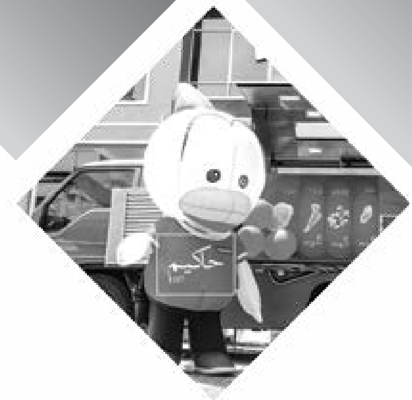
D.B.E. GURNEY RESOURCES BERHAD
(COMPANY NO. 535763-A)

Annual Report 2017

GURNEY™ dbe HARUMI™



CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth (17th) Annual General Meeting of D.B.E. Gurney Resources Berhad will be held at Intan 1, The Orient Star Resort Lumut, Lot 203 & 366 Jalan Iskandar Shah, 32200 Lumut, Perak Darul Ridzuan on Monday, 28 May 2018 at 11.00 a.m. for the following purposes:-

AGENDA
ORDINARY BUSINESS

1 To receive the Audited Financial Statements for the year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. (Refer to Explanatory Note A)

2 To approve the payment of Directors' fees of RM90,000 to Non-Executive Directors for the financial year ended 31 December 2017. ***(Ordinary Resolution 1)***

3 To approve the payment of Directors' fees of RM90,000 to Non-Executive Directors for the financial year ending 31 December 2018, to be made payable monthly. ***(Ordinary Resolution 2)***

4 To approve the payment of Directors' benefits (other than Directors' fees) of up to RM65,000 to Directors for the period from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company. ***(Ordinary Resolution 3)***

5 To re-elect Dato' Ding Seng Huat who retires by rotation pursuant to Article 84 of the Articles of Association (Constitution) of the Company. ***(Ordinary Resolution 4)***

6 To re-elect the following Directors who were appointed during the year and retire pursuant to Article 91 of the Articles of Association (Constitution) of the Company:

(a) Dato' Doh Jee Ming ***(Ordinary Resolution 5)***
(b) Dato' Doh Tee Leong ***(Ordinary Resolution 6)***
(c) YM Raja Azlan Shah bin Raja Azwa ***(Ordinary Resolution 7)***
(d) Sandeep Singh A/L Gurbachan Singh ***(Ordinary Resolution 8)***

7 To re-appoint AFRIZAN TARMILI KHAIRUL AZHAR (known as AFTAAS) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. ***(Ordinary Resolution 9)***

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

8 **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** ***(Ordinary Resolution 10)***

"THAT, subject always to the Sections 75 and 76 of the Companies Act 2016 ("the Act"), the Articles of Association (Constitution) of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

9 To transact any other ordinary business of which due notice has been given.

BY ORDER OF THE BOARD

JESSLYN ONG BEE FANG (MAICSA 7020672)
ERIC TOH CHEE SEONG (MAICSA 7016178)
Company Secretaries

Penang
30 April 2018

NOTES :

1. *Only members whose names appear on the Record of Depositors as at 21 May 2018 shall be entitled to attend, speak and vote at the Annual General Meeting.*

2. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*

3. *A member shall be entitled to appoint not more than two proxies to attend and vote at the Annual General Meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless the member specifies the proportions of his/her holdings to be represented by each proxy.*

4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*

5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.*

6. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at No.54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.*

7. *Explanatory Note on Special Business:*

   <u>Ordinary Resolution 10 - Authority to Issue Shares Pursuant To Sections 75 and 76 of the Companies Act 2016</u>

   The existing general mandate for the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 was approved by the shareholders of the Company at the 16th Annual General Meeting held on 26 May 2017. The Company did not issue any new shares pursuant to this general mandate as at the date of this notice.

   The Company is continually looking for opportunities to broaden the operating base and earnings potential of the Company. This may require the issue of new shares not exceeding ten percent (10%) of the issued and paid-up share capital of the Company for the time being.

   The proposed Ordinary Resolution 10 would enable the Directors to avoid delay and cost of convening further general meetings to approve the issue of such shares for such purposes. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The renewal of this mandate will provide flexibility to the Company for any potential fund raising activities, including but not limited to placement of shares, for purpose of funding future investments, working capital and/or any acquisition.

8. *Explanatory Note on Ordinary Business:*

   <u>Note A</u>
   This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements)

Details of Director who is standing for election

No individual is seeking election as a Director (excluding Directors standing for re-election) at the forthcoming 17th Annual General Meeting of the Company.

Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03 (3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of the general mandate for the authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in the Explanatory Note on Special Business of the Notice of 17th Annual General Meeting of the Company.

OUR MISSION & VISION

MISSION

We are…
DBE is a team of committed, positive and successful people who are always striving to be balanced, integral and honest. We will work within our "14 Points of Culture" to make sure everyone who touches, or is touched by the DBE team, will enjoy greatly and in some way move closer to becoming our greatest, precious loyal customers.

We are in…
We will always work in co-competition with all those who believe they are in competition with us. We are in the business of providing 'The Best 'Halal' Fresh Chicken'. We will educate ourselves, our customers and all those whom we work with, while we serve our customers in world-class customer service excellence. We will educate our customers of the importance of hygiene and nutritious chicken. Our products and services will be of the highest Freshness, Quality, Innovation, Expertise, Service and whether sourced from within the company or externally will always add the most value, and ensure customers get most out of it.

Our Customers…
DBE customers whether they be small, medium or large in size will have a desire to have us serve them in fulfilling their satisfaction and be able to take on Our Commitment to them by returning their Commitment to DBE. They will be yearning for our services and products and be willing to share with their family, friends and colleagues. Our customers will want to deal with us because we understand people are important, we offer the most hygiene, most nutritious and fastest services of our products, and most importantly because we mean what we say. We will give people back the original freshness of chickens through Codex HACCP food safety standard.

VISION

"More Gurney Chicken on more plates ... everyday"

CORPORATE OBJECTIVES

- To become one of the leading integrated poultry producers in the country.
- Contribute in making Malaysia self-dependent with regards to poultry products.
- To produce International Standard poultry products from "Farm-To-Table" with production "Traceability" in place.
- To further broaden its markets at home and abroad.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Ding Chong Chow
(Executive Chairman)

Dato' Ding Seng Huat
(Group Managing Director)

Dato' Cheng Lay Miew
(Executive Director)

Dato' Doh Jee Ming
(Executive Dirctor)

Dato' Doh Tee Leong
(Non-Independent Non-Executive Director)

YM Ungku A Razak bin Ungku A Rahman
(Independent Non-Executive Director)

YM Raja Azlan Shah bin Raja Azwa
(Independent Non-Executive Director)

Sandeep Singh A/L Gurbachan Singh
(Independent Non-Executive Director)

AUDIT COMMITTEE

YM Raja Azlan Shah bin Raja Azwa
(Chairman)
YM Ungku A Razak bin Ungku A Rahman
Sandeep Singh A/L Gurbachan Singh

NOMINATION COMMITTEE

Sandeep Singh A/L Gurbachan Singh
(Chairman)
YM Raja Azlan Shah bin Raja Azwa
Dato' Doh Tee Leong

REMUNERATION COMMITTEE

YM Raja Azlan Shah bin Raja Azwa
(Chairman)
Sandeep Singh A/L Gurbachan Singh
Dato' Ding Seng Huat

COMPANY SECRETARIES

Jesslyn Ong Bee Fang (MAICSA 7020672)
Eric Toh Chee Seong (MAICSA 7016178)

PRINCIPAL PLACE OF BUSINESS

Plot 137 & 138 Kawasan
Perindustrian
Pelabuhan Lumut
32000 Sitiawan
Perak Darul Ridzuan
Tel : 605-6922 822
Fax : 605-6922 322

SHARE REGISTRAR

Insurban Corporate Services Sdn. Bhd.
No. 149, Jalan Aminuddin Baki
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : 603-7729 5529
Fax : 603-7728 5948

AUDITORS

AFRIZAN TARMILI KHAIRUL AZHAR
(known as AFTAAS) (AF 1300)
Chartered Accountants
No. 2, Jalan Rampai Niaga 2
Rampai Business Park
53300 Kuala Lumpur
Tel : 603-4143 9330
Fax : 603-4142 9330

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
AGRO Bank

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Stock Code : 7179
Stock Name : DBE

REGISTERED OFFICE

No. 54-4-8, Wisma Sri Mata
Jalan Van Praagh
11600 Penang
Tel : 604-2824 605
Fax : 604-2824 605

CORPORATE STRUCTURE

D.B.E. GURNEY RESOURCES BERHAD
(Company No. 535763-A)

- **100%** D.B.E. FOOD PROCESSING INDUSTRIES SDN BHD
- **100%** D.B.E. HATCHERY SDN BHD
- **100%** D.B.E. BREEDING SDN BHD
- **100%** D.B.E. MARKETING SDN BHD
- **100%** D CONSTRUCTION SDN BHD
- **100%** D.B.E. GURNEY CHICKEN SDN BHD
- **100%** DBE DEVELOPMENT SDN BHD
- **100%** *D.B.E. POULTRY FEEDMILLS SDN BHD
- **100%** D.B.E. POULTRY SDN BHD
    - **40%** SUPER HARUMI SDN BHD
- **98.7%** HARUMI INTERNATIONAL HOLDINGS LIMITED

*D.B.E. Poultry Feedmills Sdn Bhd is currently in the process of striking-off from the registrar.

PROFILE OF DIRECTORS

Dato’ Ding Chong Chow (Executive Chairman)

Dato’ Ding Chong Chow (“Dato’ Ding”), aged 64, a Malaysian, male, was appointed Director and Executive Chairman of the Company on 2 January 2001.

As one of the co-founders of the DBE Group, he has more than 20 years of experience in poultry farming, poultry trading, breeding and wholesaling business. He started his career as a farmer at a very young age. He later on became a contract farmer and eventually founded DBE Group with his brother, Ding Choon Yung. Over the years, he had undergone several economic recessions. He managed to gain and learn through experience from the ups and downs of local economy and industry. Progressively, all DBE subsidiaries were setup and grew under his guidance and endless effort. He was the Chairman of Poultry and Livestock Association for District of Manjung. In 2001, he was awarded the title Pingat Pekerti Terpilih PPT by the Sultan of Perak. Subsequently on 24 October 2003, he was conferred the Darjah Indera Mahkota Pahang (DIMP) by the Sultan of Pahang which carries the title Dato’.

He does not have any conflict of interest with the Company. Other than Dato’ Ding Seng Huat and Dato’ Cheng Law Miew, who are his nephews, he has no family relationship with any other director and/or major shareholder of the Company. Dato’ Ding does not hold any directorship in public companies and public listed companies. He has no conviction for any offences (other than traffic offences) within the past five years.

He holds 135,246 ordinary shares directly in the Company.

Dato’ Ding Seng Huat (Group Managing Director)

Dato’ Alex Ding Seng Huat (“Dato’ Alex Ding”), aged 44, a Malaysian, male, was appointed to the Board of the Company as the Group Managing Director on 2 April 2002. He is a member of the Remuneration Committee of the Company.

Dato’ Alex Ding started his career within the Group in 1990. In 1992, he became a Marketing Manager of D.B.E. Breeding Sdn Bhd. In 1998, he was appointed as the Group General Manager before promoted to the Group Managing Director in 2002. He has more than 13 years of experience in the poultry business and was involved directly in the expansion of the Group’s purchasing and marketing divisions. He is actively involved in the Federation of Livestock Farmers’Association of Malaysia. As the son of co-founder Ding Choon Yung, he is a young and energetic second generation of the Group. He seeks various effective ways to modernise the organisation, clinching business opportunities while moving towards the more competitive edge of 21st century. His vision is to lead the Group to grow with the goal of being a total integrator in poultry industry. On 11 March 2016, he was conferred the Darjah Sultan Ahmad Shah Pahang (DSAP) by the Sultan of Pahang which carries the title Dato’.

He does not have any conflict of interest with the Company. Other than Dato’ Ding Chong Chow and Dato’ Cheng Lay Miew, who are his uncle and cousin respectively, he has no family relationship with any other director and/or major shareholder of the Company. Dato’ Alex Ding does not hold any directorship in public companies and public listed companies. He has no conviction for any offences (other than traffic offences) within the past five years.

