

**AUDITED FINANCIAL STATEMENTS OF BIOGAS SULPOM FOR THE FYE 31 DECEMBER 2018 (Cont'd)**

**Company No. 1056470-T**

**BIOGAS SULPOM SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8. Income tax (continued)**

**(b) Deferred tax (continued)**

Where investment properties are carried at fair value in accordance with the accounting policy, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

**3.9. Fair value measurements**

Fair value of an asset or a liability, except for 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 are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Contingencies**

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

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

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

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The Company does not have significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements.

**5. CAPITAL WORK IN PROGRESS**

	2018 RM	2017 RM
At 1 January	5,813,075	-
Additions	19,976,497	5,813,075
At 31 December	<u>25,789,572</u>	<u>5,813,075</u>

Capital work-in-progress with net carrying amounts of RM25,789,572 (2017: RM5,813,075) has been pledged as security to secure credit facilities granted to the Company as disclosed in Note 9 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. OTHER RECEIVABLES**

	Note	2018 RM	2017 RM
<b>Non-trade</b>			
Amount owing by ultimate holding company	(a)	834,200	-
Amount owing by a related company	(a)	13,900	11,896
Prepayment		-	1,728
		<u>848,100</u>	<u>13,624</u>

(a) Amount owing by ultimate holding company and a related company are non-trade in nature, unsecured, non-interest bearing and repayable on demand in cash.

**7. FIXED DEPOSITS PLACED WITH LICENSED BANKS**

Fixed deposits placed with licensed banks earn effective interest rate ranging from 2.70% to 2.95%. The maturity period is 1 month.

The fixed deposits placed with licensed banks totalling RM898,867 (2017: RM Nil) have been pledged to licensed banks to secure credit facilities granted to the Company as disclosed in Note 9 to the financial statements.

**8. SHARE CAPITAL**

	2018		2017	
	Number of shares Units	RM	Number of shares Units	RM
<b>Issued and fully paid:</b>				
At 1 January	5,000,000	5,000,000	205,000	205,000
Issued during the financial year	-	-	4,795,000	4,795,000
At 31 December	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. BANK BORROWINGS**

	2018 RM	2017 RM
<b>Short term bank borrowings - secured</b>		
Term loans	1,278,700	-
<b>Long term bank borrowings - secured</b>		
Term loans	19,467,596	-
<b>Total bank borrowings</b>	<u>20,746,296</u>	<u>-</u>
	2018 RM	2017 RM
Comprising portion repayable:		
Within the next twelve months:	1,278,700	-
After the next twelve months:		
- later than one year but not later than two years	1,341,104	-
- later than two years but not later than five years	18,126,492	-
	<u>20,746,296</u>	<u>-</u>

The borrowings bear interests at rates which are on a floating rate basis are as follows:

	2018	2017
	% per annum	% per annum
Term loans	6.10 to 6.12	Not applicable

The bank borrowings are secured and supported by the followings:

- (i) Corporate guarantee by ultimate holding company;
- (ii) Absolute assignment of life insurance policy for directors;
- (iii) Guarantee executed by Credit Guarantee Corporation Malaysia Berhad;
- (iv) Debenture over fixed and floating charge;
- (v) Pledge of first party fixed deposits together with Memorandum of Legal Charge over deposit and letter of set off; and
- (vi) First and second legal charges created over the capital work in progress of the Company as per disclosed in Note 5 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. OTHER PAYABLES

		2018 RM	2017 RM
<b>Non-current:</b>			
<b>Non-trade</b>			
Amount owing to directors	(a)	3,766,666	2,500,000
<b>Current:</b>			
<b>Non-trade</b>			
Other payables	(b)	43,145	37,132
Accruals		4,000	1,745
Amount owing to directors	(a)	634,200	-
<b>Total current payables</b>		<b>681,345</b>	<b>38,877</b>
<b>Total current and non-current payables</b>		<b>4,647,911</b>	<b>2,538,877</b>

(a) Amount owing to directors are unsecured, non-interest bearing, repayable upon demand.

(b) Other payables are non-interest bearing and are normally settled within 30 days to 90 days (2017: 30 days to 90 days).

11. OTHER INCOME

		2018 RM	2017 RM
Fixed deposit interest		23,866	-
Fair value adjustment on financial liabilities		-	-
- amount due to directors		447,023	-
		<b>470,889</b>	<b>-</b>

12. FINANCE COSTS

		2018 RM	2017 RM
Interest expense		-	-
- term loan		34,875	-
Fair value adjustment on financial liabilities		-	-
- amount due to directors		216,885	-
		<b>251,760</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. LOSS BEFORE TAX**

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at loss before tax:

	2018 RM	2017 RM
Auditors' remuneration		
- current year	3,000	3,000
- prior year	-	500
	<u>3,000</u>	<u>3,500</u>

**14. INCOME TAX EXPENSE**

No provision for income tax has been made as the Company incurred losses and has no chargeable income during the financial year.

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

The reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company are as follows:

	2018 RM	2017 RM
Loss before tax	(573,945)	(1,502,196)
Tax at applicable tax rate of 24% (2017: 24%)	(137,747)	(360,527)
Adjustments:		
- non-deductible expenses	137,747	360,527
Tax expense for the financial year	<u>-</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. RELATED PARTIES**

**(a) Identity of related parties**

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Company includes:

- (i) Company's holding company;
- (ii) Close members of the family of directors;
- (iii) Entities in which directors have substantial financial interest; and
- (iv) Key management personnel of the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

**(b) Significant related party transactions**

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	2018 RM	2017 RM
<b>Related company</b>		
Dolphin Applications Sdn. Bhd.		
- Capital work in progress	(18,230,416)	(5,759,584)

**(c) Compensation of key management personnel**

There is no compensation to any key management personnel of the Company during the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. FINANCIAL INSTRUMENTS**

**(a) Categories of financial instruments**

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

From 1 January 2018

(i) Amortised cost

On or before 31 December 2017

(i) Loans and receivables ("L&R")

(ii) Other financial liabilities ("FL")

	Carrying amount RM	Amortised cost RM		
<b>At 31 December 2018</b>				
<b>Financial assets</b>				
Other receivables	848,100	848,100		
Bank balances	582,695	582,695		
Deposits held by licensed banks	898,887	898,887		
<b>Financial liabilities</b>				
Other payables and accruals (excluding GST payable and non-refundable deposit)	(881,345)	(881,345)		
Bank borrowings	(20,746,296)	(20,746,296)		
	<b>Carrying amount RM</b>		<b>L&amp;R RM</b>	<b>FL RM</b>
<b>At 31 December 2017</b>				
<b>Financial assets</b>				
Other receivables (excluding prepayment)	11,896		11,896	
Bank balances	11,150		11,150	-
<b>Financial liabilities</b>				
Other payables	(2,538,877)		-	(2,538,877)

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Financial risk management (continued)**

The Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest risk. The Company's overall financial risk management objective is to optimise value for their shareholders. The Company uses derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Company does not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Company's senior management.

**(i) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from other receivables, bank balances and deposits held by licensed banks presented in the statement of financial position.

The exposure to credit risk is monitored by the management on an ongoing basis and the management do not expect any counterparty to fail to meet its obligations.

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represent the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk other than those disclosed in the notes to the financial statements.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations when they fall due. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Company's exposure to liquidity risk arise principally from other payables, loans and borrowings.

The company maintains a level of cash and cash equivalents deemed adequate by the directors to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(ii) Liquidity risk (continued)**

Maturity analysis

The maturity analysis of the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations as follows:

	Carrying amount RM	Contractual undiscounted cash flows			Total RM
		On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	
<b>At 31 December 2018</b>					
Financial liabilities					
Other payables	4,647,911	4,647,911	-	-	4,647,911
Bank borrowings	20,746,296	1,276,700	19,487,596	-	20,746,296
	<b>25,394,207</b>	<b>5,924,611</b>	<b>19,487,596</b>	<b>-</b>	<b>25,394,207</b>
<b>At 31 December 2017</b>					
Financial liabilities					
Other payables	2,538,877	2,538,877	-	-	2,538,877

**(iii) Interest rate risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Company's financial instruments as a result of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates. The Company's policy to manage their interest rate risk is to hedge all material floating rate borrowings using interest rate swaps.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Company's total equity and profit for the financial year.

	Change in basis points	Effect on profit or loss for the financial year RM	Effect on Equity RM
<b>2018</b>	+ 50	78,836	78,836
	- 50	(78,836)	(78,836)

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Fair value information**

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

The carrying amounts of long-term floating rate term loan is reasonable approximate of fair values as the loan will be repriced to market interest rate on or near reporting date.

There were no financial instruments carried at fair value under Company level as at 31 December 2018 that are required to be disclosed.

**17. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to maintain a strong credit rating and healthy capital ratio, ensure sufficient funds to manage day-to-day business operation and to fund their expansion and growth.

The Company monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio at 31 December 2018 and 31 December 2017 are as follows:

	2018 RM	2017 RM
Trade and other payables	4,647,911	2,638,877
Bank borrowings	20,746,296	
<b>Total debts</b>	<b>25,394,207</b>	<b>2,638,877</b>
<b>Total equity</b>	<b>2,725,027</b>	<b>3,298,972</b>
<b>Gearing ratio</b>	<b>931.9%</b>	<b>77.0%</b>

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Company No. 1056470-T

**BIOGAS SULPOM SDN. BHD.**  
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**STATEMENT BY DIRECTORS**  
Pursuant to S251(2) of the Companies Act 2016

We, **LOW TECK YIN** and **HOH YEONG CHERNG**, being two of the directors of **BIOGAS SULPOM SDN. BHD.**, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 7 to 46 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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



.....  
**LOW TECK YIN**  
Director



.....  
**HOH YEONG CHERNG**  
Director

Kuala Lumpur

Date: 29 April 2019

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**STATUTORY DECLARATION**

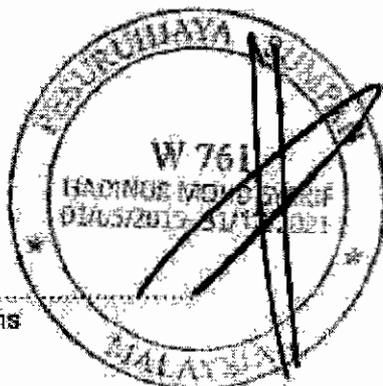
Pursuant to Section 251(1) of the Companies Act 2016

I, **FOO PHUI FOONG**, being the officer primarily responsible for the financial management of **BIOGAS SULPOM SDN. BHD.** do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 7 to 46 are 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.

  
**FOO PHUI FOONG**  
MIA Membership No: 39028

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 29 April 2019.

Before me,



Commissioner for Oaths

CHAMBERS TWENTY FIVE  
NO 15, JALAN TUNNEL BUKIT TUNGI  
50480 KUALA LUMPUR

**AUDITED FINANCIAL STATEMENTS OF BIOGAS SULPOM FOR THE FYE 31 DECEMBER 2018 (Cont'd)**



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(L.P0019411-LCA)  
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**Company No. 1056470-T**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
BIOGAS SULPOM SDN. BHD.**  
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**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Biogas Sulpom Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 46.

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 financial year then ended in accordance with the 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 these standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Baker Tilly Monteiro Heng PLT (L.P0019411-LCA) (AF 0117) was registered on 05.03.2019 and with effect from that date, Baker Tilly Monteiro Heng (AF 0117), a conventional partnership was converted to a limited liability partnership.

Baker Tilly Monteiro Heng PLT is a member of the Baker Tilly International network, the members of which are separate and independent legal entities.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
BIOGAS SULPOM SDN. BHD. (CONTINUED)**  
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**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 this Directors' Report, we are required to report that fact. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the *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.

The directors of the Company are responsible for overseeing the Company's financial reporting process.

**AUDITED FINANCIAL STATEMENTS OF BIOGAS SULPOM FOR THE FYE 31 DECEMBER 2018 (Cont'd)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
BIOGAS SULPOM SDN. BHD. (CONTINUED)**  
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**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 judgement 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.
- \* 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
BIOGAS SULPOM SDN. BHD. (CONTINUED)  
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Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 256 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

*Baker Tilly*

Baker Tilly Monteiro Heng PLT  
LLP0019411-LCA & AF 0117  
Chartered Accountants

*Ng Boon Hiang*

Ng Boon Hiang  
No. 02916/03/2020 J  
Chartered Accountant

Kuala Lumpur

Date: 29 April 2019

**SALIENT TERMS OF WARRANTS-B**

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The salient terms of Warrants-B are as follows:

- Issue size : Up to 247,252,509 Warrants-B.
- Form : The Warrants-B will be issued in registered form and constituted by the Deed Poll B.
- Exercise Period : The Warrants-B may be exercised at any time within 3 years commencing on and including the date of issuance of the Warrants-B ("**Issue Date**") and ending at 5.00 p.m. on a date preceding the 3<sup>rd</sup> anniversary of the Issue Date, and if such a day is not a market day, on the immediate preceding market day ("**Exercise Period**"). Any Warrants-B which are not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
- For information, the Exercise Period was determined by our Board, after taking into account, amongst others, the opportunity to exercise the Warrants-B over a reasonable time period and the future prospects of our enlarged Group following completion of the Proposals, Proposed Disposal and Proposed Capital Reduction.
- Mode of Exercise : The registered holder of the Warrants-B is required to lodge an exercise form, as set out in the Deed Poll B, with our Company's registrar, duly completed, signed and stamped together with a remittance by way of cashier's order or banker's draft or money order or postal order, drawn on a bank or a post office in Malaysia in accordance with the provisions of the Deed Poll B.
- Exercise Price : The exercise price of the Warrants-B shall be RM0.08 in respect of each new Dolphin Share ("**Exercise Price**"), subject to adjustments in accordance with the provisions of the Deed Poll B.
- Exercise Rights : Each Warrant-B carries the entitlement, at any time during the Exercise Period, to subscribe for 1 new Dolphin Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll B.
- Board lot : For the purpose of trading on Bursa Securities, 1 board lot of Warrants-B shall comprise 100 Warrants-B carrying the right to subscribe for 100 new Dolphin Shares at any time during the Exercise Period, or in such other denomination as determined by Bursa Securities.
- Ranking of new Dolphin Shares to be issued arising from the exercise of the Warrants-B : The new Dolphin Shares to issued arising from the exercise of the Warrants-B shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Dolphin Shares, save and except that such new Dolphin Shares will not be entitled to any dividends, rights, allotments and/or any other form of distributions where the entitlement date of such dividends, rights, allotments and/or any other form of distributions precedes the relevant date of allotment and issuance of such new Dolphin Shares.
- Participating rights of the holders of Warrants-B in any distribution and/or offer of further securities : The Warrant-B holders are not entitled to vote in any general meeting of our Company and/or to participate in any distribution other than on winding-up, liquidation, compromise or arrangement of our Company and/or offer of further securities in our Company unless and until the holder of Warrants-B becomes a shareholder of our Company by exercising his/her Warrants-B into new Dolphin Shares or unless otherwise resolved by our Company in a general meeting.

**SALIENT TERMS OF WARRANTS-B (Cont'd)**

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- Adjustments in the Exercise Price and/or number of unexercised Warrants-B in the event of alteration to the share capital : The Exercise Price and/or number of unexercised Warrants-B held by each registered holder may from time to time be adjusted, calculated or determined by our Board in consultation with an approved principal adviser and certified by an auditor in Malaysia appointed by our Company for the purposes of the Deed Poll B in the event of alteration to the share capital of our Company in accordance with the provisions as set out in the Deed Poll B.
- Rights in the event of winding-up, liquidation, compromise and/or arrangement : Where a resolution has been passed for a members' voluntary winding-up of our Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then every holder of Warrants-B shall be entitled upon and subject to the provisions of the Deed Poll B at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of our Company or within 6 weeks after the granting of the court order approving the compromise or arrangement (whichever is later), by irrevocable surrender of his/her Warrants-B to our Company, elect to be treated as if he/she had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by his/her Warrants-B to the extent specified in the relevant subscription forms and be entitled to receive out of the assets of our Company which would be available in liquidation as if he/she had on such date been the holder of the new Dolphin Shares to which he/she would have been entitled to pursuant to such exercise.
- All Exercise Rights which has not been exercised within the above 6 weeks of either the passing of such resolution for the members' voluntary winding up or the granting of the court order for the approval of such winding-up, compromise or arrangement, as the case may be, will lapse and all the unexercised Warrants will cease to be valid for any purpose.
- Listing status : The Warrants-B shall be listed and quoted on the Main Market of Bursa Securities.
- Modifications : Save as expressly provided in the Deed Poll B, no modification, amendment, deletion or addition may be made without the consent or sanction of the Warrant-B holders unless such modification, amendment, deletion or addition are required to correct any typographical errors or relate purely to administrative matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of our Company, such modifications will not materially prejudice the interests of the Warrant-B holders.
- Subject to the above and the approval by the relevant authorities (where required), any modification, amendment, deletion or addition to the Deed Poll B may be effected only by a supplemental deed poll, executed by our Company and expressed to be supplemental to the Deed Poll B and approved or sanctioned by the Warrant-B holders by a special resolution.
- Transferability : The Warrants-B may be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.
- Governing law : Laws and regulations of Malaysia.

**SALIENT TERMS OF THE SETTLEMENT AGREEMENTS**

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The salient terms of the Settlement Agreements are as follow:

**1. Conditions Precedent**

- (i) The Settlement Agreements shall be conditional upon the fulfilment of the following conditions precedent ("**Conditions Precedent**") within 6 months from the date of the Settlement Agreements or such other period as the parties may mutually agree in writing ("**Conditional Period**"):
  - (a) our Company obtaining approval from our shareholders for the Proposed Capitalisation at an EGM to be convened;
  - (b) our Company obtaining approval from Bursa Securities for the listing of and quotation for the Settlement Shares on the Main Market of Bursa Securities;
  - (c) closure of the offer period for the subscription of Rights Shares under the Proposed Rights Issue; and
  - (d) where applicable, the requisite consents and approvals from the government, regulatory bodies, financiers or such other party to consummate the Proposed Capitalisation contemplated under the Settlement Agreements.
- (ii) The Conditions Precedent may be conditionally or unconditionally waived in whole or in part upon the mutual agreement of the parties in writing.
- (iii) In the event that the Conditions Precedent are not fulfilled within the Conditional Period of the Settlement Agreements, the Settlement Agreements shall be terminated following expiry of the Conditional Period. Following such termination, the Settlement Agreements shall be null and void and of no further force and effect with neither party having any rights or obligations against the other save and except for any antecedent breaches.
- (iv) The Settlement Agreements shall become unconditional on the date on which the last of the Conditions Precedent is fulfilled or waived pursuant to the terms of the Settlement Agreements ("**SA Unconditional Date**").

**2. Completion**

The Proposed Capitalisation shall be satisfied in full on the date within 2 months from the SA Unconditional Date as may be mutually agreed by the parties.

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## INFORMATION ON AP F&B

### 1. HISTORY AND PRINCIPAL ACTIVITY

AP F&B was incorporated in Malaysia on 7 January 2016 as a private limited company under its present name. The principal activity of AP F&B is operating restaurant outlets.

AP F&B has the requisite licenses to operate its business. The major licenses obtained and valid as at the LPD are as follows:

No.	License	Issuing Authority	Description & Purpose
(i)	Business Premises and Advertising Licence for the restaurant outlet located at Taman Desa	Dewan Bandaraya Kuala Lumpur (“DBKL”)	(a) Restaurant (b) Bar (without entertainment) (c) Advertisement
(ii)	Business Premises and Advertising Licence for the restaurant outlet located at Setia Alam	Majlis Bandaraya Shah Alam	(a) Restaurant (b) Advertisement
(iii)	Liquor Licence (Public House Licence Class 1)	DBKL	Sale of liquor at the restaurant outlet for consumption on the premises
(iv)	Certificate of Attendance for Food Handlers Training	KRM Resources (institution for Food Handlers Training approved by the Ministry of Health)	Required under the Food Hygiene Regulations 2009 for any person who is directly involved in the preparation of food, comes into contact with food or food contact surfaces and handles packaged or unpackaged food or appliances in any food premises.
(v)	Certificate of Service and License of Use for the restaurant outlets located at Taman Desa and Setia Alam	RadioSparx Malaysia	Commercial license to play licensed background music at the said restaurant outlets

As at the LPD, AP F&B owns and operates 2 restaurant outlets under the brand name of “Uncle Don’s” together with 1 new restaurant outlet to be launched by the 2<sup>nd</sup> quarter of 2020 at the following rented premises:

No.	Location	Commencement Date	Monthly Rental as at the LPD	Rental Tenure
(i)	No. B-G-11, Tingkat Bawah, Sunsuria Forum @ 7 <sup>th</sup> Avenue, No.1, Jalan Setia Dagang AL U13/AL, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan	August 2019	RM 6,500	From 11 Sep 2019 to 10 Sep 2022
(ii)	No. 21 & 23, Plaza Danau Desa 2, Jalan 4/109F, Taman Danau Desa, 58100 Kuala Lumpur	December 2019	11,000	From 1 Oct 2019 to 30 Sep 2022
(iii)	No. 41, Jalan Dato Seri Ahmad Said, 30450, Ipoh, Perak Darul Ridzuan	To commence by the 2 <sup>nd</sup> quarter of 2020	7,500	From 1 April 2020 to 31 Mar 2023

**INFORMATION ON AP F&B (Cont'd)**

“Uncle Don’s” is a local casual dining full-service restaurant chain in Malaysia, which provides Asian and Western cuisines and beverage targeting customers from highly populated areas by offering affordable pricing for its products.

Since commencement of operations in 2016 and up to the LPD, there are 16 restaurant outlets under the Uncle Don’s restaurant chain (including those operated by AP F&B) of which 15 of them are located in the Klang Valley and 1 in Penang.

For information purposes, the location and ownership of these outlets (excluding those operated by AP F&B) are as follows:

<b>No.</b>	<b>Owner</b>	<b>Location</b>	<b>Commencement Date</b>
(i)	D&D F&B, a wholly-owned subsidiary of Uncle Don’s Holdings	(a) No. 55A, Ground Floor, Jalan USJ 10/1F, 47610 UEP Subang Jaya, Selangor Darul Ehsan	22 Sep 2017
		(b) No. 183, Jalan SS2/24, 47300 Petaling Jaya, Selangor Darul Ehsan	11 Sep 2015
		(c) No. 10, Jalan 22A/70A, Desa Sri Hartamas, Sri Hartamas, 50480 Kuala Lumpur	27 Mar 2017
		(d) No. 17, Jalan Wan Kadir 2, Taman Tun Dr Ismail, 60000 Kuala Lumpur	11 Sep 2016
		(e) D2-G4-02, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur	22 Mar 2016
(ii)	High Reserve F&B Sdn Bhd, which is 50%-owned by Dato’ Yeo Boon Leong, a deemed major shareholder of Uncle Don’s Holdings	(a) No. 21-G, Jalan Radin Bagus 5, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	11 Sep 2018
		(b) C-G-20, Fortune Avenue, Block C, Jalan Metro Perdana 3, Taman Usahawan Kepong, 52100 Kuala Lumpur	2 Oct 2019
(iii)	Hexalicious Sdn Bhd	(a) F-G-19, IOI Boulevard, Jalan Kenari 6, Bandar Puchong Jaya, 47170 Selangor Darul Ehsan	17 Mar 2018
		(b) 77-G-13, 77-G14, 77-G15 & 77-G16, Ground Floor, Penang Times Square, Birch The Plaza Commercial, Jalan Dato Keramat, George Town, 10150 Pulau Pinang	18 Jan 2020
(iv)	M&K Asia Food Beverage Sdn Bhd	Lot G23 to G28, Ground Floor, Cheras Leisure Mall, Jalan Manis 6, Taman Segar, Cheras, 56100 Kuala Lumpur	11 Aug 2019
(v)	Fortune World Capital Sdn Bhd	No. 1-1, Jalan PJU 5/6, PJU 5, Dataran Sunway, Kota Damansara, 47810 Selangor Darul Ehsan	25 Jan 2019
(vi)	Light Restaurant Sdn Bhd	No. 55-G & 56-G, Jalan Dataran Cheras 3, Dataran Perniagaan Cheras, Balakong, 43200 Selangor Darul Ehsan	6 Apr 2019
(vii)	JL Food & Beverage Sdn Bhd	No. 8 & 10, Loring Batu Nilam 3A, Bandar Bukit Tinggi, Klang, 41200 Selangor Darul Ehsan	21 Nov 2018
(viii)	YKT Fortune (M) Sdn Bhd	Shop 14, The Palette Hab Komersial Danau Kota, No. 8, Jalan Langkawi, Taman Danau Kota Setapak, 53000 Kuala Lumpur	10 Dec 2019

**INFORMATION ON AP F&B (Cont'd)**

For information purposes, we wish to highlight that:

- (i) save for D&D F&B and High Reserve F&B Sdn Bhd, none of the abovementioned outlet owners are related to Uncle Don's Holdings, Ian Ong Ming Hock or their respective associates; and
- (ii) save for the different amounts of initial fees to be paid by the respective licensee (save for the restaurant outlets owned by the Licensor), the abovementioned restaurant outlets operate under similar terms to the Licensing Agreements.

All the restaurant outlets of AP F&B, including the Ipoh outlet, are licensed with the non-exclusive right to operate under the trade name of "Uncle Don's" together with the associated trademark logo for a period of 5 years with an option to extend for another 5 years upon expiry. The Licensing Agreements govern the operating procedures, system and reporting formats of restaurant outlets under the license, including the menu for food and beverages, recipes, preparation methods and presentation styles, in accordance with those developed by the Licensor.

Pursuant to the Licensing Agreements, the Licensor had undertaken that it will not grant any party with similar rights to operate restaurant outlets of Uncle Don's within a radius of 8 km from each of the location of the 3 restaurant outlets of AP F&B. As such, any restaurant outlets owned or to be opened by the Licensor or any other licensee is not expected to cannibalise on the restaurant outlets of AP F&B.

**2. DIRECTORS AND SHAREHOLDERS**

As at the LPD, the issued share capital of AP F&B is RM6.0 million comprising 6,000,000 AP F&B Shares.

Based on AP F&B's register of Directors' shareholdings and register of substantial shareholders as at the LPD, the directors (all are Malaysian) and shareholders of AP F&B (all of which are incorporated in Malaysia) as well as their respective shareholdings in AP F&B are as follows:

Name	Designation	Direct Interest		Indirect Interest	
		No. of shares	%	No. of shares	%
Dato' Yeo Boon Leong	Director	-	-	<sup>(i)</sup> 2,940,000	<sup>(i)</sup> 49.0
Ian Ong Ming Hock	Director and shareholder	-	-	<sup>(ii)</sup> 3,060,000	<sup>(ii)</sup> 51.0
Atkins Risha Abraham	Director	-	-	-	-
Ch'ng Siew Lei	Director	-	-	-	-
Asia Poly	Shareholder	2,940,000	49.0	-	-
Uncle Don's Holdings	Shareholder	3,060,000	51.0	-	-

Notes:

- (i) Deemed interested by virtue of his interests in Asia Poly pursuant to Section 8 of the Act.
- (ii) Deemed interested by virtue of his interests in Uncle Don's Holdings pursuant to Section 8 of the Act.

