

DUALRANK FONTECH (M) SDN. BHD.

Company No. 905260-H
(Incorporated in Malaysia)

*Reports and financial statements
for the year ended 31 December 2018*

PGC & ASSOCIATES (AF 2033)
Chartered Accountants

Company No. 905260-H

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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Company No. 905260-H

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 principal activities of the Company are that of fabrication and refurbishment of heavy machinery parts, welding and surface engineering. The Company ceased business operations in August 2017 and did not trade during the financial year.

RESULTS

	RM
Total comprehensive income for the financial year	<u><u>1,992,991</u></u>

DIVIDENDS

No dividends have been paid, declared or proposed since the end of the previous year. The Directors do not recommend that a dividend to be paid in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

SHARE AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

HOLDING AND ULTIMATE HOLDING COMPANY

The holding and ultimate holding companies are Dualrank (M) Sdn. Bhd. and Euco Resources Sdn. Bhd., incorporated in Malaysia, respectively.

DIRECTORS OF THE COMPANY

The Directors of the Company in office at any time during the year or since the end of the year are:

James Edward Buxton
Laurence Yee Lye Eu
Anttonette Marie B Joseph A/P MD Joseph (f)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTEREST IN SHARES

According to the register of Directors' shareholding under section 59 of the Companies Act, 2016, the interests of directors in office at the end of the financial year in the ordinary shares of the Company during the year are as follows:

	Number of Ordinary Shares			As at 31.12.2018
	As at 01.01.2018	Bought	Sold	
Direct Interest				
Anttonette Marie B Joseph A/P MD Joseph (f)	10,000	-	-	10,000

DIRECTORS' REMUNERATIONS

None of the directors or past directors of the Company have received any remunerations from the Company during the year.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company during the year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company by the directors or past directors of the Company during the year.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

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

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were prepared, the directors took reasonable steps:

- a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and
- b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

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

- a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Company; or
- b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

As of the date of this report, there does not exist:

- a) any charge on the assets of the Company which has arisen since the end of the year and secures the liability of any other person; or
- b) any contingent liability of the Company which has arisen since the end of the year.

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

In the opinion of the directors:

- a) the results of the operations of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.
- b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of operations of the Company for the year in which this report is made.

AUDITORS' REMUNERATIONS

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

	2018
	RM
Statutory audit	<u>1,000</u>

Company No. 905260-H

AUDITORS

The retiring auditors, Messrs. PGC & Associates, have indicated their willingness to be re-appointed.

On behalf of the Board of Directors
The Board of Directors

James Edward Buxton
Director

Laurence Yee Lye Eu
Director

Kuala Lumpur

Dated: 18 February 2019

Company No. 905260-H

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

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

The directors of Dualrank Fontech (M) Sdn. Bhd. state that, in their opinion, the financial statements of the Company set out on pages 9 to 24 are drawn up in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and financial performance of the Company for the year ended 31 December 2018.

On behalf of the Board of Directors
The Board of Directors

James Edward Buxton
Director

Laurence Yee Lye Eu
Director

Kuala Lumpur

Dated: 18 February 2019

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

I, James Edward Buxton, the Director primarily responsible for the financial management of Dualrank Fontech (M) Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 9 to 24 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed, James Edward Buxton at)
Kuala Lumpur on 18 February 2019)

James Edward Buxton

Before me,

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DUALRANK FONTECH (M) SDN. BHD. (COMPANY NO.: 905260-H)
(INCORPORATED IN MALAYSIA)****Opinion**

We have audited the financial statements of Dualrank Fontech (M) 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 a summary of significant accounting policies and other explanatory information, as set out on pages 9 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 Private Entities Reporting Standard 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 the 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 Directors' Report 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 that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DUALRANK FONTECH (M) SDN. BHD. (COMPANY NO.: 905260-H)
(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 Private Entities Reporting Standard 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:

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DUALRANK FONTECH (M) SDN. BHD. (COMPANY NO.: 905260-H)
(INCORPORATED IN MALAYSIA)**

- 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.
- 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 significant deficiencies in internal control that we identify during our audit.