He holds 130,903,374 ordinary shares directly in the Company.

Dato’ Cheng Lay Miew (Executive Director)

Dato’ Cheng Lay Miew (“Dato’ Cheng”), aged 49, a Malaysian, male, was appointed to the Board of the Company as the Executive Director on 2 January 2001.

Dato’ Cheng was the General Manager for the Group’s Breeding, Feedmill and Hatchery Division previously. He has more than 14 years of experience in the poultry rearing and breeding business. He was also responsible for the strategy planning and operations of breeding farms as well as hatchery. Under his management, the breeding farms and hatchery had high achievement of excellent and steady production rate. He was involved in the planning, construction and setting up of the Company’s first in-house feedmill. The feedmill commenced operations in July 2002. On 30 December 2016, he was conferred the Darjah Indera Mahkota Pahang (DIMP) by the Sultan of Pahang which carries the title Dato’.

He does not have any conflict of interest with the Company. Other than Dato’ Ding Chong Chow and Dato’ Ding Seng Huat, who are his uncle and cousin respectively, he has no family relationship with any other director and/or major shareholder of the Company. Dato’ Cheng does not hold any directorship in public companies and public listed companies. He has no conviction for any offences (other than traffic offences) within the past five years.

He holds 7 ordinary shares directly in the Company.

Dato' Doh Jee Ming (Executive Director)

Dato' Jimmy Doh Jee Ming ("Dato' Jimmy Doh"), aged 38, a Malaysian, male, was appointed as a Non-Independent Non-Executive Director of the Company on 20 December 2017. On 16 January 2018, he has been redesignated from Non-Independent Non-Executive Director to Executive Director.

He graduated from International Teaching University of Georgia with Master of Business Administration in 2017. He has accumulated more than 17 years of working experience in property development and construction business. Dato' Jimmy Doh also owns and holds directorships in several private limited companies in the business of housing and property development, provision of hotel services, food and beverages, and education services where he has been actively involved in their management and operations. He is also a life corporate member of the Perak Chinese Chamber of Commerce and Industry.

He is the brother of Dato' Doh Tee Leong and Dato' Doh Jee Chai. Dato' Doh Tee Leong is a Non-Independent Non-Executive Director and major shareholder of the Company whilst Dato' Doh Jee Chai is a major shareholder of the Company via Doh Properties Holdings Sdn Bhd and Hektar Muda Sdn Bhd, major shareholders of the Company.

Dato' Jimmy Doh does not hold any directorship in any other public or public listed company and has no convictions for any offences (other than traffic offences) within the past five years.

He holds 47,520,000 ordinary shares directly and 377,093,784 ordinary shares indirectly in the Company.

Dato' Doh Tee Leong (Non-Independent Non-Executive Director)

Dato' Marcus Doh Tee Leong ("Dato' Marcus Doh"), aged 43, a Malaysian, male, was appointed as a Non-Independent Non-Executive Director of the Company on 20 December 2017. He is the member of Nomination Committee.

He graduated from The Ohio State University with Bachelor of Science (Hons) in Civil Engineering in 1998. He was a Marketing Manager in Pangkor Coral Bay Resort from 1998 to 2003. From 2003 until present, he is the Director and Managing Directors of Setia Awan Group of Companies, which specialise in property development and construction.

He is the brother of Dato' Doh Jee Ming and Dato' Doh Jee Chai. Dato' Doh Jee Ming is an Executive Director and major shareholder of the Company whilst Dato' Doh Jee Chai is a major shareholder of the Company via Doh Properties Holdings Sdn Bhd and Hektar Muda Sdn Bhd, major shareholders of the Company.

Dato' Marcus Doh does not hold any directorship in any other public or public listed company and has no convictions for any offences (other than traffic offences) within the past five years.

He holds 377,526,684 ordinary shares indirectly in the Company.

YM Ungku A Razak Bin Ungku A Rahman (Independent Non-Executive Director)

YM Ungku A Razak Bin Ungku A Rahman ("YM Ungku"), aged 63, a Malaysian, male, was appointed to the Board of the Company as the Independent Non-Executive Director on 7 December 2012. He is a member of the Audit Committee and Nomination Committee of the Company.

He graduated from Cranfield School of Management, Cranfield, England, holding the Masters of Business Administration. He began his career with ESSO Malaysia Sdn Bhd in 1978, after which he spent about 3 years at Permodalan Nasional Berhad and was also attached to The Kuala Lumpur Stock Exchange Group of Companies, now known as Bursa Malaysia Securities Berhad, for 20 years. He was the Chief Information Officer of K&N Kenanga Holdings Berhad from 2005 to 2007. From 2008 to 2014, he was the Independent Non-Executive Director of Nexgram Holdings Berhad (formerly known as Nextnation Communication Berhad), a public company listed on the ACE Market of Bursa Malaysia Securities Berhad.

He does not have any conflict of interest with the Company and he has no family relationship with any director and/or major shareholder of the Company. YM Ungku does not hold any directorship in public companies and public listed companies. He has no conviction for any offences (other than traffic offences) within the past five years.

He does not hold any shares in the Company.

YM Raja Azlan Shah bin Raja Azwa (Independent Non-Executive Director)

YM Raja Azlan Shah bin Raja Azwa ("YM Raja Azlan"), aged 47, a Malaysian, male, was appointed to the Board of the Company as the Independent Non-Executive Director on 15 November 2017. He is the Chairman of the Audit Committee and Remuneration Committee of the Company. He is also a member of the Nomination Committee.

He graduated from University of Sheffield, United Kingdom with a Bachelor of Accounting and Financial Management in 1993. He is a Member of the Malaysian Institute of Certified Public Accountants and began his career in 1993 at Arthur Andersen & Co.

He is currently the Group Chief Executive Officer of Percon Corporation Sdn Bhd, a private Bumiputera construction company, civil engineering and building contractor. Presently, he also sits on the Board of Directors of several private limited companies, namely IJN Holdings Sdn Bhd and River of Life Hospital Sdn Bhd.

Previously, he was attached to Sime Darby Group from 2005 to 2016 with the last position as The Head of Strategy and Innovation for Sime Darby Property from April 2015 to Nov 2016. He had also served as the Group CEO of Ramsay Sime Darby Healthcare between 2013 to 2015 with responsibility over 3 hospitals and 1 nursing / Allied Health Science College in Malaysia and also 3 hospitals in Indonesia. Prior to that, he was the Managing Director of Sime Darby Healthcare Group between 2010 and 2013. From 2005 to 2010, he was the Head of Corporate Finance and Corporate Planning under the Strategy Department, where he was involved in the Merger of Sime Darby, Golden Hope and Guthrie.

He was with CIMB Investment Bank from 1999 to 2005, where he had worked in the corporate finance department with notable completed deals including Sapura Crest's acquisition of Sapura Energy, DUKE Highway project, merger of companies under Kumpulan Darul Ehsan Berhad and Kumpulan Perangsang Selangor Berhad.

YM Raja Azlan does not hold any directorship in any other public or public listed company. He also does not have any conflict of interest with the Company and he has no family relationship with any director and/or major shareholder of the Company. He has no convictions for any offences (other than traffic offences) within the past five years.

He does not hold any shares in the Company.

Mr. Sandeep Singh A/L Gurbachan Singh (Independent Non-Executive Director)

Mr. Sandeep Singh A/L Gurbachan Singh ("Mr. Sandeep Singh"), aged 28, a Malaysian, male, was appointed as an Independent Non-Executive Director of the Company on 28 November 2017. He is currently the Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees.

He graduated from University of the West of England, Bristol, United Kingdom with a Bachelor of Laws (Hons.) in 2012 and graduated as a Barrister – at – Law from the Honourable Society of Lincoln's Inn, London in 2014.

He has been in continuous legal practice as an advocate and solicitor in various fields of Criminal and Civil Law as well as Conveyancing since 2015. Presently, he is a partner of Bachan & Kartar Advocates & Solicitors, a legal firm based in Ipoh, Perak. Currently, he sits on the Board of Directors of several private limited companies.

Mr. Sandeep Singh does not hold any directorship in any other public or public listed company. He also does not have any conflict of interest with the Company and he has no family relationship with any director and/or major shareholder of the Company. He has no convictions for any offences (other than traffic offences) within the past five years.

He does not hold any shares in the Company.

MANAGEMENT DISCUSSION & ANALYSIS

D.B.E. Gurney Resources Berhad was incorporated on 2 January 2001 and listed on the Main Market of Bursa Malaysia Securities Berhad since 2004. The factories which are located in Manjung, Perak have been in operation since 2002.

On behalf of the Board of Directors and Management Team, I would like to express our sincere appreciation for the continued trust and loyalty of our shareholders, employees, business partners, and consumers, whose support along the journey enabled a smooth transition with no disruption to the business.

At DBE, we are committed to make sustainability a paramount focus of our business, with respect for people and the planet being a core value for us. Alongside this, we will continue to prioritise new innovations and optimise process and system improvements, to create sustained value for our shareholders.

Navigating a Challenging Market Landscape

The operating environment continues to be challenging over the year. During the financial year ended 31 December 2017, we navigated a market landscape characterised by the following observations: -

- Global geo-political uncertainties, rising oil prices, and a tightening domestic economy flanked by our currency volatility and the rising cost of living continue to pressure consumer sentiment;

- As consumers seek better value for money (in quality or price), this translates into growth for our value-added products.

In response to the changing business landscape, our organisation has entered into a new era, with the development of new retail products such as HARUMi, thus embarking on our downstream activities. HARUMi has been hailed as a milestone in DBE's business achievement, as it will eventually transform us to be an integrated poultry player in the local market.

Furthermore, the Group has also ventured into property development business via a joint venture between DBE Development Sdn Bhd, a wholly-owned subsidiary of DBE and Misi Jutari Sdn Bhd for the construction and development of a mixed development project located in Seri Iskandar, Perak. This new business opportunity enables the Group to diversify its earning base and reduce its dependency on its existing business.

In addition, the Group also intends to diversify into construction related business to complement its property development where it shall undertake the construction works of identified projects/contracts to be procured from time to time.

On Financial Performance

The Group recorded a slightly lower revenue of RM111.72 million (FYE 2016: RM112.98 million) mainly due to lower sale of processed chicken and live broiler during the year.

The Group posted a loss before tax of RM20.52 million in FYE 2017 against a profit before tax of RM0.1 million in the previous corresponding year mainly due to lower gross profit margin as the cost of production has increased significantly by RM9.28 million during the financial year. In addition, the financial performance was also affected by non-operations expenses relating to the impairment loss on debtors in respect of certain overdue debts amounting to RM7.17 million and additional professional fees paid for the issuance of the Redeemable Convertible Notes (Notes) amounting to RM1.3 million. The Notes were fully issued in December 2017 with no further professional fees to be payable.

On Corporate Exercise

The Company's Notes programme which was implemented in 2015 was completed after the listing of the final tranche of the Notes on 21 December 2017. The Company had issued in total RM50.0 million of Notes and all the Notes issued were subsequently converted into 2,004,895,973 new ordinary shares of the Company, thus enhancing the Group's shareholders' funds to RM85,730,442 as at 31 December 2017.

As part of the Group's strategy to enhance and improve its financial position moving forward, the Group has on 5 February 2018 proposed to undertake the following:-

(i) proposed joint development via the Joint Development Agreement entered into between DBE Development Sdn Bhd and Misi Jutari Sdn Bhd for the construction and development of a mixed development project comprising 10 units of single-storey semi-detached house, 85 units of single-storey terrace house, 3 units of double-storey shop house and 16 units of single-storey shop house;

On Corporate Exercise (Cont'd)

(ii) proposed diversification of DBE's existing business into property development and construction; and

(iii) proposed variation to the utilisation of the remaining unutilised proceeds raised via the issuance of RCN amounting to RM12.56 million.

On 16 April 2018, the shareholders of the Company via an Extraordinary General Meeting approved the above proposals.