**3. SUBSIDIARY AND ASSOCIATE COMPANY**

As at the LPD, AP F&B does not have any subsidiary or associate company.

**INFORMATION ON AP F&B (Cont'd)**


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**4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the LPD, there are no material commitments and contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have an impact on the profits or NA of AP F&B.

**5. MATERIAL CONTRACTS**

As at the LPD, AP F&B has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years immediately preceding the date of this Circular.

**6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, AP F&B is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors of AP F&B are not aware of any proceedings, pending or threatened against AP F&B or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position and/or business of AP F&B.

**7. FINANCIAL INFORMATION**

Set out below is a summary of the audited financial information of AP F&B for the past 3 FYEs:

	<u>FYE 31 Dec 2017</u>	<u>FYE 31 Dec 2018</u>	<u>FYE 31 Dec 2019</u>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	-	-	1,631
LBT	(6)	(10)	(710)
LAT	(6)	(10)	(560)
Share capital	(i)	(i)	3,800
NA	(10)	(20)	3,220
Total borrowings	-	-	-
No. of issued shares	(i)	(i)	3,800
LPS (RM)	(3,013)	(5,113)	(0.15)
NA per share (RM)	(5,005)	(10,118)	0.85
Current ratio (times)	(ii)	(ii)	0.84
Gearing (times)	-	-	-

Notes:

(i) Issued share capital of RM2 comprising 2 AP F&B Shares.

(ii) Less than 0.01.

**INFORMATION ON AP F&B (Cont'd)**

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Financial commentaries

AP F&B commenced operations in August 2019 with the establishment of its first restaurant outlet which resulted in a revenue of RM1.6 million being recognised in the FYE 31 December 2019. AP F&B recognised a LAT during the FYE 31 December 2019 mainly due to expenses incurred to establish the restaurant outlets in Setia Alam and Danau Desa.

The increase in NA as at 31 December 2019 as compared to 31 December 2018 was mainly due to capital raised during the financial year amounting to RM3.8 million to fund the working capital requirements of AP F&B.

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## SALIENT TERMS OF THE ACQUISITION SSA

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The salient terms of the Acquisition SSA are as follows:

### **1. Sale and Purchase of the Sale Shares**

The Vendors and our Company shall hereinafter collectively be referred to as the “**Parties to the Acquisition SSA**”.

The Vendors shall sell and our Company shall purchase the Sale Shares, representing the entire equity interest in AP F&B free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto and all dividends, rights and distributions declared, paid or made in respect thereof as from the Completion Date (as defined herein) at the Purchase Consideration.

### **2. Conditions Precedent**

- (i) The sale and purchase of the Sale Shares shall be conditional upon the fulfilment of the following conditions precedent (“**Conditions Precedent**”) within 6 months from the date of the Acquisition SSA or such other period as the Parties to the Acquisition SSA may mutually agree in writing (“**Conditional Period**”):
  - (a) Asia Poly obtaining the approval of its shareholders in a general meeting to be convened for the disposal of Asia Poly’s entire shareholding held in AP F&B;
  - (b) our Company obtaining the approval of our shareholders in a general meeting to be convened for the Proposed Acquisition;
  - (c) issuance of the abridged prospectus in relation to the Proposed Rights Issue;
  - (d) our Company procuring the necessary approvals from Bursa Securities for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities;
  - (e) where applicable, the Vendors procuring the requisite consents and approvals from the government, regulatory bodies, financiers or such other party to consummate the sale and purchase of the Sale Shares contemplated under the Acquisition SSA; and
  - (d) completion of a financial, legal and tax due diligence inquiry undertaken or to be undertaken by our Company on AP F&B, of which the result shall be satisfactory to our Company.
- (ii) The Conditions Precedent may be waived in whole or in part and conditionally or unconditionally upon the mutual agreement of the Parties to the Acquisition SSA in writing.
- (iii) In the event that the Conditions Precedent are not fulfilled within the Conditional Period, the Acquisition SSA shall be terminated. Following such termination, the Acquisition SSA shall be null and void and of no further force and effect with neither party having any rights or obligations against the other save and except for any antecedent breaches.
- (iv) The Acquisition SSA shall become unconditional on the date of which the last of the Conditions Precedent is fulfilled (“**SSA Unconditional Date**”).

### **3. Condition Subsequent**

- (i) The Vendors shall use all necessary endeavours in procuring the appointment of Ian Ong Ming Hock as a Non-Independent Non-Executive Director of our Company (“**Condition Subsequent**”) within 1 month from the Completion Date (“**Fulfilment Period**”).

**SALIENT TERMS OF THE ACQUISITION SSA (Cont'd)**

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- (ii) Without prejudice to the other rights and remedies available to our Company under the Acquisition SSA, at law or in equity, Uncle Don's Holdings hereby agrees to fully indemnify our Company against any and all losses whatsoever incurred or suffered by our Company in connection to, as a consequence of, incidental to or with respect of the non-fulfilment of the Conditions Subsequent within the Fulfilment Period.

**4. Purchase Consideration**

Please refer to Section 2.3 of Part B of this Circular for the details.

**5. Profit Guarantee**

Please refer to Section 2.3.1 of Part B of this Circular for the details.

**6. Completion**

Completion of the sale and purchase of the Sale Shares shall be on a day falling on or before the expiry of 2 months from the SSA Unconditional Date or such other date as may be mutually agreed by the Parties to the Acquisition SSA.

**7. Default and Termination**

- (i) It is a terminating event by our Company, whether or not it is within the control of any of the Vendors, if:
  - (a) any of the Vendors fail or neglect to observe, perform or proceed regularly and diligently with performance of any of its obligations or undertakings under the Acquisition SSA and shall fail to remedy such failure (if capable of remedy) within 14 days (or such further period as may be specified by our Company) upon its receipt of a notice from our Company specifying such breach;
  - (b) any representation, warranty or undertaking relating to any of the Vendors or given by any of the Vendors under the Acquisition SSA becomes false, misleading or incorrect when made or deemed to be made under the Acquisition SSA;
  - (c) any legal proceeding, suit, action, litigation or arbitration proceeding is commenced against any of the Vendors or its director which has or might reasonably be expected to have an adverse effect against any of the Vendors' ability to perform its obligations hereunder and is not remedied within 30 days (or such further period as may be specified by our Company) from the date of notice in writing by our Company;
  - (d) an order or petition of winding-up is issued or threatened against any of the Vendors, which could involve the appointment of receiver, receiver and manager, administrator or similar officials over its assets;
  - (e) any step is taken for the winding-up or dissolution of any of the Vendors or AP F&B or a petition for winding-up is presented against any of them; or
  - (f) any of the Vendors or AP F&B enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, their creditors or any class of them pursuant to the applicable laws and requirements applicable to any of them.

**SALIENT TERMS OF THE ACQUISITION SSA (Cont'd)**

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- (ii) Upon occurrence of any such event under Section 7(i) above, on or prior to the Completion Date, our Company shall be entitled to:
  - (a) the right of specific performance under the Acquisition SSA against the Vendors and all such reliefs flowing therefrom and such remedy shall be in addition to and not in lieu of, limitation or diminution of other remedies provided to our Company under the Acquisition SSA or otherwise at law or in equity to claim for damages as a result of such breach by the Vendors; or
  - (b) terminate the Acquisition SSA with immediate effect by giving written notice to the Vendors before the Completion Date ("**Termination Notice**"), whereupon:
    - (A) the Vendors shall reimburse all the costs and expenses incurred by our Company on a reasonable basis, for the sale and purchase of the Sale Shares contemplated hereunder proportionate to the Vendors' shareholdings in AP F&B within 14 Business Days from the date of the Termination Notice, subject always to a cap of Ringgit Malaysia One Hundred Thousand (RM100,000.00) only;
    - (B) the Vendors shall return or cause the Vendors' solicitors to return all our Company's deliverables as set out in the Acquisition SSA delivered, within 14 Business Days from the date of the Termination Notice;
    - (C) our Company shall return or cause our Company's solicitors to return all the Vendors' execution deliverables as set out in the Acquisition SSA, within 14 Business Days from the date of the Termination Notice; and
    - (D) thereafter, the Acquisition SSA shall lapse and cease to have any effect and none of the Parties to the Acquisition SSA shall have any claims whatsoever against the other Parties to the Acquisition SSA in respect of the Acquisition SSA.

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## SALIENT TERMS OF THE LICENSING AGREEMENTS

AP F&B had on 1 August 2019, 28 October 2019, and 2 January 2020 entered into separate Licensing Agreements with the Licensor to obtain the requisite right to operate the Uncle Don's restaurant outlets located at Setia Alam, Danau Desa and Ipoh respectively.

The salient terms of the Licensing Agreements are as follows:

### **1. Grant of License and Duration**

The Licensor grants to AP F&B ("**Licensee**") during the continuance of the Licensing Agreement and any further period for which it may be renewed or extended by the Licensor in accordance with the terms and conditions of the Licensing Agreement:

- (i) a non-exclusive use to operate the business using the trade name of "Uncle Don's" and the trademark logo associated with the same ("**Proprietary Marks**") in accordance with the standard operating procedures, system and reporting formats developed by the Licensor for the business using the Proprietary Marks to be adopted at the restaurant outlet including the menu for food and beverages, recipes, preparation methods and presentation styles ("**Operating System**");
- (ii) the rights to prepare, serve and sell the items stated in the menu and at the price chargeable to customers and consumers for food and beverages in the menu that are determined and may be varied from time to time solely by the Licensor ("**Controlled Price**") prepared in accordance with the Operating System; and
- (iii) the Licensor shall have the unfettered right to make improvement, modification and revision on the menu, the suppliers as may be appointed by the Licensor to supply specific items for the business ("**Authorised Supplier**"), Controlled Price and the Operating System, whereby the Licensee shall be notified in advance.

The Licensee shall be granted the right and option to renew the Licensing Agreement in writing within 3 months before the expiry of the Licensing Term (as defined below) for a further term of 5 years immediately after expiry of the Licensing Term and in consideration of a lump sum payment of RM450,000, being the prepayment deposit to be amortised monthly over the renewed Licensing Term to the Licensor immediately upon exercise of the right and/or option to renew as above.

### **2. Term**

The term of the Licensing Agreement shall commence from the date of first business transaction with a paying customer and shall continue in force (unless otherwise determined in accordance with the terms of the Licensing Agreement) for a term of 60 months ("**Licensing Term**") subject to any renewal provided under the Licensing Agreement.

### **3. License Fee**

<b>Restaurant outlet</b>	Danau Desa and Ipoh	Setia Alam
<b>Initial fee, royalty fees and licensing fees</b>	RM1,650,000	RM1,438,000
<b>Deposit</b>	RM150,000 to be paid to the Licensor, which shall be refunded free of interest by the Licensor to the Licensee upon lawful termination of the Licensing Agreement or expiry of the licensing rights.	RM130,000 to be paid to the Licensor, which shall be refunded free of interest by the Licensor to the Licensee upon lawful termination of the Licensing Agreement or expiry of the licensing rights.

**SALIENT TERMS OF THE LICENSING AGREEMENTS (Cont'd)**

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For information, we would like to highlight that:

- (i) the requisite initial fee, royalty fees and licensing fees in relation to the restaurant outlets of AP F&B located at Setia Alam, Danau Desa and Ipoh had been paid to the Licensor in the 3<sup>rd</sup> quarter of 2019, 4<sup>th</sup> quarter of 2019 and 1<sup>st</sup> quarter of 2020 respectively; and
- (ii) after due enquiry, the deposit arrangement under the Licensing Agreement applies to all the restaurant outlets licensed by the Licensor and Mercury Securities is of the view that the deposit arrangement is a common practice.

**4. Restricted Territory**

- (i) The grant of the licensing rights to operate the business using the Proprietary Marks in accordance to the Operating System shall be restricted and limited to the restaurant outlet and that the Licensee shall only operate the business at the restaurant outlet during the Licensing Term.
- (ii) The Licensor may at its sole discretion and subject to an application in writing by the Licensee, may consent (in writing only) to a relocation of the restaurant outlet to another premise or location as may be approved by the Licensor in the limited event of unsatisfactory sales performance, loss of lease or rental of the restaurant outlet not attributable to the Licensee and/or irreparable damage to the restaurant outlet by force of nature provided always that the Licensor shall not be obligated to consent to such relocation in any event. For the avoidance of doubt, it is expressly agreed that in such event of loss of lease or rental of the restaurant outlet and where the Licensor does not consent to a relocation of the same shall not in any way entitle any refund of the license fee or any part thereof from the Licensor to the Licensee.
- (iii) In such event where the Licensor consents to a relocation of the restaurant outlet, the Licensing Term shall continue to run (without any suspension thereof) and the business operating at such new and relocated restaurant outlet shall be deemed to be a continuation of the business under the Licensing Agreement. In such instance, the Licensee shall be responsible for and bear all the necessary costs and expenses to be incurred for the relocation, renovation works and/or installation at the relocated restaurant outlet.
- (iv) The parties agreed that the grant of the licensing rights to operate the business using the Proprietary Marks at the restaurant outlet is non-exclusive and the Licensor shall be entitled at its own discretion to grant similar licensing rights to any party at any location that it deems fit. **However, the Licensor expressly covenants and undertake that it shall not by itself or grant any party similar licensing rights to operate the Business using the Proprietary Marks at any location within a radius of 8 km from the location of the restaurant outlet.**

For information, the said territory restrictions will enable AP F&B to avoid having other Uncle Don's restaurant outlet from cannibalising on the sales of AP F&B's outlet and are not expected to adversely affect the growth prospects of AP F&B as our Board (save for the Interested Directors) believes that there are ample of attractive locations around Malaysia for our Board (save for the Interested Directors) to consider for launching new Uncle Don's restaurant outlets in the future.

**SALIENT TERMS OF THE LICENSING AGREEMENTS (Cont'd)**

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**5. Obligation, Warranties and Undertakings of the Licensee**

During the tenure of the Licensing Agreement, the Licensee expressly agrees, warrants and/or undertake as follows:

- (i) at its own costs and expense, to apply for, obtain and renew from time to time such requisite license and/or permits from the relevant authorities for the running and operation of the business including but are not limited to licence and/or permit of public sale of liquor and/or entertainment, as may be applicable, and in any event to comply with all statutes, byelaws, regulations and requirements of any government or other competent authority relating to the conduct of the business;
- (ii) at its own costs and expense, to obtain and maintain with an insurance company for public liability and such other insurance necessary as may be advised by an insurance agent in relation to the operation of a food and beverage outlet;
- (iii) at its own costs and expense, to employ sufficient number of employees for the operation of the business and as may be advised by the Licensor and to ensure compliance with all applicable statutes, byelaws, regulations and requirements of any government or other competent authority relating to employment, labour, wages and workmen's insurance or compensation scheme;
- (iv) in relation to the Proprietary Marks, to use letter headings, invoices, signs, display materials and promotional literature as approved by the Licensor where should the Licensor instructs, to immediately cease and desist from the use or display of any signs, materials or objects for the business;
- (v) in relation to the menu, to conduct its sales in strict accordance to the Controlled Price;
- (vi) to maintain sufficient stocks and promptly pay the Licensor or the Authorised Suppliers or such other approved suppliers of goods and services sold or provided for the purposes of the business;
- (vii) to ensure all employee, staff and/or personnel of the Licensee shall at all times render competent, sober and courteous service to customers; and
- (viii) to maintain the interior and exterior of the restaurant outlet and all parts thereof to the highest standard or degree of hygiene, sanitation, cleanliness, security, condition and state of repair.

**6. Restrictive Covenants and Undertakings of the Licensee**

The Licensee expressly covenants and/or undertakes as follow:

- (i) not to operate the business at any location other than the restaurant outlet in strict compliance with the terms of the Licensing Agreement;
- (ii) not to undertake any commercial or private catering of any products or service that pertains to the Proprietary Marks of the business or to use the Proprietary Marks in any way whatsoever;
- (iii) strictly not to sell any product or render any service which does not conform with the Proprietary Marks or to use or publish any advertisement, signage, directory entries or other forms of publicity or to display the same at the restaurant outlet unless otherwise approved by the Licensor;

**SALIENT TERMS OF THE LICENSING AGREEMENTS (Cont'd)**

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- (iv) not to use or permit the use of the premise at the restaurant outlet for any business or activity save and except for the Business, particularly but are not limited to, restriction against permitting vending equipment, gaming machinery or slot machines or the carrying out of any immoral or indecent activity in the restaurant outlet;
- (v) not to conduct its own advertising and promotional campaigns, including development of its own advertising materials, attend to media interviews, conduct co-branding and/or engage with any promotional activities without the consent of the Licensor; and
- (vi) not to use the Proprietary Marks as its corporate name, logo, insignia or in any way whatsoever.

**7. Termination of the Licensing Agreement**

- (i) Termination by the Licensee

There shall be no right of termination accorded to the Licensee prior to the expiration of the Licensing Agreement save and except as expressly provided in the Licensing Agreement or where the Licensor has breached the terms of the Licensing Agreement and has failed to remedy the breach within 14 days or with the written consent of the Licensor.

- (ii) Termination by the Licensor

The Licensor shall have the right of termination of the Licensing Agreement subject always to the following provisions:

- (a) any termination prior to expiration of the Licensing Agreement without breach or default by the Licensee is not permitted or allowed;
- (b) any termination due to the breach or default of the Licensing Agreement by the Licensee is permitted provided that prior notice in writing of not less than 14 days has been given to the Licensee to remedy the breach or default and the Licensee has failed to do so to the Licensor's satisfaction;
- (c) the Licensor may however exercise the right to terminate the Licensing Agreement with immediate effect and without notice should the Licensee commit any of the following:
  - (A) abusing or having abused the confidential information relating to the business and its right to use for the business that substantially impairs or damage or adversely affect the reputation and goodwill associated with the Proprietary Marks and/or the Confidential Information;
  - (B) makes an unauthorised transfer, novation or assignment of the business or its rights and interest under the Licensing Agreement in favour of any of its creditors, or a similar disposition of the assets of the business to any third party;
  - (C) voluntarily or wilful or deliberate abandonment of the business or the restaurant outlet;
  - (D) becoming insolvent by reason of its inability to pay debts when due or when an act of bankruptcy is committed by any of its members;
  - (E) commission of a criminal offence in whatsoever nature by any of its members or directors;

**SALIENT TERMS OF THE LICENSING AGREEMENTS (Cont'd)**

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- (F) repeated breach or default of the terms of the Licensing Agreement for more than 3 times within a period of 12 months including but are not limited to failure, refusal and/or neglect to make prompt payment to the Licensor or the Authorised Suppliers (whether or not there be any outstanding payments due and owing to the Licensor or the Authorised Suppliers at time of termination);
  - (G) committing any act or conduct which in the sole opinion of the Licensor materially damages to the reputation and goodwill of the Licensor or the Proprietary Marks.
- (iii) Termination of the Licensing Agreement under any of the provisions of the Licensing Agreement shall be without prejudice to any accrued rights of either party for any antecedent breach of the Licensing Agreement and also shall not affect obligations which are expressed to survive and/or not be affected by expiry or termination hereof.
- (iv) Notwithstanding any of the above, the Licensee must notify the Licensor in writing immediately of any of the following events:
- (a) any claim, litigation or other proceedings of any nature whatsoever being threatened or initiated against the Licensee before any court, tribunal or administrative agency which may materially affect the operations of the business or at the restaurant outlet and/or financial condition of the Licensee;
  - (b) the Licensee or any of its employees receiving any notice of non-compliance with any law, rule or regulations that may have a material adverse effect on the business and/or the restaurant outlet;
  - (c) issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality against the Licensee or its employees that may have a material adverse effect on the Business; and
  - (d) any change in the Licensee's nature of business or any change in the nature of the Licensee's composition or shareholding or directorship.

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**BUSINESS VALUATION REPORT****INDEPENDENT FAIR VALUATION REPORT FOR THE ENTIRE EQUITY INTEREST IN ASIA POLY FOOD AND BEVERAGE SDN BHD.**

Prepared by  
Asia Equity Research Sdn Bhd,  
a company licensed by  
Securities Commission  
Malaysia to provide advisory  
in corporate finance and  
investment advice.

Independent fair valuation for the entire equity interest in Asia Poly Food and Beverage Sdn Bhd (Co. No: 201601000614)(1171539-W)

This **Independent Fair Equity Valuation Report ("Report")** is prepared by Asia Equity Research Sdn Bhd ("AER"), a company licensed by Securities Commission Malaysia in providing advisory in Corporate Finance and Investment Advice, for the board of directors of **Dolphin International Berhad ("Dolphin")** and for the inclusion in a circular to the shareholders of Dolphin in relation to a proposed acquisition of 6,000,000 Asia Poly Food and Beverage Sdn Bhd ("**AP F&B**") shares, representing the entire issued share capital of AP F&B by Dolphin from the vendors for the purchase consideration of RM 22.0 million to be satisfied via the issuance of 131,578,947 ordinary shares in Dolphin ("**Consideration Shares**") and RM12.0 million cash. AER is not making any representation or warranty, expressed or implied, as to the contents of this Report.

The directors of Dolphin are responsible to make available to us all relevant financial information (historical and projection) pertaining to this fair valuation exercise, including informing us of any material changes which may have an impact on our valuation.

We have relied on information provided to us by Uncle Don's Holdings Sdn Bhd being the shareholder that owns 51% equity interest in AP F&B, via written and verbal representations, provision of hard/soft copies and external information extracted from Bloomberg, information published in public domain and our own analysis in order for us to prepare this Report.

At the time of the preparation of this Report, there is an outbreak of corona virus referred to as COVID-19 that was first reported in Wuhan, China in December 2019. The virus has spread to other parts of the world, including Malaysia. The outbreak of the COVID-19 was declared by World Health Organization as a "Public Health Emergency of International Concern" on 30 January 2020. Readers are advised that this Report is prepared based on a situation under an on-going normal circumstance and we **did not** factor the effects of COVID-19. COVID -19 has a negative effects on the overall economy which shall translate to a discount to the fair valuation ascribed by us. Kindly refer to Section 5 of this report for a detailed explanation.

We reserve the full exclusive right, should we consider if necessary, to revise our Report in light of any information that existed at the date of the Report but become known to us subsequent to the date of the Report.

**27 February 2020**

## BUSINESS VALUATION REPORT (Cont'd)

**ASIA EQUITY RESEARCH SDN BHD**

(License Number: eCMSL/A0330/2015)

Licensed to provide advisory in corporate finance and investment advice.

**Registered Office:-**  
 66-2 Jalan PJU 8/5B,  
 Damansara Perdana,  
 48820 Petaling Jaya  
 Email: general@aer.global  
 Website: www.aer.global

**27 February 2020**

**The Board of Directors,  
 Dolphin International Berhad.**

Registered Office  
 308, Block A (3rd Floor)  
 Kelana Business Centre  
 97, Jalan SS 7/2, Kelana Jaya  
 47301 Petaling Jaya  
 Selangor Darul Ehsan.

Dear Sirs

**ASCRIBING THE FAIR EQUITY VALUATION FOR THE ENTIRE EQUITY INTEREST IN ASIA  
 POLY FOOD AND BEVERAGE SDN BHD.**

Dolphin International Berhad ("**Dolphin**" or "**the Company**") is listed on the Main Market of Bursa Malaysia Securities Berhad is divided in two operating segments as follows:-

- (a) provision of milling systems and solutions
- (b) supply of parts and maintenance services

On **13 January 2020**, Dolphin had engaged Asia Equity Research Sdn Bhd ("**AER**") to perform an independent fair valuation to ascribe the fair equity value for the entire equity interest in Asia Poly Food and Beverage Sdn Bhd ("**AP F&B**"). On 27 February 2020, Dolphin had entered into a conditional sales and purchase agreement for the acquisition of 6,000,000 AP F&B Shares from Asia Poly Holdings Bhd and Uncle Don's Holdings Sdn Bhd ("**collectively referred to as Vendors**"), representing the entire issued share capital of AP F&B, free from encumbrances for RM22.0 million.

AER is licensed to provide advisory in Corporate Finance and Investment Advice by the Securities Commission of Malaysia. AER's primary scope is to perform an independent fair equity valuation exercise to ascribe a fair value range for the entire equity interest in AP F&B.

This Report has been prepared by AER based on information provided to us by Uncle Don's Holdings Sdn Bhd ("**Uncle Don's Holdings**") being the shareholder that owns 51% equity interest in AP F&B, both hard/soft copies and representations through Interviews, external information extracted from Bloomberg, information published in public domain and our own analysis in order for us to prepare this Report.

AER and/or its directors and staff **do not** own any equity ownership in Dolphin's shares or involve in any advisory matters except being mandated to act as an Independent Valuer to ascribe the fair value attributable to AP F&B.

Based on the Free Cash Flow to Equity approach, the fair value for the entire equity interest in AP F&B, is fair if it is within the range of **RM 20.9 million to RM 22.8 million** on an on-going normal circumstance **valued on 27 February 2020**, after applying an equity discount rate of between 8.50 % to 8.75 %, on the projected cash flow provided by AP F&B from 1 January 2020 to 31 December 2022. The annual average gross margin is assumed at 40% and an annual inflation rate of 3.0%. The

**BUSINESS VALUATION REPORT (Cont'd)**

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terminal value is assumed based on an annual sustainable growth rate of 0.20% upon AP F&B achieving steady state of growth from projected financial year 2023 onwards, on the assumption that, AP F&B, shall continue to operate three (3) outlets instead of reinvesting surplus cashflows earned for expansion of new outlets.

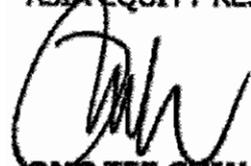
At the time of the preparation of this Report, there is an outbreak of corona virus referred to as COVID-19 that was first reported in Wuhan, China in December 2019. The virus has spread to other parts of the world, including Malaysia. The outbreak of the COVID-19 was declared by World Health Organization as a "Public Health Emergency of International Concern" on 30 January 2020. Readers are advised that this Report is prepared based on a situation under an on-going normal circumstance and we **did not** factor the effects of COVID-19 into our fair valuation. COVID -19 has an immediate short term negative effects on the overall economy which shall translate to a discount to the fair valuation ascribed by us. While we have exercised our professional judgement in arriving at the fair value range, readers are urged to read the entire of this Report and consider carefully the assumptions and specifically **Section 5** on the risk considerations that could affect the fair value range ascribed by us.