Other Matters

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

PGC & ASSOCIATES (AF 2033)

Chartered Accountants

Selangor

Date : 18 February 2019

POH GEOK CHOO

2879/11/19 (J)

Chartered Accountant

Company No. 905260-H

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
NON-CURRENT ASSETS			
Plant and equipment	3	-	301,554
		<u>-</u>	<u>301,554</u>
CURRENT ASSETS			
Inventories	4	-	154,590
Cash at bank		-	19,823
		<u>-</u>	<u>174,413</u>
TOTAL ASSETS		<u>-</u>	<u>475,967</u>
EQUITY			
Share capital	5	1,000,000	1,000,000
Accumulated losses		(1,000,000)	(2,992,991)
TOTAL EQUITY		<u>-</u>	<u>(1,992,991)</u>
CURRENT LIABILITIES			
Trade payables		-	445,270
Accruals		-	9,659
Amount due to holding company	6	-	1,043,802
Amount due to shareholder	7	-	970,227
		<u>-</u>	<u>2,468,958</u>
TOTAL LIABILITIES		<u>-</u>	<u>2,468,958</u>
TOTAL EQUITY AND LIABILITIES		<u>-</u>	<u>475,967</u>

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

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

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

	Note	2018 RM	2017 RM
Revenue	2.9	-	1,573,832
Cost of sales		-	(1,731,427)
Gross profit/(loss)		<u>-</u>	<u>(157,595)</u>
Other operating income		2,458,789	49,077
Administrative and operating expenses		(465,798)	(398,878)
Profit/(loss) from operations		<u>1,992,991</u>	<u>(507,396)</u>
Finance costs	8	-	(855)
Profit/(loss) before taxation	9	<u>1,992,991</u>	<u>(508,251)</u>
Income tax expenses	10	-	-
Profit/(loss) for the year		<u>1,992,991</u>	<u>(508,251)</u>
Other comprehensive income, net of tax		-	-
Total comprehensive income/(loss) for the financial year		<u><u>1,992,991</u></u>	<u><u>(508,251)</u></u>

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

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

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

	Issued and fully paid ordinary shares		Accumulated Losses RM	Total RM
	Number of shares	Nominal share RM		
As at 1 January 2017	1,000,000	1,000,000	(2,484,740)	(1,484,740)
Total comprehensive loss for the financial year	-	-	(508,251)	(508,251)
As at 31 December 2017	<u>1,000,000</u>	<u>1,000,000</u>	<u>(2,992,991)</u>	<u>(1,992,991)</u>
Total comprehensive income for the financial year	-	-	1,992,991	1,992,991
As at 31 December 2018	<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>	<u><u>(1,000,000)</u></u>	<u><u>-</u></u>

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

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

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

	2018	2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	1,992,991	(508,251)
Adjustments for:		
Depreciation of plant and equipment	-	105,681
Interest expenses	-	855
Loss/(Gain) on disposal of property, plant and equipment	4,909	(14,999)
Plant and equipment written off	286,645	67,582
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	2,284,545	(349,132)
Changes in working capital		
Decrease in inventories	154,590	814,399
Decrease in trade receivables	-	839,620
Decrease in other receivables, deposits and prepayments	-	53,563
Decrease in trade payables	(445,270)	(1,129,190)
Decrease in accruals	(9,659)	(177,260)
Decrease in amount due to directors	-	(224,020)
Decrease in amount due to holding company	(1,043,802)	(29,473)
Decrease in amount due to shareholder	(970,227)	-
	<hr/>	<hr/>
Cash used in operations	(29,823)	(201,493)
Interest paid	-	(855)
Net cash used in operating activities	<hr/>	<hr/>
	(29,823)	(202,348)
CASH FLOWS FROM INVESTING ACTIVITY		
Proceeds from disposal of plant and equipment	10,000	231,184
Net cash generated from investing activity	<hr/>	<hr/>
	10,000	231,184
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of finance lease payables	-	(16,384)
Net cash used in financing activity	<hr/>	<hr/>
	-	(16,384)
Net (decrease)/increase in cash and cash equivalents	(19,823)	12,452
Cash and cash equivalents at beginning of the year	19,823	7,371
Cash and cash equivalents at end of the year	<hr/>	<hr/>
	-	19,823
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	<hr/>	<hr/>
	-	19,823

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

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

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

The registered office is located at C-2-5, Medan Connaught, Jalan 3/144A, 56000 Kuala Lumpur.