On Corporate Social Responsibility

We continue to place a high value on reinforcing the Company's belief in Corporate Social Responsibility (CSR). We acknowledge our responsibility to implement CSR initiatives and meaningful activities in the Company's workplace, market place, community and environment. The Group recognises its corporate citizenship and fulfils its responsibilities to its employees, customers, caring for society and greening the environment based on principles of business sustainability. We have continuously strived to improve the welfare and benefits for all our employees as well as providing and maintaining a safe and healthy workplace to the employees, contractors and visitors. In our efforts in giving back to the various communities from which we have thrived on, the Company continues to channel financial aid through funding programs that contribute to the social well-being of the public. We focus on schools, charitable bodies and community development programs as part of our social responsibilities of doing good and working towards our long-term commitment to make the world a better place.

On The Horizon

2017 has been a difficult year for the Group despite our relentless efforts to improve our operation efficiencies as well as the continuous efforts in developing the HARUMi brand. We have made some good strides in 2017 in the HARUMi brand via opening of more retail outlets in 2017. However, our main operations continue to face headwind with great difficulties in turning around and we expect 2018 to remain challenging due to both global and domestic economic uncertainties with increased regulatory requirements.

As such, DBE is determined to have the following 2 prong strategies to mitigate the above uncertainties moving forward: -

(i) To continue its strategies through growing our iconic portfolio of brands, strengthening our commercial strategies via HARUMi brand in the retailing sector; and

(ii) Diversifying into property sector via development of affordable housing scheme.

Lastly, I would like to thank the Board of Directors for their guidance as well as all the employees who have worked with me during the year. I strongly believe that with the entry of new board members together with the business, our Group is posed to achieve a turnaround performance in 2018.

Dato' Ding Seng Huat
Group Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of D.B.E. Gurney Resources Berhad ("DBE") recognizes the importance of adopting the principles and recommendations of the Malaysian Code on Corporate Governance 2017 ("Code") which sets out the broad principles, intended outcomes, guidance and recommendations for good corporate governance and best practices for listed companies.

The Board is pleased to disclose below the manner in which it has applied the principles and recommendations of good corporate governance set out in the Code to effectively discharge its responsibilities to protect and enhance shareholders' value. The Group's corporate governance practices are continually reviewed and where there might be departures from the principles set out in the Code, efforts will be made to review these practices with a view to compliance.

1. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is responsible for ensuring that shareholders' value and interests are protected and enhanced. Various processes and systems are in place to assist the Board in carrying out their stewardship responsibility. The processes include the following:-

1.1 Clear Functions of the Board and Management

The Group is led and controlled by an effective Board. All Board members carry an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board understands the Board's philosophy, principles, ethics, mission and vision and reflects this understanding on key issues throughout the year.

The Board delegates authority and vests accountability for the Group's day to day operations with a Management team led by the Group Managing Director. The Board, however assumes the following responsibilities in discharging its duty of stewardship of the Group:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the Group's business conduct to evaluate whether the Group is being properly managed and build sustainable value for the Shareholders;
- Succession planning including appointing, training, fixing the compensation of and where appropriate, replacing Senior Management;
- Identifying principal risks and ensuring implementation of appropriate systems to manage these risks;
- Developing and implementing a shareholder communications policy for the Group; and
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To ensure effective discharge of its leadership role, the Board delegates specific powers to the Board Committees, the Group Managing Director and the Management.

The Audit Committee, Remuneration Committee and Nominating Committee ("Committees" or "Board Committees") operate within defined terms of reference that have been drawn up in accordance with the best practices prescribed by the Code. The Committees function primarily to assist the Board in the execution of its duties and responsibilities in order to enhance business and operational efficiency as well as efficacy. Deliberation and decisions at Committee level are recorded. The Committee Chairman will report to the Board on the outcome of the Committees' meetings and the minutes of meetings are circulated to the Board. The Board reviews the Committees' authority and terms of reference from time to time to ensure its relevance and to enhance its efficacy.

The Board retains full responsibility for the direction and control of the Company and the Group. The ultimate decision on all matters lies with the Board.

1.2 Clear Roles and Responsibilities of the Board

The Board is collectively responsible for oversight and overall management of the Group. The Executive Directors are responsible for the day-to-day operational management of the Group. On the other hand, the presence of the Independent Non-Executive Directors, who are not engage in the daily management of the Group, brings objectivity and independence to any evaluation of strategic, performance or resources related issues. In this manner, the Independent Non-Executive Directors fulfill a crucial corporate accountability role as they provide independent and objective views, opinions and judgement on issues being deliberated.

The Board has not developed position descriptions for the Board members and the Group Managing Director and also the corporate objectives for which the Group Managing Director is responsible to meet. Bearing that in mind, the Board is of the opinion that the Group Managing Director, assisted by the Executive Directors and key management, is responsible for the day-to-day operations of the Group and represents management to the Board.

1. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

1.2 Clear Roles and Responsibilities of the Board (Cont'd)

It is the practice of the Board to deliberate on significant matters that concerned the overall Group business strategy, acquisition or divestment policy, approval of major capital expenditure, consideration of significant financial matters and review of the financial and operating performance of the Group.

1.3 Formalize Ethical Standards through a Code of Conduct

The Group's Handbook for Employees ("Handbook") continues to govern the standard of ethics and good conduct expected of Directors and employees. In addition, the Company has also formalized a Code of Conduct for the Group. The objective of the Code of Conduct is to set out the ethical standards to all Directors and employees in their dealings with fellow colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment. Every employee must display and behave in a manner which is consistent with the Group's philosophy and core values.

Through the Code of Conduct and the Handbook, the Board sets the tone for proper ethical behavior expected of the Board members and the employees.

In order to strengthen the corporate governance practices across the Group, a whistle-blowing policy has been established to provide employees with accessible avenue to report suspected fraud, corruption, dishonest practices or other similar matters. The aim of this policy is to promote and encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be protected from reprisal.

The whistle-blowing policy together with anti-fraud policy is available for all staff and can be accessed via the Company's website - www.dbegurney.com

1.4 Strategies Promoting Sustainability

The Board is aware of the importance of business sustainability in general and vis a vis the environment, governance and social context. The Board embraces the need and values of sustainability and corporate responsibility into its core business for growth.

The Board actively encourages management and staff participation at company's events. The Group continuously strives to improve the welfare and benefits provided to its employees. Recruits undergo induction program to familiarize themselves with the Group's background, policies and structure, products and services.

The Board is committed to promoting sustainability in all the Group's activities. The policy statements and work practices are documented in the Sustainability Statement of this Annual Report.

1.5 Access to Information and Advice

The Board and its Committees have full and unrestricted access to all information necessary in the furtherance of their duties, which is not only quantitative but also other information deemed suitable such as customer satisfaction, product and service quality, market share and market reaction, if available.

The Board is provided with the agenda for every Board meeting together with reports relevant to the issues of the meeting covering areas of financial, operational and regulatory compliance, in advance, for the Board's reference. The Chairman of the Board takes primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to directors on a timely basis.

All directors have the right and duty to make further enquiries where they consider necessary. In some instances, members of Senior Management are invited to be in attendance at Board meetings to provide insight and to furnish clarification on issues that may be raised by the Board.

The Board papers are circulated on a timely basis, at least five (5) days in advance of the meeting to enable the members to have sufficient time to review the papers prepared. Board papers are comprehensive and encompass all aspects of the matters being considered, enabling the Board to look at both the quantitative and qualitative factors so that informed decisions are made.

1. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

1.5 Access to Information and Advice (Cont'd)

Meeting papers on issues or corporate proposals which are deemed confidential and sensitive would only be presented to the Directors during the meeting itself. Minutes of previous Board and Committees meetings are also circulated to the Board for their information. Verbal explanations and briefings are also provided by Executive Directors, Management and external consultants to enhance understanding of matters in relation to the Group's business and operations.

All Directors have access to the advice and service of the Company Secretaries. The Board of Directors, whether as a full board or in their individual capacity, may upon approval of the Board of Directors, seek independent professional advice if required, in furtherance of their duties, at the Group's expense.

1.6 Qualified and Competent Company Secretary

The Board trusts that the current Company Secretaries are suitably qualified, competent and can support the Board in carrying out its roles and responsibilities. Both the Company Secretaries graduated with professional qualification from the Institute of Chartered Secretaries and Administrators (ICSA) and qualified under Section 235(2) of the Companies Act 2016.

The Company Secretary is present at meetings to record deliberations, issues discussed and conclusions in discharging her duties and responsibilities and also advises on issues relating to the relevant rules and regulations that govern the Company.

The Company Secretaries provide a central source of guidance and advice to the Board, on matters of ethics and good corporate governance and assist in determining board agenda, formulating governance, coordinates board assessment process and other board-related matters.

The Company Secretaries ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company.

1.7 Board Charter

A Board Charter ("Charter") had been established, approved and adopted by the Board on 12 May 2014 to guide Board activities as recommended by the Code. The formalized Charter clearly defines the roles of the Board, Board Committees and Management so that there is a structured guide with regard to the various responsibilities including the need for Directors to carry out their leadership and supervisory role and in discharging their duties towards the Group and the Board.

The Board Charter will be reviewed periodically by the Board in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities. The last review on the Board Charter was on 26 February 2018 and it is available for reference on the Company's website at www.dbegurney.com.

2. STRENGTHENING COMPOSITION OF THE BOARD

2.1 Nomination Committee

The Nomination Committee which was established by the Board consists entirely of Non-Executive Directors.

The composition, duties and responsibilities of the Nomination Committee together with its activities during the financial year ended 31 December 2017 are presented in the Nomination Committee Report herein.

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nomination Committee operates within defined terms of reference that has been drawn up in accordance with the best practices prescribed by the Code.

2. STRENGTHENING COMPOSITION OF THE BOARD

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors (Cont'd)

The Nomination Committee is empowered by the Board to amongst others, identify and recommend to the Board suitable candidates for appointment to the Board and Board Committees, re-election and re-appointment of Directors, review the independence of Directors as well as the Board structure, size and composition and determining the impact of the number on its effectiveness as well as considering the Board's succession planning and training programmes.

The Nomination Committee also assesses the effectiveness of the Board, the Committees of the Board and contribution of each individual Director on an annual basis. Additionally, the Committee also reviews the required mix of skills, experience and other qualities, including core competencies of the members of the Board. The Board Members have attended training programmes during the year to enhance their knowledge and skills in specific areas. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are documented. The Company Secretary will ensure that all appointments are properly effected with the necessary legal and regulatory obligations duly met.

The Nomination Committee meets at least twice a year. Additional meetings are convened as and when the need arises. Three (3) meetings were held during the financial year ended 31 December 2017 and the meetings were attended by all members. The Committee conducted annual assessment on each individual Director, Board as a whole and Board Committees.

The Board acknowledges the recommendation of the Code on gender diversity. However, the Board believes it is not necessary to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board. The Nomination Committee will, however, continue to take steps to ensure suitable women candidates are sought as part of its recruitment exercise.

2.3 Establish Formal and Transparent Remuneration Policies and Procedures

The Remuneration Committee which was established by the Board comprises the following:-

YM Raja Azlan Shah bin Raja Azwa (Chairman) – Independent Non-Executive Director
Sandeep Singh A/L Gurbachan Singh – Independent Non-Executive Director
Dato' Ding Seng Huat – Group Managing Director

The Remuneration Committee is chaired by an Independent Non-Executive Director and consists mainly of independent non-executive directors.

The Committee meets at least twice a year. Additional meetings are convened as and when the need arises. The Remuneration Committee convened two (2) meetings during the financial year ended 31 December 2017 to consider remuneration package and employment related matters of the Executive Directors and Non-Executive Directors.

The Remuneration Committee is responsible for, inter alia, recommending to the Board the policy framework and remuneration structure for Directors as well as the remuneration packages for Executive Directors.

The Executive Directors did not participate in any way in determining their individual remuneration. The Board, as a whole, determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

The components of Director's remuneration are structured so as to link rewards to financial performance of the Group in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

The current practice is for Directors' remuneration to be based upon individual contributions, experience, responsibilities and core competencies with the quantum sufficient to attract, retain and motivate Directors of the quality required to manage the businesses of the Group and to align the interest of the Directors with those of the shareholders.

The Non-Executive Directors are paid annual fees which are determined by the Board as a whole. In addition to the annual fees, all Directors are paid meeting allowances for attending meetings. The directors' fees for Non-Executive Directors are approved annually by the shareholders.