**Material events subsequent to completion of our report dated 27 February 2020, not included in our valuation report dated 27 February 2020.**

We have performed an update based on information available up to 27 April 2020. Subsequent to the completion of our report issued on 27 February 2020, the Malaysian government has implemented a Movement Control Order ("MCO"), as a preventive measure towards the COVID-19 pandemic from 18 March 2020 until 12 May 2020 ("Period"). During this Period, AP F&B outlets, in compliance with the MCO, had from 18 March 2020 to 31 March 2020, opened for take-aways and deliveries only. From 1 April 2020 until 30 April 2020, AP F&B has temporary ceased operation of both outlets. From 1 May until 12 May 2020, AP F&B intends to open the two outlets catering for take-aways and deliveries only and monitoring the progress of later announcements by the Malaysian government. AP F&B has estimated the direct loss before tax of approximately RM 133,000 from 1 March 2020 until 31 May 2020. Readers should take note that the fair value ascribed by us as presented in our report dated 27 February 2020 **did not** consider the direct loss and any potential future negative commercial effects of COVID-19. Until the full economic recovery to the normal circumstance, COVID-19 is expected to have a negative impact on AP F&B and shall translate to a discount to the fair valuation ascribed by us.

Please do not hesitate to contact us at [general@aer.global](mailto:general@aer.global) if you have any queries on this Report.

Yours faithfully  
ASIA-EQUITY RESEARCH SDN BHD



**ONG TEE CHIN, CFA, FRM**  
Director

**BUSINESS VALUATION REPORT (Cont'd)****TABLE OF CONTENTS**

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## BUSINESS VALUATION REPORT (Cont'd)

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Report:

<b>"Act"</b>	Companies Act 2016.
<b>"Asia Poly"</b>	Asia Poly Holdings Bhd
<b>"Bursa Securities"</b>	Bursa Malaysia Securities Berhad.
<b>"Comparable Companies"</b>	Selected companies listed on listing exchanges that are involved in food and beverage sector.
<b>"Date of Report"</b>	27 February 2020
<b>"D&amp;D F&amp;B"</b>	D&D Food & Beverage Sdn Bhd a wholly owned subsidiary of Uncle Don's Holdings Sdn Bhd.
<b>"Dolphin"</b>	Dolphin International Berhad
<b>"EBITDA"</b>	Earnings before interest, tax, depreciation and amortization.
<b>"EV"</b>	Enterprise value which is equivalent to market value of equity and debt less cash and cash equivalent as at particular date of determination.
<b>"EV/EBITDA"</b>	Enterprise value to EBITDA multiple.
<b>"FCFE"</b>	Free Cash Flow to Equity, is an intrinsic equity valuation approach. This method is suitable for ascertaining the fair equity valuation if projected cash flows could be assessed with reasonable certainty.
<b>"FYE"</b>	Financial year ended / ending, as the case may be.
<b>"g"</b>	Annual sustainable growth rate
<b>"Justified P/B" Or "Fair P/B"</b>	$P/Bo = 1 + [ROE - r] / [r - g]$ . The justified P/Bo could be interpreted in the following manner: - - A company with a ROE that exceeds r, warrants a fair price to book of greater than one time multiple - A company with a ROE that is below r, warrants a fair price to book that is lesser than one time multiple.
<b>"LAT"</b>	Loss after tax.
<b>"NTA"</b>	Net tangible asset.

**BUSINESS VALUATION REPORT (Cont'd)**

<b>"PAT"</b>	Profit after tax.
<b>"P/B"</b>	Price to Book Ratio or Price to Book Multiple.
<b>"P/E"</b>	Price Earnings Ratio or Price Earnings Multiple.
<b>"r"</b>	Cost of equity.
<b>"Report"</b>	This independent fair valuation report prepared by AER.
<b>"ROE"</b>	Return on common equity. The return on equity ratio formula is calculated by dividing net income by shareholder's equity.
<b>"RVA"</b>	Relative Valuation Approach is a market based relative equity valuation approach. This method is suitable for ascertaining the fair equity valuation when used in conjunction with financial analysis to determine the fair equity value of a company by observing the trading multiples of the comparable companies in a similar industry that trades in an active market.
<b>"Terminal value"</b>	Ascribing the fair value using the FCFE approach requires the determination of the fair value at the end of the projected year. Terminal value could be determined using the steady state assume annual sustainable growth rate method.
<b>"Uncle Don's Holdings"</b>	Uncle Don's Holdings Sdn Bhd

## BUSINESS VALUATION REPORT (Cont'd)

**1. EXECUTIVE SUMMARY**

Item no	Explanation on key message	Section reference
1	<p><b>Purpose and scope of work</b></p> <p>On <b>13 January 2020</b>, Dolphin had engaged AER to perform an independent fair valuation exercise to ascribe the fair value range for the entire equity interest in AP F&amp;B.</p>	Section 2.1
2	<p><b>Results of valuation</b></p> <p>Based on the free cash flow to equity approach and in reliance of the projections as furnished by AP F&amp;B for the period from 1 January 2020 to 31 December 2022, the fair value for the entire equity interest in AP F&amp;B is between <b>RM 20.9 million to RM 22.8 million</b>, determined as at date of this Report.</p> <p>This is based on an equity discount rate of between 8.50 % to 8.75 % applied on the projected cash flow as prepared by AP F&amp;B from FYE 31 December 2020 to FYE 31 December 2022. The annual average gross margin is assumed at 40% and an annual inflation rate of 3.0%. The terminal value based on an annual sustainable growth rate of 0.20%.</p>	Sections 3,4,5. Appendix 1, Appendix 2, Appendix 3, Appendix 4.
3	<p><b>Explanation of the approach and justification / rationales of using FCFE approach.</b></p> <p><b>FCFE method</b> is chosen as it is an <b>appropriate method</b> to be used as AP F&amp;B is cash-based and AP F&amp;B has less than a full year financial results, but requires an estimate of projected sales per outlet to derive the projected revenue. To minimize any risk of valuation due to over / under statement of projected future revenue, a comparison is made on the past performances of other <b>"Uncle Don's"</b> outlets owned and managed by D&amp;D F&amp;B. D&amp;D F&amp;B is a wholly owned subsidiary of Uncle Don's Holdings.</p> <p>The cost structure of outlets owned and managed by D&amp;D F&amp;B is comparable to the franchised outlets except for that the franchised outlets has to pay a fixed sum of RM 450,000 for each outlet that covers for a duration of five (5) years and a refundable deposit of RM 150,000 per outlet. Both the payments for all the three outlets had already been paid by AP F&amp;B and has been recorded as prepayment in the financial statements of AP F&amp;B.</p> <p>AER had <b>supplemented</b> the fair valuation for the entire equity interest in AP F&amp;B by comparing the implied price-to-earnings multiple and EV/EBITDA multiple, of the Comparable Companies, under the RVA approach.</p> <p>As at the date of this Report, AP F&amp;B has two operating outlets. The third outlet is expected to commence operation in second quarter of 2020. Based on a full year of operation of 12 months with three outlets from 1 July 2020 to 30 June 2021, AP F&amp;B is projected to earn a steady state profit after tax</p>	Section 2.3

**BUSINESS VALUATION REPORT (Cont'd)**

	<p>of approximately RM 1.1 million based on the key basis and assumptions as detailed in Section 3 of this Report, which translates to an implied leading P/E multiple of <b>20 times</b>. This is within the leading P/E range of Comparable Companies of 11.8 times to 33.2 times with an average of 19.9 times.</p> <p>Based on a full year of operation of 12 months with three outlets from 1 July 2020 to 30 June 2021, AP F&amp;B is projected to earn a steady state EBITDA of approximately RM 2.2 million based on the key basis and assumptions as detailed in Section 3 of this Report, which translates to an implied leading EV/EBITDA multiple of <b>8.4 times</b>. This is within the leading EV/EBITDA range of Comparable Companies of 7.5 times to 15.3 times with an average of 9.4 times.</p> <p>Workings:-  Projected enterprise value as at 31 December 2021 equals to base case equity value of RM 22.2 million, debt of RM 0.61 million, cash balance of RM 4.4 million divided by projected EBITDA for FYE 2021 of RM 2.2 million.</p>	
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**2. BACKGROUND****2.1 INTRODUCTION AND TERMS OF REFERENCE**

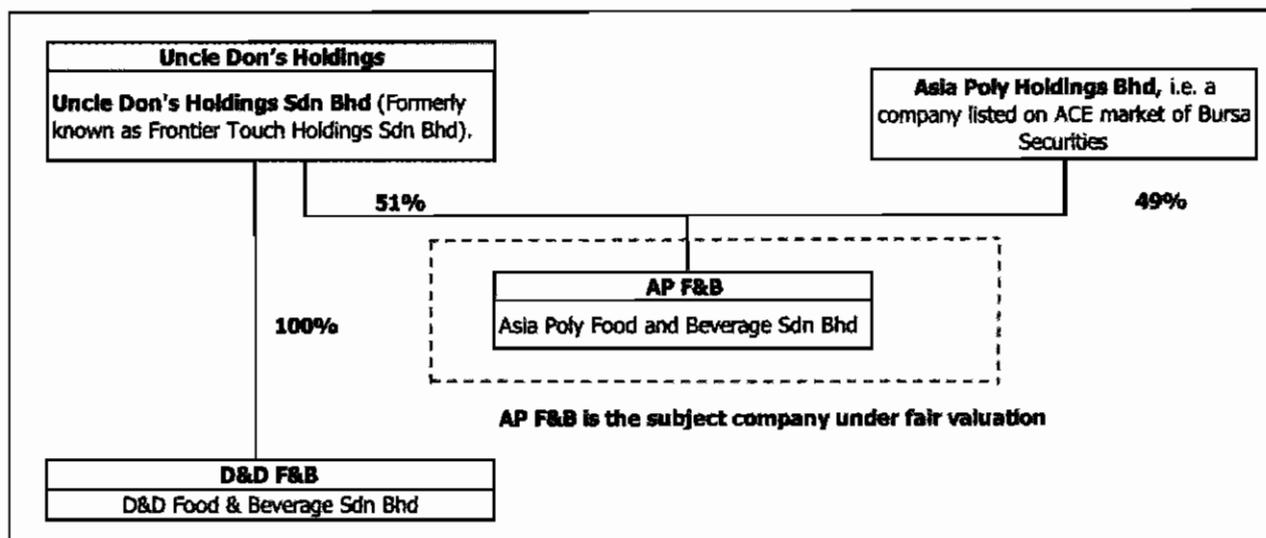
On **13 January 2020**, Dolphin had engaged AER to perform an independent fair valuation exercise to ascribe the fair equity value for the entire equity interest in AP F&B.

On **27 February 2020**, Dolphin had entered a proposed acquisition with the vendors of AP F&B, i.e. Asia Poly Holdings Bhd and Uncle Don's Holdings ("collectively referred to as **Vendors**") to acquire the entire equity interest in AP F&B.

**2.2 INFORMATION ON AP F&B.**

AP F&B was incorporated in Malaysia on 7 January 2016 under the Act as a private limited company under its present name. The principal activity of AP F&B is operating of restaurant. As at the date of Report, AP F&B operates two (2) restaurant outlets at Setia Alam, Shah Alam and Danau Desa, Kuala Lumpur and one (1) outlet under renovation in Ipoh scheduled to commence operation in second quarter of 2020, under the brand name of "**Uncle Don's**" under a licensing arrangement granted by D&D F&B as the owner of the Uncle Don's proprietary rights.

## BUSINESS VALUATION REPORT (Cont'd)



AP F&B is granted with a non-exclusive right to operate under the trade name of "Uncle Don's" together with the trademark logo for a tenure of 5 years with an option to renew for another 5 years. The license governs the operating procedures, systems, reporting formats of restaurant outlets under the license, including the menu for food and beverages, recipes, preparation methods and presentation styles as determined by the licensor, i.e. D&D F&B.

D&D F&B, as owner of "Uncle Don's" proprietary and trademark rights operates sixteen (16) Uncle Don's outlets of which five (5) are operated and owned by D&D F&B and the balance eleven (11) are operated as a licensor. Two (2) of the outlets operates under licensed are granted by D&D F&B to AP F&B.

In addition to the eleven (11) licensed outlets granted by D&D F&B as licensor, D&D F&B has granted another five (5) more new licensed outlets at various stages of construction, one of which in Ipoh is licensed to AP F&B. The outlet in Ipoh is scheduled to operate in second quarter 2020.

Hence, the total "Uncle Don's" outlets operated under AP F&B that are taken into consideration by AER in ascribing the fair value of AP F&B is made up of a total of three (3) outlets at the following locations:-

- (i) Setia Alam, Shah Alam ("Outlet 1")
- (ii) Danau Desa, Kuala Lumpur ("Outlet 2")
- (iii) Ipoh, Perak ("Outlet 3").

### 2.3 APPROACH USED TO VALUE AP F&B.

#### - FCFE Approach.

As all the outlets do not have a full year historical record, we have to rely on **FCFE method** as it considered as an **appropriate method** to be used as AP F&B is cash-based and AP F&B has less than a full year financial results but requires an estimate of future average monthly steady state sales of each outlet. To minimize any risk of valuation due to over / under statement of projected future revenue, a comparison is made on the past performance of Uncle Don's outlets owned and operated by D&D F&B, of which there are five (5) such outlets. We relied on the recent historical revenue reported by Outlet 1, Outlet 2, representations on business strategies by AP F&B and also statistical results of the five (5) outlets of D&D F&B operated at Taman Tun Ismail, SS2, Taipan, Hartamas and Solaris for us to evaluate and determine a reasonable source of input to be used for the average assumed sales per month per outlet, during the projection years.

**BUSINESS VALUATION REPORT (Cont'd)****- RVA approach.**

AER had **supplemented** the fair valuation for the entire equity interest in AP F&B by comparing the implied price-to-earnings multiple of the Comparable Companies, under the RVA approach.

As at the date of this Report, AP F&B has two operating outlets. The third outlet is expected to commence operation in second quarter 2020. Based on a full year of operation of 12 months with three outlets from 1 July 2020 to 30 June 2021, AP F&B is projected to earn a steady state profit after tax of approximately RM 1.1 million based on the key basis and assumptions as detailed in Section 3 of this Report, which translates to an implied leading P/E multiple of **20 times**. This is within the leading P/E range of Comparable Companies of 11.8 times to 33.2 times with an average of 19.9 times

**2.4 Comparable Companies**

AP F&B is involved in the food and beverage sector. We have selected listed companies within the food and beverage sector within Malaysia and also companies operating in the food and beverage sector in Singapore, Taiwan, Indonesia, Philippines, Thailand, Hong Kong and Nasdaq US.

We have also evaluated the recent announced transactions in recent corporate transactions and noted as follows:-

- (i) the privatization of Oldtown Bhd from Main Market of Bursa Securities on 4 April 2018.
- (ii) the listing of ST Food Industries Holdings Ltd on SGX Catalist Market on SGX on 3 July 2019.

The results of our research are as tabulated below:-

	Comparable Companies	Preceding transactions
Average leading P/E multiple	<b>19.9 x</b>	<b>19.0 x<sup>1</sup></b>
Average leading EV/EBITDA multiple	<b>9.4 x</b>	<b>10.7 x<sup>2</sup></b>

Source: Announcements, Bloomberg and analysis.

**Notes:-**

1. ST Group Food Industries Holdings Ltd ("**STGFIHL**"), a food and beverage group headquartered in Australia, was successfully listed on the Singapore Exchange (**SGX**), Catalist Board. STGFIHL owns the exclusive franchise and license to six international food and beverage brands or concepts in Australia, Malaysia, New Zealand and United Kingdom. The brands include its own Pafu and Kurimu in Australia, as well as PappaRich in Australia and New Zealand; NeNe Chicken in Australia and Malaysia; Hokkaido Baked Cheese Tart in Australia and New Zealand; Gong Cha in New Zealand and UK; Ippudo in Australia and New Zealand; and iDarts in Australia. <sup>(a)</sup>
2. Oldtown Bhd undergone a conditional voluntary general offer and was successfully delisted from Main Market of Bursa Securities on 4 April 2018. The EV/EBITDA multiple of 10.7x was used to determine the fair value of Oldtown F&B division.<sup>(b)</sup>
3. For both multiples of the preceding transactions were based on trailing historical P/E.

**Source:-**

- (a) Announced via public release by ST Group Food Industries Holdings Limited for public dissemination on 27 August 2019, page 1 of 5.

**BUSINESS VALUATION REPORT (Cont'd)**

- (b) Extracted from pages 21 and 25 of Section 5.1.2 of the Independent Advice Circular dated 2 March 2018.

**Selection criteria for Comparable Companies:-**

Upon completion of the Proposed Acquisition, it is noted as follows:-

1. As at date of report, Uncle Don's Holdings do not own any equity shares in Dolphin. Upon completion of the Proposed Rights Issue, Proposed Capitalization, Proposed Diversification and Proposed Acquisition, Uncle Don's Holdings shall own approximately 6.9% to 9.8% equity interest in Dolphin from 0%, based on a maximum and minimum scenario respectively.

Mr. Ian Ong Ming Hock, the co-founder of Uncle Don's Holdings, owns 65.7% equity interest in Uncle Don's Holdings. Uncle Don's Holdings owns the entire equity interest in D&D F&B, i.e. the creator and registered owner of and holder of the Uncle Don's and the trademark logo associated with the same.

2. The continuity of management and operations of AP F&B subsequent to the Proposed Acquisition, with Mr. Ian Ong Ming Hock, the key director in AP F&B being appointed as a Non-Independent Non-Executive Director of Dolphin to assist Dolphin's Board in overseeing the management and operations of AP F&B. Mr. Ian Ong Ming Hock will pass over his role of managing the day-to-day operation of AP F&B to Kannan Mahadhavan, the existing Senior Manager of AP F&B. Mr. Ian Ong Ming Hock will not have any direct influence over the running of AP F&B, save for his role as a Non-Independent Non-Executive Director of Dolphin and as one of the directors of AP F&B.
3. In all other licensing agreements that were executed between DD F&B and the licensees, D&D F&B / Uncle Don's Holdings **do not own** any equity interest in the licensees, except for AP F&B. The arrangement between D&D F&B and AP F&B is **not** just a typical normal licensing arrangement in substance. Due to the business arrangements, all the shareholders of Uncle Don's Holdings and the co-founder, Mr. Ian Ong Ming Hock is deemed to have an interest in the future business affairs of AP F&B even after the Proposed Acquisition. It is in the best business and commercial interest of both Uncle Don's Holdings / and D&D F&B to act in the best interest of AP F&B, even though there is no territorial rights as specified in some other Comparable Companies. A portion of the proceeds due to Uncle Don's Holdings' shareholders worth RM 5.1 million is paid in the form of Dolphin shares. It is in the best interest of the shareholders of Uncle Don's Holdings to do the necessary to support AP F&B as the future performance of Dolphin's shares has a positive correlation with the future performance of AP F&B.
4. Considering the factors such as the equity ownership of Uncle Don's Holdings and Asia Poly in Dolphin and Kannan Mahadhavan's continued employment as the senior manager of AP F&B heading the operations of all the AP F&B's outlets, it could be inferred that Dolphin will be acquiring the business with the standard operating procedures and know-how already in place, **excluding** the outlets owned by D&D F&B and the Uncle Don's brand.

Kindly refer to **Appendix 6** – A summarised diagrammatic presentation of the shareholdings of Uncle Don's Holdings Sdn Bhd and Asia Poly Holdings Bhd in Dolphin, after the Proposed Acquisition.

**BUSINESS VALUATION REPORT (Cont'd)**

5. There are only two listed companies in Malaysia that are involved in the food and beverage sector and hence to avoid statistical bias due to an unrepresentative sample size, we have to enlarge our sample pool to include food and beverage companies operating outside of Malaysia.
6. As a risk measurement to avoid any potential risk in valuation, we have also computed separately using alternative methods to evaluate the both the key inputs and the final results using the approach as stated below:-
- (i) determine and compare the final results of the fair value ascribed using the implied P/E method and EV/EBITDA method.
  - (ii) evaluate the terminal value based on assumed annual steady state growth rate of 0.20 % and evaluate the computed the equivalent implied P/E if the terminal value is calculated using this approach and compared with the traded P/E of the Comparable Companies.
  - (iii) our selection criteria is based on companies with market capitalization of less than RM 1 billion and exclude Comparable Companies that are outliers evaluated using the justified Price to Book method.
  - (iv) we have also evaluated and compare the average pricing multiples from the Comparable Companies and the pricing multiples of past announced preceding transactions and concluded that the results are comparable. Please refer to Section 2.4 above.
7. We have studied a list of Comparable Companies in the food and beverage sector in Malaysia, Singapore, Taiwan, Indonesia, Philippines, Thailand, Hong Kong and Nasdaq US. We have excluded companies with size above RM 1 billion in market capitalization.
8. We have also evaluated potential outliers by computing the implied growth rate using the justified price to book method and included only Comparable Companies with implied sustainable annual growth rate of below 10%. Comparable Companies with implied sustainable annual growth rate of above 10% are eliminated to minimize the risk of inclusion of pricing multiples of overvalued companies within our sample. From the list of sample of Comparable Companies, the average implied sustainable growth rate is approximately 5.9%.

Comparable Companies / listed exchange	Latest financial year ending	% of total revenue contributed from restaurants.	Description
Berjaya Food Bhd ("BFB")  Main Market of Bursa Malaysia Securities Berhad	30 April 2019	Restaurants - 100%	BFB, through its subsidiary, develops and operates a chain of restaurants in Malaysia. BFB operates a chain of mid-casual dining restaurants specializing in rotisserie roasted chicken. BFB operates the Starbuck coffee chain in Malaysia and the Kenny Roger's outlets in Malaysia. BFB also holds the sole and exclusive worldwide rights to develop,

## BUSINESS VALUATION REPORT (Cont'd)

			franchise, operate and manage all outlets, stalls and kiosks as well as the distribution rights for the products under the brand names of "Jollibean", "Sushi Deli" and "Kopi Alley"
Oversea Enterprise Bhd ("OEB")  ACE Market of Bursa Malaysia Securities Berhad	31 March 2019	78.3% from restaurants and 21.7% from sales of moon cakes.	Oversea Enterprise Bhd owns and operates restaurants. The restaurants serve contemporary Chinese food with an emphasis on Cantonese cuisine. Oversea Enterprise also operates a bakery producing moon and wedding cakes, butter and chocolate cookies, egg rolls, fruit pies, and confectionery products.  OEB has two (2) casual dining outlets in Genting Highlands under the name of "Restoran Oversea", the brand name of WanHoi YAMCH'A and Taibae as well as a quick service outlet in KLIA2 under the brand name of Santai YAMCH'A.
ST Group Food Industries Holdings Ltd ("STGFIHL")  Catalist Market of Singapore Exchange Limited.	30 June 2019	69.0% from restaurants and 31.0% from franchising and others.	ST Group Food Industries Holdings Limited is an investment holding company operates with exclusive franchise and license to six international F&B brands. The brands include its own Pafu and Kurimu in Australia, as well as PappaRich in Australia and New Zealand; NeNe Chicken in Australia and Malaysia; Hokkaido Baked Cheese Tart in Australia and New Zealand; Gong Cha in New Zealand and UK; Ippudo in Australia and New Zealand; and iDarts in Australia.
Jumbo Group Ltd ("JGL")  Catalist Market of Singapore Exchange Limited.	30 September 2019	Restaurants - 100%	Jumbo Group Ltd is a seafood restaurant group offering multiple dining concepts catering to all types of consumers. The Company offers restaurants in Singapore, China, and Japan.  JGL has a total of 13 food and beverage outlets in Singapore and 6 food and beverage outlets in the People's Republic of China under five restaurant brands, - JUMBO seafood, JPOT, NG AH SIO Bak Kut Teh, Chui Huay Lim Teochew Cuisine and J Cage. It also operates 1 Sui Wah Hong Kong- Style "Cha Chaan Teng" as a franchisee and manage 1 Singapore Seafood Republic outlet in Singapore.
La Kaffa International Co., Ltd ("LKICOL") Taipei stock exchange of Taiwan.	31 December 2018.	Ownership of brands and mixture of ownership of outlets and	La Kaffa International Co., Ltd. produces beverages including coffee and tea. The Company also offers hot and cold desserts. LKICOL operates brands such as La Kaffa Coffee, ChunSun Cake, Bake Code, Chatime Lounge and ZenQ Dessert through

**BUSINESS VALUATION REPORT (Cont'd)**

		franchised outlets – 100%.	international franchise system which respectively provides products and services of tea, Taiwanese traditional desserts, coffee, set meals and bakery products.
Max's Group Inc. ("MGI") Philippine Stock Exchange.	31 December 2018	Restaurants – 83%, Franchises and royalty – 17%	Max's Group Incorporated is a chained full service restaurant in the casual dining segment operating a portfolio of brands both domestically and overseas. The Company is also licensed to operate certain international food brands.  MGI operates under a few brands including its own Max's restaurants and Kripsy Kreme as a franchisee in Philippines.

Source: Annual reports, public websites of companies and Bloomberg

## BUSINESS VALUATION REPORT (Cont'd)

## 2.5 PRICING MULTIPLES OF COMPARABLE COMPANIES – IN RM

	Comparable Companies / Bloomberg Ticker Code	Market capitalization as at 3 February 2020 RM million	FYE for results that are tabulated.	Revenue, RM million	PAT / (LAT) RM million	Net margin, %	ROE, %	Cost of equity, %	P/E, times (leading)	EV/EBITDA, times (leading)
	Median					4.1		9.0	19.0	8.2
	Average					2.6		8.8	19.9	9.4
	Minimum					-8.2		6.3	11.8	7.5
	Maximum					7.6		10.6	33.2	15.3
1	Berjaya Food Bhd / BFD:MK	459	FYE 30 April 2019	678.4	26.3	3.9	6.9	6.3	19.1	7.5
2	Oversea Enterprise Bhd / OVSE:MK	30	FYE 31 March 2019	55.2	(4.5)	-8.2	-8.0	9.2	-	15.3
3	ST Group Food Industries Holdings Ltd / SPST:SP	177	FYE 30 June 2019	153.9	5.8	3.7	24.4	8.8	33.2	9.4
4	Jumbo Group Ltd / JUMBO SP	607	FYE 30 September 2019	465.7	35.4	7.6	17.4	8.2	16.6	8.1
5	La Kaffa International Co Ltd / 2732:TT	896	FYE 31 December 2018	516.3	22.3	4.3	14.2	10.6	19.0	8.1
6	Max's Group Inc / MAXS:PM	878	FYE 31 December 2018	1,048.6	47.5	4.5	11.3	9.8	11.8	8.1

Source: Bloomberg

Note: The numerator for P/E (leading) and EV/EBITDA (leading) are based on the market capitalization determined as at 3 February 2020, whilst the denominator are determined based on published historical results as announced up to 3 February 2020.

**BUSINESS VALUATION REPORT (Cont'd)****Note 1-**

Average is computed by summing a set of data variables and divided by the number of data. Example for the computing of the P/E leaving multiple is computed as follows:-

- Summing the variable of the data sets, i.e. 19.1, 33.2,16.6, 19.0 and 11.8 which equals to 99.5
- The number of data set is 5.
- The average is 99.5 divided by 5 equals to 19.9.

