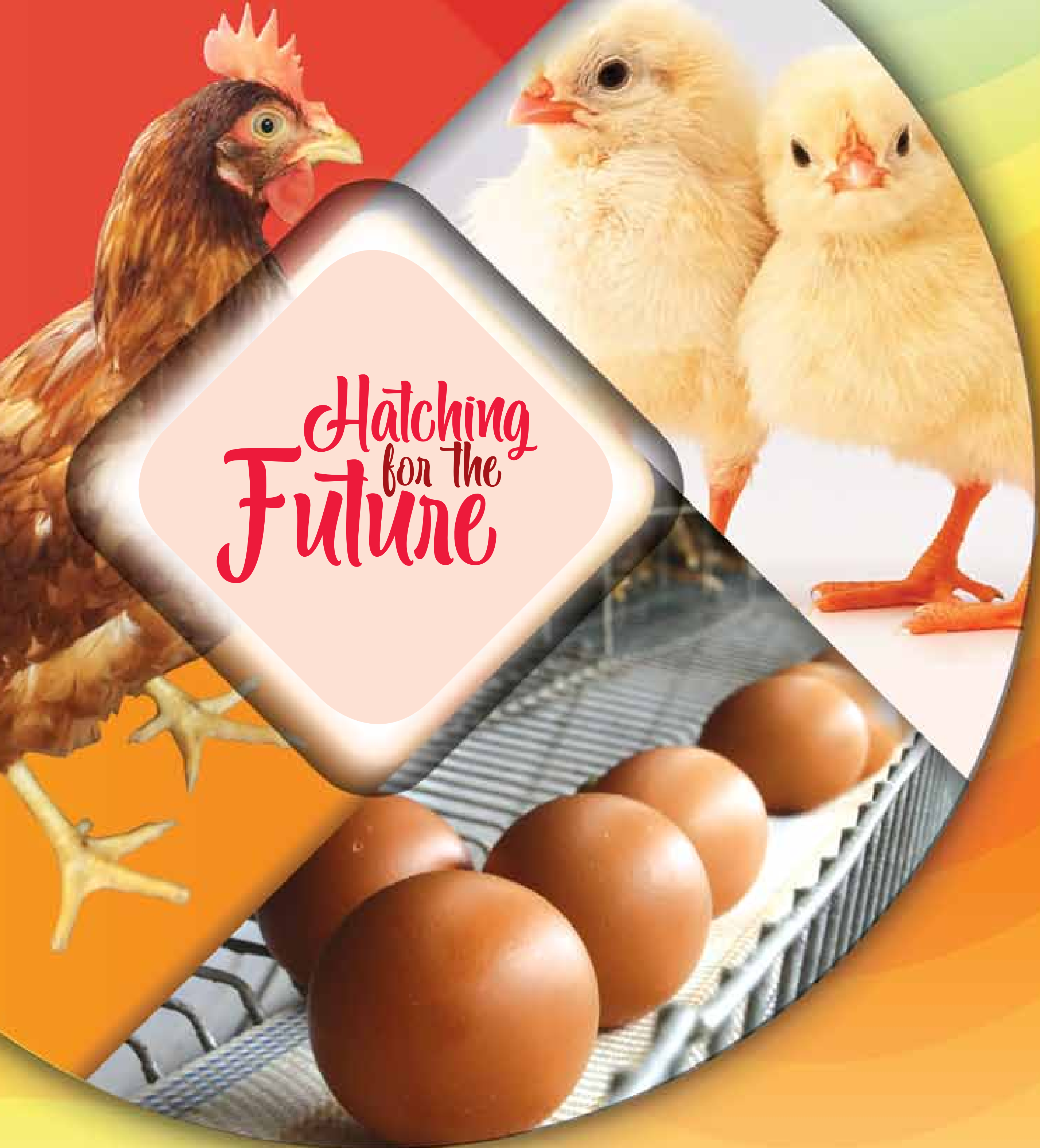

Hatching for the Future

Teo Seng Capital Berhad

(Company No. 732762-T)

ANNUAL REPORT 2018

Ritma
Powering Forward

Quality Products • Customized Solutions • Excellent Services

Our Mission

We aim to become the **trend leader** to promote animal health care with quality products and customized solutions. We aspire to drive animal health care advancement through innovation!

Quality Products

To provide trustworthy products with best quality assurance that deliver satisfactory and economically-efficient results

Customized Solutions

To offer tailored solutions through multi-angle planning and holistic approaches, complimented with result-oriented executions that bring about unprecedented differences to your business growth.

Excellent Services

To be the trend leader in animal health sectors and provide the professional veterinary services that meet the utmost satisfactions of our valuable customers with the wide arrays of product portfolio along with the well-equipped and skilled personnel.

Key partners:

BAYER · innovad (CREATE TRUST) · Elanco · IDEXX · VP VETPHARM · LANXESS (Energizing Chemistry) · Natural Core · Himalaya (ANIMAL HEALTH) · happi DOGGY

Ritma Prestasi Sdn Bhd (629010-U)
力 馬 藥 業 有 限 公 司

No.43, Jalan Meranti Jaya 11, Taman Perindustrian, Taman Meranti Jaya, 47120 Puchong, Selangor, Malaysia.
Tel: +603-8066 9010 I Fax: +603-8066 9012 I Website: www.ritmapres.com

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EVENTS HIGHLIGHT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Dogathon @ Bkt. Ekspo UPM (Mar 2018)

IDEXX Seminar/ Roadshow @ Chiangmai, Thailand (Mar 2018)

Product Launching, Seresto @ New World Hotel, PJ (Mar 2018)

Safe Handling of Forklift Truck Training (Mar 2018)

Pet Expo @ Singapore (Apr 2018)

Blood Donation Campaign @ BP Mall (May 2018)

Annual General Meeting 2018 @ Riverview Hotel Muar (27 June 2018)

Livestock Asia Expo & Forum 2018 @ KL (Apr 2018)

First Aid & AED Training (Jun 2018)

EVENTS HIGHLIGHT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Green Generation 2018 - Go Go Emball (Jun 2018)

Lockout and Tagout (LOTO) (Jul 2018)

Livestock Symposium @ Grand Hyatt Kuala Lumpur (Aug 2018)

Pet Wild Run @ KK (Oct 2018)

Cat Ekspo @ MATRADE (Oct 2018)

Lanxess Seminar (Nov 2018)

Dog Club Sponsorship - Schnauzer Club & Golden Retriever Club (Oct 2018)

Bayer Seminar @ Le Meridien, KL (Nov 2018)

Egg Introduction & Promotion Events @ School

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman
Lau Jui Peng

Managing Director
Nam Hiok Joo

Non-Executive Director
Loh Wee Ching

Independent Non-Executive Director
Choong Keen Shian
Frederick Ng Yong Chiang
Dato' Koh Low @ Koh Kim Toon
Dato' Zainal Bin Hassan

AUDIT COMMITTEE

Committee Chairman
Choong Keen Shian

Committee Member
Frederick Ng Yong Chiang
Dato' Koh Low @ Koh Kim Toon

NOMINATION COMMITTEE

Committee Chairman
Frederick Ng Yong Chiang

Committee Member
Choong Keen Shian
Loh Wee Ching

REMUNERATION COMMITTEE

Committee Chairman
Choong Keen Shian

Committee Member
Dato' Koh Low @ Koh Kim Toon
Loh Wee Ching

RISK MANAGEMENT COMMITTEE

Committee Chairman
Nam Hiok Joo

Committee Member
Choong Keen Shian
Frederick Ng Yong Chiang

KEY MANAGEMENT PERSONNEL

Ng Eng Leng
Na Eluen
Na Yi Chan
Nam Ya Jun
Ku Leong Choon

SECRETARIES

Wong Wai Foong
(MAICSA 7001358)

Tan Bee Hwee
(MAICSA 7021024)

Lee Choon Seng
(MAICSA 7003453)

Lum Sow Wai
(MAICSA 7028519)

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Level 15-1, Tower B, Jaya 99,
99 Jalan Tun Sri Lanang,
75720 Melaka.

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Bangkok Bank Berhad
AmBank (M) Berhad
CIMB Bank Berhad
DBS Bank Ltd

CORPORATE WEBSITE

www.teoseng.com.my

REGISTERED OFFICE

201-203, Jalan Abdullah,
84000 Muar,
Johor Darul Takzim.
Tel : 06-9519992
Fax : 06-9531249

HEAD OFFICE

Lot PTD 25740, Batu 4,
Jalan Air Hitam,
83700 Yong Peng,
Johor Darul Takzim.
Tel : 07-4672289
Fax : 07-4672923

REGISTRAR

Tricor Investor & Issuing House
Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.
Tel : 03-27839299
Fax : 03-27839222

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

DATE OF LISTING

29 October 2008

GROUP CORPORATE **STRUCTURE**

TEO SENG CAPITAL BERHAD
(732762-T)

- 100% **TEO SENG FARMING SDN. BHD.** (111937-P)
  - 100% **GREAT EGG INDUSTRIES SDN. BHD.** (756583-V)
  - 100% **LASKAR FERTILISER SDN. BHD.** (939951-U)
- 100% **SUCCESS CENTURY SDN. BHD.** (346210-A)
- 100% **RITMA PRESTASI SDN. BHD.** (629010-U)
  - 100% **RITMA PREMIER PTE. LTD.** (201617304E)
  - 100% **B-TECH AQUACULTURE SDN. BHD.** (887536-H)
- 100% **PREMIUM EGG PRODUCTS PTE. LTD.** (200305167W)
  - 100% **BH FRESH FOOD PTE. LTD.** (200105466D)
- 100% **PIONEER PROSPERITY SDN. BHD.** (946258-M)
- 100% **LIBERAL ENERGY SDN. BHD.** (886291-T)
- 100% **TEO SENG FEEDMILL SDN. BHD.** (474189-H)
- 100% **TEO SENG PAPER PRODUCTS SDN. BHD.** (299992-H)

PROFILE OF THE **BOARD OF DIRECTORS**

MR. LAU JUI PENG
Non-Executive Chairman

Mr. Lau Jui Peng, Malaysian, male, aged 48, was appointed as the Non-Executive Chairman of the Company on 19 June 2008 and redesignated to Executive Chairman on 27 August 2013. Subsequently, he was redesignated to Non-Executive Chairman on 29 January 2019. Mr. Lau Jui Peng represents Leong Hup (Malaysia) Sdn. Bhd. to sit on the Board of Directors of the Company.

Mr. Lau Jui Peng graduated from Hawaii Pacific University, United States in 1996 with a Bachelor's degree in Business Administration. majoring in marketing. Mr. Lau began his career with Leong Hup Poultry Farm Sdn. Bhd. where he has been appointed as Deputy Chief Executive Officer principally responsible for the production, operation and administration. He then promoted to Chief Executive Officer and also involved himself same in Leong Hup (G.P.S.) Farm Sdn. Bhd. He has been subsequently invited to the Board of Leong Hup Poultry Farm Sdn Bhd in Year 2004 and to Board of Leong Hup (G.P.S.) Farm Sdn Bhd in Year 2007 respectively. Besides these two companies, he also sits on the Board of several other subsidiaries of the Company, Leong Hup International Berhad and several other private limited companies. Mr. Lau is also the Group Breeder Chief Executive Officer of Leong Hup International Berhad.

Mr. Lau is an accomplished business person who possesses extensive knowledge and experience in the production processes and management of poultry companies which enable him to significantly contribute to the growing of the Company. In addition, Mr. Lau was also the member of Audit Committee during the year 2009 to 2012. He gained keen insight on getting accurate and deep intuitive understanding of internal control during the four (4) years involvement in Audit Committee.

Mr. Lau is sibling of Mr. Lau Joo Hong and Mr. Lau Joo Heng who are the indirect major shareholders of the Company. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with the Company in which he has personal interest. Mr. Lau has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies in the financial year ended 31 December 2018. Mr. Lau had attended all of the seven (7) Board of Directors' meetings held in the financial year ended 31 December 2018.

MR. NAM HIOK JOO
Managing Director

Mr. Nam Hiok Joo, Malaysian, male, aged 52, was appointed as Managing Director of the Company on 27 June 2018. He is also the Chairman of Risk Management Committee of the Company on 20 August 2018.

Mr. Nam has more than thirty (30) years of experience in poultry business and participated actively in poultry industry. In 2001, Mr. Nam was appointed as General Manager of Teo Seng Feedmill Sdn. Bhd., where he is primarily responsible for the operation and production of chicken feeds. With his wide experience, he plays a major role in the quality control of the feeds production to ensure the nutritional requirements of chickens at the different growing stages are met. Besides, he also oversees the Group's administrative operations. In 2005, Mr. Nam was appointed as Executive Director of Ritma Prestasi Sdn Bhd ("Ritma") and later promoted as Managing Director, where he actively participates in the company's management and strategic direction of Ritma. Subsequently, he was appointed as Group General Manager of the Company in March 2010. Mr. Nam contributes significantly in decision making and corporate planning for the Group with his vast experiences in managing and overseeing Company's operation as well as governing Company's direction. Besides, he also sits on the Board of several other private limited companies.