2. STRENGTHENING COMPOSITION OF THE BOARD (CONT'D)

2.3 Establish Formal and Transparent Remuneration Policies and Procedures (Cont'd)

The aggregate remuneration of Directors of the Group and of the Company for the financial year ended 31 December 2017 is as follows:-

	Executive Directors RM'000	Non-Executive Directors RM'000
Directors' fees	-	90
Meeting & Committee allowances	9.5	15.5
Salaries and other emoluments	1,576.8	-
Benefits in kind	55.3	-

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2017 are as follows:-

Name	Directors' fees (RM'000)	Meeting & Committee allowances (RM'000)	Salaries and other emoluments (RM'000)	Benefits in kind (RM'000)	Total (RM'000)
Dato' Ding Chong Chow	-	2	636	18.4	656.4
Dato' Ding Seng Huat	-	5	672	13.5	690.5
Dato' Cheng Lay Miew	-	2.5	268.8	23.4	294.7
Dato' Ting Heng Peng	30	5	-	-	35
Lee Kean Cheong	30	5	-		35
YM Ungku A Razak bin Ungku A Rahman	30	5	-	-	35
YM Raja Azlan Shah bin Raja Azwa	-	0.5	-	-	0.5

Practice 7.2 of the Code states that the Company should disclose on a named basis the top five Senior Management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000. The Board is in a view that such disclosure will give rise to recruitment and talent retention issues.

3. REINFORCING INDEPENDENCE OF THE BOARD

3.1 Annual Assessment on Independence

The Board, through the Nomination Committee, assesses the Independent Non-Executive Directors annually. Based on the assessment carried out for the financial year ended 31 December 2017, the Board is satisfied with the level of independence demonstrated by the independent directors and their ability to act in the best interest of the Company in decision-making.

3.2 Tenure of Independent Directors

Practice 4.2 of the Code states that the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine years, annual shareholders' approval will be sought for the retention. Currently, none of the Independent Non-Executive Directors have exceeded the cumulative term of 9 years.

3.3 Shareholders' Approval for Re-Appointment of Independent Directors

The Board must justify and seek shareholders' approval in the event that it retains a Director as an Independent Non-Executive Director, a person who has served in that capacity for more than 9 years. Currently, none of the Independent Non-Executive Directors has served for more than 9 years.

3. REINFORCING INDEPENDENCE OF THE BOARD (CONT'D)

3.4 Separate Positions of the Chairman and Group Managing Director

The positions of Chairman and Group Managing Director are held by two different individuals in line with the recommendation of the Code.

The distinct and separate roles of the Chairman and Group Managing Director promote accountability and facilitate division of responsibilities between them. The Group Managing Director focuses on the day-to-day operations and management of the Group while the Executive Chairman leads the Board in the oversight of management.

In accordance with the recommendations of the Code, the Group has to appoint an independent non-executive chairman, or to have a board, with a majority of independent directors where the chairman is not an independent director. The Board, having assessed and reviewed, inter-alia, the skill, knowledge and experience of the Executive Chairman as well as the current Board composition, is of the view that the chairmanship of Dato' Ding Chong Chow shall remain. Given his capability to show leadership, entrepreneurship skills, business acumen and vast experience in the poultry industry, the Board continues to maintain this arrangement which is in the best interests of the Group.

3.5 Board Composition

The Board has a balanced composition of Executive and Non-Executive Directors (including Independent Directors) such that no individual or group of individuals can dominate the Board's decision-making powers and processes.

The Board currently consists of eight (8) members; comprising four (4) Executive Directors (including Group Managing Director and Executive Chairman), three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Board acknowledges that in accordance to the Code, at least half of the Board members should comprise of independent directors. Nonetheless, taking into consideration that half of the current Board members are non-executive directors whom are not involved in the day to day operation of the Group's business of which three are independent directors, the Board is confident that it is able to exercise and discharge its duties and judgement on the overall business decision and corporate affairs of the Group objectively.

Brief profile of each Board member is presented in this Annual Report under Profile of Directors. The Directors, with their different background and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, project and business development, marketing and operations. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing business operations as well as coordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgment to the decision making of the Board and provide a capable check and balance to the Executive Directors.

The Board, through the Nomination Committee, conducts annual assessment on the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director. The assessment also considered the qualifications, contribution and performance of Directors in meeting the needs of the Group based on the criteria - competency, character, time commitment, integrity and experience as set out under paragraph 2.20A of the Main Market Listing Requirements ("Listing Requirements"). The evaluation process is a mix of self and peer review and this is properly documented. The assessment and comments are summarised and discussed at Nomination Committee meeting before it is presented to the Board.

The Articles of Association (Constitution) of the Company provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM") and all Directors shall retire from office once at least in every three (3) years. A retiring Director is eligible for re-election. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately at the AGM.

4. FOSTERING COMMITMENT OF DIRECTORS

4.1 Time Commitment

The Board meets at least once every financial quarter with urgent and important matters resolved by way of circular resolutions and convening of additional meetings as and when the need arises. During the financial year ended 31 December 2017, the Board met on five (5) occasions, where it deliberated upon a variety of issues including the Group's financial results, corporate development, strategic decisions, business plan and directions of the Group, operational issues and compliance matters.

4. FOSTERING COMMITMENT OF DIRECTORS (CONT'D)

4.1 Time Commitment (Cont'd)

All Directors have complied with the requirement to attend at least 50% of the Board meetings held in the financial year pursuant to the Listing Requirements. The attendance record of the Directors at Board meetings held during the financial year ended 31 December 2017 is set out below: -

Directors	Attendance
Dato' Ding Chong Chow	4/5
Dato' Ding Seng Huat	5/5
Dato' Cheng Lay Miew	5/5
Dato' Ting Heng Peng (resigned on 8/12/2017)	5/5
Lee Kean Cheong (resigned on 8/12/2017)	5/5
YM Ungku A Razak bin Ungku A Rahman	5/5
YM Raja Azlan Shah bin Raja Azwa (appointed on 15/11/2017)	1/1
Sandeep Singh A/L Gurbachan Singh (appointed on 28/11/2017)	-
Dato' Doh Jee Ming (appointed on 20/12/2017)	-
Dato' Doh Tee Leong (appointed on 20/12/2017)	-

Board Meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention given to the Board agenda. Members of the Management team and external advisors are invited, as and when the need arises, to attend the Board of Directors' and the Committees' meetings to present and advise the members with information and clarification on certain items in the agenda to enable them to arrive at a considered decision.

All proceedings of the Board and Committee meetings are recorded and the minutes thereof signed by the Chairman of the respective meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their duties and responsibilities as Directors of the Company. This is evidenced by their attendances at the Board and various Board Committees meetings held during the year.

A Director accepting new directorships in other companies will notify the Board of his new appointment. A Director shall limit his directorship of companies to a number which is in compliance with the Listing Requirements and at such number that he can best devote his time and effectiveness to the Group. Presently, there is no induction process for new Directors. In general, any new appointment would be given background information on the Group and its activities with site visits arranged as deemed necessary.

4.2 Directors' Training

In order to ensure Directors' continuous professional development, the Board has identified and the Management has enrolled Directors for relevant training needs during the financial year ended 2017.

The Board encourages its Directors to attend talks, seminars, workshops and conferences to update and enhance their skills and knowledge to enable them to carry out their roles effectively as directors in discharging their responsibilities towards corporate governance, and operational and regulatory issues. The Directors are also briefed by the Company Secretaries on the latest letters and circulars issued by Bursa Securities and being advised of developments or changes to relevant laws and regulatory requirements at every scheduled Board meeting.

4. FOSTERING COMMITMENT OF DIRECTORS (CONT'D)

4.2 Directors' Training

Management briefings during Board and Audit Committee meetings on various operational, technical and corporate matters were also aimed at ensuring that Directors are well versed with the knowledge of the Group's business and affairs in enabling them to make meaningful decisions.

The Company also facilitates the organisation of in-house training programmes for Directors and maintains a record of the trainings attended by the Directors. On the recommendation of the Nomination Committee, the Directors will endeavour to attend more training programmes organized by Bursa Securities in relation to the Listing Requirements.

All newly appointed Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by the Listing Requirements.

During the financial year ended 2017, all the directors have attended appropriate training programmes to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast of the developments in the marketplace. The trainings and/or courses attended by each Director are as follows:-

Directors	Seminars / Workshops / Courses	Date
Dato' Ding Chong Chow	Empowering Leadership	19 May 2017
Dato' Ding Seng Huat	Empowering Leadership	19 May 2017
Dato' Cheng Lay Miew	Empowering Leadership	19 May 2017
Dato' Doh Jee Ming	Mandatory Accreditation Programme ("MAP")	12 Feb 2018 13 Feb 2018
Dato' Doh Tee Leong	Mandatory Accreditation Programme ("MAP")	12 Feb 2018 13 Feb 2018
YM Ungku A Razak bin Ungku A Rahman	Empowering Leadership	19 May 2017
	Programme for Audit Committees Driving Financial Integrity & Performance – Enhancing Financial Literacy	23 May 2017
	Case Study Workshop for Independent Directors "Rethinking – Independent Directors : A New Frontier"	9 Nov 2017
YM Raja Azlan Shah bin Raja Azwa	Mandatory Accreditation Programme ("MAP")	12 Feb 2018 13 Feb 2018
Sandeep Singh A/L Gurbachan Singh	Mandatory Accreditation Programme ("MAP")	12 Feb 2018 13 Feb 2018

5. UPHOLDING INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects, primarily through the annual and quarterly financial statements to Shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes, ensures its compliance with applicable financial reporting standards and regulatory requirements as well as the quality of its financial reporting. The Audit Committee scrutinizes the financial and statutory compliance aspects of the audited financial statements and adherence to internal policies and procedures prior to full deliberation at the Board level. The Board ensures the integrity of the Group's financial reporting and fully recognizes that accountability in financial disclosure forms an integral part of good corporate governance practices.

The Directors have ensured that the financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 2016. In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgement and estimates.

5. UPHOLDING INTEGRITY IN FINANCIAL REPORTING

5.2 Assessment of Suitability and Independence of External Auditors

During the financial year ended 31 December 2017, the Independent Directors held dialogue sessions with the External Auditors in the absence of the Executive Directors and Management.

The Group maintains a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the relevant accounting and financial reporting standards.

The Audit Committee has adopted Exhibit 14 of Bursa Securities' Corporate Governance Guide, 2nd edition, to review and assess with Management annually, the performance, suitability and independence of the external auditors and the level of non-audit services rendered by them.

Being satisfied with the external auditors' performance, technical competency and audit independence, the Audit Committee recommended to the Board for their re-appointment. The Board has approved the Audit Committee's recommendation for shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of the external auditors for the ensuing year.

6. RECOGNISING AND MANAGING RISKS

6.1 Sound Framework to Manage Risks

The Company has established a Risk Management Committee to review and recommend the risk management policies and strategies for the Group as well as assisting the Board to fulfill its risk management responsibilities in order to manage the overall risk exposure of the Group.

The risk management and internal control system is regularly reviewed by Management and relevant recommendations is made to the Audit Committee and Board for approval. The Company continues to maintain and review its internal control procedures to ensure that its assets and its shareholders' investments are protected.

Recognizing the importance of risk management, the Group has appointed external consultants to put in place an Enterprise Risk Management framework ("ERM") to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

An overview of the state of internal controls and risk management within the Group is spelt out in this Annual Report under the Statement on Risk Management and Internal Control.

6.2 Internal Audit Function

The Board has established an internal audit function within the Company, which reports directly to the Audit Committee. Details of the Group's internal audit function are set out in the Audit Committee Report of this Annual Report.

The Statement on Risk Management and Internal Control of this Annual Report provides an overview of the risk management framework and state of internal control within the Group.

7. ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board is cognizant of the requirement for prompt dissemination of information to shareholders, investing community and authorities to ensure clear and complete information of the Group's position and financial performance are given in a timely manner within the bounds of practicality and regulatory framework governing release of material and price sensitive information.

Following increased awareness for greater accountability and transparency in disclosure, the Board has formalized its current disclosure practice into a policy in line with the provisions of Listing Requirements, to enable comprehensive, timely and accurate disclosure to the regulators, shareholders and other stakeholders.