Median is computed by arranging the set of by taking the mean of the two middlemost numbers arranged in ascending order. Hence, the median is computed by as follows:-

- Arranging the set of data variables in ascending order, i.e. 11.8, 16.6, 19.0, 19.1 and 33.2
- Taking the mean of the number and in this case is 19.0

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## BUSINESS VALUATION REPORT (Cont'd)

**3. INPUT VALUATION METRICS USED IN FCFE APPROACH**

Key valuation metrics:-

Input metrics		Basis and assumptions
Equity discount rate  See <b>Appendix 5.</b>	<b>8.50%</b> to <b>8.75%</b>	We have determined the cost of equity by first computing the unlevered beta of the food and beverage sector operating in Malaysia. Thereon, we have applied the unlevered beta of the industry to determine the levered beta of AP F&B. As AP F&B's projected financing mix is funded entirely by equity, the levered cost of equity is similar to the unlevered cost of equity. Thereon, we have applied the capital asset pricing model to determine the cost of equity after adding a specific risk of 2.00% to 2.25% to arrive at the cost of equity to account to account for specific risk inherent to a private company as compared with a listed company.
Terminal value based on annual sustainable growth rate.	<b>0.20%, annually</b>	<p>At the end of the projection period, it is assumed that AP F&amp;B shall continue to operate three (3) outlets. As at the date of Report, AP F&amp;B has two operating outlets and one new outlet in Ipoh scheduled to operate in second quarter of 2020.</p> <p>From FYE 2023 onwards, it is assumed that all the three outlets has achieved its annual steady state growth and grow at a conservative annual growth rate of 0.20% annually. It is assumed that all the cash surpluses are paid out as dividend instead of being used to open up new outlets or expansion.</p> <p>A working computation of the base case is as shown below:-</p> <ul style="list-style-type: none"> <li>- the projected net free cash flow for FYE 2022 was projected at RM 1,817,302.</li> <li>- Applying the formulae, Terminal Value = <math>\frac{FCFE(1+g)}{(r-g)}</math></li> <li>- Terminal value = <math>\frac{1,817,302 \times (1 + 0.20\%)}{8.5\% - 0.20\%}</math> = 21,938,995 (Appendix 4, page 26)</li> </ul> <p>The terminal value is equivalent to an implied forward P/E of 19.9 times based on projected results for FYE 2022. From the set of Comparable Companies, we</p>

**BUSINESS VALUATION REPORT (Cont'd)**

		noted that the implied forward P/E is within the range of the traded P/E of the Comparable Companies from 11.8 times to 33.2 times.
Average sales per month in RM for each outlet  See <b>Appendix 1, note 1.</b>		- <b>RM 380,000 per month</b> for each outlet for FYE 31 December 2020 being the first year of operation. - <b>RM 400,000 per month</b> for each outlet for FYE 31 December 2021 being the second year of operation - <b>RM 410,000 per month</b> for each outlet from FYE 31 December 2022 onwards, upon achieving steady state of operation. For purpose of determining the lower and upper range, we have adopted a range of between RM 405,000 to RM 415,000 per month, for each outlet.  Uncle Don's outlets at:- 1. Setia Alam, Shah Alam 2. Danua Desa, Kuala Lumpur 3. Jalan Dato Seri Ahmad Said, Ipoh.
Gross margin	<b>40%</b>	Based on the past historical performances of comparable outlets owned by D&D F&B.
Annual inflation rate	<b>3.0%</b>	Published statistics.
Working capital management Trade receivable days – <b>10 days</b>  Trade payable days – <b>60 days</b>  Inventory days – <b>5 days</b>		Historical past performances records of AP F&B and D&D F&B.
Corporate tax rate	<b>24%</b>	

**4. FAIR EQUITY VALUE RANGE FOR ENTIRE EQUITY INTEREST IN AP F&B**

Based on the free cash flow to equity approach and in reliance of the projections as furnished by AP F&B for the period from FYE 31 December 2020 to FYE 31 December 2022, the fair value for the entire equity interest in AP F&B is between **RM 20.9 million to RM 22.8 million**, determined on 27 February 2020, based on an equity discount rate of between 8.50% and 8.75% and an average monthly sales per outlet of RM 380,000 and RM 400,000 for FYE 31 December 2020 and FYE 31 December 2021 respectively and thereafter of between RM 405,000 to RM 415,000 (i.e. upon achieving steady state of operation) from FYE 31 December 2022 onwards.

**BUSINESS VALUATION REPORT (Cont'd)****Assumptions:-**

- (iv) Equity discount rate between 8.50% - 8.75%
- (v) Terminal value, based on annual sustainable growth rate of 0.20%.
- (vi) Average monthly sales in RM per outlet

	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022 and thereafter
Average sales per month for each outlet in RM.	380,000	400,000	405,000 to 415,000

- (vii) Gross margin = 40%
- (viii) Net margin range = 7.5% to 7.7%
- (ix) Annual inflation cost = 3.0%
- (x) Tax rate = 24%
- (xi) Working capital management, based on normal trading terms.

**Sensitivity analysis:-**

Tabulated below is a table that details the effects of the fair value for the entire equity interest in AP F&B based on an equity discount rate between 8.50 % to 8.75% and varying levels of average monthly sales per outlet from FYE 31 December 2020 and thereafter.

Average monthly sales per outlet of RM 380,000 and RM 400,000 for FYE 31 December 2020 and FYE 31 December 2021 respectively and thereafter upon achieving steady state of RM 405,000 to RM 415,000 from FYE 31 December 2022 and thereafter.										
		Downside risk (illustrative purpose only)					Lower range	Base case	Upper range	Upside
RM per month per outlet		380,000	385,000	390,000	395,000	400,000	405,000	410,000	415,000	420,000
Discount rate	8.50%	18.1	18.8	19.5	20.1	20.8	21.5	22.2	22.8	23.5
	8.75%	17.6	18.2	18.9	19.6	20.2	20.9	21.5	22.2	22.8

Analysed by: Asia Equity Research.

Note of the working of computation:-

For the base case of RM 22.2 million, kindly refer to Appendix 4, page 26

For the lower range of RM 20.9 million, kindly refer to Appendix 4, page 27

For the upper range of RM 22.8 million, kindly refer to Appendix 4, page 28

**BUSINESS VALUATION REPORT (Cont'd)****5. RISK CONSIDERATION IN FAIR VALUATION RANGE ASCRIBED**

The fair valuation ascribed for AP F&B, could be affected by a number of major risk factors including as follows under the following broad categories amongst others: -

- I. Global and regional economic activity which is dependent on a number of factors such as political and macro-economic factors beyond the control of the company subjected to fair valuation exercise. Significant global events that affect the regional and global growth may translate to lesser consumer confidence / spending and accordingly shall negatively affect the fair valuation. During such period, valuation metrics may also change as investors tend to become risk adverse in most asset classes and hence requiring higher required rate of return in appraising equity capital markets during periods of uncertainties which translate to a lower fair value range. One such example is the recent outbreak in Corona virus has generally affected investor's sentiments and translated to a more risk adverse attitude.

At the time of the preparation of this Report, there is an outbreak of corona virus referred to as COVID-19 that was first reported in Wuhan, China in December 2019. The virus has spread to other parts of the world, including Malaysia. The outbreak of the COVID-19 was declared by World Health Organization as a "Public Health Emergency of International Concern" on 30 January 2020.

Experiences from other virus outbreaks such as the Severe Acute Respiratory Syndrome ("SARS") outbreak, which caused a slowdown in the global economy and characterized by short term heavy trading volatility in almost all types of asset pricing including causing a short term plunge in the stock market, debt and properties market. After the containment of the outbreak, the trading volatility began to normalize and prices recovered to its previous average, before the outbreak. However, it is important to emphasize to readers here that COVID-19, is different from another known virus outbreak such as SARS as COVID-19, is unprecedented.

Readers are advised that we **did not** factor into the short term effects of COVID-19. COVID 19 has a negative effects on the overall economy which shall translate to a discount to the fair valuation ascribed by us. Generally, from past experiences in other financial crisis, an economy that entered into a crisis may recover in three different ways by classification

- a. V shape curve – this is characterised by a sudden drop in asset pricing followed by a rapid recovery.
- b. U shape curve - this is characterised by a sudden drop in asset pricing followed by a plateau and then only recovery in asset pricing.
- c. L shape cure – this is characterised by a sudden drop in asset pricing followed by a prolong recovery period.

The nature of how an economy recovers is still developing at the time of this Report as it is dependent on many factors including governmental measures in Malaysia and other countries and the ability to build the confidence that the outbreak is contained.

- II. Changes in investor's risk appetite in the equity capital markets may contribute either positively or negatively to the target company, subjected to fair valuation exercise. In circumstances that lead to risk aversion shall result in lesser weightings allocated to equity capital markets and hence causing the equity price to be lower than the fair value as ascribed. Conversely, in circumstances that lead to increasing risk appetite shall result in increased weights allocated to equity capital markets and hence causing the equity price to be higher than its fair value as ascribed

**BUSINESS VALUATION REPORT (Cont'd)**

- III. There is no major interruption in the operations of the outlets due to any external factors that disrupts the supply of food by D&D F&B to the outlets owned by AP F&B, as the three outlets are dependent upon the supply of food from the central kitchen. Any disruption in supply or activities that affect the brand name of "Uncle Don's" may have a negative effect on the fair value of AP F&B. This risk is inherent in generally most companies in food and beverage sector operating under licensed / franchised dependent upon the supply of food from central kitchen.

**Appendix 1 – Projected income statement of AP F&B from FYE 31 December 2020 to FYE 31 December 2022.**

Asia Poly Food and Beverage Sdn Bhd		FYE 31 December 2020 (P)	FYE 31 December 2021 (P)	FYE 31 December 2022 (P)
	Note	RM	RM	RM
Revenue	1	12,160,000	14,400,000	14,760,000
Cost of sales	2a	(7,296,000)	(8,640,000)	(8,856,000)
Gross profit		4,864,000	5,760,000	5,904,000
Other income				
Administrative expenses - cash items	2b	(3,114,000)	(3,600,720)	(3,758,542)
Administrative expenses - non-cash items example depreciation		(694,205)	(694,205)	(694,205)
Profit / (loss) before tax		1,055,795	1,465,075	1,451,254
Tax		(253,391)	(351,618)	(348,301)
Profit / (loss) after tax		<b>802,404</b>	<b>1,113,457</b>	<b>1,102,953</b>
Assumptions:-				
Gross margin, %		40.0%	40.0%	40.0%
Net margin, %		6.6%	7.7%	7.5%
ROE, %		12.9%	15.2%	13.1%

Source: AP F&B, based on average outlet sales of RM 380,000, RM 400,000 and RM 410,000 for FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 respectively.

**Major Basis and Assumptions:-**

**- Note 1**

**Revenue**

The main driver for revenue is the average sales per month for each Uncle Don's outlets. Two outlets at Setia Alam, Shah Alam and Danau Desa and has been operating since August 2019 and early December 2019 respectively. The new outlet in Ipoh is scheduled to commence operation in second quarter of 2020.

In order to determine a reasonable estimate as a source of input to project the revenue for AP F&B, the directors of AP F&B have considered the following:-

- (i) Analysis of past performance of Uncle Don's outlets owned and operated by D&D F&B, of which there are five (5) such outlets.
- (ii) Average sales per month for the two operating outlets at Danau Desa and Setia Alam that commenced operation from August 2019 and early December 2019 respectively.
- (iii) Business strategies, plan layout, capacity, location, design and demographics of the three locations.

Upon consideration of the above factors, the directors of AP F&B has assumed as follows:-

	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022 and thereafter

**BUSINESS VALUATION REPORT (Cont'd)**

Average sales per month for each outlet in RM.	380,000	400,000	405,000 to 415,000
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**Notes:-**

1. The average sales per month for the five (5) outlets for the full calendar year of 2019 was RM 325,000. Two outlets which are larger in size relative to the remaining three outlets, reported an average of RM 464,000 a month.
2. Average sales per month for the two operating outlets at Danau Desa and Setia Alam that commenced operation from September 2019 and early December 2019 respectively reported an average monthly sales of RM 360,000.

**- Note 2a**

Cost of sales is assumed at 60% which translate to a gross margin of 40% based on past financial performance D&D F&B.

The other licensees would not be comparable for reasons as follows:-

- These franchised outlets with a majority of the franchised agreements were signed 2019 and as such do not have a good backup of historical records of comparison as compared with outlets owned by D&D F&B. Further, there is a limitation of obtaining such management accounts.
- A franchisee may have other activities in addition to becoming a franchisee of Uncle Don's outlets.
- Post acquisition, the operations of AP F&B shall be managed by common support team members of Uncle Don's Holdings who are supporting D&D F&B's outlets and headed by Mr. Kannan Mahadhavan, the existing senior manager of AP F&B.
- The existing directors and major shareholders of AP F&B shall continue to support AP F&B via their equity interest in Dolphin, after the Proposed Acquisition.

**- Note 2b**

Administrative expenses are based on estimated running cost for all the outlets are as presented below with an assumed annual inflation cost of 3.0%.

<u>Administrative expenses</u>	<u>FYE 31 December 2020 (P)</u>	<u>FYE 31 December 2021 (P)</u>	<u>FYE 31 December 2022 (P)</u>
Salary and related expenses	1,890,000	2,340,000	2,460,000
Rental	432,000	444,960	458,309
Utilities	360,000	370,800	381,924
Staff meals	252,000	259,560	267,347
Others	180,000	185,400	190,962
	<u>3,114,000</u>	<u>3,600,720</u>	<u>3,758,542</u>

For FYE 31 December 2020, as the outlet of Ipoh is not fully operational for entire year, the salaries and expenses is lower, with an average monthly salary and related expenses of RM 120,000 per month for first three months and thereafter, at RM 170,000 a month for the remaining nine months.

For FYE 31 December 2021, the average monthly salary and related expenses is assumed at RM 195,000 a month.

For FYE 31 December 2022, the average monthly salary and related expenses is assumed at RM 205,000 a month.

**General Basis and Assumptions:-**

1. There is no major interruption in the operations of the outlets due to any external factors that disrupts the supply of food by D&D F&B to the outlets owned by AP F&B.

**BUSINESS VALUATION REPORT (Cont'd)**

2. No major variation in the major assumptions used in deriving the average outlet sales per month for the three outlets.
3. No significant changes to the general economy, inflation rate, taxation rate, labour supply, political scenario both domestic and globally.
4. There is no present and future contingent liabilities / claims made against AP F&B or D&D F&B and there is no events that affects the brand name of "Uncle Don's".
5. Tax is assumed at 24% on the profit before tax.

**Appendix 2 – Projected statement of financial position of AP F&B from FYE 31 December 2020 to FYE 31 December 2022.**

## Asia Poly Food and Beverage Sdn Bhd

	Note	FYE 31 December 2019 (A)	FYE 31 December 2020 (P)	FYE 31 December 2021 (P)	FYE 31 December 2022 (P)
		RM	RM	RM	RM
<b>Assets</b>					
Plant and equipment	3	3,321,804	2,627,599	1,933,394	1,239,190
Right of use assets		596,876	596,876	596,876	596,876
Deferred tax asset		150,000	150,000	150,000	150,000
Inventories	4	94,731	99,945	118,356	121,315
Trade receivables	5	30,285	333,151	394,521	404,384
Deposits and prepayments	6	1,807,755	1,807,755	1,807,755	1,807,755
Cash and cash equivalents		380,951	2,451,857	4,402,839	6,220,141
		<b>6,382,402</b>	<b>8,067,183</b>	<b>9,403,741</b>	<b>10,539,660</b>
<b>Equity and liabilities</b>					
Share capital	7	3,800,000	6,000,000	6,000,000	6,000,000
Accumulated losses		(580,846)	222,358	1,335,816	2,438,768
		3,219,954	6,222,358	7,335,816	8,438,768
Lease liabilities		396,274	396,274	396,274	396,274
Trade payables	8	348,139	1,200,200	1,423,300	1,456,267
Amount owing to holding company		204,000	0	0	0
Amount owing to related companies	9	1,965,684	0	0	0
Other payables and accruals		30,131	30,131	30,131	30,131
Lease liabilities		218,220	218,220	218,220	218,220
		<b>6,382,402</b>	<b>8,067,183</b>	<b>9,403,741</b>	<b>10,539,660</b>

Source: AP F&B, based on average outlet sales of RM 380,000, RM 400,000 and RM 410,000 (base case) for FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 respectively.

**BUSINESS VALUATION REPORT (Cont'd)****Note 3**

	<b>FYE 31 December 2019, Audited</b>	<b>FYE 31 December 2020 (P)</b>	<b>FYE 31 December 2021 (P)</b>	<b>FYE 31 December 2022 (P)</b>
	RM	RM	RM	RM
Plant and equipment				
<b>(I) Furniture, fittings and equipment</b>				
Beginning	3,435,135	3,435,135	3,435,135	3,435,135
Addition				
Accumulated Depreciation - beg	(147,449)	(147,449)	(834,476)	(1,521,503)
Depreciation		(687,027)	(687,027)	(687,027)
Accumulated Depreciation - end	(147,449)	(834,476)	(1,521,503)	(2,208,530)
Ending	3,287,686	2,600,659	1,913,632	1,226,605
<b>(II) Kitchen and bar equipment</b>				
Beginning	21,889	21,889	21,889	21,889
Addition				
Accumulated Depreciation - beg	(1,304)	(1,304)	(5,682)	(10,060)
Depreciation		(4,378)	(4,378)	(4,378)
Accumulated Depreciation - end	(1,304)	(5,682)	(10,060)	(14,437)
Ending	20,585	16,207	11,829	7,452
<b>(III) Motor vehicles</b>				
Beginning	14,000	14,000	14,000	14,000
Addition				
Accumulated Depreciation - beg		(467)	(3,267)	(6,067)
Depreciation		(2,800)	(2,800)	(2,800)
Accumulated Depreciation - end	(467)	(3,267)	(6,067)	(8,867)
Ending	13,533	10,733	7,933	5,133
Net book value	<b>3,321,804</b>	<b>2,627,599</b>	<b>1,933,394</b>	<b>1,239,190</b>

**Note 4**

	<b>FYE 31 December 2019, Audited</b>	<b>FYE 31 December 2020 (P)</b>	<b>FYE 31 December 2021 (P)</b>	<b>FYE 31 December 2022 (P)</b>
	RM	RM	RM	RM
Inventories	94,731	99,945	118,356	121,315

**Note 5**

	<b>FYE 31 December 2019, Audited</b>	<b>FYE 31 December 2020 (P)</b>	<b>FYE 31 December 2021 (P)</b>	<b>FYE 31 December 2022 (P)</b>
	RM	RM	RM	RM
Trade receivables				
Beginning		30,285	333,151	394,521
Sales		12,160,000	14,400,000	14,760,000
Collection		(11,857,134)	(14,338,630)	(14,750,137)
Ending	<b>30,285</b>	<b>333,151</b>	<b>394,521</b>	<b>404,384</b>

**BUSINESS VALUATION REPORT (Cont'd)****Note 6**

	<b>FYE 31 December 2019, Audited</b>	<b>FYE 31 December 2020 (P)</b>	<b>FYE 31 December 2021 (P)</b>	<b>FYE 31 December 2022 (P)</b>
	RM	RM	RM	RM
Deposits and prepayments				
Utility deposits	127,130	127,130	127,130	127,130
Prepayments	1,676,500	1,676,500	1,676,500	1,676,500
Tax recoverable	4,125	4,125	4,125	4,125
	<b>1,807,755</b>	<b>1,807,755</b>	<b>1,807,755</b>	<b>1,807,755</b>

**Note 7****Share capital**

	<b>APB (49%)</b>	<b>UDHSB (51%)</b>	<b>Total</b>
Beginning	1,862,000	1,938,000	3,800,000
Proceeds from share issuance	1,078,000	1,122,000	2,200,000
	<b>2,940,000</b>	<b>3,060,000</b>	<b>6,000,000</b>

**Note 8**

	<b>FYE 31 December 2019, Audited</b>	<b>FYE 31 December 2020 (P)</b>	<b>FYE 31 December 2021 (P)</b>	<b>FYE 31 December 2022 (P)</b>
	RM	RM	RM	RM
Trade payables				
Beginning		348,139	1,200,200	1,423,300
Purchases		7,301,214	8,658,411	8,858,959
Payment to suppliers		(6,449,154)	(8,435,310)	(8,825,992)
Ending		1,200,200	1,423,300	1,456,267
	<b>348,139</b>	<b>1,200,200</b>	<b>1,423,300</b>	<b>1,456,267</b>

**BUSINESS VALUATION REPORT (Cont'd)****Appendix 3 – Projected statement of cash flow of AP F&B from FYE 31 December 2020 to FYE 31 December 2022****Asia Poly Food and Beverage Sdn Bhd**

	<b>FYE 31 December 2020 (P)</b>	<b>FYE 31 December 2021 (P)</b>	<b>FYE 31 December 2022 (P)</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers	11,857,134	14,338,630	14,750,137
Cash payments to suppliers	(6,449,154)	(8,435,310)	(8,825,992)
Administrative expenses - cash items	(3,114,000)	(3,600,720)	(3,758,542)
Tax payments	(253,391)	(351,618)	(348,301)
<b>Cash flows from investing activities</b>			
<b>Cashflows from financing activities</b>			
Proceeds from share issuance	2,200,000		
Repayment for advances from related company	(1,965,684)		
Repayment for advances from holding company	(204,000)		
<b>Net cash flow</b>	<b>2,070,906</b>	<b>1,950,982</b>	<b>1,817,302</b>
Beginning cash flow	380,951	2,451,857	4,402,839
Ending cash flow	<b>2,451,857</b>	<b>4,402,839</b>	<b>6,220,141</b>

Source: AP F&B, based on average outlet sales of RM 380,000, RM 400,000 and RM 410,000 (base case) for FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 respectively.

**BUSINESS VALUATION REPORT (Cont'd)****Appendix 4 – Base case, Lower and Upper fair value range for the entire equity interest in AP F&B.****Base case = RM 22.2 million****Aasia Poly Food and Beverage Sdn Bhd**

	<b>FYE 31 December 2020 (P)</b>	<b>FYE 31 December 2021 (P)</b>	<b>FYE 31 December 2022 (P)</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers	11,857,134	14,338,630	14,750,137
Cash payments to suppliers	(6,449,154)	(8,435,310)	(8,825,992)
Administrative expenses - cash items	(3,114,000)	(3,600,720)	(3,758,542)
Tax payments	(253,391)	(351,618)	(348,301)
<b>Cash flows from investing activities</b>			
<b>Cashflows from financing activities</b>			
Proceeds from share issuance	2,200,000		
Repayment for advances from related company	(1,965,684)		
Repayment for advances from holding company	(204,000)		
<b>Net cash flow</b>	<b>2,070,906</b>	<b>1,950,982</b>	<b>1,817,302</b>
Beginning cash flow	380,951	2,451,857	4,402,839
Ending cash flow	<b>2,451,857</b>	<b>4,402,839</b>	<b>6,220,141</b>
<b>Net cash flow</b>	<b>2,070,906</b>	<b>1,950,982</b>	<b>1,817,302</b>
Terminal value based on annual sustainable growth rate of 0.20%			21,939,000
	2,070,906	1,950,982	23,756,303
Discount rate	8.50%		
Present value	0.9217	0.8495	0.7829
Present value	1,908,669	1,657,272	18,599,002
Fair value for 100% equity interest in AP F&B, RM million	<b>22.2</b>		

**By AER**

Based on an assumed monthly average outlet sales of RM 380,000, RM 400,000 and RM 410,000 (base case) for FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 and thereafter respectively

**BUSINESS VALUATION REPORT (Cont'd)****Lower range = RM 20.9 million****Asia Poly Food and Beverage Sdn Bhd**

	Note	FYE 31 December 2020 (P) RM	FYE 31 December 2021 (P) RM	FYE 31 December 2022 (P) RM
Revenue	1	12,160,000	14,400,000	14,580,000
Cost of sales	2a	(7,296,000)	(8,640,000)	(8,748,000)
Gross profit		4,864,000	5,760,000	5,832,000
Other income				
Administrative expenses - cash items	2b	(3,114,000)	(3,600,720)	(3,758,542)
Administrative expenses - non-cash items example depreciation		(694,205)	(694,205)	(694,205)
Profit / (loss) before tax		1,055,795	1,465,075	1,379,254
Tax		(253,391)	(351,618)	(331,021)
Profit / (loss) after tax		802,404	1,113,457	1,048,233
Assumptions:-				
Gross margin, %		40.0%	40.0%	40.0%
Net margin, %		6.6%	7.7%	7.2%
ROE, %		12.9%	15.2%	12.5%

**Asia Poly Food and Beverage Sdn Bhd**

	FYE 31 December 2020 (P) RM	FYE 31 December 2021 (P) RM	FYE 31 December 2022 (P) RM
Cash flows from operating activities			
Cash receipts from customers	11,857,134	14,338,630	14,575,068
Cash payments to suppliers	(6,449,154)	(8,435,310)	(8,734,509)
Administrative expenses - cash items	(3,114,000)	(3,600,720)	(3,758,542)
Tax payments	(253,391)	(351,618)	(331,021)
Cash flows from investing activities			
Cashflows from financing activities			
Proceeds from share issuance	2,200,000		
Repayment for advances from related company	(1,965,684)		
Repayment for advances from holding company	(204,000)		
Net cash flow	2,070,906	1,950,982	1,750,997
Beginning cash flow	380,951	2,451,857	4,402,839
Ending cash flow	2,451,857	4,402,839	6,153,836
Net cash flow	2,070,906	1,950,982	1,750,997
Terminal value based on annual sustainable growth rate of 0.20%			20,520,453
	2,070,906	1,950,982	22,271,450
Discount rate	0.9195	0.8456	0.7775
Present value	1,904,281	1,649,661	17,316,523
Fair value for 100% equity interest in AP F&B, RM million			20.8

**By AER**

Based on an assumed average monthly outlet sales of RM 380,000, RM 400,000 and RM 405,000 (lower fair value range ascribed by AER) for FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 and thereafter respectively

**BUSINESS VALUATION REPORT (Cont'd)****Upper range = RM 22.8 million****Asia Poly Food and Beverage Sdn Bhd**

	Note	FYE 31 December 2020 (P) RM	FYE 31 December 2021 (P) RM	FYE 31 December 2022 (P) RM
Revenue	1	12,160,000	14,400,000	14,940,000
Cost of sales	2a	(7,295,000)	(8,640,000)	(8,964,000)
Gross profit		4,864,000	5,760,000	5,976,000
Other income				
Administrative expenses - cash items	2b	(3,114,000)	(3,600,720)	(3,758,542)
Administrative expenses - non-cash items example depreciation		(694,205)	(694,205)	(694,205)
Profit / (loss) before tax		1,055,795	1,465,075	1,523,254
Tax		(253,391)	(351,618)	(365,581)
Profit / (loss) after tax		<b>802,404</b>	<b>1,113,457</b>	<b>1,157,673</b>
Assumptions:-				
Gross margin, %		40.0%	40.0%	40.0%
Net margin, %		6.6%	7.7%	7.7%
ROE, %		12.9%	15.2%	13.6%

**Asia Poly Food and Beverage Sdn Bhd**

	FYE 31 December 2020 (P) RM	FYE 31 December 2021 (P) RM	FYE 31 December 2022 (P) RM
Cash flows from operating activities			
Cash receipts from customers	11,857,134	14,338,630	14,925,205
Cash payments to suppliers	(6,449,154)	(8,439,310)	(8,917,475)
Administrative expenses - cash items	(3,114,000)	(3,600,720)	(3,758,542)
Tax payments	(253,391)	(351,618)	(365,581)
Cash flows from investing activities			
Cashflows from financing activities			
Proceeds from share issuance	2,200,000		
Repayment for advances from related company	(1,965,684)		
Repayment for advances from holding company	(204,000)		
Net cash flow	2,070,906	1,950,982	1,883,608
Beginning cash flow	380,951	2,451,857	4,402,839
Ending cash flow	<b>2,451,857</b>	<b>4,402,839</b>	<b>6,286,447</b>
Net cash flow	2,070,906	1,950,982	1,883,608
Terminal value based on annual sustainable growth rate of 0.20%			22,739,461
	2,070,906	1,950,982	24,623,069
Discount rate	8.50%	0.9217	0.8495
Present value		1,908,669	1,657,272
Fair value for 100% equity interest in AP F&B, RM million			19,277,600
			<b>22.8</b>

**By AER**

Based on an assumed average outlet sales of RM 380,000, RM 400,000 and RM 415,000 (upper fair value range ascribed by AER) for FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 and thereafter respectively

**BUSINESS VALUATION REPORT (Cont'd)**

**Appendix 5** – Methodology adopted by Asia Equity Research in determining the cost of equity in the food and beverage sector.

