Company No.: 214089-V

MOORE STEPHENS

# D.B.E. BREEDING SDN. BHD.
(Incorporated in Malaysia)

## REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company No.: 214089-V

**D.B.E. BREEDING SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED**
**31 DECEMBER 2018**

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Company No.: 214089-V

**D.B.E. BREEDING SDN. BHD.**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the operation of poultry breeder farms. In year 2006, the Company transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd.

The Company remained dormant during the financial year.

## RESULTS

| | RM |
|---|---|
| Net loss for the financial year | 7,747,044 |

## DIVIDENDS

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

## RESERVES AND PROVISIONS

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

## ISSUANCE OF SHARES AND DEBENTURES

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS OF THE COMPANY

The Directors in office during the financial year and at the date of this report are:

Dato' Ding Chong Chow, DIMP, PPT
Dato' Ding Seng Huat, DSAP

Company No.: 214089-V

## DIRECTORS' INTERESTS

The interest of Directors in office at the end of the financial year in shares in or debentures of the Company and its related corporations during the financial year are disclosed in the Directors' Report of the holding company pursuant to Section 59(3) of the Companies Act, 2016.

## DIRECTORS' REMUNERATION AND BENEFITS

There were no fees and other benefits paid to or receivable by the Directors or past Directors of the Company or any other benefits received or receivable by them otherwise than in cash from the Company for their services to the Company.

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 12 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

    (i) Which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;

    (ii) which would render the values attributed to the current assets in the financial statements of the Company misleading;

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

    (iv) not otherwise dealt with it this report or the financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

    (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

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

Company No.: 214089-V

**OTHER STATUTORY INFORMATION** (cont'd)

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Company to meet their obligations as and when they fall due;

(ii) the result of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company is RM1,500.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

**HOLDING COMPANY**

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

**SIGNIFICANT EVENT**

Details of significant event are disclosed in Note 16 to the financial statements.

**AUDITORS**

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

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

Company No.: 214089-V

**D.B.E. BREEDING SDN. BHD.**
(Incorporated in Malaysia)

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

We, being the two Directors of the Company, do hereby state that, in our opinion, the accompanying financial statements as set out on pages 8 to 29 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the financial year then ended.

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

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

I, DATO' DING SENG HUAT, DSAP, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 8 to 29 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' DING SENG HUAT, DSAP

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

Before me

PESURUHJAYA SUMPAH
No. W 661
TAN KIM CHOOI
1.1.2019-31.12.2021
MALAYSIA

LEVEL 25, MENARA HONG LEONG,
JALAN DAMANLELA, BUKIT DAMANSARA,
50490 KUALA LUMPUR

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF D.B.E. BREEDING SDN. BHD.**
(Company No.: 214089-V)
(Incorporated in Malaysia)

Moore Stephens Associates PLT
(LLP0000963-LCA & AF002096)
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia
T 603 7728 1800 (General) ; 7724 1033 (Assurance)
F 603 7728 9800 (General) ; 7733 1033 (Assurance)
www.moorestephens.com.my

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of D.B.E. Breeding Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 29.

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

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**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 Company and our auditors' report thereon.

Our opinion on the financial statements 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 Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. BREEDING SDN. BHD.** (cont'd)
(Company No.: 214089-V)
(Incorporated in Malaysia)

**Responsibilities of the Directors for the Financial Statements**

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

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 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 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 scepticism throughout the audit. We also:

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. BREEDING SDN. BHD.** (cont'd)
(Company No.: 214089-V)
(Incorporated in Malaysia)

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

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

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

**Other Matters**

(i) This report is made solely to the member 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.

(ii) The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 13 April 2018.

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

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

Petaling Jaya, Selangor
Date: 19 April 2019

Company No.: 214089-V

**D.B.E. BREEDING SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| Other income | | 20,009 | - |
| Administrative expenses | | (7,767,053) | (3,650) |
| **Loss before tax** | 4 | (7,747,044) | (3,650) |
| Income tax expense | 5 | - | - |
| **Loss net of tax, representing total comprehensive income for the financial year** | | (7,747,044) | (3,650) |

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

Company No.: 214089-V

**D.B.E. BREEDING SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current asset** | | | |
| Plant and equipment | 6 | 6 | 6 |
| **Current assets** | | | |
| Other receivables | | - | 8,990 |
| Amount due from holding company | 7 | - | 7,754,431 |
| Amount due from a fellow subsidiary | 8 | - | - |
| Bank balances | | 1,344 | 1,376 |
| | | 1,344 | 7,764,797 |
| **TOTAL ASSETS** | | 1,350 | 7,764,803 |
| **EQUITY AND LIABILITY** | | | |
| **Equity** | | | |
| Share capital | 9 | 1,450,000 | 1,450,000 |
| (Accumulated losses)/Retained earnings | | (1,454,750) | 6,292,294 |
| **Total equity** | | (4,750) | 7,742,294 |
| **Current liability** | | | |
| Other payables | 10 | 6,100 | 22,509 |
| **TOTAL EQUITY AND LIABILITY** | | 1,350 | 7,764,803 |

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

Company No.: 214089-V

**D.B.E. BREEDING SDN. BHD.**
(Incorporated in Malaysia)

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

| | Share Capital RM | Retained Earnings/ (Accumulated Losses) RM | Total Equity RM |
|---|---|---|---|
| **At 1 January 2017** | 1,450,000 | 6,295,944 | 7,745,944 |
| Loss net of tax, representing total comprehensive income for the financial year | - | (3,650) | (3,650) |
| **At 31 December 2017** | 1,450,000 | 6,292,294 | 7,742,294 |
| **At 1 January 2018** | 1,450,000 | 6,292,294 | 7,742,294 |
| Loss net of tax, representing total comprehensive income for the financial year | - | (7,747,044) | (7,747,044) |
| **At 31 December 2018** | 1,450,000 | (1,454,750) | (4,750) |

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

Company No.: 214089-V

**D.B.E. BREEDING SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Loss before tax | (7,747,044) | (3,650) |
| Adjustment for:- | | |
| Reversal of banker's guarantee | (20,009) | - |
| Deposit written off | 8,990 | - |
| Impairment loss on amount due from a fellow subsidiary | 7,750,755 | - |
| Operating loss before working capital changes | (7,308) | (3,650) |
| Changes in working capital:- | | |
| Changes in payables | 3,600 | - |
| **Net cash used in operating activities** | (3,708) | (3,650) |
| **Cash Flows from Financing Activity** | | |
| Advance from holding company, representing net cash from financing activity | 3,676 | 3,629 |
| **Net decrease in cash and cash equivalents** | (32) | (21) |
| Cash and cash equivalents at beginning of the financial year | 1,376 | 1,397 |
| **Cash and cash equivalents at end of the financial year** | 1,344 | 1,376 |

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

Company No.: 214089-V

**D.B.E. BREEDING SDN. BHD.**
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

## 1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang.

The principal place of business of the Company is located at Lot 138, Kawasan Perindustrian, Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan, Perak.

The Company is principally engaged in the operation of poultry breeder farms. In year 2006, the Company has transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd. The Company was inactive during the financial year and there has been no significant change in nature of this activity during the financial year.

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs**

The Company had adopted the following Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year as follow:

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2 | Classification and Measurement of Share based Payment Transactions |
| Amendments to MFRS 15 | Clarification to MFRS 15 |
| Amendments to MFRS 4 | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretations 22 | Foreign Currency Transactions and Advance Consideration |

Annual Improvements to MFRSs 2014-2016 Cycle

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs** (cont'd)

The adoption of the Amendments/Improvements to MFRSs did not have any significant effect on the financial statements of the Company.

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

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

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

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

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

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

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

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

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

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

**Effective date to be announced**

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Company upon their initial application.

(b) **Basis of measurement**

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

(c) **Functional and presentation currency**

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

(d) **Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Company's accounting policies.

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

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

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

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

(i) Impairment of Financial Assets

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Income Tax

Current tax

Tax expense represents the aggregate amount of current and deferred tax.

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

Deferred tax

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(a) Income Tax** (cont'd)

Deferred tax (cont'd)

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

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

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

**(b) Plant and equipment**

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

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

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

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 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 earnings.

(ii) Subsequent costs

The cost of replacing part of an item of 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(b) Plant and equipment** (cont'd)

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of plant and equipment.

Plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

| | |
|---|---|
| Motor vehicles | 10 years |

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

Fully depreciated 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 plant and equipment.

**(c) Financial Instruments**

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

**(i) Initial recognition and measurement**

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

***Current financial year***

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

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

***Previous financial year***

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

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

### (c) Financial Instruments (cont'd)

#### (i) Initial recognition and measurement (cont'd)

***Previous financial year (cont'd)***

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

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

The Company categorises financial instruments as follows:

***Financial assets***

***Current financial year***

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

***(a) Amortised cost***

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(c) Financial Instruments** (cont'd)

**(ii) Financial instrument categories and subsequent measurement** (cont'd)

***Financial assets*** *(cont'd)*

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

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

***Previous financial year***

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

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

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

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

***(b) Loans and receivables***

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

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

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

***Financial liabilities***

***Current financial year***

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

***(a) Amortised cost***

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

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

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

### (c) Financial Instruments (cont'd)

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

***Financial liabilities (cont'd)***

***Previous financial year***

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

#### (iii) Offsetting of financial instruments

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

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

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

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

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

#### (v) Derecognition

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

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

### (d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank that is readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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

### (e) Impairment

**Financial assets**

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

***Current financial year***

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

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

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

(ii) Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset

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

Simplified approach- trade receivables, lease receivables and contract assets

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

General approach- other financial instruments and financial guarantee contracts

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(e) Impairment** (cont'd)

**Financial assets** (cont'd)

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

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

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

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

Credit Impaired financial assets

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

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

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

Write-off policy

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(e) **Impairment** (cont'd)

**Financial assets** (cont'd)

***Previous financial year***

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

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

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

(f) **Equity Instruments**

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

Ordinary shares

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

(g) **Fair value measurement**

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

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 its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

Company No.: 214089-V

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(g) **Fair value measurement** (cont'd)

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

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

Level 3: Unobservable inputs for the asset or liability.