7. ENSURING TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

7.1 Corporate Disclosure Policy (Cont'd)

Besides that, the Board believes that the Company's Annual Report is a vital source of essential information for shareholders, investors and other stakeholders where it communicates comprehensive information of the financial results, management and discussion analysis on the operations of the Company, governance and sustainability measures and activities.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Group strives to ensure that shareholders and the general public would have an easy and convenient access to the Group's latest financial results, governance, press releases, annual reports and other corporate information via its website www.dbegurney.com.

8. STRENGTHENING RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholders Participation at General Meetings

General meetings are the key platform for the Board to meet the shareholders and for the Board to provide an overview of the Group's progress to-date and respond to questions from shareholders concerning the Group's business, operations and prospects.

The Board regards the Annual General Meeting (AGM) and other general meetings as an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue.

The Company's recent Extraordinary General Meeting (EGM) held on 16 April 2018 was attended by all Directors. During the year, in line with the revised Listing Requirements of Bursa Securities, for all resolutions tabled at the Company's AGM and recent EGM were voted on poll. All shareholders of the Company participated in the polling exercise. An independent scrutineer was appointed to validate the poll results and the decision of each resolution put to poll as well as the name of the independent scrutineer was also announced to Bursa Securities on the same day of the AGM and EGM.

Shareholders may also obtain the Group's latest announcements through its corporate website at www.dbegurney.com or Bursa Securities' website at www.bursamalaysia.com.

8.2 Poll Voting

Pursuant to Paragraph 8.2A of the Listing Requirements requiring that all resolutions set out in the notice of general meetings, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting be voted by poll with effect from 1 July 2016.

The Company will ensure that at the upcoming AGM of the Company, all resolutions will be voted by poll. Poll voting will reflect shareholders' views more accurately and fairly by ensuring that every vote is recognised in accordance with the principle of "one share one vote".

8.3 Effective Communication and Proactive Engagement

The Board acknowledges the need for shareholders to be kept informed of all material business matters affecting the Group. Shareholders are provided with an overview of the Group's performance and operations through timely release of financial results on yearly and quarterly basis as well as various other announcements.

The general meetings also provide a useful forum for shareholders to engage directly with the Board and senior management. The shareholders are at liberty to raise questions or seek clarification on the agenda of the meeting from the Board and the senior management.

COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE

For the financial year ended 31 December 2017 and until to-date, the Group has complied substantially with the Principles and Recommendations of the Code insofar as applicable and described herein.

This Statement was made in accordance with a resolution of the Board of Directors passed on 19 April 2018.

NOMINATION COMMITTEE REPORT

COMPOSITION

The Nomination Committee comprises wholly of Non-Executive Directors, the majority of whom are independent as follows:-

Mr. Sandeep Singh A/L Gurbachan Singh (Chairman)
YM Raja Azlan Shah bin Raja Azwa (Member)
Dato' Doh Tee Leong (Member)

RESPONSIBILITIES OF NOMINATION COMMITTEE

The responsibilities of the Nomination Committee are as follows:

(i) To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.

(ii) To recommend for appointment to the Board of Directors, candidates for all directorships to be filled by the shareholders or the Board, taking into consideration the candidates':
- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee will also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

(iii) To encourage and seek suitable women candidates based on the candidates' competency, experiences and knowledge to bring value and expertise to the Board as part of its recruitment exercise.

(iv) To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

(v) To recommend to the Board, Directors to fill the seats on Board Committees.

(vi) To review annually the Board's mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board.

(vii) To recommend to the Board for continuation (or not) in service of Executive Director(s) and Directors who are due for retirement by rotation.

(viii) To orientate and educate new Directors as the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

ACTIVITIES OF THE NOMINATION COMMITTEE

During the financial year ended 31 December 2017, the Nomination Committee, in discharging its functions and duties, carried out the following activities:-

- Considered the nomination of new membership of the Board
- Reviewed the size and composition of the Board and Board Committees (mix of skills, experience, boardroom diversity, current and future needs, soft attributes)
- Discussed and recommended the changes in composition of the Audit Committee, Nomination Committee and Remuneration Committee
- Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors (Directors' Evaluation, Self & Peer Assessments, Effectiveness of the Board & Board Committees, Term of Office and Performance of the Audit Committee and each of its members)
- Nominating the Directors who are due for retirement and are eligible to stand for re-election at AGM
- Assessed the independence of the Independent Non-Executive Directors

ACTIVITIES OF THE NOMINATION COMMITTEE (CONT'D)

The Nomination Committee upon its annual assessment carried out for financial year 2017, was satisfied that:

(i) The size and composition of the Company Board is optimum with appropriate mix of knowledge, skills, attribute and core competencies;

(ii) The Board has been able to discharge its duties professionally and effectively;

(iii) All the Directors continue to uphold the highest governance standards in discharging their duties and responsibilities;

(iv) All members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective working experience, academic and professional qualifications, depth of knowledge, skills and experience and their personal qualities;

(v) The Independent Directors are demonstrably independent;

(vi) The Directors are able to devote sufficient time and commitment to their roles and responsibilities as evidenced by their attendance records; and

(vii) All the Directors have received relevant trainings during the financial year ended 31 December 2017 and could serve to enhance their effectiveness in the Board.

DIRECTORS' RESPONSIBILITY STATEMENT
for preparing the Audited Financial Statements

Directors are legally responsible to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

In preparing those financial statements, the Directors ensured that:-

- they complied with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and Companies Act 2016 ("the Act");
- appropriate accounting policies are used and applied consistently;
- the going concern basis used in preparation of the financial statements are appropriate; and
- where judgements and estimates are made, they are reasonable and prudent.

The Directors are responsible to ensure that proper accounting records are kept and disclosed with reasonable accuracy at any time the financial position of the Group and of the Company and to ensure that the financial statements comply with MFRSs, IFRSs, the Act and the MMLR of Bursa Securities.

The Directors have a general responsibility for taking such steps as are reasonably available to them to manage risks associated to the business of the Group, safeguard the Group's assets, to prevent and detect fraud and other irregularities.

This Statement was made in accordance with a resolution of the Board of Directors at a meeting held on 9 April 2018

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds from Corporate Exercise

The proceeds of RM50.0 million from the Redeemable Convertible Notes ("RCN") during the financial year ended 31 December 2017 was utilised as follows:-

Utilisation of Proceeds	Proposed Utilisation (RM)	Utilised Up To 31 December 2017 (RM)	Balance Unutilised Up To 31 December 2017 (RM)
Working Capital Requirements	5,000,000	5,000,000	-
Repayment of Bank Borrowings	20,000,000	20,000,000	-
Expansion	20,000,000	7,440,000	12,560,000
Expenses relating to the RCN	5,000,000	5,000,000	-
Total	**50,000,000**	**37,440,000**	**12,560,000**

Audit and Non-Audit Fees

The amount of audit and non-audit fees charged for services rendered to the Group and to the Company by the external auditors and its affiliates in Malaysia for the financial year are as follows:-

	Group (RM)	Company (RM)
Audit Fees	96,500	37,000
Non-Audit Fees	7,000	7,000

Material Contracts Involving Directors and Major Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders, which subsisted at the end of the financial year ended 31 December 2017 or, if not then subsisting, entered into since the end of previous financial year.

Contract Relating to Loans

During the year, there were no contracts relating to loans entered into by the Company and its subsidiaries involving the interests of major shareholders and/or Directors.

Recurrent Related Party Transactions of a Revenue or Trading Nature

The Company did not incur any significant recurrent related party transaction of a revenue or trading nature during the financial year ended 31 December 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintain a sound internal control and risk management system in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Statement on Risk Management and Internal Control outlines the nature and scope of the risk management and internal control of the Group for the financial year 31 December 2017. The Statement on Risk Management and Internal Control is issued to report on the status of the Group's compliance with the principles and best practices relating to risk management and internal control as stipulated in the Malaysian Code of Corporate Governance 2017 ("the Code").

BOARD RESPONSIBILITIES

The Board affirms its overall responsibility over the Group's system of risk management and internal controls, which includes the existence of an appropriate control environment and framework, and the review of its effectiveness and adequacy to ensure that the Group's assets and shareholders' interests are safeguarded. The system of internal control covers governance, risk management, financial strategy, organisational, operational, regulatory and compliance control matters. The Board recognises that this system is designed to manage, rather than eliminate, the risks of not adhering to the Group's policies and achieving goals. Therefore, it should be noted that control systems can only provide reasonable but not absolute assurance against material loss or failure.

The Board has also received assurance from the Group Managing Director that the Group's risk management and internal control system are in place for the financial year 2017 and is operating effectively in all material aspects.

RISK MANAGEMENT

In providing oversight of risk management framework and policies of the Group, the Board is assisted by the Audit Committee and Risk Management Committee to:

- Ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets: and
- Ascertain the nature and extent of principal risks that may impact the Group's strategic objectives.

The Group has appointed external consultants to put in place an Enterprise Risk Management framework ("ERM") which comprises the following elements:

- Communicate and disseminate across the organisation the vision, role and direction of the Group;
- Provide guiding principles and approach towards risk management;
- Process of identification, assessment, evaluation and management of the various principal risks which affect the Group's business;
- Creation of a risk-awareness culture and risk ownership for more effective management of risks;
- Regular reviewing, tracking and reporting on keys risks identified and corresponding mitigation procedures;
- Regular reviewing of the effectiveness of the system of internal control.

The framework would be applied throughout the financial year to determine, evaluate and manage principal risks of the Group. This would be complemented by the system of internal control that is integrated into the Group's operations and processes.

Notwithstanding this, risk management principles, policies, procedures and practices would also be updated regularly to ensure relevance and compliance with current/applicable laws and regulations, and are made available to all employees.

INTERNAL AUDIT FUNCTION

The Board has given the responsibility for reviewing the adequacy and integrity of the internal control system to the Audit Committee. The Audit Committee assess the adequacy and integrity of the internal control system and its compliance with the Group's policies and procedures through independent reviews performed by the outsourced internal audit function. In this respect, the Board, through the Audit Committee receives and reviews reports on internal control from the outsourced internal audit function. The outsourced internal audit function reports directly to the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION (CONT'D)

The Audit Committee reviews and approves the audit plan, scope of work and reviews reports of the outsourced internal audit function. The internal audit function reports to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent to which their recommendations have been implemented.

For the financial year ended 31 December 2017, the outsourced Internal Auditors undertook the following internal audit assignments:

1. Emergency Response Planning function
2. Biosecurity management function

KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

- **Control Environment**

  The Board is committed towards maintaining a strong control structure and environment for the proper conduct of the Group's business operations and towards achieving a sound system of internal control.

  Management has established, with board oversight, structures, reporting lines and appropriate authorities and responsibilities, in pursuit of objectives. There is a defined organisation structure with scopes of responsibility lines of reporting, and appropriate levels of delegated authority, including proper approval and authorisation limits. This is reinforced by a process of hierarchical reporting which provides for a documented and auditable trail of accountability.

- **Risk Assessment**

  With the setting up of a risk management framework, which would be embedded in the Group's management system, it defines the authority and accountability in implementing the risk management process and internal control system.

  The management of each business unit, in establishing its business objectives, would be required to identify and document all possible risks that can affect their achievement upon taking into consideration the effectiveness of controls that are capable of mitigating such risks. By this process, each business unit's identified risks, the controls and processes for managing them are tabulated in a risk assessment report. Significant risks of business units are presented to Audit Committee and Risk Management Committee for their attention and deliberation.

- **Control Activities**

  The Group has standard operating procedures and controls to ensure regular and comprehensive information is provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making. The procedures are designed to mitigate risks to acceptable levels of risk.

- **Information and Communication**

  The Board communicates and disseminates across the organisation the vision, role and direction of the Group. Management communicated key policies and procedures to the operating staff for their guidance and implementation.

  The Board has a preset agenda of items to ensure that all pertinent issues and relevant information are brought to its attention for discussion and deliberation.

- **Monitoring Activities**

  The Group's operating procedures are designed to facilitate tracking and evaluation to ascertain that the main components of internal controls are intact.

  There would be a formal approach to risk management review and monitoring, with the key risk factors identified together with the risk mitigation procedures, as well as the establishment of a comprehensive risk register to facilitate tracking of risks. Risk criteria, risk policies and risk management procedures are reviewed annually or sooner, if necessary.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS (CONT'D)

- **Monitoring Activities (Cont'd)**

  Financial and other results and performance are reviewed and tracked. There is close monitoring of results against budget, with major variances being followed up and management action taken, where necessary.