**WEIGHTED AVERAGE COST OF CAPITAL ("WACC")**

WACC is the blended cost of the company's structure components, each weighted by the market value of the capital components. WACC is used to discount the projected free cash flow arising from a project to determine its enterprise value.

It is determined based on approach as set down below:-

1. Determine the proportionate weighting of each source of capital based on its market value.
2. Calculate the after tax rate of required return for each source of capital.
3. Calculate the WACC based on formula as below:-

$$\text{WACC} = k_e \times W_e + [k_{\text{debt pre-tax}} \times (1 - \text{tax rate}) \times W_d]$$

$k_e$	Cost of common equity capital
$W_e$	Percentage of common equity in the capital structure
$W_d$	Percentage of common debt in the capital structure
$k_{d, \text{pre-tax}}$	Cost of debt (pre-tax)
Tax rate	Tax rate assumed at 24%

**Unlevering and relevering betas**

Betas calculated based on publicly traded companies reflect the actual capital structure of the related entity and are referred to as levered betas. To determine the unlevered beta for a particular industry, the comparable companies calculated betas obtained from Bloomberg are recalculated to remove the effects of the financial gearing, to determine the unlevered beta. The average risk adjusted unlevered beta is relevered based on the assumed capital structure of the proposed project under evaluation. The process of unlevering and relevering betas are determined using the Hamada Formula / Hamada's Equation.

$$\text{Beta } (\beta) \text{ asset (unlevered)} = V_E / [V_E + V_D(1 - \text{tax})] * \text{Beta } (\beta) \text{ equity}$$

Beta ( $\beta$ ) asset (unlevered)	Beta unlevered
Beta ( $\beta$ ) equity	Beta levered
T	Tax rate for the company
$V_d$	Percentage of debt in the capital structure at market value
$V_e$	Percentage of equity in the capital structure at market value

The beta determined for the food and beverage sector is then substituted into the proposed financial mix of AP F&B to determine the cost of equity.

BUSINESS VALUATION REPORT (Cont'd)

Hamada Equation		Beta (β) asset (unlevered) = $V_E/[V_E + V_D(1-tax)] * Beta (β) equity$				
		RM million / AUD million (ST Group Food Industries Holdings Ltd)				
Company	Adjusted beta	$V_E$	$V_D$	$V_D(1-tax\%)$	$V_E/[V_E + V_D(1-tax)]$	β unlevered
ST Group Food Industries Holdings Ltd	0.582	16	3	2	0.87	0.507
Oversea Enterprise Bhd	0.875	36	6	5	0.88	0.772
Berjaya Food Bhd	0.491	502	539	410	0.55	0.270
Average						0.517
Median						<b>0.507</b>
1 σ						0.251

		RM million		
		$V_E$	$V_D$	$V_D(1-tax\%)$
Subject companies	Median β unlevered	100	0	0
				1.00
				0.507

Capital Asset Pricing Model	
$R_m$	Annual equity market return
$R_f$	Risk free rate
$R_m - R_f$	Risk premium
$(R_m - R_f) \times \beta$	Required rate of return
$R_f + (R_m - R_f) \times \beta$	Required rate of return

Annual equity market return	9.724%
Risk free rate	3.123%
$R_m - R_f$	6.601%
$\beta$ levered	0.507
Risk premium	3.35%
Required rate of return	3.12%
Required rate of return	6.47%
Specific risk (business is less than one financial year) -e	2.00%
Required rate of return	8.47%

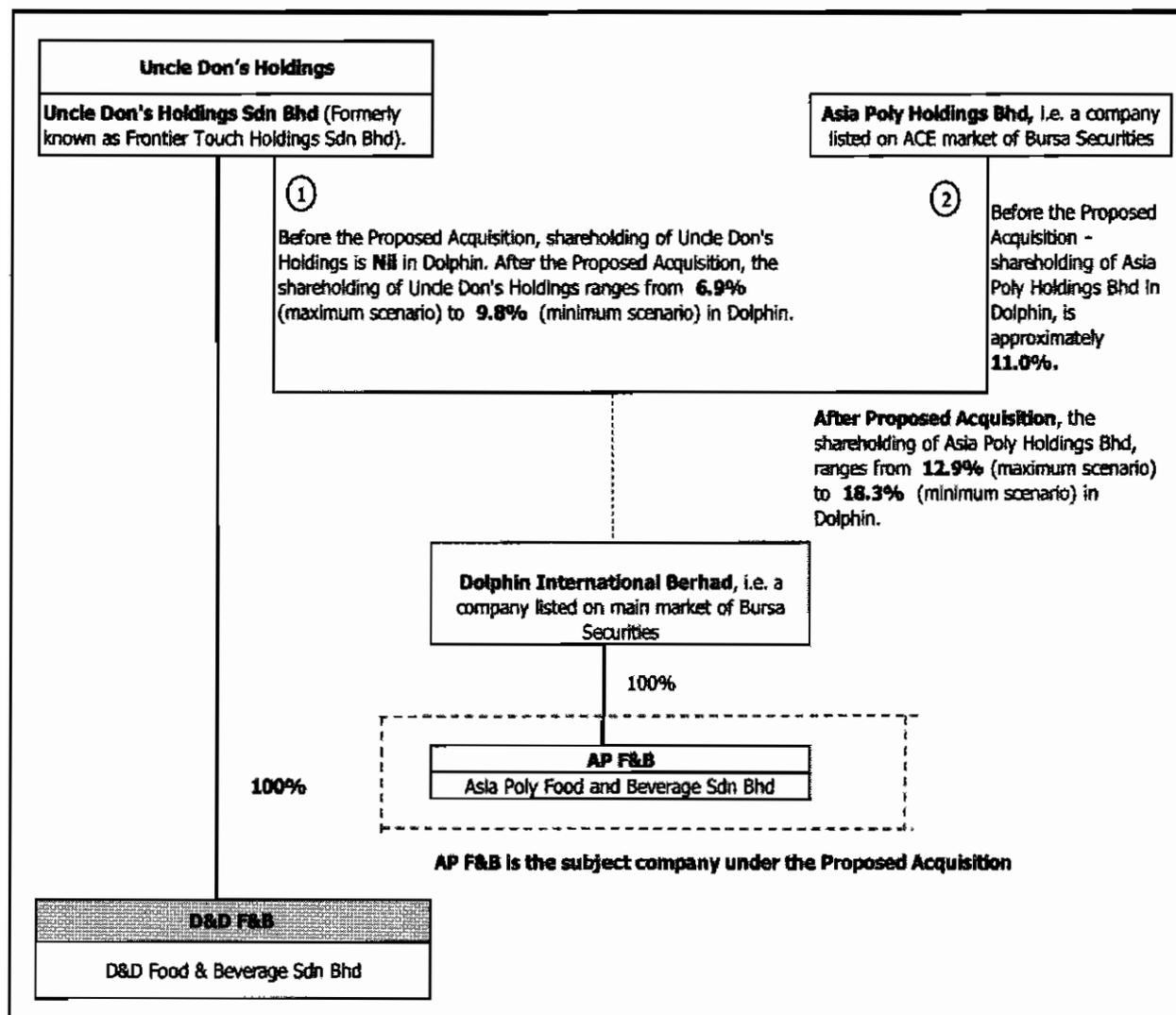
  

Source: Bloomberg for Adjusted beta,  $V_D$ ,  $V_E$ ,  $R_m$  and  $R_f$   
 $V_D$  and  $V_E$  stated in RM for Oversea Enterprise Bhd and Berjaya Food Bhd.  
 $V_D$  and  $V_E$  stated in AUD for ST Group Food Holdings Ltd

Analyzed by Asia Equity Research

## BUSINESS VALUATION REPORT (Cont'd)

**Appendix 6 – A** summarised diagrammatic presentation of the shareholdings' interest of Uncle Don's Holdings Sdn Bhd and Asia Poly Holdings Bhd in Asia Poly Food and Beverage Sdn Bhd via Dolphin International Bhd, after the Proposed Acquisition.



Note:- The above is to illustrate the shareholding interest of the Uncle Don's Holdings Sdn Bhd and Asia Poly Holdings Bhd, in Asia Poly Food and Beverage Sdn Bhd, via Dolphin International Bhd, post-acquisition. All the other subsidiaries of Dolphin International Bhd are not included in the above illustration.

1. As at date of report, Uncle Don's Holdings do not own any equity shares in Dolphin. Upon completion of the Proposed Rights Issue, Proposed Capitalization, Proposed Acquisition and Proposed Diversification, Uncle Don's Holdings shall own approximately 6.9% to 9.8% equity interest in Dolphin from 0%, based on a maximum and minimum scenario respectively.

Mr. Ian Ong Ming Hock, the co-founder of Uncle Don's Holdings, owns 65.7% equity interest in Uncle Don's Holdings. Uncle Don's Holdings owns the entire equity interest in D&D F&B, i.e. the creator and registered owner of and holder of the Uncle Don's and the trademark logo associated with the same.

**BUSINESS VALUATION REPORT (Cont'd)**

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2. As at date of report, Asia Poly owns 11% equity shares in Dolphin. Upon completion of the Proposed Rights Issue, Proposed Capitalization, Proposed Acquisition and Proposed Diversification, Asia Poly shall own approximately 12.9% to 18.3% equity interest in Dolphin from 11%, based on a maximum and minimum scenario respectively. Dato Yeo Boon Leong who is single largest shareholder of Asia Poly of 21.99% and Mr. Lim Teck Seng, the non-executive independent director of Asia Poly, owns 10% equity interest in Uncle Don's Holdings via their direct interest in Robustus Capital Sdn Bhd with equal shareholding of 50% each.

- In all other licensing agreements that were executed between D&D F&B and the licensees, Uncle Don's Holdings do not own any equity interest in the licensees, except for AP F&B.

END

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019**

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Company No. 201801000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2019**

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

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Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**CONTENTS**

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**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

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Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Dato' Yeo Boon Leong  
Ian Ong Ming Hock  
Atkins Risha Abraham  
Ch'ng Siew Lei

**COMPANY SECRETARY**

Ho Meng Chan (MACS00574)  
Wu Siew Hong (MAICSA7039647)

**REGISTERED OFFICE**

308, Block A (3rd Floor)  
97, Jalan SS7/2  
Kelana Jaya  
47301 Petaling Jaya  
Selangor Darul Ehsan

**PRINCIPAL PLACE OF BUSINESS**

24A (First Floor)  
Jalan Tun Mohd Fuad 1  
Taman Tun Dr. Ismail  
60000 Petaling Jaya  
Selangor Darul Ehsan

**PRINCIPAL BANKERS**

Alliance Bank Malaysia Berhad

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

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Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**CORPORATE INFORMATION (CONT'D)**

**AUDITORS**

Daniel & Co.  
Chartered Accountants  
Suite 8-17-3, 17th Floor  
Menara Mutiara Bangsar  
Jalan Liku, Off Jalan Riong  
59100 Kuala Lumpur

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

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Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors submit their report and the audited financial statements of the Company financial year ended 31 December 2019.

**PRINCIPAL ACTIVITY**

The Company commenced operations in August 2019 and is principally engaged as an operator of two outlets which carries out the business of a restaurant and other related activities.

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

**FINANCIAL RESULTS**

Loss for the financial year RM559,809

In the opinion of the Directors, the results of 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.

**DIVIDENDS**

No dividend has been paid, declared or proposed by the Company since the end of previous financial year. The Board of Directors does not recommend any dividend to be paid for the financial year under review.

**RESERVES AND PROVISIONS**

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

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company issued 3,799,998 new ordinary shares at RM1 per share for a total cash consideration of RM3,799,998 for working capital purposes.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONT'D)**

**DIRECTORS**

The Directors who served since the end of the last report are as follows:

Dato' Yeo Boon Leong	
Ian Ong Ming Hock	- Appointed on 3 July 2019
Atkins Risha Abraham	- Appointed on 18 October 2019
Ch'ng Siew Lei	- Appointed on 18 October 2019
Kua Chye Heng	- Resigned on 3 July 2019

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director has received or 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**DIRECTORS' INTEREST IN SHARES**

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares in the Company.

The above directors by virtue of their shareholdings in the holding company are also deemed interested in shares in the Company to the extent the holding company has an interest.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONT'D)**

**OPTIONS GRANTED OVER UNISSUED SHARES**

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

**OTHER STATUTORY INFORMATION**

- (a) Before the statement of profit or loss and other 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 are satisfied that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company, were written down to an amount that they might be expected 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 as bad debts or provided for doubtful debts, in the Company, inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONT'D)**

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

- (c) At the date of this report:
- (i) there are no charge on the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) there are no contingent liability in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 19 to the financial statements.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

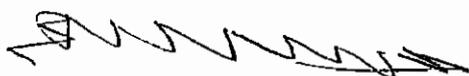
**DIRECTORS' REPORT (CONT'D)**

**AUDITORS**

The auditors, Messrs. Daniel & Co., have indicated their willingness to accept re-appointment.

This report was approved by the Board of Directors on **10 FEB 2020**

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



.....  
**IAN ONG MING HOCK**



.....  
**DATO' YEO BOON LEONG**

Kuala Lumpur

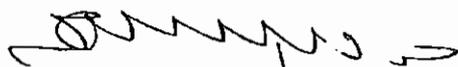
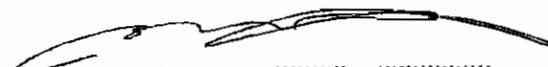
**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**STATEMENT BY DIRECTORS**  
**SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, **IAN ONG MING HOCK** and **DATO' YEO BOON LEONG**, being two of the Directors of **ASIA POLY FOOD AND BEVERAGE SDN. BHD.** do hereby state that in the opinion of the Directors, the financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and the cash flows for the financial year then ended.

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


.....  
**IAN ONG MING HOCK**

.....  
**DATO' YEO BOON LEONG**

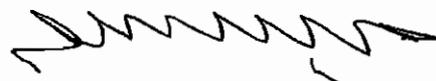
Kuala Lumpur

Dated: 10 FEB 2020

**STATUTORY DECLARATION**  
**SECTION 251(1) OF THE COMPANIES ACT, 2016**

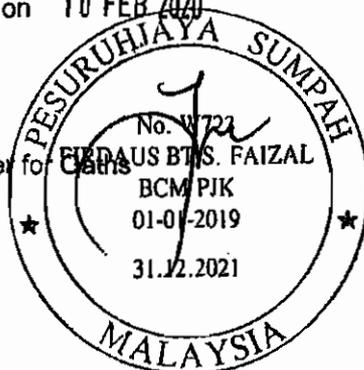
I, **IAN ONG MING HOCK** (NRIC No.: 701106-10-6279), the Director primarily responsible for the financial management of **ASIA POLY FOOD AND BEVERAGE SDN. BHD.** do solemnly and sincerely declare that the accompanying financial statements are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed at Kuala Lumpur in Wilayah )  
Persekutuan on 10 FEB 2020 )


.....  
**IAN ONG MING HOCK**

Before me,

Commissioner for



Lot 6, Arked Star, 23-G, - 6 -  
Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur 324

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF**

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
[Company No. 201601000614 (1171539-W)]  
(Incorporated in Malaysia)

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

We have audited the financial statements of **Asia Poly Food and Beverage Sdn. Bhd.**, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 44.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the financial 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.

- 7 -

Suite 8-17-3, 17th Floor, Menara Mutiara Bangsar, Jalan Liku, Off Jalan Riong, 59100 Kuala Lumpur, MALAYSIA.  
T: 603.2283.3960 F: 603.2283.6920 E: audit@danielnco.com

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

**DANIEL & CO**  
Chartered Accountants (M)  
FIRM NO: AF 1930

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF****ASIA POLY FOOD AND BEVERAGE SDN. BHD.**

[Company No. 201601000614 (1171539-W)]

(Incorporated in Malaysia)

(CONTINUED)

**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.

**Information Other than the Financial Statements and 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 other information and, in doing so, consider whether the other information 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 this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF****ASIA POLY FOOD AND BEVERAGE SDN. BHD.**

[Company No. 201601000614 (1171539-W)]

(Incorporated in Malaysia)

(CONTINUED)

**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 judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the 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.

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF**

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
[Company No: 201601000614 (1171539-W)]  
(Incorporated in Malaysia)  
(CONTINUED)

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

- (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 Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- (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 significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF**

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
[Company No. 201601000614 (1171539-W)]  
(Incorporated in Malaysia)  
(CONTINUED)

**Other Matters**

The financial statements of the Company as of 31 December 2018, were audited by another auditor whose report dated 19 April 2019, expressed an unqualified opinion on those statements.

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.



**DANIEL & CO**  
No. AF 1930  
CHARTERED ACCOUNTANTS (M)



**ISAAC DANIEL**  
No. 02787/01/2022 J  
CHARTERED ACCOUNTANT

Kuala Lumpur  
Dated: 10 February 2020

## AUDITED FINANCIAL STATEMENTS OF AP F&amp;B FOR THE FYE 31 DECEMBER 2019 (Cont'd)

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
<b>ASSETS</b>			
<b>Non-Current Assets:</b>			
Plant and equipment	5	3,321,804 ✓	-
Right-of-use assets	6	596,876	-
Deferred tax assets	7	150,000	-
Total non-current assets		<u>4,068,680</u>	<u>-</u>
<b>Current Assets:</b>			
Inventories	8	94,731	-
Trade receivables	9	30,285	-
Deposits and prepayments	10	1,807,755	-
Cash and cash equivalents	11	380,951	2
Total current assets		<u>2,313,722</u>	<u>2</u>
<b>Total Assets</b>		<u><b>6,382,402</b></u>	<u><b>2</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Share capital	12	3,800,000	2
Accumulated losses		<u>(580,046)</u>	<u>(20,237)</u>
Total equity		<u>3,219,954</u>	<u>(20,235)</u>
<b>Non-current liabilities</b>			
Lease liabilities	13	396,274	-
		<u>396,274</u>	<u>-</u>
<b>Current Liabilities:</b>			
Trade payables	14	348,139	-
Amount owing to a shareholder	15	204,000	13,085
Amount owing to related parties	16	1,965,684	2,652
Other payables and accruals		30,131	4,500
Lease liabilities	13	218,220	-
Total current liabilities		<u>2,766,174</u>	<u>20,237</u>
Total liabilities		<u>3,162,448</u>	<u>20,237</u>
<b>Total Equity And Liabilities</b>		<u><b>6,382,402</b></u>	<u><b>2</b></u>

The accompanying notes are an  
integral part of these financial statements

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
Revenue	17	1,630,744	-
Cost of sales		<u>(1,079,697)</u>	<u>-</u>
Gross profit		551,047	-
Other income		600	-
Administrative expenses		(1,250,498)	(10,226)
Finance costs	18	<u>(10,958)</u>	<u>-</u>
Loss before taxation	19	(709,809)	(10,226)
Tax expense	21	<u>150,000</u>	<u>-</u>
Total comprehensive loss for the financial year		<u>(559,809)</u>	<u>(10,226)</u>

The accompanying notes are an  
integral part of these financial statements

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>Note</u>	<u>Share capital RM</u>	<u>Accumulated losses RM</u>	<u>Total RM</u>
At 1 January 2018		2	(10,011)	(10,009)
Total comprehensive loss for the financial year		-	(10,226)	(10,226)
At 31 December 2018		2	(20,237)	(20,235)
Issuance of share capital	12	3,799,998	-	3,799,998
Total comprehensive loss for the financial year		-	(559,809)	(559,809)
At 31 December 2019		<u>3,800,000</u>	<u>(580,046)</u>	<u>3,219,954</u>

The accompanying notes are an  
integral part of these financial statements

## AUDITED FINANCIAL STATEMENTS OF AP F&amp;B FOR THE FYE 31 DECEMBER 2019 (Cont'd)

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(709,809)	(10,226)
Adjustments for:		
Depreciation of plant and equipment	149,220	-
Depreciation of right-of-use assets	35,110	-
Operating loss before working capital changes	<u>(525,479)</u>	<u>(10,226)</u>
Increase in inventories	(94,731)	-
Increase in trade and other receivables	(1,833,915)	-
Increase in trade and other payables	373,770	3,000
	<u>(1,554,876)</u>	<u>3,000</u>
Cash utilised in operations	(2,080,355)	(7,226)
Taxes paid	(4,125)	-
Net cash used in operating activities	<u>(2,084,480)</u>	<u>(7,226)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(3,471,024)	-
Net cash used in from investing activities	<u>(3,471,024)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from a shareholder	190,915	4,574
Advances from related parties	1,963,032	2,652
Principal elements of lease payment	(17,492)	-
Proceeds from issuance of shares	3,799,998	-
Net cash from financing activities	<u>5,936,453</u>	<u>7,226</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	380,949	-
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	2	-
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<u>380,951</u>	<u>2</u>

The accompanying notes are an  
integral part of these financial statements

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. GENERAL INFORMATION**

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The Company commenced operations in August 2019 and is principally engaged as an operator of two outlets which carries out the business of a restaurant and other related activities.

The registered office of the Company is located at 308, Block A (3rd Floor), 97, Jalan SS7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at 24A (First Floor), Jalan Tun Mohd Fuad 1, Taman Tun Dr. Ismail, 60000 Petaling Jaya, Selangor Darul Ehsan.

The financial statements of the Company are presented in Ringgit Malaysia (RM).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 February 2020.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

**(a) Statement of compliance**

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

On 1 January 2019, the Company adopted the following new MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2019:

- MFRS 16, "Leases"
- Amendments to MFRS 3, "Business Combinations" (Annual improvement 2015-2017 cycle)
- Amendments to MFRS 9, "Financial Instruments - Prepayment Features with Negative Compensation"

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS****(a) Statement of compliance (Cont'd)**

- Amendments to MFRS 11, "Joint Arrangements" (Annual improvement 2015-2017 cycle)
- Amendments to MFRS 112, "Income Taxes" (Annual improvement 2015-2017 cycle)
- Amendments to MFRS 119, "Employee Benefits - Plan Amendment Curtailment or Settlement"
- Amendments to MFRS 123, "Borrowing Costs" (Annual improvement 2015-2017 cycle)
- Amendments to MFRS 128, "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23, "Uncertainty over Income Tax Treatments"

The above accounting standards, amendments to accounting standards and IC interpretations effective during the financial year do not have any significant impact to the financial results and position of the Company.

Accounting standards, amendments to accounting standards and IC Interpretations that are applicable for the Company in the following periods but are not yet effective are as follows:

***Annual periods beginning on/after 1 January 2020***

- Amendments to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

***Annual periods beginning on/after 1 January 2021***

- MFRS 17, Insurance Contracts

***Effective date yet to be determined by the Malaysian Accounting Standards Board***

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The above accounting standards, amendments to accounting standards and IC interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

**(b) Functional and presentation currency**

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

**(c) Basis of measurement**

The financial statements have been prepared under the historical cost convention except as disclosed in accounting policies.

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Director's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 Plant and Equipment and Depreciation****(i) Recognition and measurement**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised in net in the profit or loss.

**(ii) Depreciation**

Plant and equipment are depreciated on the straight line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives as follows:

Furniture, fittings and equipment	5 years
Kitchen and bar equipment	5 years
Motor vehicle	5 years

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period, and adjusted as appropriate. At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. (Refer to accounting policy Note 3.2 on impairment of non-financial assets). Where an indication of impairment exists, the carrying amount of the item of plant and equipment is assessed and written down immediately to its recoverable amount.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

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

**3.2 Impairment of Non-Financial Assets**

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

**3.3 Inventories**

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Allowance for obsolete inventories is made when an item has been identified as obsolete or excess inventory. The identification of an item as obsolete is done on an item by item basis after proper analysis has been conducted. Allowance is also made when inventories are generally considered in excess when the quantity on hand exceeds the normal operation needs.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

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

**3.4 Trade Receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

**3.5 Financial Instruments**

**(i) Recognition and initial measurement**

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

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 contracts 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.

**(ii) Categories and subsequent measurement**

*Financial assets*

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 effected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

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**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
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FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.5 Financial Instruments (Cont'd)****(ii) Categories and subsequent measurement (Cont'd)****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.

**Fair value through other comprehensive income****1. Debt investments**

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to 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.

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FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.5 Financial Instruments (Cont'd)****(ii) Categories and subsequent measurement (Cont'd)**Fair value through other comprehensive income (Cont'd)**2. Equity investments**

This category comprises investment in equity that is not held for trading, and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This include derivative financial assets (except for a derivative that is a designated and effective hedging instruments). 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 categorized as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment.

*Financial liabilities*Fair value through profit or loss

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

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**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**3.5 Financial Instruments (Cont'd)**

**(ii) Categories and subsequent measurement (Cont'd)**

*Financial liabilities (Cont'd)*

Fair value through profit or loss (Cont'd)

On initial recognition, the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (ii) a group of financial liabilities or assets and financial liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the Company's key management personnel; or
- (iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

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.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

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

**3.5 Financial Instruments (Cont'd)**

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date; and
- derecognition of an assets 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.

Settlement date accounting refers to:

- the recognition as an asset on the day it is received by the Company; and
- derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Company.