Mr. Nam is the sibling of Mr. Na Hap Cheng and Mr. Na Yok Chee who are the major shareholders of the Company. He is the uncle of Mr. Na Eluen, Deputy Chief Operating Officer, Marketing, Mr. Na Yi Chan, Deputy Chief Operating Officer, Layer Farming Division and Mr. Nam Ya Jun, Executive Director, Animal Health Products Division. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with the Company in which he has personal interest. Mr. Nam has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies in the financial year ended 31 December 2018. Mr Nam had attended all of the three (3) Board of Directors' meetings held since his appointment on 27 June 2018 in the financial year ended 31 December 2018.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

MR. LOH WEE CHING
Non-Executive Director

Mr. Loh Wee Ching, Malaysian, male, aged 50, was appointed as the Non- Executive Director of the Company on 19 June 2008. He was also appointed as member of both Remuneration Committee and Nomination Committee on 27 August 2013. Prior to joining the Group, he was a Marketing Executive in Telic Corporation Sdn. Bhd., a diversified company which is also involved in the poultry business. In 1994, Mr. Loh began his career in Teo Seng Farming Sdn. Bhd. ("TSF") as Sales Manager and subsequently was promoted as the Senior Marketing Manager in 2003. Presently, he is the Marketing Director in layer farming division, providing valuable guidance and sharing his extensive experience to the marketing team members. During his tenure with the Group of more than twenty (20) years, he established a robust relationship with customers which enables him to contribute significantly to the Group's marketing strategies.

Mr. Loh does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Loh has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies in the financial year ended 31 December 2018. Mr. Loh had attended five (5) of the seven (7) Board of Directors' meetings held in the financial year ended 31 December 2018.

MR. CHOONG KEEN SHIAN
Independent Non-Executive Director

Mr. Choong Keen Shian, Malaysian, male, aged 62, was appointed as the Independent Non-Executive Director of the Company on 19 June 2008. He is the Chairman of Audit Committee and a member of Nomination Committee and subsequently assumed the position of Chairman of the Remuneration Committee on 27 August 2013. Further, he was also appointed as a member of the Risk Management Committee of the Company which was established on 20 August 2018.

Mr. Choong graduated with a Bachelor of Science (Hon) degree from University of Malaya in 1981. He started his career in the finance and banking industry, initially with OCBC Finance Bhd. and later with The Pacific Bank Bhd. (now known as Malayan Banking Berhad) for nine (9) years from 1981 to 1990. During his tenure in the financial industry, he was engaged in the credit and credit control management. In 1991, he joined a property development company, Arena Eksklusif Sdn. Bhd. and was involved in project administration. Currently, he is the finance manager of Atlas Edible Ice Sdn. Bhd., a member of The Atlas Ice Group of Company, which is engaged in a wide array of business activities such as oil palm and rubber plantation, tube and block ice manufacturing and investment holdings in Malaysia, Singapore and Indonesia. He is also the director of several other private limited companies within The Atlas Ice Group and several other private limited companies which are involved in the retailing of lighting accessories and lamps. He possesses of in-depth experience in credit control management in banking industry and regulatory understanding related to credit control. With his professional knowledge in the field of credit control, he contributed effectively in the improvement of the Group's internal control efficiency and effectiveness. His rich experience in finance industry also enables him to advice constructively to the Group's financial affair.

Mr. Choong does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Choong has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies in the financial year ended 31 December 2018. Mr. Choong had attended six (6) of the seven (7) Board of Directors' meetings held in the financial year ended 31 December 2018.

MR. FREDERICK NG YONG CHIANG
Independent Non-Executive Director

Mr. Frederick Ng Yong Chiang, Malaysian, male, aged 54, was appointed as the Independent Non-Executive Director of the Company on 19 June 2008. He is a member of the Audit Committee and was redesignated to Nomination Committee Chairman of the Company on 27 August 2013. Further, he was also appointed as a member of the Risk Management Committee of the Company which was established on 20 August 2018.

Mr. Frederick Ng is an associate member of the Chartered Institute of Management Accountant, United Kingdom and also a member of the Malaysian Institute of Accountants since 1991 after completing the professional course in accountancy. He was accepted as a member of CPA Australia and Asean Chartered Professional Accountants ("ACPA") in 2017. Mr. Frederick Ng started his commercial experience in Hong Leong Industries Berhad as Project Executive in 1990. Later he joined Tan Chong Group of Companies in 1992 as the Administration and Accounting Manager of the Group's Papua New Guinea operations. In 1993, he joined The Atlas Ice Group of Companies. He is a Non-Executive Director of The Atlas Ice Company Berhad, the holding company and is in charge of the ice manufacturing companies of the Group in Penang, Kedah and Perlis. He also sits on the Board of several other private limited companies which are involved in the fast moving consumer goods business. Mr. Frederick is an experienced chartered accountant who actively plays an advisory role to the Group by providing guidance on internal control, advising the listing compliance as well as sharing tax incentive knowledge.

Mr. Frederick Ng does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Frederick Ng has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies in the financial year ended 31 December 2018. Mr. Frederick Ng had attended all of the seven (7) Board of Directors' meetings held in the financial year ended 31 December 2018.

DATO' KOH LOW @ KOH KIM TOON
Independent Non-Executive Director

Dato' Koh Low @ Koh Kim Toon, Malaysian, male, aged 66, was appointed as the Independent Non-Executive Director of the Company on 19 November 2009. He was appointed as a member of Audit Committee of the Company on 13 April 2010 and a member of Remuneration Committee of the Company on 20 August 2018.

Dato' Koh Low @ Koh Kim Toon has more than thirty (30) years of experience in the furniture manufacturing and trading industry since his apprenticeship in the earlier year which has earned him the recognition and respect as a renowned entrepreneur in the industry. He sits on the board of several private limited companies which are involving in plantations and producing and trading of fertiliser. He is currently actively involves in local investments. Having more than thirty years (30) of experience and expertise in the furniture manufacturing and trading industry enables him to accumulate invaluable exposure and the competency in directing and governing enterprises with system of rules and good governance practices. Dato' Koh is the Vice Chairman of the State of Johore Chinese School Managers & Teachers Association, Deputy Chairman of Malaysia Crime Prevention Foundation (Muar) and council member of Malaysia Crime Prevention Foundation (Johor). Besides, he is also the former Chairman of Muar Chung Hwa High School and President of Chinese Chamber of Commerce (Muar Division). Dato' Koh adds value to the Company by providing constructive advices and opinion to the Board in terms of business direction with his extensive experience in strategic planning and business management.

Dato' Koh does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Dato' Koh has no conviction of any offences within the past five (5) years, or any sanctions and penalties being imposed by relevant regulatory bodies in the financial year ended 31 December 2018. Dato' Koh had attended all of the seven (7) Board of Directors' meetings held in the financial year ended 31 December 2018.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

DATO' ZAINAL BIN HASSAN
Independent Non-Executive Director

Dato' Zainal Bin Hassan, Malaysian, male, aged 74, was appointed as the Non-Executive Director of the Company on 19 November 2009 and redesignated to Independent Non-Executive Director on 13 November 2018.

Dato' Zainal is the Chairman of Koperasi Pekebun Kecil Daerah Temerloh Berhad and a member of the Board of Directors of Koperasi Permodalan Felda Malaysia Berhad ("KPF") at national level since the inception of the KPF in the year 1980. With his past experience as the Pahang State Assembly Member from the year 1982 to 1999, Dato' Zainal involved in various committees in Pahang State Level and was also the Committee Chairman of Jawatankuasa Kira-Kira Wang Kerajaan Negeri (PAC) prior to his appointment as the EXCO Kerajaan Negeri Pahang in the year 1999.

Dato' Zainal does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Dato' Zainal has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies in the financial year ended 31 December 2018. Dato' Zainal had attended five (5) of the seven (7) Board of Directors' Meetings held in the financial year ended 31 December 2018.

PROFILE OF THE KEY MANAGEMENT PERSONNEL

MR. NG ENG LENG
Group Financial Controller

Mr. Ng Eng Leng, Malaysian, male, aged 48, is holding the position of Director of Teo Seng Farming Sdn Bhd since March 2002. He was also designated as Group Financial Controller of Teo Seng group of companies since March 2010. He obtained the Executive Master in Business Management majoring in finance from Asia e University in 2012 and Master of Business Administration from Buckinghamshire New University (UK) in 2014.

Mr. Ng is primarily responsible for the financial affairs, corporate affairs and administration functions of the Group and has accumulated experiences in the field of accounting, costing, taxation, internal control system, acquisitions and corporate finance.

During his extensive working experience in various capacities including senior management roles of the Group in the areas of above mentioned aspects, he gains great exposure and vast experience in those field and enables him to play a significant role in advising the Board and to participate in decision making and corporate planning for the Group. The success of the Group owes much to his extensive involvement in its operations and management. Besides, he also sits on the Board of several other subsidiaries of Teo Seng Capital Berhad.

Mr. Ng does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Ng has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2018.

MR. NA ELUEN
Deputy Chief Operating Officer, Marketing

Mr. Na Eluen, Malaysian, male, aged 36, is currently holding the position of Deputy Chief Operating Officer in Marketing Division since 01 January 2018. Mr. Na studied in Inti International University, Malaysia, in 2003. Thereafter, he joined Teo Seng Group as Sales Representative in Marketing Department and subsequently promoted as Assistant Marketing Manager. He is in charge of the sales and marketing of egg division, mainly in establishing network and relationship with customers and exploring new market.

Mr. Na was then designated as Sales Executive in the animal health products division in 2009. This designation enabled him to set foot in different business and understand the other segments of Group's business. In 2011, with his vast and extensive experience in sales and marketing, he was subsequently appointed as General Manager of the new overseas subsidiaries in Singapore, Premium Egg Products Pte. Ltd. and BH Fresh Food Pte. Ltd. With his contribution to penetrate overseas market and assumed an active role in the implementation of the marketing and operational strategy, he was then appointed as Director of both subsidiaries on 02 May 2016.

Mr. Na was also designated as Deputy Chief Operating Officer in 2018. Since then, he has been actively involved in developing the marketing master plan and strategies for the Group's products, especially in penetrating the overseas market. His great interpersonal skills have enabled him to build up strong relationships with customers. His extensive marketing network enables him to lead the marketing function for the businesses of egg, fertiliser and egg tray. He is also taking charge of relevant operations and projects in the Group.

Mr. Na is the nephew of the Managing Director, Mr. Nam Hiok Joo, and indirect major shareholder, Mr. Na Yok Chee, of the Company. He is also the son of indirect major shareholder of the Company, Mr. Na Hap Cheng. Mr. Na has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2018.

PROFILE OF THE THE KEY MANAGEMENT PERSONNEL (CONT'D)

MR. NA YI CHAN
Deputy Chief Operating Officer, Layer Farming Division

Mr. Na Yi Chan, Malaysian, Male, aged 30, is Deputy Chief Operating Officer of Teo Seng Group Layer Farming Division since 01 January 2018, Mr. Na studied Bachelor of Business in Help University and Colleges. He started his career in Teo Seng Group as Production Administrator on 14 January 2011, taking care of layer farming production. He was then promoted as Assistant Operation Manager and Operation Manager in 2012 and 2014 respectively. On 01 January 2015, he was designated as Business Operation Manager. Other than managing the production of the layer farming, Mr. Na has been constantly and actively attending seminars and conferences conducted locally and overseas in order to keep abreast of the latest trends and technologies in the poultry industry. With relevant exposure and experience in poultry industry, he possess excellent industrial and management skills which enable him to contribute significantly to the Group's affair.

As Deputy Chief Operating Officer, he currently leads the layer farming production, farm management, fertiliser production and other relevant operations by providing strategic direction and guidance. He also sits on the Board of subsidiaries of the Group, Teo Seng Farming Sdn. Bhd. and Success Century Sdn. Bhd. In line with this, he plays a key role in growing the layer farming business. He also directs, oversees and manages the implementation of farm related policies and development. He is one of the main driving forces and is instrumental to the expansion and operations of the layer farming of the Group. His expertise and relevant experience particularly in layer farming production and management and operation enable him to contribute significantly to the Group's business.

Mr. Na is the nephew of the Managing Director, Mr. Nam Hiok Joo, and indirect major shareholder, Mr. Na Hap Cheng, of the Company. He is also the son of indirect major shareholder of the Company, Mr. Na Yok Chee. Mr. Na has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2018.