  The monitoring activities are further supported by the outsourced internal audit functions performing the audit visits, based on the Audit Plan approved by the Audit Committee, to key business operations areas every quarter. The outsourced internal audit function performs systematic review of the effectiveness of internal controls of the key operations areas and report accordingly to the Audit Committee.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Bursa Malaysia Listing Requirements, the external auditors have reviewed this Statement of Risk Management and Internal Control for inclusion in the Annual Report of the Group for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is intended to be included in the Annual Report of the Group, in all material aspects, has not been prepared in accordance with the disclosure required by the paragraph 41 and 42 of the "Statements on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers", nor is the statements factually inaccurate. The review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group.

CONCLUSION

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

This Statement was made in accordance with a resolution of the Board of Directors at a meeting held on 9 April 2018.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Audit Committee for the financial year ended 31 December 2017, pursuant to Paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities).

1. COMPOSITION AND MEETINGS OF THE AUDIT COMMITTEE

Members of the Audit Committee are:-

YM Raja Azlan Shah bin Raja Azwa - Chairman
(Independent, Non-Executive Director)

YM Ungku A Razak bin Ungku A Rahman
(Independent, Non-Executive Director)

Mr. Sandeep Singh A/L Gurbachan Singh
(Independent, Non-Executive Director)

YM Raja Azlan Shah bin Raja Azwa, being a member of The Malaysian Institute of Certified Public Accountants, fulfils the requirement of Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Securities.

The Audit Committee held five (5) meetings during the financial year ended 31 December 2017. Details of attendance of the Audit Committee members are as follows:

Name of Members	Total Meetings Attended
YM Raja Azlan Shah Bin Raja Azwa (appointed on 16/1/2018)	-
Mr. Sandeep Singh A/L Gurbachan Singh (appointed on 16/1/2018)	-
YM Ungku A Razak bin Ungku A Rahman	5/5
Dato' Ting Heng Peng (resigned on 8/12/2017)	5/5
Mr. Lee Kean Cheong (resigned on 8/12/2017)	5/5

At the invitation of the Audit Committee, the Group Managing Director, relevant Management Team members, External and Internal Auditors attended the Audit Committee meetings and presented their reports on financial results, audit findings and other matters for the information and/or approval of the Audit Committee.

The Company Secretary acts as Secretary to the Audit Committee and shall circulate the minutes of meetings of the Audit Committee to all members of the Board. Detailed audit reports by the Internal Auditors and the respective Management response are circulated to members of the Audit Committee before each Meeting at which the said reports are tabled. The Audit Committee Chairman later tabled to the Board relevant and salient issues with the recommendation(s) of the Audit Committee for Board's consideration and approval.

2. SUMMARY OF KEY SCOPE OF RESPONSIBILITIES

The Audit Committee assists and supports the Board's responsibility to oversee the Company's operations in the following manner:

- Overseeing the financial reporting process and integrity of the Company's financial statements.
- Evaluating the independence of the External Auditors.
- Assessing the performance and process of the Company's Internal Audit function effectiveness.
- Reviewing the Company's practices, processes and effectiveness of the risk management system.
- Examining any related party transactions and conflict of interest situations.
- Conducting annual assessment on the performance of the Company's External Auditors.
- Reviewing any significant reporting judgements made by management and how these matters are addressed.

3. TERMS OF REFERENCE

The Audit Committee terms of reference is made available on the Company's website at www.dbegurney.com.

4. SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The Audit Committee met at scheduled times during the year, with due notices of meetings issued, and with agendas planned and itemised so that matters were deliberated and discussed in a focused and detailed manner. The minutes of each meeting held were distributed to each member of the Board at subsequent Board Meetings. The Audit Committe Chairman reported on each meeting to members of the Board.

The key activities carried out by the Audit Committee during the financial year are as follows:-

(a) Financial Reporting and Compliance

The Company's quarterly and annual financial statements as well as relevant announcements made to Bursa Securities were reviewed by the Audit Committee before submission to the Board for its subsequent approval. In doing so, the Audit Committee deliberated and focused on changes in major accounting policies and practices as well as any adjustments and/or issues affecting audit related matters to ensure compliance with Main Market Listing Requirements, Malaysian Financial Reporting Standards (MFRS), Companies Act 2016 and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements.

As part of their accounting oversight duties, the Audit Committee also reviewed the external auditors' annual and interim audit reports, together with accompanying Management responses.

(b) Risk Management and Internal Controls

The Audit Committee took note of the quarterly risk management activities undertaken by the Risk Management Committee and reviewed the periodical internal audit reports prepared by Internal Auditor.

During the year under review, the Audit Committee had two meetings with the Internal Auditors. During the engagement, the Audit Committee discussed and deliberated on the results arising from the internal audit activities, and recommendations by the Internal and External Auditors on the controls environment and weaknesses, and ensured that corrective actions were taken by the Management on a timely basis. The Audit Committee also appraised the adequacy and effectiveness of management response in resolving the key risk issues reported and assessed the overall effectiveness of the system of internal controls within the Group.

(c) Going Concern Assessment

The Audit Committee reviewed the going concern basis for preparing the Company's financial statements, including the assumptions underlying the going concern statement and the period of assessment.

(d) External Audit

Throughout the financial year, the Audit Committee had two meetings with the External Auditors without the presence of Management to discuss audit matters and issues of concern to the Auditors.

The Audit Committee reviewed the External Auditors' Audit Planning Memorandum prior to the commencement of their audit work for the financial year. The annual audit plan was reviewed and considered in view of the changes to the financial standards, Listing Requirements and new Companies Act 2016 relating to the financial reporting disclosures.

To reinforce the independence and objectivity of the External Auditors, the Audit Committee reviewed all non-audit services performed by the External Auditors and also reviewed the findings of the External Auditors' reports, particularly the issues raised in the management letter and the response from the Management to ensure where appropriate, the necessary corrective actions had been taken by the Management.

The Audit Committee reviewed the performance, suitability and independence of the External Auditors for the financial year through a performance and independence checklist, comprising of the external auditors' quality of service, audit team, independence and objectivity, scope of audit and planning, audit fees, non-audit services and fees and audit communications.

The External Auditors had provided written assurance that they have been independent throughout the term of their audit engagement in accordance with the terms of the relevant professional and regulatory requirements.

5. KEY AUDIT MATTERS CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO THE FYE 2017 ACCOUNTS

The Audit Committee reviewed and considered the key audit matters in relation to the Audited Financial Statements for the financial year ended 31 December 2017 as follows:-

(i) Carrying value of property, plant and equipment;
(ii) Carrying value and recoverability of trade receivables;
(iii) Biological assets and inventories.

6. INTERNAL AUDIT FUNCTION

The Group has in place an Internal Audit function that reports directly to the Audit Committee at least twice a year to ensure its independent status within the Group.

The Group has outsourced the internal audit function to NGL Tricor Governance Sdn Bhd ("NGL Tricor"), an independent consulting firm since 19 June 2013. The Internal Auditors are empowered with strict accountability for confidentiality to safeguarding records and information, is authorised with unrestricted access to any and all of the Company's records, physical properties, to carrying out any internal audit or investigation engagement.

The internal audit function, through a systematic and structured approach is responsible for the followings:

- provide independent assurance to the Board of Directors and Management that adequate and effective internal controls system is in place to safeguard Company's assets;
- recommend improvements and enhancements to the existing system of internal control and work procedures/processes; and
- ensure effective implementation of policies and procedures to promote best corporate governance practices.

During the financial year under review, the internal audit function undertook the following activities:-

- prepared the internal audit plan for the year, which is reviewed and approved annually by the Audit Committee;
- prepared the internal audit programme based on the internal audit plan, for each activity or process to be audited;
- carried out the internal audit of the Group's operating units in its subsidiaries by reviewing business activities and operational processes to ensure compliance with internal control procedures;
- discussed with auditees and Management on the results of the audit for each activity or process, and the recommendations for action plan to mitigate the identified risk or control work flow improvements;
- reported to the Audit Committee its internal audit findings and the response and rectification undertaken by the Management to improve the Group's system of internal controls and procedures; and
- followed up on all the action plans agreed from the previous internal audit reports to ensure that all matters arising are adequately addressed by the Management.

The total cost incurred for the Group's internal audit function for the financial year ended 31 December 2017 amounted to approximately RM37,700.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control in this Annual Report.

7. ANNUAL REVIEW AND PERFORMANCE EVALUATION

The Audit Committee conducted an annual performance evaluation in an effort to enhance and improve its processes of the control environment. The Audit Committee was assessed based on five (5) key areas, namely composition and charter, committee process, external auditors, internal audit, financial statements and quarterly results.

The Audit Committee's responsibility is to monitor and review the practices and processes performed by management and the external auditors. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews. The Audit Committee members are not employees of the Company. Therefore, the Audit Committee has relied, without independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity, in conformity with approved accounting principles and on the representations of the External Auditor included in its reports on the Company's financial statements and internal control over financial reporting.

SUSTAINABILITY STATEMENT

Sustainability at DBE Group

Our businesses are driven by sustainable and responsible practices throughout the Group. We inculcate the values of sustainability into our policies and procedures as well as integrating economic, environmental and social ("EES") considerations into our decision-making processes.

We believe sustainability contributes to long-term financial successes while ensuring that we protect and enrich the present without compromising the future. As one of the significant poultry producers in the local poultry industry, we based our long-term business success in understanding the demands of our customers and providing exactly what they want to their best satisfaction and value for money.

As a newcomer in the property development, we strategise our business plans taking into consideration not only profitability and liquidity but also our responsibilities in terms of the impact relating to economic issues, environmental problem (for example, construction waste) and social responsibility.

Stakeholders Engagement

We acknowledge the importance of our stakeholders in contributing to our continuing business success and sustainability. We drive our businesses to generate economic values to our stakeholder while ensuring the business practices preserve the environment for future generations and at the same time add value to the society.

Meaningful engagements with various stakeholders are critical to understand their interests and needs. We encourage stakeholders to communicate with us through our corporate website as well as other social events.

We practice equality and do not discriminate based on creed, color or culture. The Group has zero tolerance on sex discrimination and sexual harassment. Our goal is providing a conducive, fair and hazard free working environment for all our employees. We believe our employees will thrive in such working environment as it breeds good corporate culture and values.

Materiality

Materiality assessment is a process of identifying, refining, and assessing numerous potential EES issues that could affect our businesses and stakeholders.

We assess some of our materiality issues as follows:-

(i) Financial stability;
(ii) Compliance with regulatory authorities;
(iii) Product responsibility;
(iv) Operational and retail system;
(v) Occupational health and safety; and
(vi) Construction waste management;

While we acknowledge that certain materiality issues may be more important than others, we are equally concerned with each and every materiality issue. We rank financial stability as the most important materiality issue because we believe adequate financial strength of a company allows it to resolve all other materiality issues with precision, ease and without any financial hindrances. As a good corporate citizen, compliance with regulatory authorities is essential and also brings good corporate values. We support the initiatives taken by the regulatory authorities in improvising the reporting requirements as well as corporate governance.

Other materiality issues that relates directly to business processes are dealt with in an on-going basis and revisions are made as and when required.

The Group moves forward by adopting best practices and improves further over time as it grows, expand and diversify.

Risk Management

The Board has established a Risk Management working group comprising the Executive Director and Management staff to identify risks relevant to its business. The risks identification exercises are conducted on a regular basis for the internal control system and policy and procedure of the respective business units. We aim to identify, evaluate, control, monitor and report the principal business risks faced by the Group.

Risk Management (Cont'd)

The Group has applied for the registration of trademark for its HARUMi brand to safeguard its ownership and interest in the brand and its systems and to provide an assurance to its customer on the product quality of HARUMi.

The Board will continue in managing the risks and promote sustainability through a structural risk management framework.

Quality Products

As an integrated poultry producer, the Group ensures that all its products are of the highest standard such that consumers would have confidence in its products. To achieve this, the Group has its stringent evaluations and internal products approval processes before supplying its products into the market.