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

## 4. LOSS BEFORE TAX

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

| | 2018 RM | 2017 RM |
|---|---|---|
| Auditors' remuneration | 1,500 | 1,500 |
| Deposit written off | 8,990 | - |
| Impairment loss on amount due from a fellow subsidiary | 7,750,755 | - |
| Reversal of banker's guarantee | (20,009) | - |

## 5. INCOME TAX EXPENSE

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

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

| | 2018 RM | 2017 RM |
|---|---|---|
| Loss before taxation | (7,747,044) | (3,650) |
| Tax at the Malaysian statutory income tax rate of 24% (2017: 24%) | (1,859,291) | (876) |
| Expenses not deductible for tax purposes | 1,859,291 | 876 |
| Income tax expense for the financial year | - | - |

The Company has the following unutilised tax losses and unabsorbed capital allowances available for set-off against future taxable profits:-

| | 2018 RM | 2017 RM |
|---|---|---|
| Unutilised tax losses | 41,818 | 41,818 |
| Unabsorbed capital allowances | 1,519,573 | 1,519,573 |

## 6. PLANT AND EQUIPMENT

| | Motor Vehicles RM |
|---|---|
| **2018** | |
| **Cost** | |
| At 1 January/31 December | 322,485 |
| **Accumulated depreciation** | |
| At 1 January/31 December | (322,479) |
| **Net Carrying Amount** | |
| At 31 December | 6 |

| | Motor Vehicles RM |
|---|---|
| **2017** | |
| **Cost** | |
| At 1 January/31 December | 322,485 |
| **Accumulated depreciation** | |
| At 1 January/31 December | (322,479) |
| **Net Carrying Amount** | |
| At 31 December | 6 |

## 7. AMOUNT DUE FROM HOLDING COMPANY

The amount is non-trade in nature, unsecured, interest free and is collectible on demand.

## 8. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The amount is non-trade in nature, unsecured, interest free and is collectible on demand.

## 9. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2018 Unit | 2017 Unit | 2018 RM | 2017 RM |
| **Authorised:** | | | | |
| At beginning of the year | - | 5,000,000 | - | 5,000,000 |
| Abolishment of authorised share capital under the Companies Act, 2016 | - | (5,000,000) | - | (5,000,000) |
| At end of the financial year | - | - | - | - |
| **Issued and fully paid:** | | | | |
| At beginning/the end of the year | 1,450,000 | 1,450,000 | 1,450,000 | 1,450,000 |

## 9. SHARE CAPITAL (cont'd)

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

"No Par Value" Regime

In prior year, the Company's authorised share capital comprises 5,000,000 ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

## 10. OTHER PAYABLES

| | 2018 RM | 2017 RM |
|---|---|---|
| Other payables | - | 20,009 |
| Accruals | 6,100 | 2,500 |
| | 6,100 | 22,509 |

## 11. DEFERRED TAX

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

| | 2018 RM | 2017 RM |
|---|---|---|
| Unutilised tax losses | 41,818 | 41,818 |
| Unabsorbed capital allowances | 1,519,573 | 1,519,573 |

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

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

## 12. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

The Company has related party relationships with its holding company and a fellow subsidiary. The related party balances are shown in Note 7 and Note 8. The related party transactions of the Company are shown below.

Company No.: 214089-V

## 12. RELATED PARTY DISCLOSURES (cont'd)

(b) Related party transactions

| | 2018 RM | 2017 RM |
|---|---|---|
| **Transaction with holding company:** | | |
| Advance from | 3,676 | 3,629 |
| **Debt rationalisation exercise amongst subsidiaries in poultry related activities:** | | |
| Assignment of debts due from holding company to D.B.E. Poultry Sdn. Bhd. | 7,754,431 | - |

(c) 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 Company either directly or indirectly. The key management personnel include all the Directors of the Company.

There is no remuneration paid by the Company to key management personnel during the financial year.

## 13. FINANCIAL INSTRUMENTS

### Categories of financial instruments

The Company's financial assets and financial liabilities are all categorised at amortised cost respectively.

### Financial Risk Management Objectives and Policies

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

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

(i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables (which consist of amount due from a fellow subsidiary, other receivables and cash and cash equivalents). There are no significant changes as compared to prior periods.

## 13. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(i) Credit risk (cont'd)

**Cash and cash equivalents**

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

**Inter-company loans and advances**

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

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

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

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

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

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

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

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

At the reporting date, the Company assumes that there is a significant increase in credit risk given the fellow subsidiary's financial position has deteriorated significantly which may lead to high probability of default for the advance to the fellow subsidiary. As a result, the Company has made an allowance for impairment loss of RM7,750,755 on such advances during the financial year ended 31 December 2018.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain continuity of funding from holding company and a fellow subsidiary.

## 13. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(ii) Liquidity risk (cont'd)

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

The Company practices prudent risk management by maintaining sufficient cash balances and the availability of funding through financial support from holding company.

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

## 14. FAIR VALUE INFORMATION

Financial instrument at fair value

As the financial assets and liabilities of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

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

## 15. CAPITAL MANAGEMENT

The Company is inactive and relies solely on financial support from its holding company to meet its financial obligations.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the financial year.

## 16. SIGNIFICANT EVENT

During the year, the Company assigned the amount due from holding company to a fellow subsidiary as disclosed in Note 12(b) in conjunction with the debt rationalisation exercise carried out by the holding company with the subsidiaries in the poultry related activities.

## 17. COMPARATIVE

The financial statements of the Company for the financial year ended 31 December 2017 were audited by a firm of chartered accountants other than Moore Stephens Associates PLT who expressed an unmodified opinion on those financial statements on 13 April 2018.

Company No.: 315996-T

MOORE STEPHENS

# D.B.E. HATCHERY SDN. BHD.
(Incorporated in Malaysia)

## REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company No.: 315996-T

**D.B.E. HATCHERY SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED**
**31 DECEMBER 2018**

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Company No.: 315996-T

**D.B.E. HATCHERY SDN. BHD.**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES

The Company is principally engaged in hatchery of broiler chicks. In year 2007, the Company transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd.

The Company remained dormant during the financial year.

### RESULTS

| | RM |
|---|---|
| Net loss for the financial year | 2,139,729 |

### DIVIDENDS

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

### RESERVES AND PROVISIONS

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

### ISSUANCE OF SHARES AND DEBENTURES

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

### OPTIONS GRANTED OVER UNISSUED SHARES

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

### DIRECTORS OF THE COMPANY

The Directors in office during the financial year and at the date of this report are:

Dato' Ding Chong Chow, DIMP, PPT
Dato' Ding Seng Huat, DSAP

Company No.: 315996-T

## DIRECTORS' INTERESTS

The interest of Directors in office at the end of the financial year in shares in or debentures of the Company and its related corporations during the financial year are disclosed in the Directors' Report of the holding company pursuant to Section 59(3) of the Companies Act, 2016.

## DIRECTORS' REMUNERATION AND BENEFITS

There were no fees and other benefits paid to or receivable by the Directors or past Directors of the Company or any other benefits received or receivable by them otherwise than in cash from the Company for their services to the Company.

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 11 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

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

   (i) Which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent;

   (ii) which would render the values attributed to the current assets in the financial statements of the Company misleading;

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

   (iv) not otherwise dealt with it this report or the financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

   (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

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

Company No.: 315996-T

**OTHER STATUTORY INFORMATION** (cont'd)

(d) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Company to meet their obligations as and when they fall due;

  (ii) the result of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

  (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company is RM1,500.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

**HOLDING COMPANY**

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

**SIGNIFICANT EVENT**

Details of significant event are disclosed in Note 15 to the financial statements.

**AUDITORS**

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

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

Company No.: 315996-T

**D.B.E. HATCHERY SDN. BHD.**
(Incorporated in Malaysia)

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

We, being the two Directors of the Company, do hereby state that, in our opinion, the accompanying financial statements as set out on pages 8 to 29 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the financial year then ended.

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

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

I, DATO' DING SENG HUAT, DSAP, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 8 to 29 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' DING SENG HUAT, DSAP

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

Before me

PESURUHJAYA SUMPAH
No. W 661
TAN KIM CHOOI
1.1.2019-31.12.2021
MALAYSIA

LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA,
50490 KUALA LUMPUR

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF D.B.E. HATCHERY SDN. BHD.**
(Company No.: 315996-T)
(Incorporated in Malaysia)

Moore Stephens Associates PLT
(LLP0000963-LCA & AF002096)
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia
T 603 7728 1800 (General) ; 7724 1033 (Assurance)
F 603 7728 9800 (General) ; 7733 1033 (Assurance)
www.moorestephens.com.my

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of D.B.E. Hatchery Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 29.

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

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**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 Company and our auditors' report thereon.

Our opinion on the financial statements 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 Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. HATCHERY SDN. BHD.** (cont'd)
(Company No.: 315996-T)
(Incorporated in Malaysia)

**Responsibilities of the Directors for the Financial Statements**

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

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 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 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 scepticism throughout the audit. We also:

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. HATCHERY SDN. BHD.** (cont'd)
(Company No.: 315996-T)
(Incorporated in Malaysia)

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

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

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

**Other Matters**

(i) This report is made solely to the member 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.