MR. NAM YA JUN
Executive Director, Animal Health Products Division

Mr. Nam Ya Jun, Malaysian, male, aged 37, was appointed on 31 January 2018 as the Executive Director of Ritma Prestasi Sdn. Bhd., a subsidiary company which distributes animal health care products in Malaysia. On 31 January 2018. Mr. Nam joined Teo Seng Group on 01 July 2005 as an Executive in charged of Human Resources and Administrative functions of the Group. Mr. Nam graduated with a First Class Honours degree in Science, majoring in Psychology from Victoria University of Wellington, New Zealand in 2004. During the beginning of his career in the Group, he was primarily responsible for overseeing the Human Resources and Administrative functions of the Group, dedicated in establishing a robust structured system for Ritma Prestasi Sdn. Bhd. He was subsequently promoted as the Group Assistant Manager.

In 2011, Mr. Nam was promoted as the General Manager of Ritma Prestasi Sdn. Bhd., a subsidiary company which distributes animal health care products in Malaysia. He oversee the daily operations of the company by focusing on business development and operational strategies. Along with his dedication, Ritma Prestasi Sdn. Bhd. has grown rapidly and becoming one of the remarkable companies in this industry. With his leadership, Teo Seng also incorporated Ritma Permier Pte. Ltd. for distribution of animal health care products in Singapore. On 31 January 2018, he was appointed as the Executive Director of Ritma Prestasi Sdn. Bhd. With this new role, Mr Nam now assists the Managing Director in managing the Animal Health Products Division, especially in directing and leading the business strategies and activities. His expertise and extensive experience in management and marketing has also enabled him to contribute significantly to the Group's business.

Mr. Nam is the nephew of the Managing Director, Mr. Nam Hiok Joo, and the indirect major shareholders, Mr. Na Hap Cheng and Mr. Na Yok Chee, of the Company. Mr. Nam has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2018.

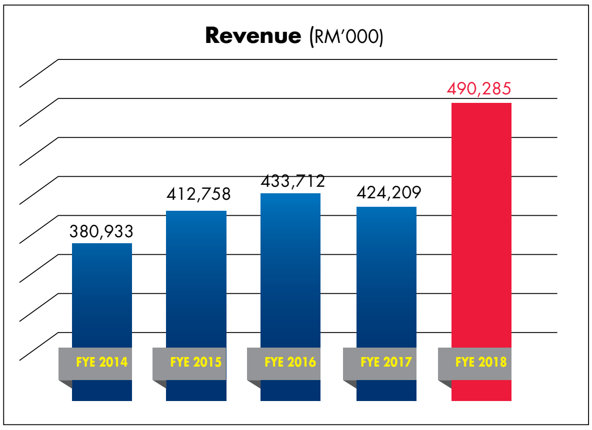
PROFILE OF THE THE KEY MANAGEMENT PERSONNEL (CONT'D)

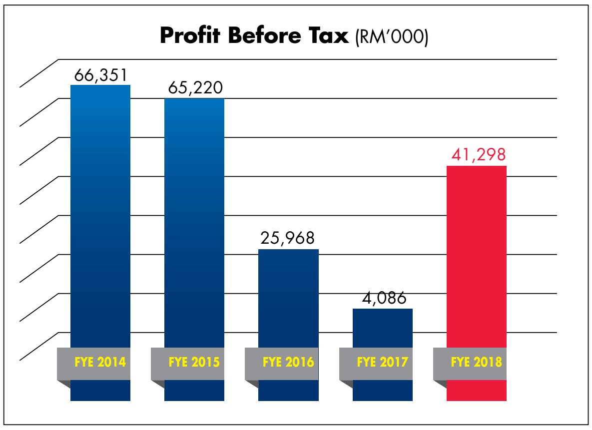
MR. KU LEONG CHOON
Farm General Manager

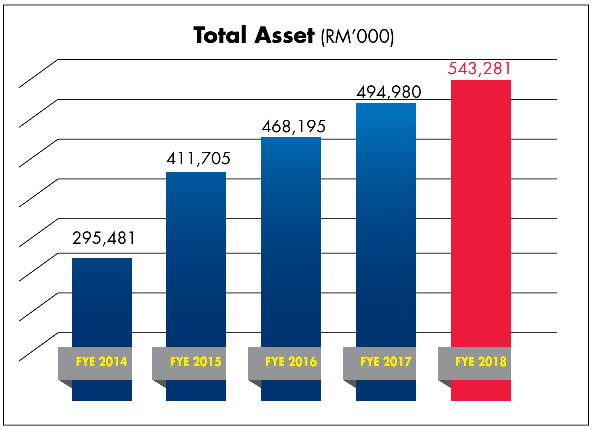
Mr. Ku Leong Choon, Malaysian, male, aged 52, is holding the position of Farm General Manager since March 2002. Mr. Ku joined Teo Seng Group in 1987 as farm worker and he was later promoted to Farm Manager in 1995 and Senior Farm Manager in 2002. Mr. Ku has over 30 years of experience in the field of farm operations. His main duties include supervising and coordinating the various functions of farm managers, monitoring overall farm operation and maintaining good environment in the farms. He is assisting Deputy Chief Operating Officer on daily farm operations. With his robust and vast experience, he provides valuable advice to management as well as guidance to relevant farm personnel, in terms of operation and production.

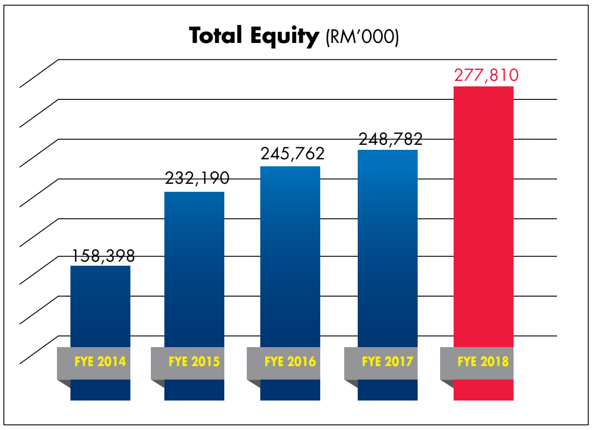
Mr. Ku does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Ku has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2018.

FINANCIAL HIGHLIGHTS









MANAGEMENT DISCUSSION AND ANALYSIS

GROUP'S BUSINESS AND OPERATION

Teo Seng commenced its poultry farming business since 1970's and the Group undertook a strategic drastically change in business direction by shifting its focus from rearing broiler chickens to layer farming in 1990's. As one of the leading poultry companies in local layer farming industry which has successful and excellent management team with over 40 years of industry experience in Malaysia, the Group's businesses now consist of two major segments, namely (i) poultry farming and (ii) investment and trading of related poultry products. In line with Teo Seng Group's tagline "Hatching For the Future", we committed to supply quality and nutrient eggs and valued products to consumers.

Poultry Farming

Being one of the largest layer farmer and integrated egg producer in Malaysia, our core business activities are involved production of eggs, manufacturing and trading of paper egg trays for both internal use and external sale, production of animal feed mainly for own layer farming activities as well as production of organic fertiliser by using chicken manure. Over the years, the Group has expanded significantly and aggressively from a small farmer with daily production of 100,000 eggs increased to 3.80 million eggs. All our farms are located in Johor, Malaysia adopting All-In-All-Out ("AIAO") rearing system and Closed-House System. These systems are the most internationally-recognised systems in layer farming industry which bring the advantages and benefits to the farmers in terms of biosecurity and productivity.

Eggs remain our core products and are the most affordable source of protein. Other than conventional commercial eggs, we launched a range of healthy and hygiene eggs under our brand name of "Happy Egg" to explore the market of buyers who requires higher degree of nutrition. In year 2017, we developed a new brand premium egg – Omega Plus Lutein, which is nutritious and enhance the eyesight. The production of Omega Lutein eggs is gradually increasing and now occupied 2% of daily egg production.

With the daily production of 3.80 million eggs, we export approximately 40% of eggs to overseas, mainly to Singapore and Hong Kong. According to the market observation, the Group occupied about 8% of market share in Peninsular Malaysia's commercial egg industry and our customers can be grouped into four categories, who are wholesaler, hypermarket business, manufacturer and retailer. With an established presence in the Singapore market by our subsidiaries, Premium Egg Products Pte. Ltd and BH Fresh Food Pte. Ltd. have captured the market share of approximately 19% in Singapore's commercial egg industry. Supported by a strong distribution network, we further grow our footprint in export market.

Along with the commencement of new feedmill production line, the production of feeds has been increased double to cope with the layer farming expansion project. While supporting the sustainability of our business, fertiliser business is enhancing to facilitate and improve the waste management. Our second fertiliser plant is operating during the year under review and it has increased 50% capacity of our waste management.

Investment and Trading of Related Poultry Products

As a supporting business to our core business, trading of animal health products division commenced in year 2005. In poultry industry, animal health products are essential for the growth of livestock and they can be divided into two categories, namely Farm Animal Products and Companion Animal Products. Thus, having our own animal health products division enables us to enjoy the priority in terms of product supply and knowledge. In the period of thirteen years, we become a remarkable company in this industry and successfully obtains various distributorships from several internationally-recognised companies. In year 2016, Teo Seng has taken additional move to have a foothold in animal health product, adding supporting division to business territory in Singapore.

FINANCIAL PERFORMANCE REVIEW

It was a pleasant surprise to us during financial year 2018. Despite Teo Seng's operation under amidst competitors challenge, labour threat and economic uncertainties, the Group achieved a commendable profit after tax of RM30.39 million on the back of revenue of RM490.29 million, a growth of 7.78 times and 16% respectively compared with preceding year performance. This was attributed to the higher contributions from the stable egg price in second half year and growth in egg production coupled with efficient and effective cost control. In pace with the excellent financial performance, the return on equity stood at 10.94% which grew significantly compared to 1.39% recorded in the preceding year. Our results demonstrated the strength of our management process, operation efficiency and cost effectiveness. We remain committed to minimizing operational expenses, maintaining good product quality and growing our profitability. We will continue to uphold our business model and upgrade our facilities to meet our consumer's preferences and needs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The net assets per share rise from RM0.83 of 31st December 2017 to RM0.95 in year 2018, an increase of RM0.12 or 15% as the result of the improved earnings in financial year 2018. Despite our on-going capital expenditure, the Group's gearing ratio declined further to 0.63 time compared with 0.71 time recorded in year 2017.

CAPITAL EXPENDITURE AND STRUCTURE

Teo Seng had earmarked RM46 million for capital expenditure in financial year 2018 on upgrading existing farm facilities and equipment and involving by-product business expansion. This capital expenditure included the investment on new Central Packaging Station which is expected to be completed by end of year 2019; acquisition and extension of our new factory cum warehouse for animal health products division. The source of financing for capital expenditure was mainly from bank borrowings and internal funding and no additional funds tapped from shareholders. The increase in farm capacity and replacement of aging farms still occupied the major portion of planned capital expenditure. An effective capital structure is crucial to the performance of the Group. In view of this, the management has maintained an appropriate debt-equity ratio of 0.93 times.

BUSINESS OBJECTIVE, STRATEGIES AND REVIEW OF THE OPERATING ACTIVITIES

Poultry Farming - Operation

We continuously to seek for adoption of automation process to sustain competitive advantages, and mitigating the reliance on foreign worker supply. The investment on automated chicken manure belt in all the layer farm houses will be fully completed by year 2019. This is a part of the Group's strategies to promote automation, which also align with our mission by adopting advanced technology to sustain competitive advantages. The construction of new and advanced shower room was completed to further enhance the biosecurity system. During the financial year, we modified pullet houses and the capacity of pullet increased by 150,000 birds. Following the upgrading and expanding of pullet and layer houses, the average daily egg production of the Group increased to 3.80 million.

The upgrading of farm facilities for the purpose of improving biosecurity control and hygiene management brought positive impact on applying for the export permit. By formulating rigorous operational procedure and implementing best and consistent farm management, improving hygiene of farm site and better disease control, additional farms are accredited for export by Singapore Food Agency ("SFA"). As at financial year ended 2018, we have total 8 accredited farms obtaining export permit as compared to 6 accredited farms in year 2017.

Along with the commencement of operating new feedmill production line in 2017, the production capacity is doubled and it is sufficient to cater for the following few years layer farming expansion plan. A new Central Packaging Station ("CPS") is under construction and expected to be completed by end of 2019. Second fertiliser plant is in operation to support our core business by providing solution for chicken waste. This business is not merely to generate new income source, but more importantly is a sustainable and comprehensive solution to mitigate the extremely large volume of daily by-product for productivity and environment issues. Besides, an expansion on old newspaper warehouse and finished goods warehouse for paper egg tray production was completed in 2018.

Moving forward, we will be more concentrating on promoting our premium egg products. Severe brand promotion activities will be carried out to raise customer awareness of our premium product and brand through product introduction session event in school, to boosting up the sale of premium eggs.