The principal place of business is located at 6, Jalan Bulan U5/172, Bandar Pinggiran Subang, 40150 Shah Alam, Selangor.

The principal activities of the Company are that of fabrication and refurbishment of heavy machinery parts, welding and surface engineering. The Company ceased business operations in August 2017 and did not trade during the financial year.

The Company is a subsidiary of Dualrank (M) Sdn. Bhd. and Euco Resources Sdn. Bhd., companies incorporated in Malaysia, which is also regarded by the directors as the holding and ultimate holding company, respectively.

The financial statements of the Company are presented in the functional currency, which is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is Ringgit Malaysia.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Malaysian Private Entities Reporting Standard ("MPERS") and the requirements of the Companies Act, 2016.

The financial statements have been prepared on the historical cost basis.

The principal accounting policies adopted are set out below:

2.1 PLANT AND EQUIPMENT

The cost of an item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. After recognition as an asset, an item of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line method so as to write off the depreciable amount of the following assets over their estimated useful lives, as follows:

Machinery and moulds	<u>Rate %</u> 10%
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2.1 PLANT AND EQUIPMENT (CONTINUED)

Depreciation of an asset begins when it is ready for its intended use.

If there is an indication of a change in factors affecting the residual value, useful life or asset's depreciation method since the last annual reporting date, the residual values, depreciation method and useful lives of depreciable assets are reviewed, and the changes are accounted for as a change in an accounting estimate and adjusted prospectively.

The carrying amounts of items of plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising from the derecognition of items of plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the item, is recognised in profit or loss. Neither the sale proceeds nor any gain on disposal is classified as revenue.

2.2 IMPAIRMENT OF ASSETS, OTHER THAN INVENTORIES AND FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

When there is an indication that an asset may be impaired but it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset or a cash-generating unit is less than the carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, to the other non-current assets of the unit pro rata on the basis of the carrying amount of each appropriate asset in the cash-generating unit. Impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case it is treated as a revaluation decrease.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell, value in use and zero.

An impairment loss recognised in prior periods for an asset or the appropriate assets of a cash-generating unit is reversed when there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

2.3 INVENTORIES

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is measured by using the First-in First-out method.

At each reporting date, inventories are assessed for impairment. If an item of inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss. At each subsequent reporting date, the Company makes a new assessment of selling price less costs to complete and sell. If there is any indication that an impairment loss recognised in prior periods may no longer exist or when there is clear evidence of an increase in selling price less costs to complete and sell due to changed economic circumstances, an impairment loss is reversed to the extent that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell.

2.4 FINANCIAL ASSETS

Financial assets are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets are measured at transaction price, include transaction costs for financial assets not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the counterparty to the arrangement.

After initial recognition, financial assets are classified into one of three categories: financial assets measured at fair value through profit or loss, financial assets that are debt instruments measured at amortised cost, and financial assets that are equity instruments measured at cost less impairment.

i) Financial Assets At Fair Value Through Profit Or Loss

Financial assets are classified as at fair value through profit or loss when the financial assets are within the scope of Section 12 of the MPERS or if the financial assets are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

Changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

2.4 FINANCIAL ASSETS (CONTINUED)

ii) Financial Assets That Are Debt Instruments Measured At Amortised Cost

After initial recognition, debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets are measured at the undiscounted amount of the cash or other consideration expected to be received.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or, when appropriate, a shorter period, to the carrying amount of the financial assets.

iii) Financial Assets That Are Equity Instruments Measured At Cost Less Impairment

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort, and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, are measured at cost less impairment.

iv) Impairment Of Financial Assets

At the end of each reporting period, the Company assesses whether there is any objective evidence that financial assets that are measured at cost or amortised cost, are impaired.