Convenience

With the advancement of technology, the Group takes the opportunity to leverage on the social media platforms such as Facebook and Instagram to create more brand exposure and awareness for its HARUMi brand. With this readily available platform, the Group is able to have almost real-time interactions with its customers and provide the convenience to its customers in terms of gaining the latest products information and marketing campaigns of HARUMi.

In the near future, the Group is looking forward to expand its HARUMi brand by investing into others trending online social media platforms to further promote the attachment and interactions between the brand and its customers while at the same time maintain its brand relevancy in the market and further enhance the brand value of HARUMi.

Safe and Hygienic Environment

The Group ensures its best practice in all its production facilities by providing a comfortable, safe and hygienic working environment to all its employees while at the same time, produce and supply the best quality of its products to its customers. Its production facilities are currently accredited with the following certificates:

1) Hazard Analysis and Critical Control Point (HACCP) by Kementerian Kesihatan Malaysia (KKM)
2) HACCP by SIRIM QAS
3) HALAL Certificate by Jabatan Agama Islam Perak (JAIP)
4) ISO 22000 by BRS
5) Certificate for implementation of Quality Assurance Program (QAP) & HACCP System by Jabatan Perkhidmatan Veterinary (JPV)
6) Makanan Selamat Tanggungjawab Industri (MeSTI) by Kementerian Kesihatan Malaysia (KKM)
7) Food Safety System of Standard MS 1480:2007 by IQNet and SIRIM QAS

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

RESULTS

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

DIVIDENDS

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL

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

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

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

SHARE CAPITAL (CONT'D)

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

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

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

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

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

WARRANTS

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

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

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

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

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

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

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

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

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

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

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REMUNERATIONS

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

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

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

OTHER STATUTORY INFORMATION (CONT’D)

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

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

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

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

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

In the opinion of the Director:-

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

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

AUDITORS’ REMUNERATIONS

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

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

AUDITORS

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

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

DATO’ DING CHONG CHOW, DIMP, PPT
Director

DATO’ DING SENG HUAT, DSAP
Director

Kuala Lumpur, Malaysia

Date: 13 APRIL 2018

STATEMENTS BY DIRECTORS

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

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

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

DATO' DING CHONG CHOW, DIMP, PPT
Director

DATO' DING SENG HUAT, DSAP
Director

Kuala Lumpur, Malaysia

Date: 13 APRIL 2018

STATUTORY DECLARATION

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

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

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

DATO' DING SENG HUAT, DSAP

Before me:

KAPT (B) AFFANDI BIN AHMAD
Commissioner For Oaths

Kuala Lumpur, Malaysia

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Carrying value of property, plant and equipment

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

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

Our audit procedure included:

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

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

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

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

Carrying Value And Recoverability of Trade Receivables

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

Key Audit Matters (Cont'd)

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

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

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

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

Our audit procedure included:

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

Biological Assets and Inventories

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

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

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

Our audit procedure included:

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

Key Audit Matters (Cont'd)

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

Other Matters

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

AFRIZAN TARMILI KHAIRUL AZHAR
[AF: 1300]
Chartered Accountants

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

Kuala Lumpur, Malaysia

Date:13 APRIL 2018

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

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

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

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

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2017

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

The accompanying notes form an integral part of the financial statement

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

The accompanying notes form an integral part of the financial statement

STATEMENTS OF CHANGE IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

The accompanying notes form an integral part of the financial statement

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

The accompanying notes form an integral part of the financial statement

STATEMENTS OF CHANGE IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

The accompanying notes form an integral part of the financial statement

STATEMENTS OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOW (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

The accompanying notes form an integral part of the financial statements

1. CORPORATE INFORMATION

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

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

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

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

Standards issued became effective for the financial year

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

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

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

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

Standards issued but not yet effective

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

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

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

FRS 9 *Financial Instruments*

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

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

Malaysian Financial Reporting Standards (MFRS Framework)

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION

a) Basis of measurement

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

b) Functional and presentation currency

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

c) Significant accounting estimates and judgements

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

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

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

(i) Useful lives of plant and equipment

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

(ii) Impairment of property, plant and equipment

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

3. BASIS OF PREPARATION (CONT'D)

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

(iii) Income taxes

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

(iv) Deferred tax assets

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

(v) Amount due by subsidiaries

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

(vi) Impairment of loan and receivable

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

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

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

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

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

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

(viii) Valuation of biological assets

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

Consolidation

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

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

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

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

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

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

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

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

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

Business combination

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation (Cont'd)

Business combination (Cont'd)

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

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

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

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

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

Subsidiaries

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

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

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

(b) Revenue recognition

(i) Good sold

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

(ii) Rental income

Rental income is recognised in profit or loss on accrual basis

(iii) Interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Employee benefits

(i) Short term employee benefit

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences.

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

(ii) Defined contribution plans

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

(d) Income tax

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

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

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

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

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

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

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

(e) Property, plant and equipment

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less it residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation (Cont'd)

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

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

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

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

(f) Leases

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

(i) Finance Lease

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

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

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

(ii) Operating Lease

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Inventories

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

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

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

(h) Biological asset

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

(i) Cash and cash equivalent

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

(j) Impairment of assets

(i) Non-financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets (Cont'd)

(ii) Financial assets

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

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

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

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

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

(k) Share capital and issuance expenses

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

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

(l) Borrowing costs

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

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

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

(m) Provisions

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Provisions (Cont'd)

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

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

(n) Financial assets

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

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

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

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

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

<u>Loans and receivables</u>

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

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

Regular way purchase or sale of financial assets

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

Derecognition

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

(o) Financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial liabilities (Cont'd)

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

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

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

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

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

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

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

Derecognition

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

Off setting of Financial Instruments

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

(p) Contingencies

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

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

(q) Fair value measurement

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Fair value measurement (Cont'd)

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

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

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

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

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

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

(r) Redeemable Convertible Notes

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

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

(s) Investment in Associated Companies

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

(t) Significant changes in regulatory requirements

Companies Act, 2016

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

a) the removal of the authorised share capital; and

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

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

5. REVENUE

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

6. (LOSS)/PROFIT BEFORE TAXATION

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

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

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

(b) Directors' remuneration

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

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

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

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

7. TAXATION

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

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

7. TAXATION (CONT'D)

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

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

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

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

8. (LOSS)/EARNING PER SHARE

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

(i) Assets held under finance lease

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

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

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

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

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

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

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

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

Details of the independent professional valuations are as follows:

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

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

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

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

(iii) Assets pledged as security

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

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

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

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

(iv) Asset held in trust

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

10. INVESTMENT IN SUBSIDIARIES

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

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

* Strike off during the year

11. INVESTMENT IN ASSOCIATES

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

Details of the associates company are as follows:-

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

11. INVESTMENT IN ASSOCIATES (CONT'D)

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

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

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

12. BIOLOGICAL ASSET

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

13. INVENTORIES

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

14. TRADE RECEIVABLES

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

(a) Credit terms of trade receivables

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

(b) Ageing analysis of trade receivables

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

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

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

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

14. TRADE RECEIVABLES (CONT'D)

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

Receivables that are impaired

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

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

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

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

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

15. OTHER RECEIVABLES

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

16. AMOUNTS DUE BY/(TO) SUBSIDIARIES

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

Movement in allowance for impairment is as follows:

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

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

17. SHARE CAPITAL

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

17. SHARE CAPITAL (CONT'D)

During the financial year:-

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

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

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

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

18. RESERVES

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

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

Asset revaluation reserve

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

19. REDEEMABLE CONVERTIBLE NOTE ("RCN")

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

The salient terms of the RCN are as follows:

(a) Notes

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

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

(b) Tenure/Maturity

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

(c) Coupon rate

2.0% per annum payable semi-annually.

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

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

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

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

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

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

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

hereinafter referred to as "Option Period".

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

(e) Conversation term

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

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

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

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

(f) Redemption option

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

20. BORROWINGS

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

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

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

21. BANK OVERDRAFT

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

22. TERM LOANS

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

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

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

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

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

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

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

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

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

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

BBA I is secured by the following:

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

BBA IV and V are secured by the following:

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

24. FINANCE LEASE PAYABLES

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

25. DEFERRED TAX LIABILITIES

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

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

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

25. DEFERRED TAX LIABILITIES (CONT'D)

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

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

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

26. TRADE PAYABLES

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

27. OTHER PAYABLES

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

28. AMOUNT DUE TO DIRECTOR

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

29. SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party transaction

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

Transactions with parties connected to the Directors:

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

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Compensation of key management personnel

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

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

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

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

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

30. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

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

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

30. FINANCIAL INSTRUMENTS (CONT'D)

Classification of financial instruments (Cont'd)

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

i) Credit risk

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

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

<u>Exposure to credit risk</u>

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

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

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

<u>Inter company balances</u>

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

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

<u>Financial guarantees</u>

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

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

(ii) Interest rate risk

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

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

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

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

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

(ii) Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk

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

(iii) Liquidity risk

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

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

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

(iii) Liquidity risk (Cont'd)

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

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

(iv) Commodity price risk

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

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

Sensitivity analysis for commodity price risk

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

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instrument other than those carried at fair value

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

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

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

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

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

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

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

33. FAIR VALUE MEASUREMENT

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

(i) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(ii) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e prices) or indirectly (i.e derived from prices).
(iii) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

33. FAIR VALUE MEASUREMENT (CONT'D)

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

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

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

34. OPERATING LEASES

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

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

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

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

35. SEGMENT INFORMATION

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

Information about major customer

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

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

36. CAPITAL MANAGEMENT

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

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

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

The gearing ratio is as follows:

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

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

37. SUBSEQUENT EVENT AFTER BALANCE SHEET DATE

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

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

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

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

LIST OF GROUP PROPERTIES

No.	Location	Description/ existing use	Land Area	Tenure	Approximate Age of Building (year)	Date of Acquisition	Net Book Value as at 31.12.2016 (RM)	Date of Last Revaluation
1	No. HM 296196, Lot 15604 Mukim of Lumut, Daerah Manjung, Perak Plot 135 & 136, Kawasan Perindustrian Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan	Industrial land/ Processing Plant	1.4941 hectares	99 years expiring on 09.07.2105				
	and				13	19.09.2003	22,763,655.86	21.02.2017
	No. HM 296197, Lot 15605 Mukim of Lumut, Daerah Manjung, Perak Plot 135 & 136, Kawasan Perindustrian Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan	Industrial land/ Processing Plant	1.4892 hectares	99 years expiring on 09.07.2105				
2	No. HM 29611, Lot 15542 Mukim of Lumut, Daerah Manjung, Perak Plot 137 & 138, Kawasan Perindustrian Pelabuhan Lumut, 32000 Sitiawan Perak	Industrial land/ Feed mill	1.8746 hectares	99 years expiring on 09.07.2105	15	30.09.2001	15,818,840.16	21.02.2017
3	GRN 52054 Lot 4055, Mukim of Lumut, Daerah Manjung, Perak.	Agriculture land/ Broiler farm	8.5616 hectares	Freehold	14	18.07.2002	10,313,157.92	21.02.2017
4	GRN 49465 Lot 3234, Mukim of Lumut, Dearah Manjung, Perak.	Agriculture land/ Broiler farm	7.8281 hectares	Freehold	12	06.06.2002	8,911,111.14	21.02.2017
5	GM 2033 Lot 10846, Mukim of Belanja, Daerah Perak Tengah, Perak.	Agriculture land/ Vacant	1.7377 hectares	Freehold	–	17.07.2002	350,000.00	–
6	GM 2034 Lot 10847, Mukim of Belanja, Daerah Perak Tengah, Perak.	Agriculture land/ Vacant	1.699 hectares	Freehold	–	20.09.2013	390,000.00	–
7	HS(M) 57/76 Lot 10863, Mukim of Belanja, Daerah Perak Tengah, Perak.	Agriculture land/ Vacant	1.681 hectares	Freehold	–	07.12.2005	185,000.00	–

ANALYSIS OF SHAREHOLDINGS
AS AT 26 MARCH 2018

Total Number of Issued Shares	:	2,678,229,306
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share
No. of Shareholders	:	7,493

DISTRIBUTION SCHEDULE

Shareholding Category	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	13	0.17	525	0.00
100 to 1,000	766	10.22	687,492	0.03
1,001 to 10,000	1,261	16.83	7,639,123	0.29
10,001 to 100,000	3,217	42.93	181,685,100	6.78
100,001 and below 5%	2,235	29.83	2,253,475,282	84.14
5% and above	1	0.01	234,741,784	8.76
Total	7,493	100.00	2,678,229,306	100.00