Poultry Farming - Marketing & Financial Highlight

Egg price in Peninsular Malaysia experienced prolonged unattractive market consolidation due to local oversupply situation in second quarter of the year. Subsequently, the domestic market was rebound in the second half of the year because of the layer key player implemented early depopulation to reduce the egg supply. Accordingly, the poultry segment recorded revenue increase of RM56 million representing 15% mainly due to the continued stable selling price of eggs in second half year and higher sales quantities in the year as the result of upgrading farm infrastructure and facilities to bring better production efficiency. Coupled with the lower feed cost, it has contributed the higher pre-tax profit of RM34.45 million for the financial year under review.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Our own brand's premium egg – Omega Lutein, which is nutritious and enhance eyesight for buyer who requires higher degree of nutrition is gradually growing and now contributes 2% of our sales volume. We will be more concentrating on promoting Omega Lutein eggs to boost the sales. Supported by a strong distribution network and robust infrastructure, we are exploring new customers to enhance our trade activities and further grow our footprint in export market. The increase of export sales enables Teo Seng group to respond to the increasing demand as well as to further capture market share in different geographical area. It is different sales channel and also one of the way we cushion the deficit derived from the oversupply in local market.

Investment and Trading of Related Poultry Products

Segment-wise in financial year 2018, investment and trading division operated under stronger demand on animal health products to haul the revenue of RM61.65 million. This performance also translated to an increase of 23.43% over the last financial year. In terms of profit before tax, it saw a 37.73% increase to RM9.89 million from RM7.18 million achieved in financial year 2017. Coupled with the robust growth, the Group has moved into a new and larger factory cum warehouse in Puchong area, Selangor, to overcome the insufficient operation space.

RISKS AND MITIGATION MEASURES

Risk of Diseases

The risk of disease is always the main risk factor affecting poultry industry, including commercial layer industry, which may afflict our livestock. In the event that disease afflict our livestock, it will have an adverse impact on our productivity and mortality of our layer stocks, which would then have an adverse effect on the revenue and profitability of our Group. Recognising the importance of this risk, the management team carries out several preventive actions to mitigate the risk. We have been carrying out and implementing several measurements to mitigate this risk. Please refer to "Sustainability Statement" in this Annual Report for further information.

Waste Management

Issues related to the environment, human health and the quality of life for people living near to and distant from our layer farming operations make waste management a critical consideration for the long-term growth and sustainability of layer farming production in larger bird facilities located near urban area. For the purpose of efficiently managing chicken waste generated from layer farming activity and reducing the negative impact towards the environment, waste management is implemented and will be continuously improved and developed to minimise the adverse impacts to environment and communities by establishing fertiliser plants. With the implementation of rigorous waste management and organic fertiliser production, the potential environmental impact is significantly mitigated. Please refer to "Sustainability Statement" in this Annual Report for further information.

Labour Supply Constraint

Generally, poultry business in Malaysia is highly dependent on manual labour. However, a minimal involvement of locals has provided avenues to foreign labour to work in poultry industry since years ago. We need sufficient labour supply to operate our farms and most of them are foreign workers. It is well known that the foreign worker supply in Malaysia is reducing in recent years and which may affect daily operation of our farming activities. The Board and the management concentrate on adoption of advanced technology to improve productivity and reduce the dependence on the manual labour. The Group is now on the path of promoting and implementing technology, using automation system to solve the impending labour shortage as well as sustaining competitive advantages in line with the Group's mission. Please refer to "Sustainability Statement" in this Annual Report for further information.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Succession Planning

Our Group's stability and operation's continuity maybe affected if there is no or improper succession planning in place. Effective succession planning brings advantages for both employers and employees and it's definitely benefit to the Group. Our Group is rolling a series of the effort to address the importance of succession planning to encounter any inevitable changes that might occur. We believe that proactive succession planning efforts are able to reduce risk of hiring and promotion mistake as well as the negative impact of turnover of key roles.

Existence of succession planning is one of the essential frameworks to assure the Group's continuity and sustainability when the key positions vacant. Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role in our organization. Please refer to "Sustainability Statement" in this Annual Report for further information.

PROSPECTS

We foresee the tough challenge in livestock industry. Despite many unforeseeable circumstances ahead, we are confident that we are well-equipped with all necessary human capital to resolve all the issues. Strategically, we are focusing on sustainable earning growth through continuous innovation and passionate advocacy of our brand; achieving operation excellence; and further developing our talent and culture. Farm improvement and expansion was always the most important agenda as it represents the core business for the group.

Securing sustainability remains the cornerstone of our business. We emphasise on mitigating the negative effect on aspects of economic and market place, environment, human resource and workplace and social and community and conduct our business activities in a sustainable manner in order to ensure business continuity without compromising market competitiveness.

Also, we are looking to expand our business overseas and are sourcing for the right partners to ensure a seamless entry into new markets and establishing market strategies to capture more market share in domestic and overseas market as well as expand our product range to meet the customers' demand. Last but not least, the Board of Directors and the Management are constantly discussing and studying on investing related downstream and diversification business.

DIVIDEND

The Board intends to pay dividends of between 20% to 50% of Profit After Tax (PAT) after taking into consideration of the Group's retained profits, cash flow as well as the funding requirements of our Group. It is a policy of the Board in recommending dividends to allow shareholders to participate in the profits of the Group whilst retaining adequate reserves for its future growth.

Notwithstanding the above, all the foregoing statements are merely statements of present intention and no inference should or can be made from any of the foregoing statements as to the actual future profitability or the ability to pay dividends in the future. Actual dividends proposed and declared may vary depending on the financial performance, cash flow and funding requirements of the Group, and may be waived if the payment of the dividends would adversely affect the cash flow and operations of the Group and it is also subject to the fulfilment of solvency test regulated by Companies Act 2016.

Based on our outstanding performance, the first single-tier interim dividend of RM0.005 per share amounting to approximate RM1.50 million in respect of the financial year ended 31 December 2018 was announced and fully paid on 28 September 2018. Additionally, the second single-tier interim dividend of RM0.025 per share amounting to approximate RM7.50 million in respect of the financial year ended 31 December 2018 was announced and will be fully paid on 25 April 2019.

SUSTAINABILITY **STATEMENT**

We strive to ensure business continuity is always being achieved in a legal and fair market competition in addition to emphasising on social justice and environmental responsibility to uphold our core value of "Hatching for The Future"

SUSTAINABILITY STATEMENT (CONT'D)

INTRODUCTION

This Sustainability Statement ("the Statement"), which is prepared in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), to provide information on the Group's commitments to continuous improvement on its sustainable practices. This statement sets out what the Board of Directors ("the Board") considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters that impact the way the Group's operations are carried out as well as how such Material Sustainability Matters are managed. We understand that the development of the Group is not determined solely on its financial performance but also, on its conducts in respect of governance, economic, environment and social aspects in order to sustain in this challenging environment and to create value for its stakeholders on long term sustainable manner. In preparing this Statement, the Board has considered the Sustainability Reporting Guide and its accompanying Toolkits, issued by Bursa.

Teo Seng Group's tagline "Hatching For The Future" affirms our corporate sustainability philosophy in formulating strategies to grow our business in a sustainable manner. Sustainability initiatives extended into our core values, our day-to-day operations and business plans which driving the Group's efforts on delivering value to our shareholders, practicing good governance, maximising contributions to stakeholders and minimising our environmental footprint.

SUSTAINABILITY GOVERNANCE STRUCTURE AND POLICIES

Our sustainability management is dealt with by the risk management team in the Group who report to the Risk Manager. Based on corporate business objectives, the risk management personnel collated sustainability related information across the Group's business divisions in consolidating the risk assessment and risk register as well as developing and updating sustainability management framework. The management team undertakes to implement the strategy, culture, processes, technology and structures which constitute the risk and sustainability management framework. Whilst the Board is primarily responsible for the sustainability performance of the Group, provides oversight and review of sustainability reporting.

The Group's defines risks in accordance to observation and information from stakeholders and any potential event which could prevent the achievement of an objective. It is measured in terms of impact and likelihood. Risks arise as much from the likelihood that an opportunity will not happen, as it does from the threat or uncertainty that something bad will happen.

The Group's policy has in place to facilitate a systematic process in identifying, analysing and respond appropriately to relevant risks with due consideration to the appetites and tolerances for the relevant risks. These will not remain static and warrant a regular review and update in respond to change in specific business objectives, for example strategic, operational or asset protection as a result of change in business environment. Thus, effective reporting mechanism on the effectiveness of the risk management and control measures is developed to enhance effective oversight by the Board and prompt remedial action on weaknesses.

IDENTIFYING MATERIAL SUSTAINABILITY MATTERS

Our engagements in various ways with the internal and selected external stakeholders allow us to gain better understanding on different stakeholders' expectations, interests and concerns in relation to the Group's business and operation. This enable us to determine material sustainability risks and opportunities with particular focus given to factors in terms of economic and market place, human resource and workplace as well as social and community. Thereafter, different stakeholder groups who are impacted by the Group's business and operation, or have the potential to impact our operational or financial performance with corresponds engagement channels are summarised in the following table:

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Aspect	Material Sustainability Matters	Stakeholder Group	Engagement Channel
Economic and Market Place	Biosecurity and Diseases Control in Farms	- Board of Director - The Management - Regulatory Authorities - Customer	- Internal meeting - On-going interaction
	Shortage of Foreign Labour Supply	- Board of Directors - Major Shareholder - The Management	- Internal meeting
	Data Security	- Board of Directors - Major Shareholder - The Management	- Internal meeting - Code of conduct - Periodic assessment
Environmental	Waste Management on Farming Activities	- Regulatory Authorities - Local Community - The Management	- Press release - Media release - Formal and informal meeting - On-going Interaction
Human Resource and Workplace	Occupational Safety and Health (PPE)	- Employee - Regulatory Authorities - The Management	- Interview and Observation
	Succession Planning	- Board of Directors - The Management - Major Shareholder	- Internal Meeting - Succession Policy
Social and Community	Pest Control on Farming Activities	- Local community - Regulatory Authorities	- Press release - Media release - Formal and informal meeting - On-going Interaction

The process of determining material sustainability matters begin with identifying all possible risks based on various sources of information obtained through engagements with stakeholders and analysis of daily operation. It then followed by assessment and evaluation of the identified risks in accordance with established sustainability assessment criteria which take into account of both internal and external perspectives, i.e. from the organisation's point of view and that of stakeholders. The main purpose of assessing sustainability matters is to prioritise the risk which enables the Group to focus its effort and resources to areas that matter most.

The outcome of prioritised risk will then be discussed and planned for actions and controls, that need to be implemented and enforced, aiming to manage the risk to an appropriate level. Risk management is a never-ending process which constantly monitoring on risk's behaviours and the effectiveness of existing control. The whole risk management process is to be executed along with risk reporting structure. This helps to ensure the risks is always being monitored and proper alert is being reported to appropriate key person.

SUSTAINABILITY STATEMENT (CONT'D)

(A) Economic and Market Place Sustainability

- **Biosecurity and Diseases Control in Farms**

The risk of disease is always the main risk factor affecting poultry industry, including commercial layer industry, which may afflict our livestock. In the event that disease afflict our livestock, it will have an adverse impact on our productivity and mortality of our layer stocks, which would then have an adverse effect on the revenue and profitability of our Group, further to impair our interest in terms of market share and reputation. Recognising the importance of this risk, the management team carries out several preventive actions to mitigate the risk.

Strategically, the implementation of Closed House System ("CHS") and All-In-All-Out ("AIAO") rearing system effectively provide assurance to mitigate the diseases risk. The farming operations of our Group are spread out over a number of farms. The CHS of farming involves the breeding of chickens in a closed farm with high biosecurity and built-in ventilation, operating at more hygienic environment, whilst ensuring that the layer chickens are isolated from other animals, rodents and wild birds which may be predators or disease-carriers. The AIAO has been adopted in our farms, where full cleaned-out and disinfection are practiced for brooding, growing and laying for the purpose of better control of disease. This is remarkable rearing system in layer farming industry and well-recognised worldwide. The AIAO not only results in higher egg production and quality, but also most importantly it is a highly effective and efficient system for disease control.

For the daily operation, the management has also established a rigorous biosecurity programmes. Biosecurity programmes that will prevent the introduction and establishment of pathogens in the poultry flocks are also in place. No outsider is allowed to access our farms without permission and anyone who is permitted to visit farms have to clearly understand the rules and declare himself before entering our farms. The operation audit team will perform regular review of the internal control to assess the effectiveness of the programmes. Result from excellent biosecurity and diseases control policies, we didn't experience any material case of disease outbreak from day one of layer farming business commencement.