Any change in the fair value of the assets to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the required asset.

Generally, the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**3.5 Financial Instruments (Cont'd)**

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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 non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

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 realize the asset and liability simultaneously.

**3.6 Impairment of Financial Assets**

The Company recognise loss allowance for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12 months expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

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

**3.6 Impairment of Financial Assets (Cont'd)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company consider reasonable and supportable information 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.

Lifetime expected credit losses are the expected credit losses that results from all possible default events over the expected life of the asset, while 12 months expected credit losses are the portion of expected credit losses that results from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company are exposed to credit risk.

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investment measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are 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.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determined that the debtor does not have 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.

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FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.7 Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three month or less, and are used by the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

**3.8 Leases****Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantives substitution right, then the asset is not identified.
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.8 Leases (Cont'd)**

## Definition of a lease (Cont'd)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease component and will instead account for the lease and non-lease components as a single lease component.

## As a lessee

## (i) Recognition and initial measurement

The Company recognises a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset to or restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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

**3.8 Leases (Cont'd)**

**Definition of a lease (Cont'd)**

**(i) Recognition and initial measurement (Cont'd)**

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(ii) Subsequent measurement**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**3.9 Equity instruments**

**(i) Share capital**

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

Other shares that carry mandatory dividend payments and mandatory redemption are classified as financial liabilities or a compound instrument according to the economic substance of the instrument.

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

**3.9 Equity instruments (Cont'd)**

**(ii) Dividend distribution**

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

**3.10 Current and Deferred Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

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

**3.10 Current and deferred income tax (Cont'd)**

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**3.11 Revenue Recognition**

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**3.12 Employee Benefits**

**(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

**3.13 Provisions**

Provisions are recognised when the Company have a present obligation (legal or constructive) as a result of a past event, when it is probable that the Company will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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**4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

Accounting estimates and judgments are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

**(i) Depreciation of plant and equipment**

The costs of plant and equipment are depreciated on a straight-line basis over the useful lives of the property, plant and equipment. Management estimates the useful lives of the property, plant and equipment as stated in Note 3.1(ii). These are common life expectancies applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**(ii) Measurement of expected credit loss allowance for financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

**(iii) Income taxes**

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

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**4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS  
(Cont'd)**

(iv) Right-Of-Use assets

The Company assesses at lease commencement by applying significant judgement whether it is reasonably certain at exercise the option options. The Company considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Company first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

## AUDITED FINANCIAL STATEMENTS OF AP F&amp;B FOR THE FYE 31 DECEMBER 2019 (Cont'd)

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## 5. PLANT AND EQUIPMENT

	Furniture, fittings and equipment RM	Kitchen and bar equipment RM	Motor vehicles RM	Total RM
Gross carrying amount:				
At 1 January 2019	-	-	-	-
Additions	3,435,135	21,889	14,000	3,471,024
At 31 December 2019	3,435,135	21,889	14,000	3,471,024
Accumulated depreciation:				
At 1 January 2019	-	-	-	-
Charge for the year	147,449	1,304	467	149,220
At 31 December 2019	147,449	1,304	467	149,220
Carrying amounts:				
At 1 January 2019	-	-	-	-
At 31 December 2019	3,287,686	20,585	13,533	3,321,804

## AUDITED FINANCIAL STATEMENTS OF AP F&amp;B FOR THE FYE 31 DECEMBER 2019 (Cont'd)

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

**6. RIGHT-OF-USE ASSETS**

	<u>2019</u> RM	<u>2018</u> RM
<u>Buildings</u>		
At 1 January	-	-
Addition	631,986	-
Depreciation	(35,110)	-
At 31 December	<u>596,876</u>	<u>-</u>

The Company leases a number of premises and warehouses that run between 1 year to 3 years with an option to renew the lease after that date. Lease payments are increased every three years to reflect current market rentals.

Amounts recognised in the statement of profit or loss:

	<u>2019</u> RM	<u>2018</u> RM
Interest expense (included in finance costs)	10,958	-
Expense relating to short-term leases (included in administrative expenses)	<u>2,000</u>	<u>-</u>

**7. DEFERRED TAX ASSETS**

	<u>2019</u> RM	<u>2018</u> RM
At 1 January	-	-
Deferred tax expenses arising from and reversal of temporary differences	<u>150,000</u>	<u>-</u>
Transferred from profit or loss	150,000	-
At 31 December	<u>150,000</u>	<u>-</u>

The components of deferred tax liabilities and assets that are recognised during the financial year are as follows:

Deferred tax liabilities:

Capital allowances in excess of depreciation	(80,630)	-
--	----------	---

Deferred tax assets:

Tax losses	228,000	-
Lease liabilities	2,630	-
Total deferred tax assets	<u>150,000</u>	<u>-</u>

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****8. INVENTORIES**

	<u>2019</u> RM	<u>2018</u> RM
Consumables, beverages, alcoholic and cigarettes	<u>94,731</u>	<u>-</u>

**9. TRADE RECEIVABLES**

The normal credit term of trade receivables range from 1 to 15 days.

**10. DEPOSITS AND PREPAYMENTS**

	<u>2019</u> RM	<u>2018</u> RM
Utility deposits	127,130	-
Prepayments	1,676,500	-
Tax recoverable	4,125	-
	<u>1,807,755</u>	<u>-</u>

**11. CASH AND CASH EQUIVALENTS**

The Company's cash management policy is to use cash and bank balances and fixed deposits to manage cash flows to ensure sufficient liquidity to meet the Company's obligations. The components of cash and cash equivalents consist of:

	<u>2019</u> RM	<u>2018</u> RM
Cash and bank balances	380,951	-
Cash and cash equivalents as current assets	<u>380,951</u>	<u>-</u>

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****12. SHARE CAPITAL**

	<u>2019</u> No. of shares	<u>2019</u> RM	<u>2018</u> No. of shares	<u>2018</u> RM
Issued and fully paid-up ordinary shares:				
Balance at 1 January	2	2	2	2
Issue of shares for cash	<u>3,799,998</u>	<u>3,799,998</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>3,800,000</u>	<u>3,800,000</u>	<u>2</u>	<u>2</u>

During the financial year, the Company issued 3,799,998 new ordinary shares at RM1 per share for a total cash consideration of RM3,799,998 for working capital purposes.

**13. LEASE LIABILITIES**

	<u>2019</u> RM	<u>2018</u> RM
Current	218,220	-
Non-current	<u>396,274</u>	<u>-</u>
	<u>614,494</u>	<u>-</u>

**14. TRADE PAYABLES**

The credit period granted to the Company ranges from 30 to 60 days.

**15. AMOUNT OWING TO A SHAREHOLDER**

Advances from the shareholder were made in the ordinary course of business. They are repayable on demand, unsecured and interest-free.

## AUDITED FINANCIAL STATEMENTS OF AP F&amp;B FOR THE FYE 31 DECEMBER 2019 (Cont'd)

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

**16. AMOUNT OWING TO RELATED PARTIES**

Advances owing to related parties were made in the ordinary course of business. They are repayable on demand, unsecured and interest-free.

**17. REVENUE**

	<u>2019</u> RM	<u>2018</u> RM
Revenue from contracts with customers	<u>1,630,744</u>	<u>-</u>
Timing of revenue recognition: At a point in time	<u>1,630,744</u>	<u>-</u>

**18. FINANCE COSTS**

	<u>2019</u> RM	<u>2018</u> RM
Interest expense on lease liabilities	<u>10,958</u>	<u>-</u>

**19. LOSS BEFORE TAXATION**

	<u>2019</u> RM	<u>2018</u> RM
Loss from operations before tax has been arrived at after charging:		
Auditors' remuneration	6,000	3,000
Rental of equipment	2,000	-
Depreciation of plant and equipment	149,220	-
Depreciation of right-of use assets	<u>35,110</u>	<u>-</u>

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****20. EXPENSES FOR EMPLOYEE BENEFITS**

	<u>2019</u> RM	<u>2018</u> RM
Salaries and wages	630,139	-
E.P.F., E.I.S. and SOCSO	<u>22,415</u>	<u>-</u>
	<u>652,554</u>	<u>-</u>

**21. TAX EXPENSE**

	<u>2019</u> RM	<u>2018</u> RM
Current Malaysian taxation	-	-
Deferred taxation (Note 7)	<u>(150,000)</u>	<u>-</u>
	<u>(150,000)</u>	<u>-</u>

No provision is required for taxation as the Company incurred a loss during the year. Subject to the approval of the Inland Revenue Board, the Company has approximately RM950,000 unabsorbed tax losses and capital allowances available for utilisation against future taxable profits.

**22. SIGNIFICANT RELATED PARTY DISCLOSURES****Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, 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.

Related parties also include key management personnel 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 are the Directors of the Company.

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)****22. SIGNIFICANT RELATED PARTY DISCLOSURES (Cont'd)****(a) Significant related party transactions**

Significant transactions between the Company and its related parties during the current financial year, which are negotiated on a basis determined between them, are as follows:

	<u>2019</u> RM	<u>2018</u> RM
Purchase of food and beverages	627,228	-
Advertisement and promotion	18,000	-
Royalty	31,500	-
Staff recruitment fee	<u>107,174</u>	<u>-</u>

**23. FINANCIAL INSTRUMENTS**

The Company's activities are exposed to a variety of market risk (including foreign currency risk, interest risk and equity price risk), credit risk and liquidity risk. The Company's overall financial risk management policy focuses on unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

**Financial Risk Management Policies****(a) Market risk****(i) Foreign Currency Risk**

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

**(ii) Interest Rate Risk**

The Company does not have any interest-bearing borrowings and hence, is not exposed to interest rate risk.

**(iii) Equity Price Risk**

The Company does not have any quoted investments and hence, is not exposed to equity price risk.

**(b) Credit Risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables.

## AUDITED FINANCIAL STATEMENTS OF AP F&amp;B FOR THE FYE 31 DECEMBER 2019 (Cont'd)

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

**23. FINANCIAL INSTRUMENTS (Cont'd)**

## Financial Risk Management Policies (Cont'd)

## (b) Credit Risk (Cont'd)

The Company does not have any major concentration of credit risk related to any individual customer or counterparty due to the nature of their business. Trade receivables are mainly current.

The Company applied the 12 month expected credit losses on other receivables and deposits and the credit risk is considered low and therefore no impairment is recognised.

## (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables and loans from related parties.

The table below analyses the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying Amount RM	Contractual Undiscounted Cash flow RM	Within 1 Year RM
<b>2019</b>			
Non-derivatives Financial Liabilities			
Trade payables	348,139	348,139	348,139
Amount owing to a shareholder	204,000	204,000	204,000
Amount owing to related parties	1,965,684	1,965,684	1,965,684
Other payables and accrued liabilities	30,131	30,131	30,131
	<u>2,547,954</u>	<u>2,547,954</u>	<u>2,547,954</u>
<b>2018</b>			
Non-derivatives Financial Liabilities			
Amount owing to a shareholder	13,085	13,085	13,085
Amount owing to related parties	2,652	2,652	2,652
Other payables and accrued liabilities	4,500	4,500	4,500
	<u>20,237</u>	<u>20,237</u>	<u>20,237</u>

**AUDITED FINANCIAL STATEMENTS OF AP F&B FOR THE FYE 31 DECEMBER 2019 (Cont'd)**

Company No. 201601000614 (1171539-W)

**ASIA POLY FOOD AND BEVERAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

**23. FINANCIAL INSTRUMENTS (Cont'd)**

Financial Risk Management Policies (Cont'd)

(d) Fair Values

The carrying amounts of all financial assets and liabilities approximate their fair values due to the relative short-term nature of these financial instruments.

The fair value of long term finance lease liability carried on the statement of financial position are estimated using valuation technique under the hierarchy level 3 mentioned below whereby the expected future cash flows are discounted at the market interest rate for similar types of borrowing.

*Fair value hierarchy*

The Company used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

**24. CAPITAL MANAGEMENT**

The Company manages their capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders. The Company monitors and reviews their capital structure based on their business and operating requirements. There were no changes in the Company's approach to capital management during the year.

Total capital considered by the Company is the total equity as shown in the statement of financial position. The Company is not subject to any externally imposed capital requirements.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**



PCCO PLT (LLP0000500-LCA) (AF1050)  
CHARTERED ACCOUNTANTS

Date : 16 March 2020

The Board of Directors  
**DOLPHIN INTERNATIONAL BERHAD**  
No. 17 & 19, Jalan Puteri 5/20  
Bandar Puteri  
47100 Puchong  
Selangor Darul Ehsan

Dear Sirs

**DOLPHIN INTERNATIONAL BERHAD (“Dolphin” or the “Company”)  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF  
DOLPHIN AS AT 31 DECEMBER 2018 TO BE INCLUDED IN A CIRCULAR TO  
SHAREHOLDERS OF DOLPHIN IN RELATION TO THE FOLLOWING PROPOSALS:**

- (I) PROPOSED DISPOSAL**
- (II) PROPOSED CAPITAL REDUCTION**
- (III) PROPOSED RIGHTS ISSUE**
- (IV) PROPOSED CAPITALISATION**
- (V) PROPOSED ACQUISITION**
- (VI) PROPOSED DIVERSIFICATION**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Dolphin as at 31 December 2018 together with the accompanying notes as set out in Appendix A (which we have stamped for the purpose of identification). The Pro Forma Consolidated Statements of Financial Position of Dolphin have been prepared by the Board of Directors for illustration purposes in connection with the following proposals:

- (i) Proposed disposal of 80% equity interest held in Dolphin Biogas Sdn. Bhd. (“DBSB”), a subsidiary of Dolphin which also entails the disposal of Biogas Sulpom Sdn. Bhd., a wholly-owned subsidiary of DBSB (collectively, referred to as the “DBSB Group”) to Asia Poly Green Energy Sdn. Bhd. for a total cash consideration of RM 2,123,675.50 (“Proposed Disposal”);
- (ii) Proposed reduction of Dolphin’s issued share capital pursuant to Section 116 of the Companies Act 2016 in Malaysia (“Proposed Capital Reduction”);
- (iii) Proposed renounceable rights issue of up to 412,087,515 new Dolphin shares (“Rights Shares”) together with up to 247,252,509 free detachable Warrants-B at an issue price of RM0.06 per Rights Share on the basis of 5 Rights Shares for every 4 existing Dolphin

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A Member Firm of:



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
(Cont'd)

- shares held by the Entitled Shareholders on the Entitlement Date together with 3 free detachable Warrants-B for every 5 Rights Shares subscribed ("Proposed Rights Issue");
- (iv) Proposed capitalisation of an aggregate amount of approximately RM7.2 million owing by Dolphin and its subsidiaries ("Dolphin Group") to its identified creditors and a shareholder of Dolphin to be settled via issuance of 94,690,342 new Dolphin Shares at an issue price of RM0.076 each ("Proposed Capitalisation");
  - (v) Proposed acquisition of 6,000,000 ordinary shares in Asia Poly Food and Beverage Sdn. Bhd. ("AP F&B") Shares, representing the entire equity interest in AP F&B by Dolphin from Uncle Don's Holdings Sdn. Bhd. and Asia Poly Holdings Berhad for the purchase consideration of RM 22.0 million to be satisfied via the issuance of 131,578,947 new Dolphin Shares at an issue price of RM0.076 each and RM 12.0 million cash ("Proposed Acquisition"); and
  - (vi) Proposed diversification of the Dolphin Group's principal activities to include the undertaking and provision of food and beverage services and related activities ("Proposed Diversification").

(The above are collectively referred to as the "Proposals")

The Pro Forma Consolidated Statements of Financial Position of Dolphin have been compiled by the Board of Directors to illustrate the impact of the event or transaction, as set out in Note 1 to the Pro Forma Consolidated Statements of Financial Position, on the consolidated financial position of Dolphin as at 31 December 2018 as if the proposals had taken place as at 31 December 2018.

As part of this process, information about Dolphin's consolidated financial position has been extracted by the Board of Directors from the consolidated financial statements of Dolphin for the financial year ended 31 December 2018, on which an audit report has been published.

#### **THE BOARD OF DIRECTORS' RESPONSIBILITIES**

The Board of Directors of the Company is responsible for compiling the Pro Forma Consolidated Statements of Financial Position of Dolphin on the basis as described in Note 1 to the Pro Forma Consolidated Statements of Financial Position of Dolphin.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion as to whether Pro Forma Consolidated Statements of Financial Position of Dolphin have been compiled, in all material respects, by the Board of Directors, on the basis of the applicable criteria as described in Note 1 to the Pro Forma Consolidated Statements of Financial Position of Dolphin.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
*(Cont'd)*

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We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board and adopted by Malaysian Institute of Accountants. This standard required that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis of the applicable criteria as described in Note 1 to the Pro Forma Consolidated Statements of Financial Position.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position of Dolphin has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of Dolphin in the compilation of the Pro Forma Consolidated Statement of Financial Position of Dolphin provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related Pro Forma Adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position of Dolphin reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of Dolphin Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
*(Cont'd)*

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**OPINION**

In our opinion, the Pro Forma Consolidated Statements of Financial Position of Dolphin have been compiled, in all material respects, on the basis of the applicable criteria as described in Note 1 to the Pro Forma Consolidated Statements of Financial Position of Dolphin.

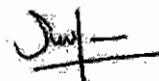
**OTHER MATTER**

This letter has been prepared solely for the purpose stated above, in connection with the Proposals. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

PCCO 017

**PCCO PLT (LLP0000506-LCA)**  
No. AF 1056  
Chartered Accountants

Kuala Lumpur



**CHUAH SUE YIN**  
No. 02540/04/2020 J  
Chartered Accountant

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON  
(Cont'd)

**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

**MINIMUM SCENARIO**

Note	Pro Forma I Audited as at 31 December 2018	Pro Forma II After Proposed Disposal	Pro Forma III After (I) and Proposed Capital Reduction	Pro Forma IV After (II) and Proposed Rights Issue	Pro Forma V After (III) and Proposed Capitalisation	Pro Forma VI After (IV) and Proposed Acquisition	Pro Forma VII After (V) and Proposed full exercise of Warrants-B
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	2	54,038	26,715	26,715	26,715	26,715	30,037
Investment property		85	85	85	85	85	85
Intangible assets	3	17,605	17,605	17,605	17,605	17,605	33,982
Right-of-use assets	4	-	-	-	-	597	597
Deferred tax assets	5	-	-	-	-	150	150
<b>Total non-current assets</b>		<b>72,068</b>	<b>44,805</b>	<b>44,805</b>	<b>44,805</b>	<b>64,961</b>	<b>64,961</b>
<b>Current assets</b>							
Inventories	6	1747	1747	1747	1747	1841	1841
Trade and other receivables	7	8,922	8,922	8,922	8,922	10,765	10,765
Contract assets		892	892	892	892	892	892
Current tax assets		402	402	402	402	402	402
Fixed deposits	8	5,597	4,873	4,873	4,873	4,873	4,873
Cash and bank balances	9	198	950	950	13,765	6,548	16,798
		<b>18,818</b>	<b>17,861</b>	<b>17,861</b>	<b>30,408</b>	<b>28,189</b>	<b>28,371</b>
Non-current assets classified as held for sale		6,037	6,037	6,037	6,037	6,037	6,037
<b>Total current assets</b>		<b>24,886</b>	<b>23,828</b>	<b>23,828</b>	<b>36,443</b>	<b>34,188</b>	<b>41,408</b>
<b>TOTAL ASSETS</b>		<b>96,954</b>	<b>68,633</b>	<b>68,633</b>	<b>81,248</b>	<b>99,149</b>	<b>106,369</b>
<b>EQUITY AND LIABILITIES</b>							
Share capital	10	81,580	81,580	81,580	23,798	30,982	40,982
Other reserve		(23,145)	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)
Revaluation reserve		1,801	1,801	1,801	1,801	1,801	1,801
Warrants reserve		-	-	-	7,689	7,689	-
Foreign currency translation reserve		648	648	648	648	648	648
(Accumulated losses)/ Retained earnings	11	(38,918)	(38,122)	24,778	24,778	24,778	24,778
		<b>23,846</b>	<b>22,742</b>	<b>22,742</b>	<b>36,867</b>	<b>42,783</b>	<b>63,808</b>
Non-controlling interests		(48)	(48)	(48)	(48)	(48)	(48)
<b>TOTAL EQUITY</b>		<b>23,800</b>	<b>22,694</b>	<b>22,694</b>	<b>36,809</b>	<b>42,708</b>	<b>62,857</b>
<b>Non-current liabilities</b>							
Lease liabilities	12	93	93	93	93	489	489
Loan and borrowings	13	29,245	10,879	10,879	10,879	10,879	10,879
Provision for retirement benefits		32	32	32	32	32	32
Deferred tax liabilities		582	582	582	582	582	582
Trade and other payables	14	4,103	107	107	107	107	107
Preference shares		5,611	5,611	5,611	5,611	5,611	5,611
<b>Total non-current liabilities</b>		<b>39,666</b>	<b>17,304</b>	<b>17,304</b>	<b>17,304</b>	<b>17,798</b>	<b>17,798</b>
<b>Current liabilities</b>							
Lease liabilities	12	95	95	95	95	313	313
Loan and borrowings	13	6,805	7,730	7,730	7,730	7,730	7,730
Current tax liabilities		-	-	-	-	-	-
Trade and other payables	14	23,629	19,452	19,452	19,452	18,801	18,801
Contract liabilities		858	858	858	858	858	858
<b>Total current liabilities</b>		<b>31,387</b>	<b>28,138</b>	<b>28,138</b>	<b>28,939</b>	<b>28,702</b>	<b>28,702</b>
<b>TOTAL LIABILITIES</b>		<b>71,053</b>	<b>45,442</b>	<b>45,442</b>	<b>46,243</b>	<b>46,500</b>	<b>46,500</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>94,853</b>	<b>66,136</b>	<b>66,136</b>	<b>80,948</b>	<b>98,647</b>	<b>106,369</b>



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
(Cont'd)

**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

**MAXIMUM SCENARIO**

Note	Audited as at 31 December 2018	Pro Forma I After full exercise of Warrants-A and Placement	Pro Forma II After (I) and Proposed Disposal	Pro Forma III After (II) and Proposed Capital Reduction	Pro Forma IV After (III) and Proposed Rights Issue	Pro Forma V After (IV) and Proposed Capitalisation	Pro Forma VI After (V) and Proposed Acquisition	Pro Forma VII After (VI) and Proposed full exercise of Warrants-B
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>ASSETS</b>								
<b>Non-current assets</b>								
Property, plant and equipment	2	54,033	54,033	26,756	26,756	26,756	30,037	30,037
Investment property		185	185	185	185	185	185	185
Intangible assets	3	7,900	7,900	7,605	7,605	7,605	33,682	33,682
Right-of-use assets	4	-	-	-	-	-	597	597
Deferred tax assets	5	-	-	-	-	-	150	150
<b>Total non-current assets</b>		<b>72,098</b>	<b>72,098</b>	<b>44,596</b>	<b>44,596</b>	<b>44,596</b>	<b>94,991</b>	<b>94,991</b>
<b>Current assets</b>								
Inventories	6	1,747	1,747	1,747	1,747	1,747	1,841	1,841
Trade and other receivables	7	8,992	8,992	8,927	8,927	8,927	10,785	10,785
Contract assets		892	892	892	892	892	892	892
Current tax assets		402	402	402	402	402	402	402
Fixed deposits	8	5,597	5,597	4,673	4,673	4,673	4,673	4,673
Cash and bank balances	9	1,188	48,385	48,57	48,57	70,882	83,883	83,444
		<b>18,818</b>	<b>68,028</b>	<b>64,798</b>	<b>64,798</b>	<b>87,523</b>	<b>82,238</b>	<b>102,017</b>
Non-current assets classified as held for sale		6,037	6,037	6,037	6,037	6,037	6,037	6,037
<b>Total current assets</b>		<b>24,888</b>	<b>72,062</b>	<b>70,836</b>	<b>70,836</b>	<b>93,860</b>	<b>88,273</b>	<b>108,054</b>
<b>TOTAL ASSETS</b>		<b>96,986</b>	<b>144,160</b>	<b>115,432</b>	<b>115,432</b>	<b>138,456</b>	<b>183,264</b>	<b>173,045</b>
<b>EQUITY AND LIABILITIES</b>								
Share capital	10	61,580	68,867	68,867	65,967	75,857	83,053	87,889
Other reserve		(23,145)	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)	(23,145)
Revaluation reserve		1,801	1,801	1,801	1,801	1,801	1,801	1,801
Warrants reserve		-	-	-	-	14,835	14,835	-
Foreign currency translation reserve		648	648	648	648	648	648	648
(Accumulated losses)/ Retained earnings	11	(38,916)	(37,016)	(38,222)	24,678	24,678	24,678	24,678
		<b>23,948</b>	<b>71,168</b>	<b>69,949</b>	<b>69,949</b>	<b>94,874</b>	<b>111,870</b>	<b>131,861</b>
Non-controlling interests		(48)	(48)	(48)	(48)	(48)	(48)	(48)
<b>TOTAL EQUITY</b>		<b>22,000</b>	<b>71,107</b>	<b>69,901</b>	<b>69,901</b>	<b>94,826</b>	<b>111,822</b>	<b>131,813</b>
<b>Non-current liabilities</b>								
Lease liabilities	12	93	93	93	93	93	489	489
Loan and borrowings	13	29,245	29,245	10,879	10,879	8,879	6,879	6,879
Provision for retirement benefits		32	32	32	32	32	32	32
Deferred tax liabilities		582	582	582	582	582	582	582
Trade and other payables	14	4,103	4,103	107	107	107	107	107
Preference shares		5,811	5,811	5,811	5,811	5,811	5,811	5,811
<b>Total non-current liabilities</b>		<b>39,866</b>	<b>39,868</b>	<b>17,394</b>	<b>17,394</b>	<b>15,304</b>	<b>10,799</b>	<b>18,799</b>
<b>Current liabilities</b>								
Lease liabilities	12	85	85	85	85	85	313	313
Loan and borrowings	13	8,805	8,805	7,730	7,730	7,730	7,730	7,730
Current tax liabilities		-	-	-	-	-	-	-
Trade and other payables	14	23,829	23,829	9,452	9,452	9,452	9,801	9,801
Contract liabilities		858	858	858	858	858	858	858
<b>Total current liabilities</b>		<b>33,567</b>	<b>22,567</b>	<b>28,138</b>	<b>28,138</b>	<b>28,138</b>	<b>28,792</b>	<b>28,792</b>
<b>TOTAL LIABILITIES</b>		<b>73,433</b>	<b>73,433</b>	<b>46,432</b>	<b>46,432</b>	<b>43,432</b>	<b>41,422</b>	<b>41,422</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>96,986</b>	<b>144,160</b>	<b>115,432</b>	<b>115,432</b>	<b>138,456</b>	<b>183,264</b>	<b>173,045</b>



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
(Cont'd)

**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

**1. Basis of Preparation**

The Pro Forma Consolidated Statements of Financial Position of Dolphin have been prepared based on the audited consolidated financial statements of Dolphin for the financial year ended ("FYE") 31 December 2018. The Pro Forma Consolidated Statements of Financial Position of Dolphin have been prepared solely for illustration purposes, to show the effects of the followings on the assumptions the proposals are completed on that day:-

- (i) Proposed disposal of 80% equity interest held in Dolphin Biogas Sdn Bhd ("DBSB"), a subsidiary of Dolphin which also entails the disposal of Biogas Sulpom Sdn Bhd a wholly-owned subsidiary of DBSB (Collectively, referred to as the "DBSB Group") to Asla Poly Green Energy Sdn Bhd for a total cash consideration of RM2,123,675.50 ("Proposed Disposal")
- (ii) Proposed reduction of Dolphin's Issued share capital pursuant to Section 116 of the Companies Act 2016;
- (iii) Proposed renounceable rights issue of up to 412,087,515 new Dolphin Shares ("Rights Shares") together with up to 247,252,509 free detachable Warrants-B at an issue price of RM0.06 per Rights Share on the basis of 5 Rights Shares for every 4 existing Dolphin Shares held by the Entitled Shareholders on the Entitlement Date together with 3 free detachable Warrants-B for every 5 Rights Shares subscribed ("Proposed Rights Issue"); and
- (iv) Proposed capitalisation of an aggregate amount of approximately RM7.2 million owing by Dolphin and its subsidiaries (collectively, referred to "Dolphin Group") to its identified creditors and a shareholder of Dolphin to be fully settled via issuance of 94,690,342 new Dolphin Shares at an issue price of RM0.076 each ("Proposed Capitalisation");
- (v) Proposed acquisition of 6,000,000 ordinary shares in Asla Poly Food and Beverage Sdn Bhd ("AP F&B"), representing the entire equity interest in AP F&B ("Proposed Acquisition") by Dolphin from Uncle Don's Holdings and Asla Poly for the purchase consideration of RM22.0 million to be satisfied via the issuance of 131,578,947 new Dolphin Shares at an issue price of RM0.076 each and RM12.0 million cash ("Purchase Consideration"); and
- (vi) Proposed diversification of the Dolphin Group's principal activities to include the undertaking and provision of food and beverage services and related activities ("Proposed Diversification").