Objective evidence could include:

- significant financial difficulty of the issuer; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

Impairment losses, in respect of financial assets measured at amortised cost, are measured as the differences between the assets' carrying amounts and the present values of their estimated cash flows discounted at the assets' original effective interest rate.

If there is objective evidence that impairment losses have been incurred on financial assets measured at cost less impairment, the amount of impairment losses are measured as the difference between the asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

2.4 FINANCIAL ASSETS (CONTINUED)

iv) Impairment Of Financial Assets (continued)

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately. If, in subsequent period, the amount of an impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

v) Derecognition Of Financial Assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are settled, or the Company transfers to another party substantially all of the risks and rewards of ownership of the financial assets.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses are recognised in profit or loss in the period of the transfer.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances, short-term bank deposits and other short-term, highly liquid investments that have a short maturity of three months or less from the date of acquisition, net of bank overdrafts.

2.6 LIABILITIES AND EQUITY

i) Classification Of Liabilities And Equity

Financial liabilities and equity instruments are classified in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument.

ii) Equity Instruments

Ordinary shares are classified as equity.

Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company, other than those issued as part of a business combination or those accounted for in paragraph 22.15A to 22.15B, are measured at the fair value of the cash or other resources received or receivable, net of transaction costs. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis.

The Company accounts for the transaction costs of an equity as a deduction from equity. Income tax relating to the transaction costs is accounted for in accordance with Section 29 of the MPERS.

Distributions to owners are deducted from the equity. Related income tax is accounted for in accordance with Section 29 of the MPERS.

2.6 FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial liabilities are measured at transaction price, include transaction costs for financial liabilities not measured at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction for the Company to the arrangement.

After initial recognition, financial liabilities are classified into one of three categories: financial liabilities measured at fair value through profit or loss, financial liabilities measured at amortised cost, or loan commitments measured at cost less impairment.

i) Financial Liabilities Measured At Fair Value Through Profit Or Loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are within the scope of Section 12 of the MPERS or if the financial liabilities are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

ii) Financial Liabilities Measured At Amortised Cost

After initial recognition, financial liabilities other than financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

Effective interest method is a method of calculating the amortised cost of financial liabilities and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liabilities or, when appropriate, a shorter period, to the carrying amount of the financial liabilities.

iii) Loan Commitments Measured At Cost Less Impairment

Commitments to receive loan that meet the conditions of Section 11 of the MPERS are measured at cost less impairment.

iv) Derecognition Of Financial Liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of the financial liabilities derecognised and the consideration paid is recognised in profit or loss.

2.7 PROVISIONS

A provision is recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties are taken into account in reaching the best estimate of a provision. When the effect of the time value of money is material, the amount recognised in respect of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.8 LEASES

i) Finance Leases

Leases of property, plant and equipment are classified as finance lease where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership, are transferred to the Company.

The Company initially recognises its rights of use and obligations under finance leases as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, determined at the inception of the leases. Any initial direct costs are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method. A finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as an expense in the period in which they are incurred.

The depreciation policy for depreciable leased assets is consistent with that of depreciable assets that are owned. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the leased assets are fully depreciated over the shorter of the lease terms and their useful life. At each reporting date, the Company assesses whether the assets leased under the finance lease are impaired.

ii) Operating Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

2.9 REVENUE

i) Sales of Goods

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

ii) Rendering of Services

Revenue from rendering of services is measured by reference to the stage of completion of the transaction at the reporting date.

2.10 EMPLOYMENT BENEFITS

i) Short-Term Employment Benefits

Short-term employment benefits, such as wages, salaries and other benefits, are recognised at the undiscounted amount as a liability and an expense when the employees have rendered services to the Company.

The expected cost of accumulating compensated absences are recognised when the employees render services that increase their entitlement to future compensated absences. The expected cost of non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

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

The expected cost of profit-sharing and bonus payments are recognised when the Company has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the Company has no realistic alternative but to make the payments.

ii) Defined contribution plan

Contributions payable to the defined contribution plan are recognised as a liability and an expense when the employees have rendered services to the Company.