- **Shortage of Labour Supply**

Generally, poultry business in Malaysia is highly dependent on manual labour. However, a minimal involvement of locals has provided avenues to foreign labour to work in poultry industry since years ago. We need sufficient labour supply to operate our farms and most of them are foreign workers. It is well known that the foreign worker supply in Malaysia is reducing in recent years and which may affect daily operation of our farming activities. The Board and the management concentrate on adoption of advanced technology to improve productivity and reduce the dependence on the manual labour. Along with the establishment of our new feedmill plant, the daily feed production is double with the same workforce as previous. Also, to the large extent, the investment on automated equipment in the farms, like automated chicken manure belt system, solves the issue of daily chicken waste and further improve our waste management. The Group is now on the path of promoting and implementing technology, using automation system to solve the impending labour shortage as well as sustaining competitive advantages in line with the Group's mission.

- **Data Security**

  Data security has seemed be more emphasized and playing a more significant role in the organisations' sustainability this decade. The unauthorised divulge or misuse of confidential information could pose a devastating risk to an organisation.

  Data, regardless of whether it's relating to employee, customer, vendor, operation or financial, they are all crucial and valuable asset in making every success to the organisation.

  The group has put in efforts in data protection especially on the implementation and enforcement of our employee code of conduct which sets out the rules and guidance for use of data and information. The relevant code of conduct is being guided and communicated to the employee during employee induction session and any subsequent changes will be communicated to the employee either through announcements or meetings.

  Moreover, the group has established several policies and procedures aiming to effectively protect our data. The mentioned policies and procedures are system access control, user account and password, data usage control, data backup and restoration and etc. Beyond that, the group is practicing stringent control over the installation of firewall and antivirus protection, installation of genuine licensed software, network access, and etc.

(B) Environmental Sustainability

- **Waste Management on Farming Activities**

  Issues related to the environment, human health and the quality of life for people living near to and distant from our layer farming operations make waste management a critical consideration for the long-term growth and sustainability of layer farming production in larger bird facilities located near urban area. Much research has been conducted on ways of recovering nutrients and value-added organic products from animal wastes, to improve agricultural efficiency and mitigate environmental impacts.

  For the purpose of efficiently managing chicken waste generated from layer farming activity and reducing the negative impact towards the environment, waste management is implemented and will be continuously improved and developed to minimise the adverse impacts to environment and communities by establishing fertiliser plants. The fertiliser plants are in place to convert the manure into organic fertiliser.The components of an effective waste management of our Group include adequate site selection, efficient fertiliser production and waste collection from farms to fertiliser plant, chicken manure storage, handling, and treatment, transfer and application; and utilisation. With the implementation of rigorous waste management and organic fertiliser production, the potential environmental impact is significantly mitigated.

(C) Human Resource and Workplace Sustainability

- **Succession Planning**

  Our Group's stability and operation's continuity affected if there is no or improper succession planning in place. Effective succession planning brings advantages for both employers and employees and it's definitely benefit to the Group. Our Group is rolling a series of the effort to address the importance of succession planning to encounter any inevitable changes that might occur. and we believe that proactive succession planning efforts able to reduce risk of hiring and promotion mistake as well as the negative impact of turnover of key roles.

  Existence of succession planning is one of the essential frameworks to assure the Group's continuity and sustainability when the key positions vacant. Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role in our organization.

SUSTAINABILITY
STATEMENT (CONT'D)

For the sake of the Group is well-positioned to continue growing and performing, minimising the impact of losing key talents and leaders, there are also few strategic planning in place to ensure our sustainability through succession planning.

- Establish succession planning policy
- Promote employee referral program
- Recruiting new blood especially young, energetic people on board to bring a fresh perspective
- Training development

- **Occupational Safety and Health**

Occupational safety and health are a core value to our Group. Safety and Health Committee was set up and led by Health, Safety and Environment Officer to ensure a systematic safety and health plan and practices are being carried out. We commit to continued advancement of an institutional safety culture with strong programs of personal safety, accident and injury prevention, wellness promotion, and compliance with applicable environmental and health and safety laws and regulations.

- Safety and Health Policy and Procedure

Teo Seng Group is striving to provide a safe and healthy working environment to all employees. Safety and health policy has been established and target is set to provide guidelines for establishing and implementing programs that will reduce workplace hazards, protect lives and promote employee health. Additionally, safety and health procedures are set up to ensure the proper working and process flow are carried up by employees on their daily operation. Disciplinary action is imposed to employees who are violated the procedures.

- Safety and Health Training

We consistently provide educational training in term of occupational safety and health. The purpose of training program is to cultivate safety awareness and enhance the ability of staffs, especially front-line workers, to apply the knowledge gained in practical, especially when they are encountering any emergency case. Furthermore, the employees with the essential knowledge and capability could promote safe work practice and good working behavior. Employees possess a greater understanding with the conducted training could contribute to their competency toward occupational safety and health's development and implementation. Please refer to above training detail.

- Incident and Accident Investigation

Incident investigation is to identify the root causes of the accident or incident, then provide systematic control on such root causes. It provides employers and employees the opportunity to identify hazards in their operations and shortcomings in their safety and health programs. Most importantly, it enables employers and workers to identify and implement the corrective actions necessary to prevent future incidents. We encourage and educate employees to immediately report accident happened to respective person-in-charge. Safety and health officer will arrange incident investigation with safety and health committee member to determine the root cause and recommend control measure to minimise occupational hazards. The incident investigation reports will be submitted to management team and to be discussed periodically for the purpose of continuous improvement.

- Personal Protective Equipment ("PPE")

PPE is equipment worn to minimize exposure to hazards that cause serious workplace injuries and illnesses. We have established PPE Management Procedure to record the detail of distribution and movement of PPE and provide PPE to employees carrying out hazardous works, for example full body harness and safety helmet.

(D) Social and Community Sustainability

- **Pest Control on Farming Activities**

  As a layer farmer, pest is an unavoidable, but unwanted factor because it spreads disease, reduces productivity of the layer, destroys the building, is a nuisance to communities. Teo Seng is committed in minimising the impact of the pest from our farms. Over the years, we have been putting efforts to minimise the nuisance to local communities by implementing rigorous and effective pest control. We are always keeping in touch with local authority and community to mitigate the adverse impacts toward the environment as well as local community. The goal of pest control is to reduce pests to an acceptable level. Integrated pest control was developed to manage pests to achieve an acceptable level of pest activity, with the least disruption to the environment and communities.

  Good routine management practices, like cleanliness and sanitation are the keys to reducing pest problem. The hygiene of rearing environment is constantly emphasised to prevent the pest from inhabiting in layer house. Rigorous housekeeping and cleaning procedures are formulated by farm management team, executed by farm manager and enforced by operation audit team. Pesticide spraying programme is set by veterinarian and being implemented with growth cycle of chicken. These measures are carried out by farm manager, and audit team will conduct regular audit to examine the compliance and effectiveness. In addition, along with the investment on chicken manure belt system in most of the farms, manure will be cleaned more frequently and it will definitely further improve the hygiene of layer house, improve pest management.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors ("the Board") of Teo Seng Capital Berhad ("Teo Seng" or "the Company or the Group") is committed to ensure that the highest standards of corporate governance being observed and practiced throughout the Company and the Group as a fundamental part of discharging its responsibilities with transparency and professionalism to protect and enhance shareholders' value and financial performance of the Group. The Board is continuously working towards the principles and practices of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") prescribed in the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") towards achieving corporate excellence.

The detailed application for each practice as set out in the MCCG 2017 during the financial year ended 31 December 2018 is disclosed in the Corporate Governance Report ("CG Report") which is available at the corporate website: www.teoseng.com.my

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

Roles and Responsibilities of the Board

The Board assumes full responsibilities for the overall performance of the Company and its subsidiaries by setting the policies, establishing goals and monitoring the achievement of the goals through strategic action plans and careful stewardship of the Group's assets and resources.

The Board will consider the company matters such as annual business plan, annual budget, dividend policy, merger and acquisition, capital expenditure and corporate exercise. The Board has delegated certain responsibilities to the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC") in carrying out its stewardship. All committees have clearly defined terms of reference. The Chairman of various committees reports the meeting outcomes and findings to the Board for approval and decision.

The principal responsibilities of the Board include the following:

a. Cultivate good corporate governance within the Group and ensure regulatory compliance

The Board remain committed to achieve the highest standards of corporate governance and integrity not only to comply with regulatory compliance but also enhance corporate's value to shareholders and other stakeholder.

b. Reviewing and adopting a strategic business plan, budget and financial performance for the Group

The Board plays an important and active role in the development of the Company's strategies. Management presents to the Board its recommended strategies and proposed business regulatory plans for the coming year at a dedicated session. The Board reviews and deliberates upon both Management's and its own perspectives, as well as challenges Management's views and assumptions, to deliver the best outcome.

c. Supervision and Assessment of Management Performance to evaluate whether the businesses are being properly managed

The Board monitors the implementation of business plans by Management and assessed the performance of Management under the leadership of the Managing Director. The Board is also kept informed of key strategic initiatives, significant operational issues and the Company's performance.

d. Review of the adequacy and integrity of the Group Internal Control Systems

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. It covers both operational and financial areas such as waste management control, human resource management control, reporting, monitoring, review process and procedures.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

1. BOARD RESPONSIBILITIES (CONTINUED)

Roles and Responsibilities of the Board (Continued)

e. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks

The Board oversees the Enterprise Risk Management ("ERM") framework of the Company through the Group Internal Auditors ("GIA"). The GIA advises the AC and the Board on areas of high risk, the adequacy of compliance and control procedures throughout the organisation.

The GIA reviews and recommends the annual Corporate Risk Profile which specifies the key enterprise risks, risk management policies formulated and make relevant recommendations to the Board for approval, particularly with regard to risk oversight structure, accountability for risk management.

Details of the ERM framework are set out in Statement of Risk Management and Internal Control of this Annual Report.

f. Succession planning includes appointment, training, fixing of compensation and replacement of senior management

The Board delegates the planning on succession of key management personnel to the NC. The NC is responsible to review and assess the candidates for Senior Management positions. NC is responsible for nomination, selection and succession policies of the Board and Board Committees. The RC is responsible to review and recommend a fair remuneration for these appointments.

g. Developing and implementing an investor relations programme and shareholders communications policy for the Group

The Board developed the Investor Relations Policy which governs the dissemination of information to shareholders in a fair, transparent and timely manner. Investor Relations Policy is available online at www.teoseng.com.my/investor-relations/

Separation of Position of Chairman and Group Managing Director (''MD'')

A set of Limit of Authority ("LOA") which based on the prescribed financial limits, was formulated and reviewed regularly to ensure the Board discharge its roles and responsibilities effectively. The LOA serves to optimize operational efficiency and outlines high level duties and responsibilities of the Board, and the delegated day-to-day management of the Company to the MD. The structured and regular reporting are made to the Board where the Board is accountable for the Company's overall performance. The Chairman of the Board helms by providing leadership and guidance to the Board in meeting corporate goals and manages the processes in ensuring the Board effective discharges of its duties.

Mr Lau Jui Peng is the Chairman of the Board while the MD is held by Mr Nam Hiok Joo. There is clear segregation of the roles and responsibilities between the Chairman and MD as set out in the Board Charter.

The key roles of the Chairman, amongst others, are as follows:

i. Ensure that the Board functions effectively, cohesively and independently of Management;
ii. Provide governance in matters requiring corporate justice and integrity;
iii. Lead the Board, including presiding over Board Meetings and Company Meetings, directing Board discussions to effectively addressing the critical issues within the available time frame;
iv. Promote constructive and respectful relationship between Board Members and Management;
v. Ensure the effectiveness in communication between the Company and/or Group, shareholders and stakeholders

CORPORATE GOVERNANCE
OVERVIEW STATEMENT (CONT'D)

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

1. BOARD RESPONSIBILITIES (CONTINUED)

Separation of Position of Chairman and Group Managing Director (Continued)

The Managing Director (''MD'') is responsible for the day-to-day management of the company businesses, organisational effectiveness and implementation of Board strategies, policies and decisions. The delegation structure from the Board to MD is further cascaded to the Senior Management Team. Both MD and Senior Management Team remain accountable to the Board for the delegated authorities. The responsibilities of the MD in general, are as follows:

i. Develop the strategic directions of Teo Seng Group;
ii. Ensure the businesses of Teo Seng Group are properly and efficiently managed by the Executive Team, who implements the strategies and polices that are adopted by the Board and its Committees;
iii. Ensure the objectives and standard of performance are understood by employees;
iv. Ensure that the operational planning and control systems are in place;
v. Monitor performance results against planned;
vi. Take necessary remedial actions which deemed fit.

By virtue of the position, MD as a Board Member, also acts as the intermediary between the Board and the Management.

Qualified and Competent Company Secretaries

The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act 2016 and members of The Malaysian Institute of Chartered Secretaries and Administrators.

In order to ensure the effective functioning of the Board, the Company Secretaries play an advisory role to the Board in relation to Constitutions, policies and procedures and compliance with the relevant legislations and update the Board on new statutory and regulatory requirements, Corporate Governance matters relating to the discharge of its duties and responsibilities.

