	Prior year adjustment	Reclassification	As restated MFRS
	RM	RM	RM	RM	RM
<b>Group</b>					
<b>31 December 2017</b>					
<b>Statements of financial position</b>					
Biological assets (Note 12)	8,732,658	374,824	-	-	9,107,482
Inventories (Note 13)	7,125,284	-	(646,260)	-	6,479,024
Trade receivables (Note 14)	13,473,544	(404,895)	-	-	13,068,649
Reserves	28,888,112	(30,071)	(646,260)	-	28,211,781
	<u>(29,536,838)</u>	<u>(30,071)</u>	<u>(646,260)</u>	<u>-</u>	<u>(30,213,169)</u>
<b>Statements of changes in equity</b>					
Accumulated losses					
	<u>(29,536,838)</u>	<u>(30,071)</u>	<u>(646,260)</u>	<u>-</u>	<u>(30,213,169)</u>
<b>Statements of cash flows</b>					
Adjustments:					
Impairment loss on receivables	7,170,071	404,895	-	-	7,574,966
Interest expense	702,545	-	-	1,392,079	2,094,624
Profit payment for Bai' Bithaman Ajil facility	1,382,201	-	-	(1,382,201)	-
Reversal of impairment loss on receivables	(1,002,082)	(572,793)	-	-	(1,574,875)
	<u>992,369</u>	<u>(538,519)</u>	<u>-</u>	<u>-</u>	<u>453,850</u>
<b>Changes in working capital</b>					
Biological assets					
	<u>992,369</u>	<u>(538,519)</u>	<u>-</u>	<u>-</u>	<u>453,850</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 32. COMPARATIVE FIGURES (Cont'd)

(ii) The following are changes in comparative figures due to changes in accounting framework, prior year adjustment and reclassification. (Cont'd)

### (d) Reconciliation between FRS and MFRS framework (Cont'd)

Group	As previously reported FRS	Effect of transition to MFRS	Prior year adjustment	Reclassification	As restated MFRS
	RM	RM	RM	RM	RM
<b>Cash generated from/(used in) operations</b>					
Interest paid	(702,545)	-	-	(1,392,079)	(2,094,624)
Profit payment for Bai' Bithman Ajil facility	(1,382,201)	-	-	1,382,201	-
	(5,097,049)	-	-	1,818,881	(3,278,168)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment					
<b>Cash flows from financing activities</b>					
Drawdown of borrowings	-	-	-	24,593,311	24,593,311
Drawdown of bankers' acceptance	24,382,110	-	-	(24,382,110)	-
Drawdown of finance lease payables	2,030,082	-	-	(2,030,082)	-
Payment of bankers' acceptance	(19,632,826)	-	-	19,632,826	-
Repayment of term loans	(7,963,436)	-	-	7,963,436	-
Repayment of Bai' Bithman Ajil facility	(990,672)	-	-	990,672	-
Repayment of borrowings	-	-	-	(32,840,448)	(32,840,448)
Repayment of finance lease payables	(1,253,517)	-	-	1,253,517	-
<b>Cash and cash equivalents comprise of the following:</b>					
Cashline-i	-	-	-	(3,000,000)	(3,000,000)

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)



## 32. COMPARATIVE FIGURES (Cont'd)

(ii) The following are changes in comparative figures due to changes in accounting framework, prior year adjustment and reclassification. (Cont'd)

### (d) Reconciliation between FRS and MFRS framework (Cont'd)

Company	As previously reported FRS	Effect of transition to MFRS	Prior year adjustment	Reclassification	As restated MFRS
	RM	RM	RM	RM	RM
<b>Statements of comprehensive income</b>					
Administrative expenses	(17,923,918)	-	-	15,470,337	(2,453,581)
Other income	295,757	-	-	(295,757)	-
Other expenses	-	-	-	(15,174,580)	(15,174,580)
<b>Statements of cash flows</b>					
Adjustments:					
Impairment loss on:					
- amounts due from subsidiaries	-	-	-	65,183	65,183

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 5 February 2018, the Group had entered into a Joint Development Agreement ("JDA") with third party to development a mixed development on a piece of freehold land measuring approximately 3.765 hectares located at Bota Kanan, Seri Iskandar, Perak for a consideration of RM1,740,000.

On 5 June 2018, the Group entered into a Sale and Purchase Agreement ("SPA") for acquisition of a leasehold land measuring approximately 11.33 hectares (or approximately 28 acres) located within Mukim of Sungai Terap, District of Kinta, State of Perak for a total cash consideration of RM5,390,000 for development activity purpose.

On 30 November 2018, the Group entered into a Development Rights Agreement ("DRA") to acquire the development right over an on-going development of 780 units of apartment known as Pangsapuri Seri Iskandar for a total cash consideration of RM3,800,000 which the DRA has not become unconditional as at year end.

During the year, the Company carried out a debt rationalisation exercise with its subsidiaries in the poultry segment as disclosed in Note 27.

## 34. EVENT SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 26 February 2019, the Group has set up a joint venture company, namely Farmmesh Foods (M) Sdn Bhd ("FFM") with Farmmesh Foods Co. Ltd. ("FFCL") by subscribing for 7,000 new ordinary shares in FFM for a total consideration of RM7,000 only, representing 70% of the entire issued share capital of FFM.