2.11 BORROWING COSTS

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

2.12 INCOME TAX

Tax expense is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised in other comprehensive income.

Tax payable on taxable profit for current and past periods is recognised as a current tax liability to the extent unpaid. If the amount paid in respect of the current and past periods exceeds the amount payable for those periods, the excess is recognised as a current tax assets.

Current tax assets and liabilities are measured at the amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

Current tax liabilities and assets are offset if, and only if the Company has a legally enforceable right to set off the amounts and plan either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 INCOME TAX (CONTINUED)

Deferred tax is provided in full on temporary differences which are the differences between the carrying amounts in the financial statements and the corresponding tax base of an asset or liability at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all deductible temporary differences that are expected to reduce taxable profit in the future and the carryforward of unused tax losses and unused tax credits.

Deferred tax liabilities and assets are not recognised in respect of the temporary differences associated with the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transactions, affects neither accounting profit nor taxable profit. Deferred tax liabilities are also not recognised for temporary difference associated with the initial recognition of goodwill.

Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amounts of their assets and liabilities and are measured at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

3 PLANT AND EQUIPMENT

	As at 1.1.2018 RM	Disposals/ Written off RM	As at 31.12.2018 RM
<u>Cost</u>			
Machinery and moulds	473,362	(473,362)	-
	As at 1.1.2018 RM	Disposals/ Written off RM	As at 31.12.2018 RM
<u>Accumulated depreciation</u>			
Machinery and moulds	171,808	(171,808)	-
		2018 RM	2017 RM
<u>Carrying amount</u>			
Machinery and moulds		-	301,554
4 INVENTORIES		2018 RM	2017 RM
<u>At cost</u>			
Raw materials		-	154,590

5 SHARE CAPITAL

	Number of shares		Amount	
	2018 Units	2017 Units	2018 RM	2017 RM
Issued and fully paid ordinary shares:				
At beginning and end of the year	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

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

Ordinary shares of the Company have no par value. 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.

6 AMOUNT DUE TO HOLDING COMPANY

The amount due to holding company is unsecured, interest-free and repayable on demand.

7 AMOUNT DUE TO SHAREHOLDER

The amount due to shareholder is unsecured, interest-free and repayable on demand.

8 FINANCE COSTS

	2018 RM	2017 RM
Finance lease interest	<u>-</u>	<u>855</u>

9 PROFIT/(LOSS) BEFORE TAXATION

Disclosure items

	2018 RM	2017 RM
This is stated at after charging:		
Auditors' remuneration	1,000	4,200
Bad and doubtful debts	-	9,515
Depreciation of plant and equipment	-	105,681
EPF and Socso	-	5,458
Loss on disposal of plant and equipment	4,909	-
Plant and equipment written off	286,645	67,582
Rental of premises	-	6,500
Stock written off	154,590	-
Salary, wages, allowances and bonuses	<u>-</u>	<u>90,864</u>
And crediting:		
Gain on disposal of plant and equipment	-	14,999
Provision for warranty written back	-	34,078
Waiver of amount due to holding company	<u>2,458,789</u>	<u>-</u>

10 INCOME TAX EXPENSES

	2018	2017
	RM	RM
Current tax expense		
Current year	<u>-</u>	<u>-</u>

The explanation of the relationship between tax expense and profit/(loss) from ordinary activities before tax is as follows:-

	2018	2017
	RM	RM
Profit/(loss) before taxation	<u>1,992,991</u>	<u>(508,251)</u>
Tax at Malaysian statutory tax rate of 18% (2017: 18%)	358,738	(91,485)
Tax effect of:		
Expenses not deductible for tax purposes	51,985	35,114
Temporary differences under/(over) provided	(410,723)	-
Deferred tax on tax losses not recognised	-	40,624
Deferred tax asset not recognised	-	15,747
Tax expenses	<u>-</u>	<u>-</u>

The income tax rate applicable to small and medium scale enterprises (SME) incorporated in Malaysia with paid-up capital RM2.5 million and below is subject to the statutory tax rate of 18% (2017: 18%) on chargeable income of up to RM500,000/-. the statutory tax rate of 24% (2017: 24%) is still applicable.