THIRTY (30) LARGEST SHAREHOLDERS
(As per Record of Depositors)

	Name of Shareholders	No. of Shares Held	% of Issued Capital
1	Doh Properties Holdings Sdn Bhd	234,741,784	8.76
2	Chew Soon Kui	99,596,713	3.72
3	Teoh Wei Sheong	98,196,712	3.67
4	Chui Mee Chuen	93,896,713	3.51
5	Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Thean Chin Guan	93,896,712	3.51
6	Yap Jo Anne	93,896,712	3.51
7	Yau Ming Teck	93,896,000	3.51
8	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Ding Seng Huat	51,514,864	1.92
9	Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Chea Jian Kai	49,500,000	1.85
10	Doh Properties Holdings Sdn Bhd	40,000,000	1.49
11	Amsec Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Ding Seng Huat	37,388,510	1.40
12	Cimsec Nominees (Tempatan) Sdn Bhd Beneficiary : CIMB Bank For Doh Jee Ming	36,000,000	1.34
13	Affin Hwang Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Ding Seng Huat	28,000,000	1.05
14	Affin Hwang Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Ong Yang Ling	20,892,500	0.78
15	Chieng Hock Lay	15,000,000	0.56
16	Chieng Hock Lay	14,700,000	0.55
17	Amsec Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Ding Seng Huat	14,000,000	0.52
18	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Ling Yoke Tek	13,000,000	0.49
19	Foo Fook Min	12,011,600	0.45
20	Cimsec Nominees (Tempatan) Sdn Bhd Beneficiary : CIMB For Doh Jee Ming	11,520,000	0.43

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)
(As per Record of Depositors)

	Name of Shareholders	No. of Shares Held	% of Issued Capital
21	Maybank Nominees (Tempatan) Sdn Bhd Beneficiary : Abdul Rashid Bin Hadi Munir @ A Hadi	10,330,000	0.39
22	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Yu Ah Sing @ Yeo Ah Sing	10,000,000	0.37
23	Boey Tze Nin	8,880,100	0.33
24	Amsec Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Pau Yu Tiong	8,007,200	0.30
25	Affin Hwang Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Ding Chiew Leng	8,000,000	0.30
26	Ting Su Yun	7,660,000	0.29
27	Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Tan Wooi Perng	7,630,000	0.28
28	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Seow Hoon Hin	7,500,000	0.28
29	Ta Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Ding Tiong Sew	7,500,000	0.28
30	Tong Fong Realty Sdn. Berhad	7,380,300	0.28

The thirty largest shareholders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same depositor).

SUBSTANTIAL SHAREHOLDERS AS AT 26 MARCH 2018 (EXCLUDING BARE TRUSTEES)
(As per Register of Substantial Shareholders)

	No. of shares held or beneficially interested in		% of Issued Capital	
Name of Substantial Shareholders	**Direct**	**Indirect**	**Direct**	**Indirect**
Doh Properties Holdings Sdn Bhd	274,741,784	-	10.26	-
Dato' Doh Jee Ming	(1)47,520,000	(2) 274,741,784	1.77	10.26
Dato' Doh Tee Leong	-	(3) 275,174,684	-	10.27
Dato' Doh Jee Chai	-	(4) 274,741,784	-	10.26

Notes –

(1) Held through Cimsec Nominees (Tempatan) Sdn Bhd

(2) Deemed interest through his holdings in Doh Properties Holdings Sdn Bhd by virtue of Section 8(4) of the Companies Act 2016

(3) Deemed interest through his holdings in Doh Properties Holdings Sdn Bhd by virtue of Section 8(4) of the Companies Act 2016 and by virtue of his spouse's interest pursuant to Section 59(11)(c) of the Companies Act 2016

(4) Deemed interest through his holdings in Doh Properties Holdings Sdn Bhd by virtue of Section 8(4) of the Companies Act 2016

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 26 MARCH 2018

DIRECTORS' SHAREHOLDING AS AT 26 MARCH 2018
(As per Register of Directors' Shareholdings)

Name of Directors	Direct Interest		Indirect Interest	
	Shareholdings	%	Shareholdings	%
Dato' Ding Seng Huat	[(1)]130,903,374	4.89	-	-
Dato' Doh Jee Ming	[(2)]47,520,000	1.77	[(3)]274,741,784	10.26
Dato' Doh Tee Leong	-	-	[(4)]275,174,684	10.27
Dato' Ding Chong Chow	135,246	0.01	-	-
Dato' Cheng Lay Miew	7	-	-	-
YM Ungku A Razak Bin Ungku A Rahman	-	-	-	-
YM Raja Azlan Shah Bin Raja Azwa	-	-	-	-
Sandeep Singh A/L Gurbachan Singh	-	-	-	-

Notes -

(1) 51,388,510 shares held through Amsec Nominees (Tempatan) Sdn Bhd, 28,000,000 shares held through Affin Hwang Nominees (Tempatan) Sdn Bhd and 51,514,864 shares held through Kenanga Nominees (Tempatan) Sdn Bhd

(2) Held through Cimsec Nominees (Tempatan) Sdn Bhd

(3) Deemed interest through his holdings in Doh Properties Holdings Sdn Bhd by virtue of Section 8(4) of the Companies Act 2016

(4) Deemed interest through his holdings in Doh Properties Holdings Sdn Bhd by virtue of Section 8(4) of the Companies Act 2016 and by virtue of his spouse's interest pursuant to Section 59(11)(c) of the Companies Act 2016

ANALYSIS OF WARRANT HOLDINGS
AS AT 26 MARCH 2018

Class of Securities	:	Warrants 2017/2022
No. of Warrants Issued	:	580,644,468
Exercise Price of Warrants	:	RM0.05
Exercise Period of Warrants	:	From 23 January 2017 to 22 January 2022
Expiry Date of Warrants	:	22 January 2022
Voting Rights	:	One vote per warrant in respect of a meeting of warrantholders
No. of Warrantholders	:	5,173

DISTRIBUTION SCHEDULE

Warrantholding Category	No. of Warrantholders	% of Warrantholders	No. of Warrants	% of Issued Warrants
Less than 100	82	1.59	3,887	0.00
100 to 1,000	909	17.57	550,550	0.09
1,001 to 10,000	1,362	26.33	7,340,261	1.26
10,001 to 100,000	2,022	39.09	91,084,010	15.69
100,001 and below 5%	798	15.43	481,665,760	82.95
5% and above	0	0.00	0	0.00
Total	**5,173**	**100.00**	**580,644,468**	**100.00**

THIRTY (30) LARGEST WARRANTHOLDERS
(As per Record of Depositors)

	Name of Warrantholders	No. of Warrants Held	% of Issued Warrants
1	Ho Lee Fung	15,584,800	2.68
2	Maybank Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Wong Weng Kung	12,500,000	2.15
3	Lum Yin Mui	11,000,000	1.89
4	Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Poh Thiam Seong	10,520,900	1.81
5	Kan Yoon Keong	9,000,000	1.55
6	Sim Mui Khee	8,500,000	1.46
7	Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account Chea Jian Kai	6,950,000	1.20
8	Ong Kheam Chye	6,621,000	1.14
9	Ooi Leng Hwa	5,500,000	0.95
10	Pak Liew Mei	5,500,000	0.95
11	Alliancegroup Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Khor Chee Heng	5,000,000	0.86
12	Loong Ding Tong	5,000,000	0.86
13	Noorazmin Bin Salleh	5,000,000	0.86
14	HSBC Nominees (Asing) Sdn Bhd Beneficiary : Credit Suisse (Hong Kong) Limited	4,500,000	0.78
15	Mohd Solahuddin Bin Mohd Kenali	3,995,400	0.69
16	Cheah Jan Nie	3,800,000	0.65
17	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account For Seow Hoon Hin	3,750,000	0.65
18	Hee Swee Chin	3,500,000	0.60
19	Liew Kuan Shiong	3,500,000	0.60

ANALYSIS OF WARRANT HOLDINGS (CONT'D)
AS AT 26 MARCH 2018

	Name of Warrantholders	No. of Warrants Held	% of Issued Warrants
20	Mak Mee Fun	3,500,000	0.60
21	Kenanga Nominees (Asing) Sdn Bhd Beneficiary : Advance Capital Partners Pte Ltd	3,291,810	0.57
22	Abdul Shukor Bin Abu Bakar	3,000,000	0.52
23	Yeo Soon Tee	2,552,100	0.44
24	Khoo Ke Chong	2,500,000	0.43
25	Wong Kon Lim	2,500,000	0.43
26	Tan Kim Guan	2,300,000	0.40
27	Chong Hon Hwee	2,250,000	0.39
28	Fong Ming Fei	2,200,000	0.38
29	Khor Soik Kein	2,150,000	0.37
30	Chin Yee Hoe	2,139,850	0.37

The thirty largest warrantholders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same depositor).

DIRECTORS' WARRANTHOLDING AS AT 26 MARCH 2018

Name of Directors	Direct Interest		Indirect Interest	
	Warrantholdings	%	Warrantholdings	%
Dato' Ding Chong Chow	67,623	0.01	-	-
Dato' Cheng Lay Miew	3	0.00	-	-
Dato' Doh Tee Leong	-	-	-	-
Dato' Doh Jee Ming	-	-	-	-
Dato' Ding Seng Huat	-	-	-	-
YM Ungku A Razak Bin Ungku A Rahman	-	-	-	-
YM Raja Azlan Shah Bin Raja Azwa	-	-	-	-
Sandeep Singh A/L Gurbachan Singh	-	-	-	-

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PROXY FORM

D.B.E. GURNEY RESOURCES BERHAD
(Company No. 535763-A)

I/We ____
(Full Name In Block Letters)

of ____
(Address)

being a member/members of D.B.E. Gurney Resources Berhad hereby appoint ______________________
(Full Name In Block Letters)

of ____
(Address)

or failing him/her ____
(Full Name In Block Letters)

of ____
(Address)

or failing him/her, the Chairman of the Meeting as my/our proxy, to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Intan 1, The Orient Star Resort Lumut, Lot 203 & 366 Jalan Iskandar Shah, 32200 Lumut, Perak Darul Ridzuan on Monday, 28 May 2018 at 11.00 a.m. and at any adjournment thereof.

I/We hereby indicate with an "X" in the spaces provided how I/we wish my/our votes to be cast.

	Ordinary Resolutions	For	Against
1.	To approve the payment of Directors' fees for financial year ended 31 December 2017		
2.	To approve the payment of Directors' fees for financial year ending 31 December 2018		
3.	To approve the payment of Directors' benefits to Directors for the period from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company		
4.	To re-elect Dato' Ding Seng Huat		
5.	To re-elect Dato' Doh Jee Ming		
6.	To re-elect Dato' Doh Tee Leong		
7.	To re-elect YM Raja Azlan Shah bin Raja Azwa		
8.	To re-elect Sandeep Singh A/L Gurbachan Singh		
9.	To re-appoint Auditors and to authorize the Directors to fix their remuneration		
10.	Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016		

(Please indicate with a cross (x) in the space provided whether you wish your votes to be cast for or against the Ordinary Resolutions. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit)

....

Signed this ....day of .... 2018.

No of Shares Held	CDS Account No

Notes :

1. *Only members whose names appear on the Record of Depositors as at 21 May 2018 shall be entitled to attend, speak and vote at the Annual General Meeting.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
3. *A member shall be entitled to appoint not more than two proxies to attend and vote at the Annual General Meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless the member specifies the proportions of his/her holdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at No.54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang not less than 48 hours before the time set for holding the Annual General Meeting or any adjournment thereof.*

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Affix
Stamp
Here

The Company Secretary
D.B.E. GURNEY RESOURCES BERHAD
No. 54-4-8, Wisma Sri Mata
Jalan Van Praagh
11600 Penang
Malaysia

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D.B.E. GURNEY RESOURCES BERHAD
(COMPANY NO. 535763-A)

PLOT 137 & 138,KAWASAN PERINDUSTRIAN PELABUHAN LUMUT,
KAMPUNG ACHEH 32000 SITIAWAN,PERAK DARUL RIDZUAN,MALAYSIA

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