(The above are collectively referred to as "Proposals")

The Pro Forma Consolidated Statements of Financial Position of Dolphin have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016. It has also been compiled in a manner consistent with the format of the audited consolidated financial statements for the FYE 31 December 2018 and accounting policies of Dolphin Group except as disclosed in Note 1.6(b).



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
(Cont'd)

**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

**1. Basis of Preparation (Cont'd)**

Except for the possible effects described in the Qualified Opinion on development costs and capital work-in-progress for a palm oil mill enhancement and optimisation project, our auditor then opined that the accompanying financial statements of the Dolphin Group give a true and fair view of the financial position of the Dolphin Group as at 31 December 2018, and of its financial performance and cash flows for the financial year then ended in accordance with MFRSs and IFRSs and the requirements of the Companies Act 2016 in Malaysia.

The development expenditures incurred amounting to RM17,604,551 were in relation to the development of an improved automated sterilisation system for palm oil extraction and yet to be commercialised. In FYE 31 December 2017, the Group has secured a palm oil mill enhancement and optimisation project. Due to the unfavourable market and financial condition, the project has yet to be completed to date. The Group is optimistic to secure the additional funding required and the project is expected to be completed after the year end and to generate revenue on a recurring basis upon its completion.

However, the auditors then were unable to obtain sufficient appropriate audit evidence on the recoverability of the carrying amount of the development costs and capital work-in-progress amounting to RM5,972,131. Therefore they could not determine the effect of any adjustments, if any, on the financial statements of the Dolphin Group.

The Pro Forma Consolidated Statements of Financial Position of Dolphin have been prepared solely for illustrative purposes, to show the effects of the transactions as disclosed in note 1.1 to note 1.7.

The Pro Forma Consolidated Statements of Financial Position of Dolphin, because of its nature, may not be reflective of the Dolphin's actual consolidated financial position. Furthermore, such information does not purport to predict the future consolidated financial position of Dolphin.

**1.1 Pro Forma I (Maximum Scenario)**

Pro Forma 1 incorporates the effects of assuming the full exercise of 55,500,002 outstanding Warrants-A at an exercise price of RM0.80 and full subscription of Placement of up to 29,970,000 new Dolphin shares ("Placement Shares") assuming an indicative issue price of RM0.097 per Placement Share with an estimated expenses of approximately RM0.1 million.

**1.2 Pro Forma I (Minimum Scenario) and Pro Forma II (Maximum Scenario)**

Incorporates the effects of Pro Forma I (Maximum Scenario) and the Proposed Disposal for a total cash consideration of RM2.12 million and total estimated expenses of RM1.7 million in relation to the Proposals.



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

**1.2 Pro Forma I (Minimum Scenario) and Pro Forma II (Maximum Scenario) (Cont'd)**

The Proposed Disposal resulted in a pro forma gain to Dolphin Group as illustrated below:

	RM'000
Cash consideration	2,124
Less: Original cost of investment in Dolphin Biogas Group	(4,268)
Add: Post-acquisition losses in Dolphin Biogas Group	2,638
<b>Estimated gain on disposal</b>	<b>494</b>

**1.3 Pro Forma II (Minimum Scenario) and Pro Forma III (Maximum Scenario)**

Incorporates the effects of Pro Forma I (Minimum Scenario) and Pro Forma II (Maximum Scenario) and the Proposed Capital Reduction.

The Proposed Capital Reduction entails reduction and cancellation of Dolphin's issued share capital by RM62.9 million to offset the credit arising therefrom against the accumulated losses of Dolphin.

**1.4 Pro Forma III (Minimum Scenario) and Pro Forma IV (Maximum Scenario)**

Incorporates the effects of Pro Forma II (Minimum Scenario) and Pro Forma III (Maximum Scenario) and the Proposed Rights Issue with free Warrants.

The proceeds from the Proposed Rights Issue are to be utilised as follows:-

Purpose	Note	Minimum Scenario RM'000	Maximum Scenario RM'000
Proposed Acquisition	(i)	9,800	9,800
Existing project to enhance and optimise client's palm oil mill		1,515	3,000
Operational expenditures and working capital requirements of secured contracts		-	3,000
Repayment of borrowings		-	2,000
Working capital		-	5,425
Estimated expenses in relations to the Proposals		1,500	1,500
<b>Total</b>		<b>12,815</b>	<b>24,725</b>

**Note:**

- (i) The allocated proceeds are to be utilised to partially fund the cash consideration in respect of the Proposed Acquisition Details of which are set out in Section 1.6 of this Pro Forma.



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
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**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

**1.5 Pro Forma IV (Minimum Scenario) and Pro Forma V (Maximum Scenario)**

Incorporates the effects of Pro Forma III (Minimum Scenario) and Pro Forma IV (Maximum Scenario) and the Proposed Capitalisation.

The Company has entered into eight (8) settlement Agreements with identified creditors and a shareholder of Dolphin to capitalise the total amount owing of RM7.20million via issuance of 94.69 million new Dolphin Shares at an issue price of RM0.076 per share.

**1.6 Pro Forma V (Minimum Scenario) and Pro Forma VI (Maximum Scenario)**

Incorporates the effects of Pro Forma IV (Minimum Scenario) and Pro Forma V (Maximum Scenario) and the Proposed Acquisition.

The following summarises the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:-

(a) Fair value of purchase consideration

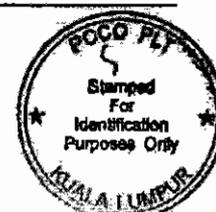
	RM'000
131,578,947 DIB shares Issued at the contractual issue price of RM0.076 per DIB Share	10,000
Cash consideration	9,800
Contingent consideration *	1,997
<b>Total purchase consideration</b>	<b>21,797</b>

\* - Cash consideration of RM2.2 million is payable to the vendor when AP F&B achieve an aggregate profit after taxation of RM2.2 million based on the 30-months period commencing 1 January 2020 to 30 June 2022 pursuant to the Proposed Acquisition. The fair value of the contingent consideration of RM1,996,830 was estimated by calculating the present value of the future expected cash flows based on a discount rate of 6.71% and assuming AP F&B meets the profit guarantee amounting to profit after tax of RM 2.2 million.

(b) Identifiable assets acquired and liabilities

	RM'000
Plant and equipment	3,322
Right-of-used assets *	597
Deferred tax assets	150
Inventories	94
Trade and other receivables	1,838
Cash and bank balances	2,581
Lease Liabilities *	(614)
Trade and other payables	(2,548)
<b>Fair value of identifiable net assets acquired</b>	<b>5,420</b>

\* The above is based on early adoption of MFRS 16 – Leases.



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
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**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2018**

**1.6 Pro Forma V (Minimum Scenario) and Pro Forma VI (Maximum Scenario) (Cont'd)**

(c) Goodwill arising from the acquisition

	RM'000
Total purchase consideration	21,797
Less: Fair value of Identified net assets	(5,420)
<b>Goodwill from the acquisition of AP F&amp;B (Refer to Note 3)</b>	<b>16,377</b>

**1.7 Pro Forma VI (Minimum Scenario) and Pro Forma VII (Maximum Scenario)**

Incorporates the effects of Pro Forma V (Minimum Scenario) and Pro Forma VI (Maximum Scenario) and assuming full exercise of the Warrants-B at exercise price of RM0.08.

**2. Property, plant and equipment**

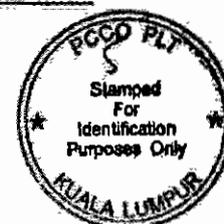
The movements in property, plant and equipment of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	54,013	54,013
Arising from the Proposed Disposal	(27,298)	(27,298)
As per Pro Forma I and II	26,715	26,715
Arising from the Proposed Acquisition	3,322	3,322
As per Pro Forma V and VI	30,037	30,037

**3. Intangible assets**

The movements in intangible assets of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	17,900	17,900
Arising from the Proposed Disposal	(295)	(295)
As per Pro Forma I and II	17,605	17,605
Arising from the Proposed Acquisition (Refer to Note 1.6(c))	16,377	16,377
As per Pro Forma V and VI	33,982	33,982



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
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**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
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**4. Right-of-use assets**

The movements in right-of-use assets of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	-	-
Arising from the Proposed Acquisition	597	597
As per Pro Forma V and VI	<u>597</u>	<u>597</u>

**5. Deferred tax assets**

The movements in deferred tax assets of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	-	-
Arising from the Proposed Acquisition	150	150
As per Pro Forma V and VI	<u>150</u>	<u>150</u>

**6. Inventories**

The movements in inventories of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	1,747	1,747
Arising from the Proposed Acquisition	94	94
As per Pro Forma V and VI	<u>1,841</u>	<u>1,841</u>



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
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**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
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**7. Trade and other receivables**

The movements in trade and other receivables of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	8,992	8,992
Arising from the Proposed Disposal	(65)	(65)
As per Pro Forma I and II	<u>8,927</u>	<u>8,927</u>
Arising from the Proposed Acquisition	1,838	1,838
As per Pro Forma V and VI	<u>10,765</u>	<u>10,765</u>

**8. Fixed deposits**

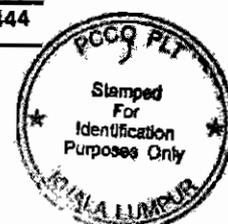
The movements in fixed deposits of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	5,597	5,597
Arising from the Proposed Disposal	(924)	(924)
As per Pro Forma I and II	<u>4,673</u>	<u>4,673</u>

**9. Cash and bank balances**

The movements in cash and bank balances of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	1,188	1,188
Warrant A and Placement	-	47,207
As per Pro Forma I	<u>1,188</u>	<u>48,395</u>
Arising from the Proposed Disposal	(238)	(238)
As per Pro Forma I and II	950	48,157
Arising from the Proposed Rights Issue	12,815	22,725
As per Pro Forma III and IV	<u>13,765</u>	<u>70,882</u>
Arising from the Proposed Acquisition	(7,219)	(7,219)
As per Pro Forma V and VI	6,546	63,663
Arising from the Proposed Warrant B	10,252	19,781
As per Pro Forma VI and VII	<u>16,798</u>	<u>83,444</u>



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
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**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
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**10. Share capital**

The movements in share capital of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	81,560	81,560
Warrant A and Placement	-	47,307
As per Pro Forma I	81,560	128,867
Arising from the Proposed Capital Reduction	(62,900)	(62,900)
As per Pro Forma II and III	18,660	65,967
Arising from the Proposed Rights Issue	5,126	9,890
As per Pro Forma III and IV	23,786	75,857
Arising from the Proposed Capitalisation	7,196	7,196
As per Pro Forma IV and V	30,982	83,053
Arising from the Proposed Acquisition	10,000	10,000
As per Pro Forma V and VI	40,982	93,053
Arising from the Proposed Warrant B	17,941	34,616
As per Pro Forma VI and VII	58,923	127,669

**11. (Accumulated losses) / Retained earnings**

The movements in (accumulated losses) / retained earnings of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2018	(36,916)	(36,916)
Warrant A and Placement	-	(100)
As per Pro Forma I	(36,916)	(37,016)
Arising from the Proposed Disposal	(1,206)	(1,206)
As per Pro Forma I and II	(38,122)	(38,222)
Arising from the Proposed Capital Reduction	62,900	62,900
As per Pro Forma II and III	24,778	24,678



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
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**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

**12. Lease Liabilities**

The movements in lease liabilities of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance as at 31 December 2018		
- Non-current	93	93
- Current	95	95
	<u>188</u>	<u>188</u>
Arising from the Proposed Acquisition	614	614
As per Pro Forma V and VI	<u>802</u>	<u>802</u>
- Non-current	489	489
- Current	313	313
	<u>802</u>	<u>802</u>

**13. Loan and borrowings**

The movements in loan and borrowings of Dolphin as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance as at 31 December 2018		
- Non-current	29,245	29,245
- Current	8,805	8,805
	<u>38,050</u>	<u>38,050</u>
Arising from the Proposed Disposal	(19,441)	(19,441)
As per Pro Forma I and II	18,609	18,609
Arising from the Proposed Rights Issue	-	(2,000)
As per Pro Forma III and IV	<u>18,609</u>	<u>16,609</u>
- Non-current	10,879	8,879
- Current	7,730	7,730
	<u>18,609</u>	<u>16,609</u>



**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF DOLPHIN AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**  
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**DOLPHIN INTERNATIONAL BERHAD ("Dolphin")**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

**14. Trade and other payables**

The movements in trade and other payables of Dolphin as follows:-

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
At 31 December 2018		
- Non-current	4,103	4,103
- Current	23,629	23,629
	<u>27,732</u>	<u>27,732</u>
Arising from the Proposed Disposal	(8,173)	(8,173)
	<u>19,559</u>	<u>19,559</u>
As per Pro Forma I and II	(7,196)	(7,196)
Arising from the Proposed Capitalisation	<u>12,363</u>	<u>12,363</u>
As per Pro Forma IV and V	4,545	4,545
Arising from the Proposed Acquisition	<u>16,908</u>	<u>16,908</u>
As per Pro Forma V and VI	<u>107</u>	<u>107</u>
- Non-current	16,801	16,801
- Current	<u>16,908</u>	<u>16,908</u>

**APPROVED BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of Dolphin in accordance with a resolution dated 16 March 2020.

On behalf of the Board of Directors,



**Low Teck Yin**  
Director



## DIRECTORS' REPORT ON AP F&amp;B



NO 24A, JALAN TUN MOHD FUAD 1, TAMAN TUN DR ISMAIL, 50000 KL TEL: +603 7733 4755

Date: 8 May 2020

The Board of Directors  
**Dolphin International Berhad**  
 308 Block A (3<sup>rd</sup> Floor)  
 Kelana Business Centre  
 97 Jalan SS 7/2, Kelana Jaya  
 47301 Petaling Jaya  
 Selangor Darul Ehsan

Dear Sirs,

On behalf of the Board of Directors of Asia Poly Food and Beverage Sdn Bhd ("AP F&B") ("AP F&B Board"), I wish to report that after making due enquiries in relation to the period from 31 December 2019, being the date to which the last audited financial statements of AP F&B has been made, up to the date hereof, being a date not earlier than fourteen (14) days before the issuance of this Circular:

- (i) business of AP F&B has, in the opinion of the AP F&B Board, been satisfactorily maintained;
- (ii) in the opinion of the AP F&B Board, no circumstances have arisen since the last audited financial statements of AP F&B which have adversely affected the trading or the value of the assets of AP F&B;
- (iii) the current assets of AP F&B appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by AP F&B;
- (v) there have been, since the last audited financial statements of AP F&B, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of AP F&B which the AP F&B Board is aware of; and
- (vi) there have been no material changes in the published reserves or any unusual factors affecting the profits of AP F&B since the last audited financial statements AP F&B.

Yours faithfully,

For and on behalf of the Board of

**ASIA POLY FOOD AND BEVERAGE SDN BHD**

IAN ONG MING HOCK  
 DIRECTOR

**HISTORICAL FINANCIAL INFORMATION OF OUR GROUP**

Our Group's historical financial performance for the FYE 31 December 2016 to FYE 31 December 2019 are summarised below:

	Audited			Unaudited
	FYE 31 Dec 2016	FYE 31 Dec 2017	FYE 31 Dec 2018	FYE 31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	44,136	10,641	13,353	8,387
Gross profit/(loss)	7,543	(2,215)	5,163	4,001
LBT	(4,519)	(57,941)	(4,390)	(177)
LAT	(4,622)	(57,291)	(4,247)	(225)
GP margin (%)	17.1	(20.8)	38.7	47.7
LBT margin (%)	(10.2)	(544.5)	(32.9)	(2.1)
LAT margin (%)	(10.5)	(538.4)	(31.8)	(2.7)

**(i) Financial Commentary for the FYE 31 December 2016**

Our Group's revenue decreased by RM25.3 million or 36.5% as compared to the previous financial year mainly due to lower sales as a result of decrease in the order book of our Group as a consequence of the spill over effect from the El-Nino weather phenomenon which took place in 2016, adversely affecting the palm oil milling market and as a result, capital expenditures for new or increased capacities and refurbishments were not forthcoming. Consequentially, many palm oil millers opted to defer spending on increasing their palm oil mill capacities or refurbishing their palm oil mills.

Our Group's gross profit decreased by RM11.2 million or 60.0% due to the lower revenue. During the financial year, our Group's gross profit margin decreased from 26.9% in the FYE 31 December 2015 to 17.1% in the current financial year as a result of higher cost of sales arising from increase in material costs and more intense competition.

Our Group recorded a LBT of RM4.5 million as compared to a profit before tax of RM5.1 million in the previous financial year mainly due to lower gross profit during the financial year as well as absence of a gain on bargain purchase arising from business combinations of RM2.5 million.

**(ii) Financial Commentary for the FYE 31 December 2017**

Our Group's revenue decreased by RM33.5 million or 75.9% as compared to the previous financial year mainly due to the spill over effect from the El-Nino weather phenomenon as it continued its course into 2017. Consequentially, many palm oil millers continued to further defer spending on increasing their palm oil mill's capacities or refurbishing their palm oil mills. As a result, we were unable to replenish our order book in the FYE 31 December 2017, resulting in lower revenue during the financial year.

Our Group recorded a gross loss of RM2.2 million in the FYE 31 December 2017 due to the additional variation orders of projects secured in prior financial year which led to higher costs incurred in delivering the projects.

Our Group recorded a higher LBT by RM53.3 million mainly due to the lower revenue and gross losses incurred during the financial year, as well as the provision for foreseeable losses on amount due from customers for contract works of RM35.6 million, provision for liquidated and ascertained damages of RM3.3 million and impairment losses on trade receivables of RM1.6 million.

**HISTORICAL FINANCIAL INFORMATION OF OUR GROUP (Cont'd)**

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**(iii) Financial Commentary for the FYE 31 December 2018**

Our Group's revenue increased by RM2.71 million or 25.5% as compared to the previous financial year mainly due to a new contract secured in the FYE 31 December 2018 for the supply of construction materials for the upgrading of facilities at the train cargo terminal at Padang Besar.

Our Group recorded a gross profit of RM5.2 million as compared to a gross loss of RM2.2 million mainly due to higher revenue achieved during the financial year as well as the absence of variation orders costs incurred in the prior financial year.

Our Group recorded a lower LBT of RM4.3 million mainly due to the gross profit achieved during the financial year as well as the absence of one-off expenses incurred in the prior financial year such as provision for foreseeable losses on amount due from customers for contract works and provision for liquidated and ascertained damages amounting to RM35.6 million and RM3.3 million respectively.

**(iv) Financial Commentary for the FYE 31 December 2019**

Our Group's revenue decreased by RM5.0 million or 37.2% as compared to the previous financial year as our Group was focusing on smaller projects and trading of machinery parts as a result of our Group's limited financial resources.

Our Group recorded a lower gross profit of RM4.0 million mainly due to the lower revenue achieved during the financial year. However, our Group's gross profit margin has improved as compared to the previous financial year as our Group was focusing on smaller projects and trading of machinery parts which have comparatively better margins.

Our Group recorded a lower LBT of RM0.2 million mainly due to the recognition of gains on disposals of properties amounting to RM3.1 million as well as lower administrative expenses by RM2.9 million due to lower staff costs and reversal of overprovisions of administrative expenses made in the prior financial year.

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## ADMINISTRATIVE GUIDE FOR THE EGM

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Our Company's forthcoming EGM will be conducted on a fully virtual basis through live streaming and online remote voting. As no shareholders should be physically present at the Broadcast Venue, all shareholders shall attend the EGM remotely using the Remote Participation and Voting ("RPV") facilities as set out below.

### Entitlement to Participate and Vote

Only members whose names appear in the Record of Depositors on 29 May 2020 ("**General Meeting Record of Depositors**") shall be eligible to participate in the EGM or appoint proxy(ies) to participate and/or vote on his/her behalf.

Please take note that you **must** complete the Form of Proxy for the EGM should you wish to appoint a proxy(ies). You may download the Form of Proxy for the EGM from our Company's website at <https://dolphinbhd.com> and Bursa Securities' website at <https://www.bursamalaysia.com>.

Please ensure that the original Form of Proxy is deposited at our Company's share registrar, Boardroom Share Registrars Sdn Bhd, at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Alternatively, you may deposit your Form of Proxy by electronic means through our Company's share registrar's website, Boardroom Smart Investor Online Portal. Kindly follow the link at <https://www.boardroomlimited.my> to login and deposit your Form of Proxy electronically (for individual shareholders only) before the Form of Proxy lodgement cut-off time as mentioned above.

### Revocation of Proxy

If you decide to change your proxy or wish to participate in the EGM by yourself after you have deposited the Form of Proxy, please write in to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) to revoke the earlier appointed proxy 48 hours before the EGM.

### Voting Procedures

1. The voting will be conducted by poll in accordance with Paragraph 8.29A of the Listing Requirements. Our Company will appoint Poll Administrator to conduct the poll by way of electronic voting ("**e-Voting**") and Scrutineers to verify the poll results.
2. During the EGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of the poll.
3. For the purposes of this EGM, e-voting will be carried out *via* the following voting devices:
  - (a) Personal smart mobile phones;
  - (b) Tablets; or
  - (c) Laptops.
4. There are 3 methods for members and proxies who wish to use their personal voting device to vote. The methods are:
  - (a) Download the free **Lumi AGM** from Apple App Store or Google Play Store prior to the meeting;
  - (b) Using QR Scanner Code given in the email to you; or
  - (c) Go to the following website, <https://web.lumiagm.com>

**ADMINISTRATIVE GUIDE FOR THE EGM (Cont'd)**

5. The polling will only commence after the announcement of poll being opened by the Chairman and until such time when the Chairman announces the closure of poll.
6. The Scrutineers will verify the poll result reports upon closing of the poll session by the Chairman. The Scrutineers will announce the results thereafter, and the Chairman will declare whether the resolutions put to vote were successfully carried or not.
7. In accordance with our Company's Constitution, members are entitled to vote at the EGM either personally or by proxy, based on the General Meeting Record of Depositors. Any eligible voting member unable to participate electronically is entitled to appoint a proxy to participate in the EGM instead.

**Remote Participation and Electronic Voting**

1. Please note that the remote participation and electronic voting is available to:
  - (a) Individual members;
  - (b) Corporate shareholder;
  - (c) Authorised Nominee; and
  - (d) Exempt Authorised Nominee.
2. You will be able to view a live webcast of the EGM proceeding, pose question to the Board and submit your votes in real time whilst the meeting is in progress.
3. Kindly follow the steps below on how to request for login ID and password.

**Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only)**

*[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 - Submit request for Remote Participation user ID and password.]*

- a. Access website **<https://boardroomlimited.my>**
- b. Click <<Login>> and click <<Register>> to sign up as a user.
- c. Complete registration and upload softcopy of MyKAD (front and back) or Passport.
- d. Please enter a valid email address and wait for Boardroom's email verification.
- e. Your registration will be verified and approved within one business day and an email notification will be provided.

**Step 2 – Submit Request for Remote Participation User ID and Password**

*[Note: The registration for remote access will be opened on **14 May 2020**.]*

**Individual Members**

- Login to **<https://boardroomlimited.my>** using your user ID and password above.
- Go to “**E-Proxy Lodgement**” and browse the Meeting List for “**Dolphin International Berhad's EGM**” and click <<Apply>>.
- Enter your CDS Account Number.
- Read and agree to the terms & condition and thereafter submit your request.

**ADMINISTRATIVE GUIDE FOR THE EGM (Cont'd)****Corporate Shareholders**

- Write in to **bsr.helpdesk@boardroomlimited.com** by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.
- Please provide a copy of Corporate Representative's MyKad (front and back) or Passport as well as his/her email address.

**Authorised Nominee and Exempt Authorised Nominee**

- Write in to **bsr.helpdesk@boardroomlimited.com** by providing the name of Member, CDS Account Number accompanied with the Form of Proxy to submit the request.
  - The Authorised Nominee and Exempt Authorised Nominee must also provide a copy of the proxy holder's MyKad (front and back) or Passport as well as his/her email address.
- a. You will receive a notification from Boardroom that your request has been received and is being verified.
  - b. Upon system verification against the General Meeting Record of Depositors, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
  - c. You will also receive your remote access user ID and password along with the email from Boardroom if your registration is approved.
  - d. Please note that the closing time to submit your request is at **10:00 am on 3 June 2020** (48 hours before the commencement of EGM).

**Step 3 – Login to Virtual Meeting Portal**

*[Please note that the quality of the connectivity to Virtual Meeting Portal for live web cast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]*

- a. The Virtual Meeting portal will be open for login starting from 9:00 am on 5 June 2020.
- b. Follow the steps given to you in the email along with your remote access user ID and password to login to the Virtual Meeting portal. (Refer to Step 2(c) above)
- c. The steps will also guide you how to view live web cast, ask questions and vote.
- d. The live webcast will end and the messaging window will be disabled the moment the Chairman announces the closure of the EGM.
- e. You can now logout from Virtual Meeting Portal.