As at year end, the estimated amount of deferred tax asset calculated at current tax rate, which has not been recognised in the financial statements of the Company, is as follows: -

	2018	2017
	RM	RM
Deferred tax assets		
Unutilised tax losses	(120,785)	(371,633)
Unabsorbed capital allowances	-	(143,198)
Plant and equipment	-	40,891
	<u>(120,785)</u>	<u>(473,940)</u>

11 RELATED PARTY TRANSACTIONS

	2018	2017
	RM	RM
Holding company		
Purchases	-	528,847
Sale of goods	-	883,844
Disposal of plant and equipment	<u>-</u>	<u>171,850</u>
Ultimate holding company		
Utility cost charged	<u>-</u>	<u>5,657</u>
Related party		
Disposal of plant and equipment	<u>-</u>	<u>59,334</u>

Company No. 905260-H

12 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on 18 February 2019.

Lodged by : Progressive Consultancy Services Sdn Bhd (Company no: 309819 A)

Address : C-2-5, Medan Connaught,
Jalan 3/144A,
56000 Kuala Lumpur.

Email : progressive@ptsservices.com

Telephone : 03-9108 0328

Lodged in the Registrar office of Kuala Lumpur.

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018	2017
	RM	RM
REVENUE	-	1,573,832
LESS: COST OF SALES		
Opening inventories	154,590	968,989
Purchases	-	570,056
Fabrication	-	133,873
Upkeep of machinery and workshop	-	14,483
Wages	-	198,616
	<u>154,590</u>	<u>1,886,017</u>
Less: Closing inventories	<u>(154,590)</u>	<u>(154,590)</u>
	<u>-</u>	<u>1,731,427</u>
GROSS PROFIT/(GROSS LOSS)	-	(157,595)
ADD: OTHER OPERATING INCOME		
Gain on disposal of plant and equipment	-	14,999
Provision for warranty written back	-	34,078
Waiver of amount due to holding company	<u>2,458,789</u>	<u>-</u>
	<u>2,458,789</u>	<u>49,077</u>
	2,458,789	(108,518)
LESS: ADMINISTRATIVE AND OPERATING EXPENSES	(465,798)	(398,878)
LESS: FINANCE COSTS		
Finance lease interest	-	(855)
PROFIT/(LOSS) BEFORE TAX	<u><u>1,992,991</u></u>	<u><u>(508,251)</u></u>

This Statement is prepared for the purpose of the Management's use only and does not form part of the statutory audited financial statements.

DUALRANK FONTECH (M) SDN. BHD.
(Incorporated in Malaysia)

DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM	2017 RM
ADMINISTRATIVE AND OPERATING EXPENSES		
Auditors' remuneration	1,000	4,200
Bad and doubtful debts	-	9,515
Bank charges	42	324
Depreciation of plant and equipment	-	105,681
Electricity and water	-	5,657
Entertainment	-	4,483
EPF and Socso	-	5,458
Filing fees	-	648
GST expenses	649	67
Insurance	-	2,318
Licence fees	-	8,040
Loss on disposal of plant and equipment	4,909	-
Medical fees	-	6,588
Penalties and fines	-	6,472
Petrol, toll and parking	-	2,151
Plant and equipment written off	286,645	67,582
Printing and stationery	325	2,250
Recruitment, levy and permit	-	2,642
Rental of premises	-	6,500
Salary, wages, allowances and bonuses	-	90,864
Secretarial fees	1,150	927
Staff welfare and refreshment	-	188
Stock written off	154,590	-
Taxation fees	718	2,632
Telephone and internet charges	-	10,592
Transportation charges	15,500	24,160
Travelling and accommodation	270	17,249
Upkeep of hostel and office	-	2,581
Upkeep of motor vehicles	-	6,944
Upkeep of office equipment	-	1,665
Website expenses	-	500
	465,798	398,878

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