The Company Secretaries attend all Board meetings and ensure the meetings are properly convened, deliberations and decisions made by the Board are accurately minuted, recorded and kept. The Company Secretaries attended relevant development and training programmes to enhance their abilities in discharging for the duties and responsibilities.

Access to Information and Advice

The Board has unrestricted access to all information within the Group from the respective Managements at all time and may seek advice from the Management concerned as it may require. The Board is constantly kept informed of various requirements and updates issued by various regulatory authorities. In addition, the Board may obtain independent professional advice in furtherance of their duties whenever necessary at the Company's expense through an agreed procedure.

Board members are provided with updates on operational, financial and corporate issues as well as minutes of meetings of the various Board Committees prior to the meetings to enable Directors to obtain further explanations/ clarifications if necessary, in order to ensure the effectiveness of the proceeding of the meetings. The Board members received the board papers at least 5 days before the board meetings whilst highly sensitive corporate proposals are circulated during the meeting. Key Management Personnel who provides additional information or clarification were also invited to brief the Board. The meeting proceedings were minuted, distributed to the Board Members on a timely manner and tabled for the confirmation in the subsequent meeting.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

1. BOARD RESPONSIBILITIES (CONTINUED)

Board Charter

The Board Charter is a primary document, clearly set out the roles and responsibilities of the Board, its Committees ("Board Committees"), Chairman and Managing Director, taking into consideration of all applicable laws, rules and regulations as well as the best practises. It serves as a reference and primary induction literature in providing Board members and Management insight into the function of the Board of Directors of the Company. Board specific reserved matters covering areas such as strategy and business planning, finance and controls, people, compliance, support and assurance and others are entrenched in the Company's Board Charter.

The Company's Board Charter was adopted and reviewed by the Board from time to time to ensure that it remains consistent with the Board's objectives and current laws and practices.

Pursuant to the issuance of the MCCG 2017, the Board had on 17 April 2019 reviewed and approved specific provisions to the Board Charter of Teo Seng Group to ensure the documents remain relevant and consistent with the recommended best practices and applicable rules and regulations. The Company's Board Charter is available online at www.teoseng.com.my/investor-relations/

Code of Ethics

The Board has formalised a Directors' Code of Ethics, setting out the standards of conduct expected from Directors. The Code of Ethics for Directors includes principles relating to Directors' duties, conflicts of interest and dealings in securities. The Code of Conduct serves as a guideline for directors that promote integrity of information, dealings in securities and conflict of interest. It also sets out prohibited activities or misconducts such as giving/ receiving gifts, briberies, dishonest behaviour and sexual harassment. The Directors' Code of Ethics is available online at www.teoseng.com.my

Whistleblowing Policy

Whistleblowing policy was established during the year and administered by the AC. Employees of the Company are encouraged to confidently voice their grievances and raise their concerns of any unlawful or unethical situation or any suspected violation of the Code of Conduct with the defined channels of reporting set out in the policy.

The Board emphasises good faith in reporting, with assurance to the employees that they will not be at risk of any form of victimisation, retribution or retaliation. Any attempt to retaliate, victimize or intimidate against any whistle-blower is a serious violation and shall be dealt with serious disciplinary action and procedures. The whistleblowing case or concern could be reported via the email: bs@teoseng.com.my

2. BOARD COMPOSITION

During the financial period under review, Dato' Zainal Bin Hassan was redesignated as Independent Non-Executive Director of the Company by the recommendation of Nomination Committee and endorsed by the Board on the basic that he behaves and acts very independently during his service as Non-Independent Director and always safeguard for the minority shareholders' interest by raising up questions on behalf of the minority shareholders. The Board streamlined its size to seven (7) members comprising of one (1) Non-Executive Chairman, one (1) Managing Director, one (1) Non-Executive Director and four (4) Independent Non-Executive Directors. This composition fulfils the requirements as set in the Main Market Listing Requirements of the Bursa Malaysia which require that one third (1/3) of the Board members are Independent Non-Executive Directors as well as fulfilled the requirement of MCCG 2017 to comprise at least half of the Board members are Independent Non-Executive Directors.

The profile of each Director is presented on page 7 to page 10 of this Annual Report. The Directors, with the divest backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in relevant fields such as poultry farming, finance, business administration, corporate planning, development and marketing which are vital for the strategies success of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. BOARD COMPOSITION (CONTINUED)

Independence of the Board

The Board adopted the concept of independence in tandem with the definition of Independent Non-Executive Director under the Paragraph 1.01 and Practice Note 13 of the Bursa Malaysia Listing Requirements. The Board carries out annual assessment to ensure the effectiveness of the independence of the Independent Non-Executive Directors (''INED''). The Board is satisfied with the level of independence demonstrated by all of the INED and their ability to act in the best interest of the Company.

The Board acknowledges the recommendation of the MCCG 2017 that the tenure of an Independent Director should not exceed a cumulative of nine years. Upon completion of nine (9) years, the INED may continue to serve on the Board as an Independent Non-Executive Director subject to assessment by the Board and shareholders' approval at the general meeting. Mr Choong Keen Shian and Mr Frederick Ng Yong Chiang have served the Board as INED of the Company for more than nine (9) years since 19 June 2008 and Dato' Koh Low @ Koh Kim Toon has served the Board as an INED of the Company for more than nine (9) years since 19 November 2009. The Board after considering the NC's recommendation will seek shareholders' approval in the forthcoming AGM to retain their designation as INED of the Company based on the following reasons:

a. They have actively participated in the Board's deliberations and provided independent opinions to the Board;
b. They have ensured effective check and balance in the proceedings of the Board;
c. They have extensive experience in their respective profession to provide constructive opinions and ideas of Company to the Board; and
d. They devoted sufficient time to attend the meetings.

Board Gender Diversity Policies

The Board has always placed gender diversity as an agenda in strengthening the performance of its Board and Board Committees. The Board is of the view that while it is important to promote gender diversity, the normal selection criteria of a Director and senior management, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board, should remain a priority so as not to compromise on qualification, experience and capabilities in relevant field such as poultry farming, finance, business administration, corporate planning, development and marketing which are vital for the strategies success of the Group.

Nomination Committee ("NC")

The NC of the Company is chaired by an Independent Director which primarily responsible for the proposing of new candidates for the Board and for assessing the performance of the members of the Board on an on-going basis. The NC is governed by its Terms of Reference approved by the Board which is available on the Company's website at www.teoseng.com.my.

The members of the NC:

NC	Position
Frederick Ng Yong Chiang	Chairman
Choong Keen Shian	Member
Loh Wee Ching	Member

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. BOARD COMPOSITION (CONTINUED)

Selection and Assessment of Directors

NC is responsible for assessing and recommending suitable candidate for Directorship to the Board, leverages on several sources and recommendation from existing Board Members, Key Management Personnel (''KMP'') and/or major shareholders to gain access to wide pool of potential candidates, based on the profile and background of the candidates. In addition, the Committee annually reviews the profile of each Individual Director of the Board on the aspect of skills, knowledge and experience, where various Committees to assess the effectiveness of the Board as a whole.

The NC is mindful of the importance of succession planning for the members of the Board and KMP. NC always keeps in view of suitable candidates for meeting the roles.

The NC reviews the Board Composition in terms of appropriate size, required mix of knowledge, skills, experiences, core competencies and adequacy of balance between Executive Directors and Independent Non-Executive Directors. As part of the recruitment process and annual assessment of Directors, the NC will review the professionalism, integrity, honesty, competency, commitment, contribution and performance and ensure no conflict of interest arises that would impair their ability to represent the interest of the Company's Shareholders and stakeholders and to fulfil the responsibilities of a Director.

The NC evaluated the effectiveness of the Board, various Committees and assessing the contribution of each Individual Director annually by Committee Evaluation, Self-Assessment Evaluation and/or Peer Assessment methods. Effective communication is established among Board members and Board Committees members on official and unofficial basis. Major policies and corporate proposals are discussed and scrutinized before putting to a vote. All members of the Board and Committees have been diligent and exercised due reasonable care in discharging their duties and responsibilities.

NC reviews and recommends the suitable training programmes to the members of the Board in order to carrying out its functions. There was four NC meeting for the financial year ended 31 December 2018. The Committee meets in a need basis.

The summary of the activities of the NC during the financial year are as follows:-

a. Reviewed the mix of skill and experience and other qualities of the Board.
b. Assessed the effectiveness of the Board as a whole, the Board committees and the Directors.
c. Reviewed the independence of the Directors.
d. Discussed the Company's Directors' retirement by rotation.
e. Conducted the assessment on the AC and each of its members.

Re-election of Directors

In accordance with the Article 103 of the Company's Constitution, all Directors who are appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments.

In accordance with the Article 110 of the Company's Constitution, a Director who is appointed by the Board either to fill a casual vacancy or as an addition to the existing directors shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

Directors who are due for retiring and subject to re-appointment or re-election at the Annual General Meeting ("AGM") will be assessed by the NC, whose recommendations will be submitted to the Board for consideration, thereafter to be tabled to shareholders for approval at the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2. BOARD COMPOSITION (CONTINUED)

Re-election of Directors (Continued)

The Directors who will be retiring by rotation pursuant to Article 103 are Dato' Koh Low @ Koh Kim Toon and Mr. Loh Wee Ching in the forthcoming AGM. Mr. Nam Hiok Joo will be retiring pursuant to Article 110 in the forthcoming AGM. All of them, being eligible, have offered themselves for re-election.

Key Management Personnel ("KMP")

The KMPs of the Group:

	Position
Ng Eng Leng	Group Financial Controller
Na Eluen	Deputy Chief Operating Officer, Marketing
Na Yi Chan	Deputy Chief Operating Officer, Layer Farming Division
Nam Ya Jun	Executive Director, Animal Health Products Division
Ku Leong Choon	Farm General Manager

The KMPs are responsible to assist MD for the day-to-day running of the Group's businesses, implementation of the Board's policies and decision making related to operational and financial matters.

3. REMUNERATION

Remuneration Committee ("RC")

RC is primarily responsible for the development and review of the remuneration policy and packages for the Board members and KMPs. The remuneration policy aims to attract and retain Directors and KMPs necessarily for proper governance and the smooth running of the Company. The Term of Reference of RC is available on the website at www.teoseng.com.my. The composition of RC is as follow:

RC	Position
Choong Keen Shian	Chairman
Dato' Koh Low @ Koh Kim Toon	Member
Loh Wee Ching	Member

The duties and responsibilities of the Committee are as follows:

i. Recommendation to the Board of Directors on the remuneration package of the Executive Directors in all forms, drawing from external advice as necessary and the Executive Directors shall play no part in decisions on their own remuneration;
ii. Determination of remuneration package of Non-Executive Directors, would be carried out by the Board of Directors as a whole and the individual concerned would abstain from discussing their own remuneration; and
iii. Assessing the remuneration package of Directors and KMPs is commensurate with their individual performance and responsibilities.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. REMUNERATION (CONTINUED)

Remuneration Committee ("RC") (Continued)

The Remuneration payable to the Board of Directors for the financial year ended 31 December 2018 is as follows:

	Company RM					
	Fee	**Salaries**	**Bonus**	**Benefit–in–kind**	**Other Emoluments**	**TOTAL**
Executive Director						
Lau Jui Peng	–	80,250	126,000	–	39,575	245,825
Nam Hiok Joo (Appointed on 27/6/2018)	–	103,270	162,144	–	50,815	316,229
Lau Joo Han (Resigned on 31/7/2018)	–	–	–	–	–	–
Nam Yok San (Resigned on 27/6/2018)	–	63,180	–	–	12,335	75,515
Na Yok Chee (Resigned on 9/8/2018)	–	98,280	–	–	19,055	117,335
Sub-Total	**-**	**344,980**	**288,144**	**-**	**121,780**	**754,904**
Non-Executive Director						
Tan Sri Lau Tuang Nguang (Resigned on 9/8/2018)	16,000[1]	–	–	–	2,000[1]	18,000
Loh Wee Ching	–	–	–	–	–	–
Choong Keen Shian	24,000[1]	–	–	–	2,000[1]	26,000
Frederick Ng Yong Chiang	24,000[1]	–	–	–	2,000[1]	26,000
Dato' Koh Low @ Koh Kim Toon	24,000[1]	–	–	–	2,000[1]	26,000
Dato' Zainal Bin Hassan	24,000[1]	–	–	–	2,000[1]	26,000
Sub-Total	**112,000**[1]	**-**	**-**	**-**	**10,000**[1]	**122,000**
Total	**112,000**	**344,980**	**288,144**	**-**	**131,780**	**876,904**

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. REMUNERATION (CONTINUED)

Remuneration Committee ("RC") (Continued)

The Remuneration payable to the Board of Directors for the financial year ended 31 December 2018 is as follows:(Cont'd)