(ii) The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 13 April 2018.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

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

Petaling Jaya, Selangor
Date: 19 April 2019

Company No.: 315996-T

**D.B.E. HATCHERY SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| Administrative expenses | | (2,139,729) | (3,623) |
| **Loss before tax** | 4 | (2,139,729) | (3,623) |
| Income tax expense | 5 | - | - |
| **Loss net of tax, representing total comprehensive income for the financial year** | | (2,139,729) | (3,623) |

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

Company No.: 315996-T

**D.B.E. HATCHERY SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Asset** | | | |
| Plant and equipment | 6 | 3 | 3 |
| **Current Assets** | | | |
| Amount due from holding company | 7 | - | 2,136,163 |
| Amount due from a fellow subsidiary | 8 | - | - |
| **TOTAL ASSETS** | | 3 | 2,136,166 |
| **EQUITY AND LIABILITY** | | | |
| **Equity** | | | |
| Share capital | 9 | 350,000 | 350,000 |
| (Accumulated losses)/Retained earnings | | (356,063) | 1,783,666 |
| **Total equity** | | (6,063) | 2,133,666 |
| **Current Liability** | | | |
| Accruals | | 6,066 | 2,500 |
| **TOTAL EQUITY AND LIABILITY** | | 3 | 2,136,166 |

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

Company No.: 315996-T

**D.B.E. HATCHERY SDN. BHD.**
(Incorporated in Malaysia)

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

| | Share Capital RM | Retained Earnings/ (Accumulated losses) RM | Total Equity RM |
|---|---|---|---|
| **At 1 January 2017** | 350,000 | 1,787,289 | 2,137,289 |
| Loss net of tax, representing total comprehensive income for the financial year | - | (3,623) | (3,623) |
| **At 31 December 2017** | 350,000 | 1,783,666 | 2,133,666 |
| **At 1 January 2018** | 350,000 | 1,783,666 | 2,133,666 |
| Loss net of tax, representing total comprehensive income for the financial year | - | (2,139,729) | (2,139,729) |
| **At 31 December 2018** | 350,000 | (356,063) | (6,063) |

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

Company No.: 315996-T

**D.B.E. HATCHERY SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Loss before taxation | (2,139,729) | (3,623) |
| Adjustmnt for:- | | |
| Impairment loss on amount due from a fellow subsidiary | 2,132,481 | - |
| Operating loss before working capital changes | (7,248) | (3,623) |
| Changes in working capital:- | | |
| Changes in payables | 3,566 | - |
| Net cash used in operating activities | (3,682) | (3,623) |
| **Cash Flows from Financing Activity** | | |
| Advance from holding company, representing net cash from financing activity | 3,682 | 3,623 |
| **Net increase in cash and cash equivalents** | - | - |
| Cash and cash equivalents at beginning of the financial year | - | - |
| **Cash and cash equivalents at end of the financial year** | - | - |

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

Company No.: 315996-T

**D.B.E. HATCHERY SDN. BHD.**
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

## 1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang.

The principal place of business of the Company is located at Lot 138, Kawasan Perindustrian, Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan, Perak.

The Company is principally engaged hatchery of broiler chicks. In year 2007, the Company has transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd. The Company was inactive during the financial year and there has been no significant change in nature of this activity during the financial year.

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs**

The Company had adopted the following Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year as follow:

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2 | Classification and Measurement of Share based Payment Transactions |
| Amendments to MFRS 15 | Clarification to MFRS 15 |
| Amendments to MFRS 4 | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretations 22 | Foreign Currency Transactions and Advance Consideration |

Annual Improvements to MFRSs 2014-2016 Cycle

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs** (cont'd)

The adoption of the Amendments/Improvements to MFRSs did not have any significant effect on the financial statements of the Company.

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

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

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

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

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

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

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

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

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

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

**Effective date to be announced**

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Company upon their initial application.

(b) **Basis of measurement**

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

(c) **Functional and presentation currency**

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

(d) **Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Company's accounting policies.

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

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

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

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

(i) Impairment of Financial Assets

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Income Tax

Current tax

Tax expense represents the aggregate amount of current and deferred tax.

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

Deferred tax

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(a) Income Tax** (cont'd)

Deferred tax (cont'd)

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

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

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

**(b) Plant and equipment**

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

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

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

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 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 earnings.

(ii) Subsequent costs

The cost of replacing part of an item of 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(b) Plant and equipment** (cont'd)

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of plant and equipment.

Plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

| | |
|---|---|
| Motor vehicles | 10 years |

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

Fully depreciated 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 plant and equipment.

**(c) Financial Instruments**

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

**(i) Initial recognition and measurement**

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

***Current financial year***

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

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

***Previous financial year***

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

Company No.: 315996-T

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(c) Financial Instruments** (cont'd)

**(i) Initial recognition and measurement** (cont'd)

***Previous financial year** (cont'd)*

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

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

The Company categorises financial instruments as follows:

***Financial assets***

***Current financial year***

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

***(a) Amortised cost***

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

***Financial assets*** *(cont'd)*

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

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

***Previous financial year***

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

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

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

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

*(b)* ***Loans and receivables***

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

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

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

***Financial liabilities***

***Current financial year***

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

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

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

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

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

### (c) Financial Instruments (cont'd)

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

***Financial liabilities** (cont'd)*

***Previous financial year***

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

#### (iii) Offsetting of financial instruments

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

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

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

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

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

#### (v) Derecognition

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(d) Impairment**

**Financial assets**

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

***Current financial year***

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

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

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

(ii) Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset

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

<u>Simplified approach- trade receivables, lease receivables and contract assets</u>

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

<u>General approach- other financial instruments and financial guarantee contracts</u>

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(d) **Impairment** (cont'd)

**Financial assets** (cont'd)

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

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

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

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

Credit Impaired financial assets

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

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

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

Write-off policy

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(d) **Impairment** (cont'd)

**Financial assets** (cont'd)

***Previous financial year***

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

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

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

(e) **Equity Instruments**

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

Ordinary shares

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

(f) **Fair value measurement**

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

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 its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

### (f) Fair value measurement (cont'd)

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

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

Level 3: Unobservable inputs for the asset or liability.

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

## 4. LOSS BEFORE TAX

Loss before tax is arrived at after charging:-

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Auditors' remuneration | 1,500 | 1,500 |
| Impairment loss on amount due from a fellow subsidiary | 2,132,481 | - |

## 5. INCOME TAX EXPENSE

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

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

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Loss before taxation | (2,139,729) | (3,623) |
| Tax at the Malaysian statutory income tax rate of 24% (2016: 24%) | (513,535) | (870) |
| Expenses not deductible for tax purposes | 513,535 | 870 |
| Income tax expense for the financial year | - | - |

The Company has the following unutilised tax losses and unabsorbed capital allowances available for set-off against future taxable profits:-

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Unutilised tax losses | 43,600 | 43,600 |
| Unabsorbed capital allowances | 35,137 | 35,137 |

Company No.: 315996-T

## 6. PLANT AND EQUIPMENT

| | Motor Vehicles<br>RM |
|---|---|
| **2018** | |
| **Cost** | |
| At 1 January/31 December | 136,514 |
| **Accumulated depreciation** | |
| At 1 January/31 December | (136,511) |
| **Net Carrying Amount** | |
| At 31 December | 3 |
| **2017** | |
| **Cost** | |
| At 1 January/31 December | 136,514 |
| **Accumulated depreciation** | |
| At 1 January/31 December | (136,511) |
| **Net Carrying Amount** | |
| At 31 December | 3 |

## 7. AMOUNT DUE FROM HOLDING COMPANY

The amount is non-trade in nature, unsecured, interest free and is collectible on demand.

## 8. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The amount is non-trade in nature, unsecured, interest free and is collectible on demand.

## 9. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2018<br>Unit | 2017<br>Unit | 2018<br>RM | 2017<br>RM |
| **Authorised:** | | | | |
| At beginning of the year | | | | |
| Abolishment of authorised | - | 1,000,000 | - | 1,000,000 |
| share capital under the Companies Act, 2016 | - | (1,000,000) | - | (1,000,000) |
| At end of the financial year | - | - | - | - |
| **Issued and fully paid:** | | | | |
| At beginning/the end of the year | 350,000 | 350,000 | 350,000 | 350,000 |

## 9. SHARE CAPITAL (cont'd)

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

"No Par Value" Regime

In prior year, the Company's authorised share capital comprises 1,000,000 ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

## 10. DEFERRED TAX

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

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Unutilised tax losses | 43,600 | 43,600 |
| Unabsorbed capital allowances | 35,137 | 35,137 |

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

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

## 11. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

The Company has related party relationships with its holding company and a fellow subsidiary. The related party balances are shown in Note 7 and 8. The related party transactions of the Company are shown below:

## 11. RELATED PARTY DISCLOSURES (cont'd)

(b) Related party transactions

| | 2018 RM | 2017 RM |
|---|---|---|
| **Transaction with holding company:** | | |
| Advance from | 3,682 | 3,623 |
| **Debt rationalisation exercise amongst subsidiaries in poultry related activites:** | | |
| Assignment of debts due from holding company to D.B.E. Poultry Sdn. Bhd. | 2,132,481 | - |

(c) 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 Company either directly or indirectly. The key management personnel include all the Directors of the Company.

There is no remuneration paid by the Company to key management personnel during the financial year.

## 12. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The Company's financial assets and financial liabilities are all categorised at amortised cost respectively.

**Financial Risk Management Objectives and Policies**

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

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

(i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables which consist of amount due from a fellow subsidiary. There are no significant changes as compared to prior periods.

12. **FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(i) Credit risk (cont'd)

**Cash and cash equivalents**

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

**Inter-company loans and advances**

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

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

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

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

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

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

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

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

At the reporting date, the Company assumes that there is a significant increase in credit risk given a fellow subsidiary's financial position has deteriorated significantly which may lead to high probability of default for the advance to the fellow subsidiary. As a result, the Company has made an allowance for impairment loss of RM2,132,481 on such advances during the financial year ended 31 December 2018.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain continuity of funding from holding company and a fellow subsidiary.

Company No.: 315996-T

## 12. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(ii) Liquidity risk (cont'd)

The Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

The Company practices prudent risk management by maintaining the availability of funding through financial support from holding company.

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

## 13. FAIR VALUE INFORMATION

Financial instrument at fair value

As the financial assets and liabilities of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

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 receivables and payables approximate their fair values due to relatively short term nature of these financial instruments and the insignificant impact of discounting.

## 14. CAPITAL MANAGEMENT

The Company is inactive and relies solely on financial support from its holding company to meet its financial obligations.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the financial year.

## 15. SIGNIFICANT EVENT

During the year, the Company assigned the amount due from holding company to a fellow subsidiary as disclosed in Note 11(b) in conjunction with the debt rationalisation exercise carried out by the holding company with the subsidiaries in the poultry related activities.

## 16. COMPARATIVE

The financial statements of the Company for the financial year ended 31 December 2017 were audited by a firm of chartered accountants other than Moore Stephens Associates PLT who expressed an unmodified opinion on those financial statements on 13 April 2018.

Company No.: 368574-U

MOORE STEPHENS

**D.B.E. MARKETING SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED**
**31 DECEMBER 2018**

Company No.: 368574-U

# D.B.E. MARKETING SDN. BHD.
(Incorporated in Malaysia)

## REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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Company No.: 368574-U

**D.B.E. MARKETING SDN. BHD.**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the trading of broilers, feeds, medicine and related poultry farm products. In year 2007, the Company transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd.

The Company remained dormant during the financial year.