4. Shareholders who are unable to participate in the EGM are encouraged to appoint proxy or the Chairman of the EGM to vote on their behalf. You may use Boardroom Smart Investor Portal proxy appointment service to submit your proxy appointment.

**Participation through Live Webcast, Question and Voting at the Virtual EGM**

With the RPV facilities, you may exercise your right as a shareholder of our Company to participate (including to pose questions to the Chairman and the Directors of our Company) and vote at the EGM, from the comfort of your home.

The Chairman and the Directors will endeavour their best to respond to the questions submitted by shareholders which are related to the resolutions to be tabled at the EGM.

Shareholders may proceed to cast votes on each of the proposed resolutions, to be tabled at the EGM respectively after the Chairman has opened the poll on the resolutions. Shareholders are reminded to cast their votes before the poll is closed.

**ADMINISTRATIVE GUIDE FOR THE EGM (Cont'd)**

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**EGM Enquiry**

If you have any enquiries prior to the EGM, please contact the following persons during office hours (from 9.00 a.m. to 5.30 p.m. (Monday to Friday):

**Boardroom Share Registrars Sdn. Bhd.**

General Line: +603-7890 4700

Fax Number: +603-7890 4670

Email: [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

**Personal Data Privacy**

By registering for the remote participation and voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of our Company has consented to the use of such data for purposes of processing and administration by our Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify our Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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**FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by our Board and they, collectively and individually, accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein misleading.

All information in relation to AP F&B, Uncle Don's Holdings and Asia Poly are obtained from the information and documents provided by their respective representatives. The sole responsibility of our Board is limited to ensuring that such information and statements have been accurately reproduced in this Circular.

**2. CONSENT AND CONFLICT OF INTEREST****(i) Principal Adviser**

Mercury Securities, being the Principal Adviser for the Proposed Disposal, Proposed Capital Reduction and the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities is also not aware of any conflict of interests which exists or is likely to exist in its capacity as the Principal Adviser to our Company for the Proposed Disposal, Proposed Capital Reduction and the Proposals.

**(ii) Independent Adviser**

SCA, being the Independent Adviser for the Proposed Disposal and Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IALs in respect of the Proposed Disposal and Proposed Acquisition and all references thereto in the form and context in which they appear in this Circular.

SCA is also not aware of any conflict of interests which exists or is likely to exist in its capacity as the Independent Adviser to our Company for the Proposed Disposal and Proposed Acquisition.

**(iii) Reporting Accountants**

PCCO PLT, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Pro Forma Consolidated Statement of Financial Position of our Company as at 31 December 2018 together with the Reporting Accountants' letter thereon and all references thereto in the form and context in which they appear in this Circular.

PCCO PLT is also not aware of any conflict of interests which exists or are likely to exist in its capacity as the Reporting Accountants for the Proposals.

**(iv) Independent Valuer**

Asia Equity Research, being the Independent Valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Business Valuation Report and all references thereto in the form and context in which they appear in this Circular.

Asia Equity Research is also not aware of any conflict of interests which exists or are likely to exist in its capacity as the Independent Valuer to our Company for the Proposed Acquisition.

## FURTHER INFORMATION (Cont'd)

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### (v) Independent Market Researcher

PROVIDENCE, being the Independent Market Researcher for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the extracts of its IMR Report and all references thereto in the form and context in which they appear in this Circular.

PROVIDENCE is also not aware of any conflict of interests which exists or are likely to exist in its capacity as the Independent Market Researcher for the Proposed Acquisition.

## 3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims and/or arbitration either as plaintiff or defendant which may have a material effect on the financial position or business of our Group, and our Board is not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

### (i) Claims by Tori Construction against Dolphin Engineering (M) Sdn Bhd (“DESB”)

Tori Construction initiated an adjudication proceeding in the Kuching High Court under the Construction Industry Payment and Adjudication Act 2012 (“CIPAA”) by way of a notice of adjudication dated 10 September 2019 against DESB, a wholly-owned subsidiary of Dolphin, for monies due and owing and for release of retention sums to Tori Construction amounting to RM3,118,329.85 with costs and interests (“CIPAA Claim”).

An adjudication decision was delivered on 13 January 2020 in favour of Tori Construction (“Adjudication Decision”).

On 24 January 2020, an originating summons (“OS 1”) was filed by DESB to set aside the Adjudication Decision. As at the LPD, the parties have exhausted the exchange of affidavits for the OS 1 but no hearing date has been fixed for the hearing of OS1. On 21 February 2020, an application was served to stay the execution or enforcement of the Adjudication Decision pending the full disposal of all cause or matter as between DESB and Tori Construction. As at the LPD, the parties are still in the midst of exhausting the filing of affidavits and no hearing date has been fixed for the hearing of the stay application.

Tori Construction had on 5 February 2020 filed an originating summons (“OS 2”) for the registration and enforcement of the Adjudication Decision. As at the LPD, the parties are still in the midst of exhausting the filing of affidavits and no hearing date has been fixed for the hearing of OS 2.

On 6 March 2020, a writ action was filed by DESB against Tori Construction for claim of damages for breach of contract amounting to RM3,265,437.45 with costs and interests.

Tori Construction had on 27 March 2020 filed its Memorandum of Appearance in the Kuching High Court.

Tori Construction failed to file its Statement of Defence within the permitted timeframe and it had indicated to the High Court of Kuching through the e-Review on 13 April 2020 that it reserves its right to seek an extension of time for filing of the Statement of Defence in light of the movement control order (“MCO”). The Kuching High Court stated its view that such request and reason for the extension of time is reasonable in light of the MCO but the procedures of the Rules of Court shall be complied if the parties could not reach an agreement on the extension. DESB has informed the Kuching High Court that it reserves all its rights towards obtaining a Judgement in Default of Defence. The next case management has been scheduled on 12 May 2020 for further directions from the Kuching High Court.

**FURTHER INFORMATION (Cont'd)**

As the sum of RM3,118,329.85 claimed by Tori Construction has already been provided for in the financial statements of our Group, the contingent liability is approximately RM0.3 million comprising cost that would be incurred if DESB is unable to set aside the Adjudication Decision (i.e. cost of adjudication, fees claimed by the plaintiff and interest on late payment of 5%).

**(ii) Claim by PT Dolphin Indonesia (“PTDI”) against PT Himalaya Transmeka (“PTHT”)**

On 1 February 2018, a writ of summons was filed by PTDI, our Company’s wholly-owned subsidiary, at the District Court of Indonesia against PTHT, claiming up to Rp. 14,499,597,854 together with interest (“**PTDI Claims**”) under the Mechanical & Electrical Supply Contract dated 3 January 2013 (“**Agreement**”). The PTDI Claims is calculated based on 6% on the total expenses incurred to complete the unfinished and rectification work as well as additional expenses incurred due to the delay in completion of Mechanical and Electrical work awarded to PTHT on 23 August 2017.

On 10 October 2018, the District Court of Indonesia awarded the decision in favour of PTDI and adjudicated the following:

- (a) PTDI has no obligation to pay the sum of Rp.10,490,000 to PTHT and PTHT has no right over the 5% retention sum due to non-completion of the works;
- (b) PTDI has paid PTHT Rp.10,317,917,463 and such amount paid by PTDI exceeds the value of work done by PTHT. Accordingly, PTHT has been ordered to refund PTDI the excess payment of Rp.352,417,462 in lumpsum and in cash and in addition, PTHT shall pay for the costs of Rp.1,183,000.

As at the LPD, PTHT filed an appeal to the Supreme Court of Indonesia and the appeal is currently being examined by the Supreme Court of Indonesia.

**4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****(i) Material Commitments**

Save as disclosed below, as at the LPD, our Board is not aware of any material capital commitments incurred or known to be incurred by our Group, which upon becoming due or enforceable, may have a material impact on the financial position or business of our Group:

	<b>RM’000</b>
Capital expenditure contracted for	<u>2,800</u>

**(ii) Contingent Liabilities**

As at the LPD, save as disclosed in Section 3(i) of this Appendix, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group, which upon becoming due or enforceable, may have a material impact of the financial position or business of our Group.

**FURTHER INFORMATION** (Cont'd)

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**5. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at our registered office at 308, Block A (3<sup>rd</sup> Floor), Kelana Business Centre, 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays and the affected period under the Movement Control Order imposed by the Government) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) Constitution of our Company, Dolphin Biogas and AP F&B;
- (ii) Disposal SSA as referred to in Appendix II of this Circular;
- (iii) audited consolidated financial statements of our Company for the FYE 31 December 2017 and FYE 31 December 2018, and the unaudited consolidated financial statements of our Company for the FYE 31 December 2019;
- (iv) audited financial statements of Dolphin Biogas and Biogas Sulpom for the FYE 31 December 2017 and FYE 31 December 2018;
- (v) Deed Poll B;
- (vi) Settlement Agreements as referred to in Appendix VII of this Circular;
- (vii) Acquisition SSA as referred to in Appendix IX of this Circular;
- (viii) Licensing Agreements as referred to in Appendix X of this Circular;
- (ix) Business Valuation Report as referred to in Appendix XI of this Circular
- (x) audited financial statements of AP F&B for the FYE 31 December 2018 and FYE 31 December 2019 as referred to in Appendix XII of this Circular;
- (xi) Pro Forma Consolidated Statements of Financial Position of our Company as at 31 December 2018 together with the Reporting Accountants' letter thereon as referred to in Appendix XIII of this Circular;
- (xii) Directors' Report on AP F&B as referred to in Appendix XIV of this Circular;
- (xiii) IMR Report;
- (xiv) letters of consent as referred to in Section 2 of this Appendix; and
- (xv) relevant cause papers in respect of the material litigations of our Group referred to in Section 3 of this Appendix.



**DOLPHIN INTERNATIONAL BERHAD**  
(Registration No. 201201016010 (1001521-X))  
(Incorporated in Malaysia)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting (“**EGM**”) of Dolphin International Berhad (“**Dolphin**” or “**Company**”) will be conducted fully virtual at the Broadcast Venue to be held at Symphony Square Auditorium, 3A Floor, No. 5, Menara Symphony, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 5 June 2020 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing the following resolutions, with or without modification:

### **ORDINARY RESOLUTION 1**

**PROPOSED DISPOSAL BY DOLPHIN OF ITS 80% EQUITY INTEREST IN DOLPHIN BIOGAS SDN BHD (“DOLPHIN BIOGAS”) TO ASIA POLY GREEN ENERGY SDN BHD (“AP GREEN ENERGY”) FOR A CASH CONSIDERATION OF RM2,123,675.50 (“PROPOSED DISPOSAL”)**

“**THAT**, subject to the approvals being obtained from all relevant authorities and/or parties, the Board of Directors of the Company (“**Board**”) be and is hereby authorised to dispose of Dolphin’s 80% equity interest in Dolphin Biogas for a cash consideration of RM2,123,675.50 in accordance with the terms and conditions of the conditional sale of shares agreement dated 31 January 2020 entered into between Dolphin and AP Green Energy;

**AND THAT** the Board be and is hereby authorised and empowered to do or procure to be done all such acts, deeds and things and to execute, sign and deliver, on behalf of the Company, all such documents to give effect to and complete the Proposed Disposal with full power to assent to any conditions, variations, modifications and/or amendments as may be required or imposed by the relevant authorities and/or parties and as the Board may deem necessary and expedient to finalise, implement and give full effect to the Proposed Disposal.”

### **ORDINARY RESOLUTION 2**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 412,087,515 NEW ORDINARY SHARES IN DOLPHIN (“DOLPHIN SHARES”) (“RIGHTS SHARES”) TOGETHER WITH UP TO 247,252,509 FREE DETACHABLE WARRANTS (“WARRANTS-B”) AT AN ISSUE PRICE OF RM0.06 PER RIGHTS SHARE ON THE BASIS OF 5 RIGHTS SHARES FOR EVERY 4 EXISTING DOLPHIN SHARES HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED LATER TOGETHER WITH 3 WARRANTS-B FOR EVERY 5 RIGHTS SHARES SUBSCRIBED (“PROPOSED RIGHTS ISSUE”)**

“**THAT** subject to the passing of the Ordinary Resolutions 3, 4 and 5 and subject to all approvals being obtained from the relevant authorities and/or parties, approval be and is hereby given to the Board to:

- (i) provisionally allot and issue by way of a renounceable rights issue of up to 412,087,515 Rights Shares together with up to 247,252,509 Warrants-B to shareholders of Dolphin whose names appear in the Record of Depositors of Dolphin as at the close of business on an entitlement date to be determined by the Board (“**Entitlement Date**”) (“**Entitled Shareholders**”) and/or their renounees/transferees, if applicable, on the basis of 5 Rights Shares for every 4 existing Dolphin Shares held by the Entitled Shareholders on the Entitlement Date together with 3 Warrants-B for every 5 Rights Shares subscribed;
- (ii) enter into and execute the deed poll constituting the Warrants-B (“**Deed Poll B**”) with full powers to assent to any conditions, variations and modifications and/or amendments from time to time, in accordance with and subject to the terms of the Deed Poll B and in any manner as may be required by the relevant authorities or deemed necessary by the Board and with full powers to do all such acts, deeds and things as the Board may deem fit and expedient in order to finalise, implement and give effect to the Deed Poll B;

- (iii) allot and issue such number of additional Warrants-B as may be required or permitted to be issued as a result of any adjustments under the provisions of the Deed Poll B (“**Additional Warrants-B**”) and to adjust from time to time the exercise price of the Warrant-B as a consequence of any adjustments under the provisions of the Deed Poll B and/or to effect such variations, modifications and/or amendments as may be required or imposed by Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and any other relevant authorities and/or parties, where applicable; and
- (iv) allot and issue such number of new Dolphin Shares to the holders of the Warrants-B arising from the exercise of the Warrants-B and such further new Dolphin Shares as may be required or permitted to be issued pursuant to the exercise of the Additional Warrants-B;

**THAT** the Warrants-B shall be issued based on the terms and conditions as set out in Appendix VI of the Company’s circular to shareholders dated 14 May 2020 (“**Circular**”);

**THAT** any Rights Shares which are not taken up or validly taken up shall be made available for excess application by the Entitled Shareholders and/or their renounees/transferees, if applicable, and such excess Rights Shares shall be allocated by the Board in a fair and equitable manner on a basis to be determined by the Board at its absolute discretion;

**THAT** the proceeds of the Proposed Rights Issue be utilised for the purposes as set out in Section 2.1.2 of Part B of the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interest of Dolphin, subject to the approval of the relevant authorities, if required;

**THAT** the Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Dolphin Shares, save and except that the Rights Shares so allocated and issued shall not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of the Rights Shares;

**THAT** any fractional entitlements of the Rights Shares and Warrants-B arising from the Proposed Rights Issue shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient and in the best interest of Dolphin;

**THAT** the new Dolphin Shares to be issued pursuant to the exercise of the Warrants-B shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Dolphin Shares, save and except that the new Dolphin Shares so allotted and issued shall not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of the new Dolphin Shares to be issued arising from the exercise of the Warrants-B (or the Additional Warrants-B, as the case may be);

**AND THAT** the Board be and is hereby authorised and empowered to do or procure to be done all such acts, deeds and things and to execute, sign and deliver, on behalf of the Company, all such documents to give effect to and complete the Proposed Rights Issue with full power to assent to any conditions, variations, modifications and/or amendments as may be required or imposed by the relevant authorities and/or parties and as the Board may deem necessary and expedient to finalise, implement and give full effect to the Proposed Rights Issue.”

### **ORDINARY RESOLUTION 3**

**PROPOSED CAPITALISATION OF AN AGGREGATE AMOUNT OF RM7,196,466 OWING BY DOLPHIN AND ITS SUBSIDIARIES (“DOLPHIN GROUP”) TO ITS IDENTIFIED CREDITORS AND A SHAREHOLDER OF DOLPHIN VIA THE ISSUANCE OF 94,690,342 NEW DOLPHIN SHARES (“SETTLEMENT SHARES”) AT AN ISSUE PRICE OF RM0.076 EACH (“PROPOSED CAPITALISATION”)**

“**THAT** subject to the passing of the Ordinary Resolutions 2, 4 and 5 and subject to all approvals being obtained from the relevant authorities and/or parties, approval be and is hereby given to the Board to:

- (i) allot and issue 94,690,342 Settlement Shares to the parties as set out in Section 2.2 of Part B of the Circular at an issue price of RM0.076 each, being the settlement of amounts owing by the Dolphin Group to them with an aggregate amount of RM7,196,466; and

- (ii) such Settlement Shares, shall upon allotment and issuance, rank *pari passu* in all respects with the then existing Dolphin Shares, save and except that the Settlement Shares so allotted and issued shall not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of such Settlement Shares;

**AND THAT** the Board be and is hereby authorised and empowered to do or procure to be done all such acts, deeds and things and to execute, sign and deliver, on behalf of the Company, all such documents to give effect to and complete the Proposed Capitalisation with full power to assent to any conditions, variations, modifications and/or amendments as may be required or imposed by the relevant authorities and/or parties and as the Board may deem necessary and expedient to finalise, implement and give full effect to the Proposed Capitalisation.”

#### **ORDINARY RESOLUTION 4**

**PROPOSED ACQUISITION OF 6,000,000 ORDINARY SHARES IN ASIA POLY FOOD AND BEVERAGE SDN BHD (“AP F&B”), REPRESENTING THE ENTIRE EQUITY INTEREST IN AP F&B BY DOLPHIN FROM UNCLE DON’S HOLDINGS SDN BHD AND ASIA POLY HOLDINGS BERHAD (“VENDORS”) FOR THE PURCHASE CONSIDERATION OF RM22,000,000 TO BE SATISFIED VIA THE ISSUANCE OF 131,578,947 NEW DOLPHIN SHARES (“CONSIDERATION SHARES”) AT AN ISSUE PRICE OF RM0.076 EACH AND RM12,000,000 CASH (“PROPOSED ACQUISITION”)**

“**THAT** subject to the passing of the Ordinary Resolutions 2, 3 and 5 and subject to all approvals being obtained from the relevant authorities and/or parties, approval be and is hereby given to the Board to acquire 6,000,000 ordinary shares in AP F&B, representing the entire equity interest in AP F&B, for a purchase consideration of RM22,000,000 to be satisfied *via* the allotment and issuance of 131,578,947 Consideration Shares at an issue price of RM0.076 each and RM12,000,000 cash, subject to and upon such terms and conditions as set out in the conditional sale of shares agreement dated 27 February 2020 entered into between Dolphin and the Vendors in relation to the Proposed Acquisition;

**THAT** such Consideration Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Dolphin Shares, save and except that the Consideration Shares so allotted and issued shall not be entitled to any dividends, rights, allotments and/or other distributions in respect of which the entitlement date is prior to the date of allotment and issuance of such Consideration Shares;

**AND THAT** the Board be and is hereby authorised and empowered to do or procure to be done all such acts, deeds and things and to execute, sign and deliver, on behalf of the Company, all such documents to give effect to and complete the Proposed Acquisition with full power to assent to any conditions, variations, modifications and/or amendments as may be required or imposed by the relevant authorities and/or parties and as the Board may deem necessary and expedient to finalise, implement and give full effect to the Proposed Acquisition.”

#### **ORDINARY RESOLUTION 5**

**PROPOSED DIVERSIFICATION OF THE DOLPHIN GROUP’S PRINCIPAL ACTIVITIES TO INCLUDE THE UNDERTAKING AND PROVISION OF FOOD AND BEVERAGE SERVICES AND RELATED ACTIVITIES (“PROPOSED DIVERSIFICATION”)**

“**THAT** subject to the passing of the Ordinary Resolutions 2, 3 and 4 and subject to the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to Dolphin to diversify its principal activities to include the undertaking and provision of food and beverage services and related activities;

**AND THAT** the Board be and is hereby authorised and empowered to do or procure to be done all such acts, deeds and things and to execute, sign and deliver, on behalf of the Company, all such documents to give effect to and complete the Proposed Diversification with full power to assent to any conditions, variations, modifications and/or amendments as may be required or imposed by the relevant authorities and/or parties and as the Board may deem necessary and expedient to finalise, implement and give full effect to the Proposed Diversification.”

## **SPECIAL RESOLUTION**

### **PROPOSED REDUCTION OF DOLPHIN'S ISSUED SHARE CAPITAL PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED CAPITAL REDUCTION")**

"**THAT**, subject to the confirmation of the High Court of Malaya and the approvals from the relevant regulatory authorities and/or parties, where necessary, approval be and is hereby given for the implementation of the Proposed Capital Reduction pursuant to Section 116 of the Companies Act 2016;

**THAT** the share capital of the Company be reduced from RM81,559,823 to RM18,659,823 by cancelling RM62,900,000 of the issued share capital of the Company and for the credit arising from such cancellation to be utilised towards setting-off the accumulated losses of Dolphin;

**AND THAT** the Board be and is hereby authorised and empowered to do or procure to be done all such acts, deeds and things and to execute, sign and deliver, on behalf of the Company, all such documents to give effect to and complete the Proposed Capital Reduction with full power to assent to any conditions, variations, modifications and/or amendments as may be required or imposed by the relevant authorities and/or parties and as the Board may deem necessary and expedient to finalise, implement and give full effect to the Proposed Capital Reduction."

## **BY ORDER OF THE BOARD**

**HO MENG CHAN (MACS 00574)**

**SSM PC No. 202008003175**

**WU SIEW HONG (MAICSA 7039647)**

**SSM PC No. 202008002457**

Company Secretaries

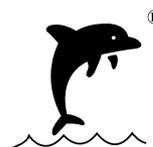
PETALING JAYA

14 MAY 2020

#### Notes:

1. The EGM will be conducted on a virtual basis through live streaming and online remote voting *via* Remote Participation and Voting ("**RPV**") facilities provided by Boardroom Share Registrars Sdn Bhd at <https://web.lumiagm.com>. Please follow the procedures as set out in Appendix XVI of the Circular in order to register, participate and vote remotely *via* the RPV facilities.
2. The venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. No shareholders/proxy(ies) from the public shall be physically present at nor admitted to the Broadcast Venue.
3. A member of the Company entitled to participate, speak and vote at the meeting shall be entitled to appoint up to 2 proxies or attorney or other duly authorised representative to participate, speak and vote in his/her stead. Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy may not be a member of the Company.
4. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his/her attorney duly authorised in writing, and in the case of a corporation, shall either be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
5. Where a member who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**") may appoint not more than 2 proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
6. Where a member 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.
7. The instrument appointing a proxy and the power of attorney or other authority duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of an officer or attorney of the corporation duly authorised, shall be deposited at the Company's share registrar, Boardroom Share Registrars Sdn Bhd, at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or any adjournment thereof. Alternatively, the Form of Proxy can be deposited electronically through the website of the Company's share registrar, Boardroom Smart Investor Portal at <https://www.boardroomlimited.my> before the Form of Proxy lodgement cut-off time as mentioned above.
8. Depositors who appear in the Record of Depositors as at 29 May 2020 shall be regarded as Member of the Company entitled to participate, speak and vote at the meeting or appoint a proxy or proxies to participate and vote on his/her behalf.

# FORM OF PROXY



No. of Shares Held	CDS Account No.

**DOLPHIN INTERNATIONAL BERHAD**  
 (Registration No. 201201016010 (1001521-X))  
 (Incorporated in Malaysia)

\*I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_  
[FULL NAME IN CAPITAL LETTERS]  
 of \_\_\_\_\_  
[FULL ADDRESS]

being a \*Member/Member(s) of DOLPHIN INTERNATIONAL BERHAD, hereby appoint  
 \_\_\_\_\_ NRIC No. \_\_\_\_\_  
[FULL NAME IN CAPITAL LETTERS]

of \_\_\_\_\_  
[FULL ADDRESS]

or failing \*him/ her, \_\_\_\_\_ NRIC No. \_\_\_\_\_  
[FULL NAME IN CAPITAL LETTERS]

of \_\_\_\_\_  
[FULL ADDRESS]

or failing \*him/her, the \*Chairman of the Meeting, as \*my/our proxy to participate and vote for \*me/us on \*my/our behalf at the Extraordinary General Meeting of the Company (“EGM”) to be conducted fully virtual at the Broadcast Venue to be held at Symphony Square Auditorium, 3A Floor, No. 5, Menara Symphony, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 5 June 2020 at 10:00 a.m. or at any adjournment thereof.

Please indicate with an “X” in the space provided below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

No.	Resolution	For	Against
Ordinary Resolution 1	Proposed Disposal		
Ordinary Resolution 2	Proposed Rights Issue		
Ordinary Resolution 3	Proposed Capitalisation		
Ordinary Resolution 4	Proposed Acquisition		
Ordinary Resolution 5	Proposed Diversification		
Special Resolution	Proposed Capital Reduction		

\*Strike out whichever is not applicable

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

In the event that two proxies are appointed, the percentage of shareholdings to be represented by each of proxy is as follows:

\_\_\_\_\_  
 Signature of Member/  
 Common Seal of Shareholder

Name of Proxies	%

Notes:

- The EGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (“RPV”) facilities provided by Boardroom Share Registrars Sdn Bhd at <https://web.lumiagm.com>. Please follow the procedures as set out in Appendix XVI of the Circular in order to register, participate and vote remotely via the RPV facilities.
- The venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. No shareholders/proxy(ies) from the public shall be physically present at nor admitted to the Broadcast Venue.
- A member of the Company entitled to participate, speak and vote at the meeting shall be entitled to appoint up to 2 proxies or attorney or other duly authorised representative to participate, speak and vote in his/her stead. Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy may not be a member of the Company.
- The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his/ her attorney duly authorised in writing, and in the case of a corporation, shall either be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.



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5. Where a member who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 (“**SICDA**”) may appoint not more than 2 proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
6. Where a member 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.
7. The instrument appointing a proxy and the power of attorney or other authority duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of an officer or attorney of the corporation duly authorised, shall be deposited at the Company’s share registrar, Boardroom Share Registrars Sdn Bhd, at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or any adjournment thereof. Alternatively, the Form of Proxy can be deposited electronically through the website of the Company’s share registrar, Boardroom Smart Investor Portal at <https://www.boardroomlimited.my> before the Form of Proxy lodgement cut-off time as mentioned above.
8. Depositors who appear in the Record of Depositors as at 29 May 2020 shall be regarded as Member of the Company entitled to participate, speak and vote at the meeting or appoint a proxy or proxies to participate and vote on his/her behalf.

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THE SHARE REGISTRAR

**DOLPHIN INTERNATIONAL BERHAD**  
(Registration No. 201201016010 (1001521-X))  
(Incorporated in Malaysia)

C/O Boardroom Share Registrars Sdn Bhd

11<sup>th</sup> Floor, Menara Symphony  
No.5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan

AFFIX  
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