	Group RM					
	Fee	Salaries	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Executive Director						
Lau Jui Peng	–	185,250	126,000	–	60,063	371,313
Nam Hiok Joo (Appointed on 27/6/2018)	–	217,938	162,144	13,971	73,299	467,352
Lau Joo Han (Resigned on 31/7/2018)	–	178,075	–	–	37,394	215,469
Nam Yok San (Resigned on 27/6/2018)	–	204,349	–	2,000	21,590	227,939
Na Yok Chee (Resigned on 9/8/2018)	–	245,399	147,000	3,000	75,289	470,688
Sub-Total	**–**	**1,031,011**	**435,144**	**18,971**	**267,635**	**1,752,761**
Non-Executive Director						
Tan Sri Lau Tuang Nguang (Resigned on 9/8/2018)	16,000[1]	–	–	–	2,000[1]	18,000
Loh Wee Ching	–	53,863	–	–	–	53,863
Choong Keen Shian	24,000[1]	–	–	–	2,000[1]	26,000
Frederick Ng Yong Chiang	24,000[1]	–	–	–	2,000[1]	26,000
Dato' Koh Low @ Koh Kim Toon	24,000[1]	–	–	–	2,000[1]	26,000
Dato' Zainal Bin Hassan	24,000[1]	–	–	–	2,000[1]	26,000
Sub-Total	**112,000**[1]	**53,863**	**–**	**–**	**10,000**[1]	**175,863**
Total	**112,000**	**1,084,874**	**435,144**	**18,971**	**277,635**	**1,928,624**

(1) Subject to shareholders' approval at the forthcoming Annual General Meeting.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. REMUNERATION (CONTINUED)

Remuneration Committee ("RC") (Continued)

The Remuneration paid to the five (5) KMP who are not Directors of the Company for the financial year ended 31 December 2018 in the bands of RM50,000 are as follows-

Range of Remuneration	RM 150,001 to RM200,000	RM250,001 to RM300,000	RM350,001 to RM400,000	RM400,001 to RM450,000	RM600,001 to RM650,000	SGD150,001 to SGD200,000
Ng Eng Leng					✓	
Na Eluen	✓					✓
Na Yi Chan			✓			
Nam Ya Jun				✓		
Ku Leong Choon		✓				

The remuneration value above is computed on an aggregate basis, taking into account the relevant personnel's salary, bonus, benefit-in-kind and other emoluments.

Foster Commitment of Directors

Time Commitment

The Board conducts at least four (4) meetings in each financial year. An annual meeting calendar is prepared and circulated to the Directors before the beginning of each year to enable the Directors to facilitate in their time planning. Additional meetings are held as and when required. Scheduled Board meetings are structured with pre-set agenda. Board and Board Committees papers, which were prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committees members before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. Board members' meeting attendances for the financial year ended 31 December 2018 were as follows:

Director	Board of Directors Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Lau Jui Peng	7/7	–	–	–
Nam Yok San (Resigned on 27/6/2018)	1/3	–	–	–
Nam Hiok Joo (Appointed on 27/6/2018)	3/3	–	–	–
Na Yok Chee (Resigned on 9/8/2018)	4/4	–	–	–
Lau Joo Han (Resigned on 31/7/2018)	1/4	–	–	–
Tan Sri Lau Tuang Nguang (Resigned on 9/8/2018)	3/4	3/4	–	1/2

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. REMUNERATION (CONTINUED)

Foster Commitment of Directors (Continued)

Time Commitment (Continued)

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. Board members' meeting attendances for the financial year ended 31 December 2018 were as follows: (Cont'd)

Director	Board of Directors Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Dato' Zainal Bin Hassan	5/7	–	–	–
Loh Wee Ching	5/7	–	4/4	3/3
Choong Keen Shian	6/7	6/7	4/4	3/3
Frederick Ng Yong Chiang	7/7	7/7	4/4	–
Dato' Koh Low @ Koh Kim Toon	7/7	7/7	–	N/A (Appointed on 20/8/2019)

Training and Development of Directors

In compliance with the Main Market Listing Requirements of Bursa Malaysia, the Directors are mindful that they shall receive appropriate training which may be required from time to time to keep abreast with the current developments of the industry as well as the new statutory and regulatory requirements. The Board identifies the training needs of the Company's Directors based on feedback provided by the NC during the annual board evaluation. The Directors will continue to receive appropriate training or education to fulfill the Main Market Listing Requirements of Bursa Malaysia.

During the financial year under review, the Directors have attended relevant training and development programmes according to the requirements to enhance their ability in discharging their duties and responsibilities more effectively. The training and development programmes are as follows:

Directors	List of Training Programmes/Seminars attended/participated	Date
Lau Jui Peng	Salmonelia Control by Elanco Animal Health	7 March 2018
	Ritma-Livestock Symposium 2018	15 & 16 August 2018
	World Technical Service for Breeder Management	24 & 25 September 2018
	Petersime Incubator Seminar (in house)	27 September 2018
	Darling, Beetle, Flies, Rodent, Wild birds and AI Control by Elanco Animal Health speakers	1 November 2018
	Chick day in-house training: Ceva Hatchery Vaccination	28 November 2018

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. REMUNERATION (CONTINUED)

Training and Development of Directors (Continued)

During the financial year under review, the Directors have attended relevant training and development programmes according to the requirements to enhance their ability in discharging their duties and responsibilities more effectively. The training and development programmes are as follows: (Cont'd)

Directors	List of Training Programmes/Seminars attended/participated	Date
Nam Hiok Joo (appointed on 27/6/2018)	Legal ways to recovery of outstanding debts (in house)	14 May 2018
	Ritma-Livestock Symposium 2018	15 & 16 August 2018
	Enterprise Risk Management ("ERM") Workshop (in house)	24 August 2018
	Directors' Training 2018: New Amendments to Bursa Listing Requirements & MCCG 2017	14 September 2018
	Mandatory Accreditation Programme for Directors of Public Listed Companies	8-9 October 2018
Loh Wee Ching	Legal ways to recovery of outstanding debts (in-house)	14 May 2018
	Directors' Training 2018: New Amendments to Bursa Listing Requirements & MCCG 2017	14 September 2018
Dato' Zainal Bin Hassan	Directors' Training 2018: New Amendments to Bursa Listing Requirements & MCCG 2017	14 September 2018
Choong Keen Shian	Directors' Training 2018: New Amendments to Bursa Listing Requirements & MCCG 2017	14 September 2018
	13th Advent MS Tax & Business Management Seminar	19 November 2018
Frederick Ng Yong Chiang	Real Property Gain Tax (RPGT): Implications and Exemptions	23 July 2018
	Enterprise Risk Management ("ERM") Workshop (in-house)	24 August 2018
	MIA International Accountants Conference 2018	9 & 10 October 2018
	13th Advent MS Tax & Business Management Seminar	19 November 2018

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3. REMUNERATION (CONTINUED)

Training and Development of Directors (Continued)

During the financial year under review, the Directors have attended relevant training and development programmes according to the requirements to enhance their ability in discharging their duties and responsibilities more effectively. The training and development programmes are as follows: (Cont'd)

Directors	List of Training Programmes/Seminars attended/participated	Date
Dato' Koh Low @ Koh Kim Toon	Enterprise Risk Management ("ERM") Workshop (in-house)	24 August 2018
	Directors' Training 2018: New Amendments to Bursa Listing Requirements & MCCG 2017	14 September 2018

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee ("AC")

The Board is responsible for the financial statements and quarterly announcement of financial results that were prepared to give a true and fair view of the Group's state of affairs. The Directors took the due care and reasonable steps to ensure that the requirements of accounting standards were fully met. The Board is assisted by the AC to oversee the Group's financial reporting process and the quality of its financial reporting. The AC also reviews the aptness of the Group's accounting policies and the Changes thereto as well as the implementation of these policies. All the AC members are INED and the Chairman of the AC is Mr. Choong Keen Shian who is not the Chairman of the Board. In accordance with the Term of Reference of AC, a former key audit partner of the Company's external auditors firm is required to observe a cooling-off period of at least 2 years before appointment as a member of the Committee.

Assessment of External Auditor

The AC considered the adequacy of experience and resources of the audit firm and the professional staff assigned to the audit, independence of Messrs. Pricewaterhouse Coopers PLT and the level of non-audit services rendered to the Group for the financial year 2018.

The AC undertakes an annual assessment of suitability and independence of the external auditors. A written assurance by the external auditors, confirming that they are and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independent criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants. Having assessed their performance, the AC will recommend their re-appointment decision to the Board, upon which the shareholders' approval will be sought at the Annual General Meeting.

The external auditors met the AC in the financial year under review to facilitate the assessment for the appointment of auditor with its proposed fee quotation and subsequently to present external audit plan memorandum for the financial year 2018.

The AC requires the audit partner to be subject to a five-year rotation in consideration of external auditors' appointment to ensure independence of auditors.

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

1. Audit Committee ("AC") (Continued)

Assessment of External Auditor (Continued)

Fees paid/payable to Messrs. PricewaterhouseCoopers as follows:

Work-done	Group	Company
Statutory Audit	300,215	48,000
Non-audit fee	53,000	43,000

All related party transactions (including recurrent related party transactions) and conflict of interest situations of the Group are subject to review by the AC prior to recommendation to the Boards to ensure compliance of the Listing Requirement of the Bursa Securities.

Further details on the AC are set out in the AC Report of this Annual Report.

2. Risk Management and Internal Control Framework

The Board regards risk management and internal control as an integral part of the overall management processes in the Group to safeguard Shareholders' investments and the Company's assets. Accordingly, the Directors are obliged to ensure that the internal control system are existed and practiced within the Group. The AC assists the Board in fulfilling this obligation by reviewing the effectiveness and adequacy of the system.

The following key reporting systems and procedures that have been in place within the Group:

i. regular and comprehensive information provided to AC and the Board covering financial and operational performance;
ii. regular visits to the operating units by members of the Board and KMP;
iii. regular internal audit visits, which monitor compliance with procedures and assess the integrity of financial information; and
iv. defined delegation of responsibility to the Board of Directors and Management of the Group including authorisation level for all aspects of the business.

Recognising the importance of risk management processes and practices, the Board has formalised a risk management framework to enable Management to identify, evaluate, control, monitor and report to the Board the principal business risk faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

Further details relating to the review on internal control system are set out in the Statement on Risk Management and Internal Control on page 43 to page 46 of the Annual Report. During the financial year under review, Risk Management Committee ("RMC") comprises a majority of INED chaired by the Managing Director was established with objective to oversee the implementation and review of the effectiveness of the risk management framework and policy. The composition of RMC is as follow:

RMC	Position
Nam Hiok Joo	Chairman
Choong Keen Shian	Member
Frederick Ng Yong Chiang	Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPAL C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. COMMUNICATION WITH STAKEHOLDERS

The Group recognises the need to inform the stakeholders of all of the significant developments concerning the Group on a timely basis with strict adherence to the Bursa Malaysia Listing Requirements. Shareholders and prospective investors are kept informed of all major developments within the Group by way of announcements via the Bursa Link, the Company's Annual Reports, website and other circulars to shareholders with an overview of the Teo Seng Group's financial and operational performance. The Company always maintains transparency in business activities, continuously keep the shareholders and the prospective investors well informed on the Company's activities.

The Company has established an Investor Relations Policy to ensure an accurate, clear, timely and quality disclosure of material information. The Board has earmarked a section on the Company's website, where information on the Company's announcements/submission to the regulators and the salient features of the Board Charter and Board Committees' Term of Reference can be accessed.

2. CONDUCT OF GENERAL MEETING

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders. The Board provides a platform to shareholders to raise questions pertaining to the business activities of the Group at the AGM. The Chairman and where appropriate, the Executive Director and External Auditors are available to provide explanations on queries raised during the meetings as well as to discuss with Shareholders, invited attendees and members of the press. Shareholders who are unable to attend, are allowed to appoint proxies to attend and vote on their behalf.

The notice of the Company was issued at least 28 days before the AGM date to enable shareholders to peruse the Annual Report and the papers supporting the resolutions proposed and the minutes of AGM of the Company is accessible through the Company's website at www.teoseng.com.my.

In line with the latest amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements, all the resolutions set out in the notice of AGM are conducted by poll voting and the Board make the announcement of the detailed results showing the number of votes cast for and against each resolution at general meeting to facilitate greater shareholder participation.

This Corporate Governance Overview Statement was approved by the Board of the Company on 17 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the following additional information is provided:-

Material Contracts

There were no material contracts entered into or subsisting between the Company and its subsidiaries involving directors' and major shareholders' interest during the financial year ended 31 December 2018 other than those disclosed below:-

Teo Seng Farming Sdn. Bhd. (''TSF''), a wholly owned subsidiary of Company had on 4 April 2018 entered into a Sale and Purchase Agreement with the following persons to acquire two pieces of vacant freehold industrial land held under GRN 560956 (formerly known as HS(D) 62611) Lot 31730 (formerly known as PTD 29427) and GRN 560957 (formerly known as HS(D) 62612) Lot 31732 (formerly known as PTD 29429), both in Mukim Tanjung Sembrong, District of Batu Pahat, Negeri Johor measuring in total area approximately 4.3414 acres (1.7569 hectares) ("the Land") at the purchase price of RM4,760,000-00 (Ringgit Malaysia Four Million Seven Hundred Sixty Thousand only):-

a) Mr. Lim Meng Bin (NRIC No. 500904-01-5397), Director of the various subsidiaries of the Company; and

b) Mr. Ng Eng Leng (NRIC No. 710202-01-5419), Director of TSF and other various subsidiaries of the Company ("the Interested Director").