### RESULTS

| | RM |
|---|---|
| Net loss for the financial year | 7,970 |

### DIVIDENDS

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

### RESERVES AND PROVISIONS

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

### ISSUANCE OF SHARES AND DEBENTURES

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

### OPTIONS GRANTED OVER UNISSUED SHARES

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

### DIRECTORS OF THE COMPANY

The Directors in office during the financial year and at the date of this report are:

Dato' Ding Chong Chow, DIMP, PPT
Dato' Ding Seng Huat, DSAP

Company No.: 368574-U

**DIRECTORS' INTERESTS**

The interest of Directors in office at the end of the financial year in shares in or debentures of the Company and its related corporations during the financial year are disclosed in the Directors' Report of the holding company pursuant to Section 59(3) of the Companies Act, 2016.

**DIRECTORS' REMUNERATION AND BENEFITS**

There were no fees and other benefits paid to or receivable by the Directors or past Directors of the Company or any other benefits received or receivable by them otherwise than in cash from the Company for their services to the Company.

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 12 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**OTHER STATUTORY INFORMATION**

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

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

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

 (i) which would necessitate the writing off of bad debts or the provision for doubtful debts;

 (ii) which would render the values attributed to the current assets in the financial statements of the Company misleading;

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

 (iv) not otherwise dealt with it this report or the financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

 (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

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

Company No.: 368574-U

**OTHER STATUTORY INFORMATION** (cont'd)

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Company to meet their obligations as and when they fall due;

(ii) the result of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company is RM1,500.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

**HOLDING COMPANY**

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

**SIGNIFICANT EVENT**

Details of significant event are disclosed in Note 16 to the financial statements.

**AUDITORS**

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

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

Company No.: 368574-U

**D.B.E. MARKETING SDN. BHD.**
(Incorporated in Malaysia)

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

We, being the two Directors of the Company, do hereby state that, in our opinion, the accompanying financial statements as set out on pages 8 to 24 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the financial year then ended.

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

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

I, DATO' DING SENG HUAT, DSAP, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 8 to 24 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' DING SENG HUAT, DSAP

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

Before me

PESURUHJAYA SUMPAH
No. W 661
TAN KIM CHOOI
1.1.2019-31.12.2021
MALAYSIA

LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA,
50490 KUALA LUMPUR

MOORE STEPHENS

Moore Stephens Associates PLT
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF D.B.E. MARKETING SDN. BHD.**
(Company No.: 368574-U)
(Incorporated in Malaysia)

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of D.B.E. Marketing Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 24.

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

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**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 Company and our auditors' report thereon.

Our opinion on the financial statements 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 Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. MARKETING SDN. BHD.** (cont'd)
(Company No.: 368574-U)
(Incorporated in Malaysia)

**Responsibilities of the Directors for the Financial Statements**

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

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 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 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 scepticism throughout the audit. We also:

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. MARKETING SDN. BHD.** (cont'd)
(Company No.: 368574-U)
(Incorporated in Malaysia)

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

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

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

**Other Matters**

(i) This report is made solely to the member 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.

(ii) The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 13 April 2018.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

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

Petaling Jaya, Selangor
Date: 19 April 2019

Company No.: 368574-U

**D.B.E. MARKETING SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| Administrative expenses | | (6,993) | (3,735) |
| Loss from operation | | (6,993) | (3,735) |
| Finance cost | | (977) | (9,878) |
| **Loss before taxation** | 4 | (7,970) | (13,613) |
| Income tax expense | 5 | - | - |
| **Loss net of tax, representing total comprehensive income for the financial year** | | (7,970) | (13,613) |

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

Company No.: 368574-U

**D.B.E. MARKETING SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Asset** | | | |
| Property, plant and equipment | 6 | 6 | 6 |
| | | | |
| **EQUITY AND LIABILITY** | | | |
| **Equity** | | | |
| Share capital | 7 | 500,003 | 500,003 |
| Accumulated losses | | (1,080,037) | (1,072,067) |
| **Total equity** | | (580,034) | (572,064) |
| | | | |
| **Current Liabilities** | | | |
| Amount due to holding company | 8 | - | 471,408 |
| Amount due to a fellow subsidiary | 9 | 574,311 | - |
| Bank overdraft | 10 | 5 | 98,162 |
| Accruals | | 5,724 | 2,500 |
| Total liabilities | | 580,040 | 572,070 |
| **TOTAL EQUITY AND LIABILITIES** | | 6 | 6 |

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

Company No.: 368574-U

**D.B.E. MARKETING SDN. BHD.**
(Incorporated in Malaysia)

## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Share Capital RM | Accumulated Losses RM | Total Equity RM |
|---|---|---|---|
| **At 1 January 2017** | 500,003 | (1,058,454) | (558,451) |
| Loss net of tax, representing total comprehensive income for the financial year | - | (13,613) | (13,613) |
| **At 31 December 2017** | 500,003 | (1,072,067) | (572,064) |
| **At 1 January 2018** | 500,003 | (1,072,067) | (572,064) |
| Loss net of tax, representing total comprehensive income for the financial year | - | (7,970) | (7,970) |
| **At 31 December 2018** | 500,003 | (1,080,037) | (580,034) |

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

Company No.: 368574-U

**D.B.E. MARKETING SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | 2018 RM | 2017 RM |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Loss before taxation | (7,970) | (13,613) |
| Adjustments for: | | |
| Interest expense | 977 | 9,878 |
| Operating loss before working capital changes | (6,993) | (3,735) |
| Changes in working capital:- | | |
| Changes in payables | 3,224 | - |
| Cash used in operation | (3,769) | (3,735) |
| Interest paid | (977) | (9,878) |
| **Net cash used in operating activities** | (4,746) | (13,613) |
| **Cash Flows from Financing Activity** | | |
| Advance from holding company, representing net cash from financing activity | 102,903 | 14,623 |
| **Net increase in cash and cash equivalents** | 98,157 | 1,010 |
| Cash and cash equivalents at beginning of the financial year | (98,162) | (99,172) |
| **Cash and cash equivalents at end of the financial year** | (5) | (98,162) |

Cash and cash equivalents at end of the financial year represent its bank overdraft balances.

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

Company No.: 368574-U

**D.B.E. MARKETING SDN. BHD.**
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

## 1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang.

The principal place of business of the Company is located at Lot 138, Kawasan Perindustrian, Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan, Perak.

The Company is principally engaged in the trading of broilers, feeds, medicine and related poultry farm products. In year 2007, the Company has transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd. The Company was inactive during the financial year and there has been no significant change in nature of this activity during the financial year.

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs**

The Company had adopted the following Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year as follow:

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2 | Classification and Measurement of Share based Payment Transactions |
| Amendments to MFRS 15 | Clarification to MFRS 15 |
| Amendments to MFRS 4 | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretations 22 | Foreign Currency Transactions and Advance Consideration |

Annual Improvements to MFRSs 2014-2016 Cycle

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

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

(i) **Adoption of New MFRSs, Amendments/Improvements to MFRSs** (cont'd)

The adoption of the Amendments/Improvements to MFRSs did not have any significant effect on the financial statements of the Company.

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

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

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

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

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

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

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

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

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

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

**Effective date to be announced**

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Company upon their initial application.

(b) **Basis of measurement**

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

(c) **Functional and presentation currency**

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

(d) **Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Company's accounting policies.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

(a) **Income Tax**

<u>Current tax</u>

Tax expense represents the aggregate amount of current and deferred tax.

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(a) Income Tax** (cont'd)

Deferred tax

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

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

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

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

**(b) Plant and equipment**

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

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

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

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 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 earnings.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(b) **Plant and equipment** (cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of plant and equipment.

Plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

| | |
|---|---|
| Motor vehicles | 5 years |
| Renovation | 10 years |

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

Fully depreciated 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 plant and equipment.

(c) ***Financial Instruments***

(i) **Initial recognition and measurement**

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

***Current financial year***

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(i) **Initial recognition and measurement** (cont'd)

***Previous financial year***

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

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

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

The Company categories financial instruments as follows:

***Financial assets***

***Current financial year***

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

*Amortised cost*

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

***Previous financial year***

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

*Loans and receivables*

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

***Financial liabilities***

***Current financial year***

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

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

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

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

***Previous financial year***

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

(iii) ***Offsetting of financial instruments***

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

(iv) **Regular way purchase or sale of financial assets**

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

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

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

(v) **Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(v) **Derecognition** (cont'd)

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.

(d) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank that is readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(e) **Equity Instruments**

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

Ordinary shares

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

(f) **Fair value measurement**

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

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 its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

## 4. LOSS BEFORE TAX

Loss before tax is arrived at after charging:-

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Auditors' remuneration | 1,500 | 1,500 |
| Interest on bank overdraft | 977 | 9,878 |

## 5. INCOME TAX EXPENSE

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

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

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Loss before taxation | (7,970) | (13,613) |
| Tax at the Malaysian statutory income tax rate of 24% (2016: 24%) | (1,913) | (3,267) |
| Expenses not deductible for tax purposes | 1,913 | 3,267 |
| Income tax expense for the financial year | - | - |

The Company has the following unutilised tax losses and unabsorbed capital allowances available for set-off against future taxable profits:-

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Unutilised tax losses | 1,233,030 | 1,233,030 |
| Unabsorbed capital allowances | 51,885 | 51,885 |

## 6. PLANT AND EQUIPMENT

| | Motor Vehicles<br>RM | Renovation<br>RM | Total<br>RM |
|---|---|---|---|
| **2018** | | | |
| **Cost** | | | |
| At 1 January/31 December | 336,030 | 30,000 | 366,030 |
| **Accumulated depreciation** | | | |
| At 1 January/31 December | (336,025) | (29,999) | (366,024) |
| **Net Carrying Amount** | | | |
| At 31 December | 5 | 1 | 6 |

## 6. PLANT AND EQUIPMENT (cont'd)

| | Motor Vehicles RM | Renovation RM | Total RM |
|---|---|---|---|
| **2017** | | | |
| **Cost** | | | |
| At 1 January/31 December | 336,030 | 30,000 | 366,030 |
| **Accumulated depreciation** | | | |
| At 1 January/31 December | (336,025) | (29,999) | (366,024) |
| **Net Carrying Amount** | | | |
| At 31 December | 5 | 1 | 6 |

## 7. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2018 Unit | 2017 Unit | 2018 RM | 2017 RM |
| **Authorised:** | | | | |
| At beginning of the year | | | | |
| Abolishment of authorised | - | 1,000,000 | - | 1,000,000 |
| share capital under the Companies Act, 2016 | - | (1,000,000) | - | (1,000,000) |
| At end of the financial year | - | - | - | - |
| **Issued and fully paid:** | | | | |
| At beginning/end of the financial year | 500,003 | 500,003 | 500,003 | 500,003 |

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

"No Par Value" Regime

In prior year, the Company's authorised share capital comprises 1,000,000 ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

## 8. AMOUNT DUE TO HOLDING COMPANY

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

## 9. AMOUNT DUE TO A FELLOW SUBSIDIARY

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

## 10. BANK OVERDRAFT

The bank overdraft is secured by the following:

(a) Corporate gurantee from the holding company

(b) Jointly and severally guaranteed by the Directors and a former Director of the Company

The bank overdraft bears interest at a rate of 2.5% (2017: 2.5%) above the bank's base rate.

## 11. DEFERRED TAX

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

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Unutilised tax losses | 1,233,030 | 1,233,030 |
| Unabsorbed capital allowances | 51,885 | 51,885 |

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

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

## 12. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

The Company has related party relationships with its holding company. The related party balances are shown in Note 8 and 9. The related party transactions of the Company are shown below:

(b) Related party transactions

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Transaction with holding company:** | | |
| Advance from | 102,903 | 14,623 |
| **Debt rationalisation exercise amongst subsidiaries in poultry related activities:** | | |
| Assignment of amount due to holding company to D.B.E. Poultry Sdn. Bhd. | 574,311 | - |

## 12. RELATED PARTY DISCLOSURES (cont'd)

(c) 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 Company either directly or indirectly. The key management personnel include all the Directors of the Company.

There is no remuneration paid by the Company to key management personnel during the financial year.

## 13. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The Company's financial liabilities are all categorised at amortised cost respectively.

**Financial Risk Management Objectives and Policies**

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

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

(i) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from its bank overdraft.

Bank overdraft at floating rate amounting to RM5 (2017: RM98,162) exposed the Company to cash flow interest rate risk.

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

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain continuity of funding from holding company and a fellow subsidiary.

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

## 13. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(ii) Liquidity risk (cont'd)

The Company practices prudent risk management by maintaining sufficient cash balances and the availability of funding through financial support from holding company.

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

## 14. FAIR VALUE INFORMATION

Financial instrument at fair value

As the financial liabilities of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

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 payables and cash and cash equivalents approximate their fair values due to relatively short term nature of these financial instruments and the insignificant impact of discounting.

## 15. CAPITAL MANAGEMENT

The Company is inactive and relies solely on financial support from its holding company to meet its financial obligations.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the financial year.

## 16. SIGNIFICANT EVENT

During the year, the Company assigned the amount due to holding company to a fellow subsidiary as disclosed in Note 12(b) in conjunction with the debt rationalisation exercise carried out by the holding company with the subsidiaries in the poultry related activities.

## 17. COMPARATIVE

The financial statements of the Company for the financial year ended 31 December 2017 were audited by a firm of chartered accountants other than Moore Stephens Associates PLT who expressed an unmodified opinion on those financial statements on 13 April 2018.

Company No.: 315991-D

MOORE STEPHENS

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED**
**31 DECEMBER 2018**

Company No.: 315991-D

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED**
**31 DECEMBER 2018**

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Company No.: 315991-D

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The Company is principally involved in the processing and sale of chickens and other food stuffs. In year 2006, the Company transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd.

The Company remained dormant during the financial year.

## RESULTS

| | RM |
|---|---|
| Net loss for the financial year | 2,453,967 |

## DIVIDENDS

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

## RESERVES AND PROVISIONS

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

## ISSUANCE OF SHARES AND DEBENTURES

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS OF THE COMPANY

The Directors in office during the financial year and at the date of this report are:

Dato' Ding Chong Chow, DIMP, PPT
Dato' Ding Seng Huat, DSAP

Company No.: 315991-D

## DIRECTORS' INTERESTS

The interest of Directors in office at the end of the financial year in shares in or debentures of the Company and its related corporations during the financial year are disclosed in the Directors' Report of the holding company pursuant to Section 59(3) of the Companies Act, 2016.

## DIRECTORS' REMUNERATION AND BENEFITS

There were no fees and other benefits paid to or receivable by the Directors or past Directors of the Company or any other benefits received or receivable by them otherwise than in cash from the Company for their services to the Company.

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 12 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

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

    (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent;

    (ii) which would render the values attributed to the current assets in the financial statements of the Company misleading;

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

    (iv) not otherwise dealt with it this report or the financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

    (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

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

Company No.: 315991-D

**OTHER STATUTORY INFORMATION** (cont'd)

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Company to meet their obligations as and when they fall due;

(ii) the result of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company is RM1,500.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

**HOLDING COMPANY**

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

**SIGNIFICANT EVENT**

Details of significant event are disclosed in Note 16 to the financial statements.

**AUDITORS**

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

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

Company No.: 315991-D

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

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

We, being the two Directors of the Company, do hereby state that, in our opinion, the accompanying financial statements as set out on pages 8 to 29 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the financial year then ended.

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

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

I, DATO' DING SENG HUAT, DSAP, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 8 to 29 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' DING SENG HUAT, DSAP

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

Before me

PESURUHJAYA SUMPAH
No. W 661
TAN KIM CHOOI
1.1.2019-31.12.2021
MALAYSIA

LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA
50490 KUALA LUMPUR

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Company No.: 315991-D)
(Incorporated in Malaysia)

Moore Stephens Associates PLT
(LLP0000963-LCA & AF002096)
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia
T 603 7728 1800 (General) ; 7724 1033 (Assurance)
F 603 7728 9800 (General) ; 7733 1033 (Assurance)
www.moorestephens.com.my

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of D.B.E. Food Processing Industries Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 29.

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

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**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 Company and our auditors' report thereon.

Our opinion on the financial statements 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 Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.** (cont'd)
(Company No.: 315991-D)
(Incorporated in Malaysia)

**Responsibilities of the Directors for the Financial Statements**

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

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 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 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 scepticism throughout the audit. We also:

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.** (cont'd)
(Company No.: 315991-D)
(Incorporated in Malaysia)

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

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

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

**Other Matters**

(i) This report is made solely to the member 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.

(ii) The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 13 April 2018.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

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

Petaling Jaya, Selangor
Date: 19 April 2019

Company No.: 315991-D

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| Administrative expenses | | (2,453,967) | (3,692) |
| **Loss before tax** | 4 | (2,453,967) | (3,692) |
| Income tax expense | 5 | - | - |
| **Loss net of tax, representing total comprehensive income for the financial year** | | (2,453,967) | (3,692) |

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

Company No.: 315991-D

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current asset** | | | |
| Plant and equipment | 6 | 1 | 1 |
| **Current assets** | | | |
| Amount due from holding company | 7 | - | 2,450,705 |
| Amount due from a fellow subsidiary | 8 | - | - |
| Bank balances | | 188 | 260 |
| | | 188 | 2,450,965 |
| **TOTAL ASSETS** | | 189 | 2,450,966 |
| **EQUITY AND LIABILITY** | | | |
| **Equity** | | | |
| Share capital | 9 | 600,000 | 600,000 |
| (Accumulated losses)/Retained earnings | | (629,814) | 1,824,153 |
| **Total equity** | | (29,814) | 2,424,153 |
| **Current liability** | | | |
| Other payables | 10 | 30,003 | 26,813 |
| **TOTAL EQUITY AND LIABILITY** | | 189 | 2,450,966 |

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

Company No.: 315991-D

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

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

| | Share Capital RM | Retained Earnings/ (Accumulated Losses) RM | Total Equity RM |
|---|---|---|---|
| **At 1 January 2017** | 600,000 | 1,827,845 | 2,427,845 |
| Loss net of tax, representing total comprehensive income for the financial year | - | (3,692) | (3,692) |
| **At 31 December 2017** | 600,000 | 1,824,153 | 2,424,153 |
| **At 1 January 2018** | 600,000 | 1,824,153 | 2,424,153 |
| Loss net of tax, representing total comprehensive income for the financial year | - | (2,453,967) | (2,453,967) |
| **At 31 December 2018** | 600,000 | (629,814) | (29,814) |

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

Company No.: 315991-D

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Loss before taxation | (2,453,967) | (3,692) |
| Adjustment for:- | | |
| Impairment loss on amount due from a fellow subsidiary | 2,447,027 | - |
| Operating loss before working capital changes | (6,940) | (3,692) |
| Changes in working capital:- | | |
| Changes in payables | 3,190 | - |
| **Net cash used in operating activities** | (3,750) | (3,692) |
| **Cash Flows from Financing Activity** | | |
| Advance from holding company, representing net cash from financing activity | 3,678 | 3,617 |
| **Net decrease in cash and cash equivalents** | (72) | (75) |
| Cash and cash equivalents at beginning of the financial year | 260 | 335 |
| **Cash and cash equivalents at end of the financial year** | 188 | 260 |

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

Company No.: 315991-D

**D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD.**
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

## 1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang.

The principal place of business of the Company is located at Lot 138, Kawasan Perindustrian, Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan, Perak.

The Company is principally involved in the processing and sale of chickens and other food stuffs. In year 2006, the Company has transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd. The Company was inactive during the financial year and there has been no significant change in nature of this activity during the financial year.

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs**

The Company had adopted the following Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year as follow:

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2 | Classification and Measurement of Share based Payment Transactions |
| Amendments to MFRS 15 | Clarification to MFRS 15 |
| Amendments to MFRS 4 | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretations 22 | Foreign Currency Transactions and Advance Consideration |

Annual Improvements to MFRSs 2014-2016 Cycle

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs** (cont'd)

The adoption of the Amendments/Improvements to MFRSs did not have any significant effect on the financial statements of the Company.

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

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

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

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

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

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

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

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

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

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

**Effective date to be announced**

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Company upon their initial application.

(b) **Basis of measurement**

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

(c) **Functional and presentation currency**

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

(d) **Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Company's accounting policies.

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

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

2. **BASIS OF PREPARATION** (cont'd)

(d) **Significant accounting estimates and judgements** (cont'd)

(i) Impairment of Financial Assets

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

(a) **Income Tax**

<u>Current tax</u>

Tax expense represents the aggregate amount of current and deferred tax.

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

<u>Deferred tax</u>

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(a) **Income Tax** (cont'd)

Deferred tax (cont'd)

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

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

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

(b) **Plant and equipment**

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

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

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

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 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 earnings.

(ii) Subsequent costs

The cost of replacing part of an item of 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(b) Plant and equipment** (cont'd)

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of plant and equipment.

Plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

| | |
|---|---|
| Plant and machinery | 10 years |

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

Fully depreciated 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 plant and equipment.

**(c) Financial Instruments**

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

**(i) Initial recognition and measurement**

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

***Current financial year***

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

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

***Previous financial year***

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(i) **Initial recognition and measurement** (cont'd)

***Previous financial year** (cont'd)*

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

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

The Company categorises financial instruments as follows:

***Financial assets***

***Current financial year***

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

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

***Financial assets (cont'd)***

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

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

***Previous financial year***

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

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

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

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

*(b)* ***Loans and receivables***

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

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

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

***Financial liabilities***

***Current financial year***

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

***Financial liabilities (cont'd)***

***Previous financial year***

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

(iii) **Offsetting of financial instruments**

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

(iv) **Regular way purchase or sale of financial assets**

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

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

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

(v) **Derecognition**

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

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

(d) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank that is readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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

### (e) Impairment

**Financial assets**

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

***Current financial year***

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

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

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

(ii) Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset

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

Simplified approach- trade receivables, lease receivables and contract assets

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

General approach- other financial instruments and financial guarantee contracts

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(e) **Impairment** (cont'd)

**Financial assets** (cont'd)

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

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

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

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

Credit Impaired financial assets

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

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

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

Write-off policy

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(e) Impairment** (cont'd)

**Financial assets** (cont'd)

***Previous financial year***

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

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

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

**(f) Equity Instruments**

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

Ordinary shares

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

**(g) Fair value measurement**

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

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 its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

### (g) Fair value measurement (cont'd)

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

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

Level 3: Unobservable inputs for the asset or liability.

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

## 4. LOSS BEFORE TAX

Loss before tax is arrived at after charging:-

| | 2018 RM | 2017 RM |
|---|---|---|
| Auditors' remuneration | 1,500 | 1,500 |
| Impairment loss on amount due from a fellow subsidiary | 2,447,027 | - |

## 5. INCOME TAX EXPENSE

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

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

| | 2018 RM | 2017 RM |
|---|---|---|
| Loss before taxation | (2,453,967) | (3,692) |
| Tax at the Malaysian statutory income tax rate of 24% (2017: 24%) | (588,952) | (886) |
| Expenses not deductible for tax purposes | 588,952 | 886 |
| Income tax expense for the financial year | - | - |

The Company has the following estimated unutilised tax losses available for set-off against future taxable profits:-

| | 2018 RM | 2017 RM |
|---|---|---|
| Unutilised tax losses | 85,636 | 85,636 |

## 6. PLANT AND EQUIPMENT

| | Plant & Machinery RM |
|---|---|
| **2018** | |
| **Cost** | |
| At 1 January/31 December | 18,500 |
| **Accumulated depreciation** | |
| At 1 January/31 December | (18,499) |
| **Net Carrying Amount** | |
| At 31 December | 1 |

| | Plant & Machinery RM |
|---|---|
| **2017** | |
| **Cost** | |
| At 1 January/31 December | 18,500 |
| **Accumulated depreciation** | |
| At 1 January/31 December | (18,499) |
| **Net Carrying Amount** | |
| At 31 December | 1 |

## 7. AMOUNT DUE FROM HOLDING COMPANY

The amount is non-trade in nature, unsecured, interest free and is collectible on demand.

## 8. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The amount is non-trade in nature, unsecured, interest free and is collectible on demand.

## 9. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2018 Unit | 2017 Unit | 2018 RM | 2017 RM |
| **Authorised:** | | | | |
| At beginning of the year | | | | |
| Abolishment of authorised | - | 1,000,000 | - | 1,000,000 |
| share capital under the Companies Act, 2016 | - | (1,000,000) | - | (1,000,000) |
| At end of the financial year | - | - | - | - |
| **Issued and fully paid:** | | | | |
| At beginning/end of the financial year | 600,000 | 600,000 | 600,000 | 600,000 |

## 9. SHARE CAPITAL (cont'd)

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

"No Par Value" Regime

In prior year, the Company's authorised share capital comprises 1,000,000 ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

## 10. OTHER PAYABLES

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Other payables | 24,313 | 24,313 |
| Accruals | 5,690 | 2,500 |
| | 30,003 | 26,813 |

## 11. DEFERRED TAX

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

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Unutilised tax losses | 85,636 | 85,636 |

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

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

## 12. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

The Company has related party relationships with its holding company and a fellow subsidiary. The related party balances are shown in Note 7 and 8. The related party transactions of the Company are shown below:

Company No.: 315991-D

## 12. RELATED PARTY DISCLOSURES (cont'd)

(b) Related party transactions

| | 2018 RM | 2017 RM |
|---|---|---|
| **Transaction with holding company:** | | |
| Advance from | 3,678 | 3,617 |
| **Debt rationalisation exercise amongst subsidiaries in poultry related activities:** | | |
| Assignment of debts due from holding company to D.B.E. Poultry Sdn. Bhd. | 2,447,027 | - |

(c) 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 Company either directly or indirectly. The key management personnel include all the Directors of the Company.

There is no remuneration paid by the Company to key management personnel during the financial year.

## 13. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The Company's financial assets and financial liabilities are all categorised at amortised cost respectively.

**Financial Risk Management Objectives and Policies**

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

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

(i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables (which consist of amount due from a fellow subsidiary and cash and cash equivalents. There are no significant changes as compared to prior periods.

**13. FINANCIAL INSTRUMENTS** (cont'd)

***Financial Risk Management Objectives and Policies*** (cont'd)

(i) Credit risk (cont'd)

**Cash and cash equivalents**

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

**Inter-company loans and advances**

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

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

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

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

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

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

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

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

At the reporting date, the Company assumes that there is a significant increase in credit risk given the fellow subsidiary's financial position has deteriorated significantly which may lead to high probability of default for the advance to the fellow subsidiary. As a result, the Company has made an allowance for impairment loss of RM2,447,027 on such advances during the financial year ended 31 December 2018.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain continuity of funding from holding company and a fellow subsidiary.

**13. FINANCIAL INSTRUMENTS** (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(ii) Liquidity risk (cont'd)

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

The Company practices prudent risk management by maintaining sufficient cash balances and the availability of funding through financial support from holding company.

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

**14. FAIR VALUE INFORMATION**

Financial instrument at fair value

As the financial assets and liabilities of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

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

**15. CAPITAL MANAGEMENT**

The Company is inactive and relies solely on financial support from its holding company to meet its financial obligations.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the financial year.

**16. SIGNIFICANT EVENT**

During the year, the Company assigned the amount due from holding company to a fellow subsidiary as disclosed in Note 12(b) in conjunction with the debt rationalisation exercise carried out by the holding company with the subsidiaries in the poultry related activities.

**17. COMPARATIVE**

The financial statements of the Company for the financial year ended 31 December 2017 were audited by a firm of chartered accountants other than Moore Stephens Associates PLT who expressed an unmodified opinion on those financial statements on 13 April 2018.

Company No.: 361951-V

MOORE STEPHENS

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED**
**31 DECEMBER 2018**

Company No.: 361951-V

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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Company No.: 361951-V

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the operation of foods and beverage outlets. In year 2006, the Company transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd.

The Company remained dormant during the financial year.

## RESULTS

| | RM |
|---|---|
| Net loss for the financial year | 416,457 |

## DIVIDENDS

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

## RESERVES AND PROVISIONS

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

## ISSUANCE OF SHARES AND DEBENTURES

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS OF THE COMPANY

The Directors in office during the financial year and at the date of this report are:

Dato' Ding Chong Chow, DIMP, PPT
Dato' Ding Seng Huat, DSAP

Company No.: 361951-V

## DIRECTORS' INTERESTS

The interest of Directors in office at the end of the financial year in shares in or debentures of the Company and its related corporations during the financial year are disclosed in the Directors' Report of the holding company pursuant to Section 59(3) of the Companies Act, 2016.

## DIRECTORS' REMUNERATION AND BENEFITS

There were no fees and other benefits paid to or receivable by the Directors or past Directors of the Company or any other benefits received or receivable by them otherwise than in cash from the Company for their services to the Company.

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 12 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

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

  (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent;

  (ii) which would render the values attributed to the current assets in the financial statements of the Company misleading;

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

  (iv) not otherwise dealt with it this report or the financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

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

**OTHER STATUTORY INFORMATION** (cont'd)

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Company to meet their obligations as and when they fall due;

(ii) the result of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company is RM1,500.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

**HOLDING COMPANY**

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

**SIGNIFICANT EVENT**

Details of significant event are disclosed in Note 16 to the financial statements.

**AUDITORS**

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

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

Company No.: 361951-V

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

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

We, being the two Directors of the Company, do hereby state that, in our opinion, the accompanying financial statements as set out on pages 8 to 30 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the financial year then ended.

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

DATO' DING CHONG CHOW, DIMP, PPT

DATO' DING SENG HUAT, DSAP

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

I, DATO' DING SENG HUAT, DSAP, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 8 to 30 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' DING SENG HUAT, DSAP

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

Before me

PESURUHJAYA SUMPAH
No. W 661
TAN KIM CHOOI
1.1.2019-31.12.2021
MALAYSIA

LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA,
50490 KUALA LUMPUR

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF D.B.E. GURNEY CHICKEN SDN. BHD.**
(Company No.: 361951-V)
(Incorporated in Malaysia)

Moore Stephens Associates PLT
(LLP0000963-LCA & AF002096)
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia
T 603 7728 1800 (General) ; 7724 1033 (Assurance)
F 603 7728 9800 (General) ; 7733 1033 (Assurance)
www.moorestephens.com.my

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of D.B.E. Gurney Chicken Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 30.

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

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**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 Company and our auditors' report thereon.

Our opinion on the financial statements 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 Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. GURNEY CHICKEN SDN. BHD.** (cont'd)
(Company No.: 361951-V)
(Incorporated in Malaysia)

**Responsibilities of the Directors for the Financial Statements**

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

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 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 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 scepticism throughout the audit. We also:

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.

MOORE STEPHENS

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**
**D.B.E. GURNEY CHICKEN SDN. BHD.** (cont'd)
(Company No.: 361951-V)
(Incorporated in Malaysia)

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

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

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

**Other Matters**

(i) This report is made solely to the member 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.

(ii) The comparative figures were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on 13 April 2018.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

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

Petaling Jaya, Selangor
Date: 19 April 2019

Company No.: 361951-V

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| Other income | | 5,960 | - |
| Administrative expenses | | (422,417) | (59,819) |
| **Loss before tax** | 4 | (416,457) | (59,819) |
| Income tax expense | 5 | - | - |
| **Loss net of tax, representing total comprehensive income for the financial year** | | (416,457) | (59,819) |

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

Company No.: 361951-V

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current asset** | | | |
| Plant and equipment | 6 | 4 | 4 |
| **Current assets** | | | |
| Amount due from holding company | 7 | - | 416,291 |
| Amount due from a fellow subsidiary | 8 | - | - |
| Bank balances | | 367 | 2,467 |
| | | 367 | 418,758 |
| **TOTAL ASSETS** | | 371 | 418,762 |
| **EQUITY AND LIABILITY** | | | |
| **Equity** | | | |
| Share capital | 9 | 800,000 | 800,000 |
| Accumulated losses | | (805,755) | (389,298) |
| **Total equity** | | (5,755) | 410,702 |
| **Current liability** | | | |
| Other payables | 10 | 6,126 | 8,060 |
| **TOTAL EQUITY AND LIABILITY** | | 371 | 418,762 |

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

Company No.: 361951-V

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

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

| | Share Capital RM | Accumulated Losses RM | Total Equity RM |
|---|---|---|---|
| **At 1 January 2017** | 800,000 | (329,479) | 470,521 |
| Loss net of tax, representing total comprehensive income for the financial year | - | (59,819) | (59,819) |
| **At 31 December 2017** | 800,000 | (389,298) | 410,702 |
| **At 1 January 2018** | 800,000 | (389,298) | 410,702 |
| Loss net of tax, representing total comprehensive income for the financial year | - | (416,457) | (416,457) |
| **At 31 December 2018** | 800,000 | (805,755) | (5,755) |

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

Company No.: 361951-V

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Loss before taxation | (416,457) | (59,819) |
| Adjustment for:- | | |
| Impairment loss on amount due from a fellow subsidiary | 415,087 | - |
| Reversal of deposit received | (400) | - |
| Reversal of other creditors | (5,560) | - |
| Operating loss before working capital changes | (7,330) | (59,819) |
| Changes in working capital:- | | |
| Changes in payables | 4,026 | - |
| **Net cash used in operating activities** | (3,304) | (59,819) |
| **Cash Flows from Financing Activity** | | |
| Advances from holding company, representing net cash from financing activity | 1,204 | 59,819 |
| **Net decrease in cash and cash equivalents** | (2,100) | - |
| Cash and cash equivalents at beginning of the financial year | 2,467 | 2,467 |
| **Cash and cash equivalents at end of the financial year** | 367 | 2,467 |

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

Company No.: 361951-V

**D.B.E. GURNEY CHICKEN SDN. BHD.**
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018**

## 1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang.

The principal place of business of the Company is located at Lot 138, Kawasan Perindustrian, Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan, Perak.

The Company is principally engaged in the operation of food and beverage outlets. In year 2006, the Company has transferred its entire business activities to a related company, D.B.E. Poultry Sdn. Bhd. The Company was inactive during the financial year and there has been no significant change in nature of this activity during the financial year.

The Directors regard D.B.E. Gurney Resources Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs**

The Company had adopted the following Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year as follow:

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2 | Classification and Measurement of Share based Payment Transactions |
| Amendments to MFRS 15 | Clarification to MFRS 15 |
| Amendments to MFRS 4 | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretations 22 | Foreign Currency Transactions and Advance Consideration |

Annual Improvements to MFRSs 2014-2016 Cycle

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

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

**(i) Adoption of New MFRSs, Amendments/Improvements to MFRSs** (cont'd)

The adoption of the Amendments/Improvements to MFRSs did not have any significant effect on the financial statements of the Company.

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

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

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

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

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

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

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

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

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

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

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

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

**Effective date to be announced**

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Company upon their initial application.

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

### (d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Company's accounting policies.

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

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

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

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

(i) Impairment of Financial Assets

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Income Tax

Current tax

Tax expense represents the aggregate amount of current and deferred tax.

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

Deferred tax

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(a) **Income Tax** (cont'd)

Deferred tax (cont'd)

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

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

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

(b) **Plant and equipment**

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

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

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

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 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 earnings.

(ii) Subsequent costs

The cost of replacing part of an item of 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(b) Plant and equipment** (cont'd)

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of plant and equipment.

Plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

| | |
|---|---|
| Motor vehicles | 5 years |

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

Fully depreciated 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 plant and equipment.

**(c) Financial Instruments**

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

**(i) Initial recognition and measurement**

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

***Current financial year***

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

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

***Previous financial year***

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(i) **Initial recognition and measurement** (cont'd)

***Previous financial year** (cont'd)*

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

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

The Company categorises financial instruments as follows:

***Financial assets***

***Current financial year***

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

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Financial Instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

***Financial assets*** *(cont'd)*

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

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

***Previous financial year***

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

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

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

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

*(b)* ***Loans and receivables***

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

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

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

***Financial liabilities***

***Current financial year***

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(c) Financial Instruments** (cont'd)

**(ii) Financial instrument categories and subsequent measurement** (cont'd)

***Financial liabilities*** *(cont'd)*

***Previous financial year***

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

**(iii) Offsetting of financial instruments**

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

**(iv) Regular way purchase or sale of financial assets**

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

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

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

**(v) Derecognition**

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

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

**(d) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank that is readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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

### (e) Impairment

**Financial assets**

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

***Current financial year***

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

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

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

(ii) Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset

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

Simplified approach- trade receivables, lease receivables and contract assets

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

General approach- other financial instruments and financial guarantee contracts

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(e) **Impairment** (cont'd)

**Financial assets** (cont'd)

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

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

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

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

Credit Impaired financial assets

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

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

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

Write-off policy

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(e) **Impairment** (cont'd)

**Financial assets** (cont'd)

***Previous financial year***

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

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

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

(f) **Equity Instruments**

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

Ordinary shares

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

(g) **Fair value measurement**

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

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 its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

### (g) Fair value measurement (cont'd)

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

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

Level 3: Unobservable inputs for the asset or liability.

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

## 4. LOSS BEFORE TAX

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

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Auditors' remuneration | 1,500 | 1,500 |
| Impairment loss on amount due from a fellow subsidiary | 415,087 | - |
| Reversal of deposit received | (400) | - |
| Reversal of other creditors | (5,560) | - |

## 5. INCOME TAX EXPENSE

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

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

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Loss before taxation | (416,457) | (59,819) |
| Tax at the Malaysian statutory income tax rate of 24% (2017: 24%) | (99,950) | (14,357) |
| Expenses not deductible for tax purposes | 99,950 | 14,357 |
| Income tax expense for the financial year | - | - |

The Company has the following unabsorbed capital allowances and unutilised tax losses available for set-off against future taxable profits:-

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Unutilised tax losses | 1,137,810 | 1,137,810 |
| Unabsorbed capital allowances | 547,270 | 547,270 |

## 6. PLANT AND EQUIPMENT

| | Motor Vehicles RM |
|---|---|
| **2018** | |
| **Cost** | |
| At 1 January/31 December | 195,353 |
| **Accumulated depreciation** | |
| At 1 January/31 December | (195,349) |
| **Net Carrying Amount** | |
| At 31 December | 4 |
| **2017** | |
| **Cost** | |
| At 1 January/31 December | 195,353 |
| **Accumulated depreciation** | |
| At 1 January/31 December | (195,349) |
| **Net Carrying Amount** | |
| At 31 December | 4 |

## 7. AMOUNT DUE FROM HOLDING COMPANY

The amount is non-trade in nature, unsecured, interest free and is collectible on demand.

## 8. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The amount is non-trade in nature, unsecured, interest free and is collectible on demand.

## 9. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2018 Unit | 2017 Unit | 2018 RM | 2017 RM |
| **Authorised:** | | | | |
| At beginning of the year | | | | |
| Abolishment of authorised | - | 1,000,000 | - | 1,000,000 |
| share capital under the Companies Act, 2016 | - | (1,000,000) | - | (1,000,000) |
| At end of the financial year | - | - | - | - |
| **Issued and fully paid:** | | | | |
| At beginning/end of the year | 800,000 | 800,000 | 800,000 | 800,000 |

## 9. SHARE CAPITAL (cont'd)

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

"No Par Value" Regime

In prior year, the Company's authorised share capital comprises 1,000,000 ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

## 10. OTHER PAYABLES

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Accruals | 6,126 | 5,560 |
| Other payables | - | 2,500 |
| | 6,126 | 8,060 |

## 11. DEFERRED TAX

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

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Unutilised tax losses | 1,137,810 | 1,137,810 |
| Unabsorbed capital allowances | 547,270 | 547,270 |

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

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

## 12. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

The Company has related party relationships with its holding company and a fellow subsidiary. The related party balances are shown in Note 7 and 8. The related party transactions of the Company are shown below:

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## 12. RELATED PARTY DISCLOSURES (cont'd)

(b) Related party transactions

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Transaction with holding company:** | | |
| Advance from | 1,204 | 59,819 |
| **Debt rationalisation exercise amongst subsidiaries in poultry related activities:** | | |
| Assignment of debts due from holding company to D.B.E. Poultry Sdn. Bhd. | 415,087 | - |

(c) 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 Company either directly or indirectly. The key management personnel include all the Directors of the Company.

There is no remuneration paid by the Company to key management personnel during the financial year.

## 13. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The Company's financial assets and financial liabilities are all categorised at amortised cost respectively.

**Financial Risk Management Objectives and Policies**

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

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

(i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables (which consist of amount due from a fellow subsidiary and cash and cash equivalents. There are no significant changes as compared to prior periods.

## 13. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(i) Credit risk (cont'd)

**Cash and cash equivalents**

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

**Inter-company loans and advances**

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

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

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

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

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

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

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

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

At the reporting date, the Company assumes that there is a significant increase in credit risk given the fellow subsidiary's financial position has deteriorated significantly which may lead to high probability of default for the advance to the fellow subsidiary. As a result, the Company has made an allowance for impairment loss of RM415,087 on such advances during the financial year ended 31 December 2018.

## 13. FINANCIAL INSTRUMENTS (cont'd)

**Financial Risk Management Objectives and Policies** (cont'd)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain continuity of funding from holding company and a fellow subsidiary.

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

The Company practices prudent risk management by maintaining sufficient cash balances and the availability of funding through financial support from holding company.

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

## 14. FAIR VALUE INFORMATION

Financial instrument at fair value

As the financial assets and liabilities of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

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

## 15. CAPITAL MANAGEMENT

The Company is inactive and relies solely on financial support from its holding company to meet its financial obligations.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the financial year.

## 16. SIGNIFICANT EVENT

During the year, the Company assigned the amount due from holding company to a fellow subsidiary as disclosed in Note 12(b) in conjunction with the debt rationalisation exercise carried out by the holding company with the subsidiaries in the poultry related activities.

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## 17. COMPARATIVE

The financial statements of the Company for the financial year ended 31 December 2017 were audited by a firm of chartered accountants other than Moore Stephens Associates PLT who expressed an unmodified opinion on those financial statements on 13 April 2018.

## 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. The Board hereby confirms that after making all reasonable enquiries and to the best of its knowledge and belief, there are no false or misleading statements contained in this Circular, or other facts the omission of which would make any information herein false or misleading.

Further, the Board has seen and approved the IAL. The responsibility of the Board in respect of the independent advice and expression of opinion by Mercury Securities in relation to the Proposed Disposal as set out in the IAL is to ensure that all statements, facts and/or information in relation to the Group that is relevant to Mercury Securities' evaluation of the Proposed Disposal, have been reasonably, accurately and completely disclosed and provided to Mercury Securities and is free from material omission.

## 2. CONSENTS AND DECLARATION OF CONFLICT OF INTEREST

### 2.1 Consents

#### 2.1.1 Principal Adviser

AmInvestment Bank has given and not subsequently withdrawn its written consent for the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

#### 2.1.2 Independent Adviser

Mercury Securities has given and not subsequently withdrawn its written consent for the inclusion in this Circular of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

### 2.2 Conflict of interest

#### 2.2.1 Principal Adviser

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, "**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company.

Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of DBE Group.

As at the LPD, AmBank Group has extended term loan facilities amounting to approximately RM12.05 million to DBE Group ("**Loan Facilities**"). The said Loan Facilities represent less than 0.02% compared to the total audited loans, advances and financing of AMMB Holdings Berhad (being the holding company of AmBank Group) as at 31 March 2019.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposed Disposal does not give rise to a conflict of interest situation in view that:-

(i) AmBank Group form a diversified financial group and are engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as Principal Adviser in respect of the Proposed Disposal is in the ordinary course of business; and

(ii) Each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each departments and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is also regulated by Bank Negara Malaysia.

#### 2.2.2 Independent Adviser

Mercury Securities is not aware of any existing conflict of interest nor of any circumstances which would or is likely to give rise to a possible conflict of interest by virtue of its appointment as the Independent Adviser for the Proposed Disposal.

## 3. MATERIAL COMMITMENTS

The Board is not aware of any material commitments incurred or known to be incurred which upon becoming enforceable may have a material impact on the financial position or the business of DBE Group as at the LPD, save for the material commitments as disclosed below:-

| | **RM'000** |
|---|---|
| Balance purchase consideration for the acquisition of Pangsapuri Seri Iskandar project | 3,700 |
| Estimated landowners' entitlement for the Pengkalan Prisma development | 25,000[(i)] |
| **Total** | **28,700** |

***Note:-***
*(i) Based on estimated net GDV of the Pengkalan Prisma development amounting to RM100.00 million.*

## 4. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial results or positions of DBE Group.

## 5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at No. 54-4-8, Wisma Sri Mata, Jalan Van Praagh, 11600 Penang, Malaysia during normal business hours from Monday to Friday (except public holidays) following the date of this Circular, up to and including the date of the EGM:-

(i) the SSA;

(ii) the Constitution of DBE as well as DBE Poultry and the Dormant Companies;

(iii) the audited consolidated financial statements of DBE Group for the past two (2) FYEs 31 December 2017 and 31 December 2018 and the latest six (6) months unaudited consolidated financial statements of DBE Group for FPE 30 June 2019;

(iv) the audited financial statements of DBE Poultry and the Dormant Companies for the past two (2) FYEs 31 December 2017 and 31 December 2018 and the unaudited financial statements of DBE Poultry and the Dormant Companies for the six (6) months period ended 30 June 2019; and

(v) the letters of consent referred to in Section 2 of this Appendix III.

**D.B.E. GURNEY RESOURCES BERHAD**
(Registration No: 200101000008 (535763-A))
(Incorporated in Malaysia)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of D.B.E. Gurney Resources Berhad ("**DBE**" or the "**Company**") will be held at Intan 1, The Orient Star Resort Lumut, Lot 203 & 366, Jalan Iskandar Shah, 32200 Lumut, Perak Darul Ridzuan on Monday, 25 November 2019 at 10:30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications the following resolution:-

**ORDINARY RESOLUTION**

**PROPOSED DISPOSAL OF 51% EQUITY INTEREST IN D.B.E. POULTRY SDN. BHD., D.B.E. BREEDING SDN. BHD., D.B.E. HATCHERY SDN. BHD., D.B.E. MARKETING SDN. BHD., D.B.E. FOOD PROCESSING INDUSTRIES SDN. BHD., AND D.B.E. GURNEY CHICKEN SDN. BHD. TO DATO' DING SENG HUAT FOR A TOTAL CASH CONSIDERATION OF RM32,583,608 ("PROPOSED DISPOSAL")**

"**THAT** approval be and is hereby given to the Company to dispose of 51% equity interest in D.B.E. Poultry Sdn. Bhd., D.B.E. Breeding Sdn. Bhd., D.B.E. Hatchery Sdn. Bhd., D.B.E. Marketing Sdn. Bhd., D.B.E. Food Processing Industries Sdn. Bhd., and D.B.E. Gurney Chicken Sdn. Bhd. (collectively, the "**Disposal Companies**") to Dato' Ding Seng Huat ("**DDSH**") for a total cash consideration of RM32,583,608 in accordance with the terms and conditions contained in the conditional share sale agreement dated 2 October 2019 entered into between the Company and DDSH ("**SSA**"), as well as the terms and conditions in respect of the call option and the put option (as detailed under Section 2.4 of this circular) in accordance to the SSA;

**THAT** the Board of Directors of DBE ("**Board**") be and is hereby authorised to use the proceeds from the Proposed Disposal as set out in Section 2.8 of the circular to shareholders dated 6 November 2019 and the Board be and is hereby authorised to revise the use of proceeds from the Proposed Disposal in the manner as it deems fit and in the best interests of the Company;

**AND THAT** the Board be and is hereby authorised and empowered to take all such steps and enter into all deeds, agreements, arrangements, undertakings, transfers and indemnities as it may deem fit, necessary, expedient and/or appropriate and in the best interests of the Company in order to implement, finalise, complete and give full effect to the Proposed Disposal and the terms and conditions of the SSA with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by any relevant authorities as the Board deems fit, appropriate and in the best interests of the Company."

**BY ORDER OF THE BOARD**

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

Company Secretaries

Penang
Dated this 6 November 2019

*Notes:-*

1. *Only members whose names appear on the Record of Depositors as at 18 November 2019 shall be entitled to attend, speak and vote at the Extraordinary General Meeting ("**EGM**").*
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 EGM. 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 appointer or his/her attorney duly authorised in writing or, if the appointer 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 of that power or authority, or where the Member is a body corporate, the copy of the power or authority may also be certified by an authorised officer of that Member, 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 EGM or any adjournment thereof.*

**D.B.E. GURNEY RESOURCES BERHAD**
(Registration No: 200101000008 (535763-A))
(Incorporated in Malaysia)

**FORM OF PROXY**

| No of Shares Held | CDS Account No |
|---|---|
| | |

I/We……………………………………………………………………………………………………………………….................
*(FULL NAME IN BLOCK LETTERS)*

(NRIC No. /Passport No. /Company Registration No. ………………………………………………………….....................)

of ………………………………………………………………………………………………..……………….........................
*(FULL ADDRESS)*

being member/members of **D.B.E. GURNEY RESOURCES BERHAD**, do hereby appoint ................………………....

……………………………………………………....…........... NRIC No / Passport No. ……………………..………………....
*(FULL NAME IN BLOCK LETTERS)*

of ……………………………………………………………………………………………………………………….................
*(FULL ADDRESS)*

or failing him/her,…………………………………............……..... NRIC No / Passport No.……..……..……................
*(FULL NAME IN BLOCK LETTERS)*

of …………………………………………………………………………………………………………..……....................
*(FULL 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 Extraordinary General Meeting ("**EGM**") 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, 25 November 2019 at 10:30 a.m., or at any adjournment thereof, on the ordinary resolution as set out in the notice of the EGM as hereunder indicated:-

(Please indicate with an "X" in the spaces provided below on how you wish your vote to be cast. If no specific instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

| RESOLUTION | FOR | AGAINST |
|---|---|---|
| Ordinary Resolution – Proposed Disposal | | |

| **If more than one proxy is appointed, please specify below the proportion of your vote in percentage represented by each proxy :** | |
|---|---|
| First Named Proxy | % |
| Second Named Proxy | % |

Dated this ............. day of .............................. 2019 : ......................................................................
Signature(s) of Member(s) / Common Seal

*Notes:-*

1. *Only members whose names appear on the Record of Depositors as at 18 November 2019 shall be entitled to attend, speak and vote at the EGM.*
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 EGM. 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.*
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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 of that power or authority, or where the Member is a body corporate, the copy of the power or authority may also be certified by an authorised officer of that Member, 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 EGM or any adjournment thereof.*

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AFFIX
STAMP

The Company Secretary
**D.B.E. GURNEY RESOURCES BERHAD**
**(Registration No: 200101000008 (535763-A))**
No. 54-4-8, Wisma Sri Mata
Jalan Van Praagh
11600 Penang
Malaysia

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