Recurrent Related Party Transactions of a Revenue Nature

Save as disclosed in Note 28 of the Financial Statements in this Annual Report and the circular to shareholders (Recurrent Related Party Transactions) dated 30 April 2019, there was no other transaction conducted pursuant to the shareholders mandate during the financial year ended 31 December 2018.

Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES **FOR PREPARING THE FINANCIAL STATEMENTS**

The Directors are responsible to ensure that financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and applicable Approved Accounting Standards in Malaysia.

In preparation of financial statement for the year ended 31 December 2018, the Directors are also responsible for the adoption of applicable accounting policies and their consistent use in the financial statements supported where necessary by reasonable and prudent judgments.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the Task Force with the support and endorsement of Bursa Securities as well as the Malaysian Code on Corporate Governance 2017, the Board is pleased to present the Group's Statement on Risk Management and Internal Control for the financial year ended 31 December 2018, which outlines the nature and scope of risk management and internal control of the Group.

BOARD'S RESPONSIBILITIES

The Board of Director acknowledges its responsibilities in maintaining a sound system of risk management and internal control to manage risk exposure within the acceptable level of tolerance. The roles of the Board including creation of a risk-awareness culture within the Group i.e. identifying, approving the key risks and ensuring the adequate implementation of appropriate internal control system to manage the identified risks with continuous effective reviews on the controls to safeguard Group's profitability and assets.

The Board has received assurance from the Managing Director (''MD'') and the Group Financial Controller to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects. The system of internal control incorporated inter alia, risk management, financial, operational and compliance controls as well as the governance process.

RISK MANAGEMENT AND INTERNAL CONTROL

a) Risk Management

The Objective

Risk management has moved from an operational focus on value preservation to a strategic focus on value generation. The Group strives to create value through:

- minimising costs through ensuring our business processes are efficient, effective and compliant with legislation and regulations
- ensuring successful delivery of every changes
- protecting business assets
- enable improved decision making, planning and prioritisation through a structured understanding of opportunities and threats
- taking opportunities to improve the business processes
- achieving optimal level of customer and stakeholder satisfaction.

The Governance

To ensure the effectiveness of risk management, the Board and Senior Management need to be able to rely on adequate line functions. The 'Three Lines of Defence' model as a way of explaining the Group's risk management governance. The underlying premise of the model is that through the oversight of management and the Board, three lines of defence within the Group are required for effective management of risk and control. When these three lines have been properly structured with no gaps in coverage, the Group has an increased probability of being effectively managed.

<u>First Line of Defence: Operational Management</u>

The first line of defence is handled by employee, managers and Head of Operating Units ("HOU") who have day-to-day ownership and management over risks and controls. This group of people owns the risk and executes the corresponding controls to enhance the likelihood that the Group's objectives are achieved.

<u>Second Line of Defence: Internal Monitoring and Oversight Functions</u>

The second line of defence is put in place to support Senior Management by bringing expertise and monitoring alongside the first line to ensure that risks and controls are properly managed. Essentially, this is a management and oversight function that owns aspects of the risk management process. Second-line functions may develop, implement, or modify internal control and risk processes of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

a) Risk Management (Continued)

The Governance (Continued)

Third Line of Defence: Internal Audit and Audit Committee

The third line of defence provides assurance to Senior Management and the Board that the first- and second-lines' efforts are consistent with expectations. This group of people is an assurance function performed by the internal auditor function. Internal auditors accomplish their objectives by bringing a systematic approach to evaluating and improving the effectiveness of risk management, control, and governance processes. They ultimately ensure independence and professionalism within the Group. The main difference between this third line of defence and the first two lines is its high level of organisational independence and objectivity.

The Framework

An Enterprise Risk Management and Sustainability Governance ("ERMSG") framework has been adopted and established in the Group, in accordance with Malaysian Code on Corporate Governance 2017 ("MCCG 2017").

The Group's ERMSG framework aims to assist rapid and defensible decision-making about events that pose a risk to the achievement of the organisation stated objectives, through application of a systematic process from risk identification and risk assessment to communication with key stakeholders and the public and implementation of appropriate and timely control measures. With ultimate goal to ensure the achievement of corporate objectives, protect employee and business assets and ensure business sustainability in long-run with considering wide-ranging impacts.

The Responsibilities

The Board recognises that risk represents an integral part of its business activities, therefore the Board has assigned accountability to management. Management is held responsible to the Board for risk management and internal control and has implemented on-going processes in identifying, evaluating, managing, reporting and monitoring significant risks faced by the Group, as well as establish and implement relevant controls in response to those risks.

With that, Risk Management Committee ("RMC") and Risk Management Department ("RM") have been established at Group.

The responsibilities of RMC include: -
- Identify and communicate to the Board, the extreme risks exposed to the Group and the action plans to manage those risks;
- Oversight and review the adequacy of ERMSG framework.
- Review risk profiles of the Group and monitor organisational performance
- Provide advice and guidance to the departments and operating units, regarding Group's risk appetite and tolerance.

The members of the RMC comprises of Audit Committee members and Group MD.

The RM is led by Group Risk Manager, who facilitates and supervises the implementation of ERMSG framework. The RM reports functionally to the RMC.

The Head of Operating Units ("HOU") are accountable for:
- Reviewing and monitoring risks behaviour and the anticipated impacts or likelihood.
- Ensuring effectiveness of implemented controls at departmental/functional level.
- Ensuring that a risk-based approach to internal control is communicated to staff, embedded in business processes and responsive to evolving risks.

The daily operational risks such as health and safety, regulatory compliance, and others are mainly managed at the different operating units which will be guided by the system and guidelines. Key business and critical risks which have significant impact on the operations of the Group such as business sustainability, project expansion, product diversification & etc are managed at the top management level.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

a) Risk Management (Continued)

The Process

The Group has put in place the Risk Management Process that will enable the identifying, evaluating, managing, reporting and monitoring of significant risk throughout the group. It consists of interrelated components as follow:

- Event Identification - which includes identifying internal and external factors that influence how potential events may affect strategy implementation and achievement of objectives;
- Risk Assessment - which requires an analysis of identified risks in order to form a basis for determining how they should be managed;
- Risk Response - which requires management to select an approach or set of actions to mitigate risks where appropriate taking into account the Group's risk profile;
- Control Activities - which includes the establishment and execution of policies and procedures to help ensure that the risk responses management selected are effectively carried out;
- Information and Communication - which requires relevant information to be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities; and
- Monitoring - which requires that the Risk Management Processes be monitored, and modifications made as necessary, to ensure the system can react dynamically and change as conditions warrant.

(b) Internal Control System

The Board continues to uphold, implement and monitor a sound and effective of control and environment to identify, evaluate and manage the weaknesses of the Group's internal control system.

The Group has an established organisational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. Key duties and roles are segregated amongst different personnel and operational functions such as sales and collections, procurement and payment, production, financial management and reporting, capital expenditure management and etc.

The internal control system entails, inter-alia, the proper delegation of duties and responsibilities from the Board to the Managing Director, Executive Directors and Senior Management (collectively, the "Management"), with specified limits of authority, in running the main operating functions of the Group. In this respect, Management essentially comprises personnel who are in a position to identify and manage relevant risks to the Group and design appropriate internal controls to manage these risks.

The Management conducts various operational and management meetings to discuss matters of concern in relation to the day-to-day activities, ageing of inventory and receivables and strategic business plan.

Internal Audit (IA) Function

The Group's internal audit function is outsourced to Messrs Moore Stephens Associate PLT, an independent professional firm, which adopts the International Professional Practices Framework ("IPPF") and based on Committee of Sponsoring Organisation of the Treadway Commission ("COSO") Framework in carrying out internal audit assignments of the Group. The IPPF includes, inter-alia, the attribute and performance standards for internal auditing promulgated by the Institute of Internal Auditors, a global professional body for internal auditors.

The outsourced internal audit function is headed by Mr. Dennis Chong, a Chartered Member of Institute of Internal Audit (CMIIA), Malaysia and his team during the financial year 2018.

The Internal Auditor reports directly to the Audit Committee, assists the Board in assessing the adequacy and integrity of the internal control system established by the Management based on an agreed scope of work as outlined in an Internal Audit Plan tabled and approved by the Audit Committee.

There is no restriction placed upon the scope of the Internal Audit function's work and the Internal Auditor is allowed to access to the records and meeting up/interview relevant personnel of the Group.

During the financial year, the Audit Committee reviewed the work of the internal audit function, its observations and recommendations to ensure that it obtained the necessary level of assurance with respect to the adequacy and operating effectiveness of internal controls.

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

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(b) Internal Control System (Continued)

The internal auditor reviewed the Group's internal control systems and reported its observations, Management's response and action plans thereof, directly to the Audit Committee. The internal auditor does follow-up audit and report the same to the Audit Committee on the status of implementation by Management that are highlighted in the Internal Audit Reports.

The internal audit function covered the following key processes of the Group to assess the adequacy and operating effectiveness of internal controls to address the business risks therein during the financial year:

- ERM Adequacy Review;
- Poultry Operation; and
- Sales to Receipt Process.

The total costs incurred for the internal audit functions in respect of the financial year 31 December 2018 amounted to approximately RM60,000.

Board

The Board, through its Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control systems together with the relevant actions have been or are being taken, to remedy internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the internal auditors directly to the Audit Committee.

The Board is of the view that there have been no weaknesses in the system of internal control that resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report 2018.

Management

The Management continues to take on-going measures to strengthen the internal control environment from time to time based on recommendations of the internal audit function as well as the external auditors.

Review of Adequacy and Effectiveness of The Risk Management and Internal Control System

The Board has received assurance from the Managing Director and the Group Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

Review of The Statement by External Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia, the External Auditors have reviewed the Statement on Risk Management and Internal Control and in accordance with the Audit and Assurance Practice Guide 3, ("AAPG 3") (previously RPG 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the financial year ended 31 December 2018.

The External Auditor reported to the Board that nothing had come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of internal controls of the Group.

This statement is issued in accordance with a resolution of the Board dated 17 April 2019.

AUDIT COMMITTEE'S REPORT

The Board of Directors is pleased to present the following Audit Committee Report and its summary of work for the financial year ended 31 December 2018 in compliance with Paragraph 15.15 of the Main Market Listing Requirement of Bursa Malaysia.

COMPOSITION

The AC currently comprises the following members:

Chairman

Choong Keen Shian	Independent Non-Executive Director

Members

Frederick Ng Yong Chiang	Independent Non-Executive Director
Dato' Koh Low @ Koh Kim Toon	Independent Non-Executive Director
Tan Sri Lau Tuang Nguang (Resigned on 9 August 2018)	Non-Executive Director

Mr Frederick Ng Yong Chiang is a member of the Malaysian Institute of Accountants. The AC, therefore, met the requirement of Paragraph 15.09(1) of the Main Market Listing Requirement of Bursa Malaysia which stipulate that at least one (1) member of the AC must be a qualified accountant.

TERMS OF REFERENCE

The Terms of Reference of the AC is made available on the Company website at www.teoseng,com.my.

MEETINGS

There were seven (7) meetings of the AC held during the financial year ended 31 December 2018, which were attended by the AC members as follows:

Name of member	Number of meetings attended
Choong Keen Shian	**6/7**
Frederick Ng Yong Chiang	**7/7**
Dato' Koh Low @ Koh Kim Toon	**7/7**
Tan Sri Lau Tuang Nguang (Resigned on 9 August 2018)	**3/4**

AUDIT COMMITTEE'S REPORT (CONT'D)

SUMMARY OF WORKS OF THE AUDIT COMMITTEE.

During the financial year under review, the Audit Committee ("AC") carried out the following work in discharge of its functions and duties:

1. *Financial Reporting*

a) Review of Quarterly Reports

The AC reviewed the respective unaudited quarterly financial results prior to submission to the Board for consideration and approval. The unaudited quarterly financial results for the fourth quarter ended 31 December 2017, first quarter ended 31 March 2018, second quarter ended 30 June 2018 and third quarter ended 30 September 2018 were tabled at the AC meetings held on 27 February 2018, 22 May 2018, 20 August 2018 and 13 November 2018 respectively.

b) Audited Financial Statements

On 4 April 2018, the AC reviewed the Audited Financial Statements for the year ended 31 December, 2017.

The Audited Financial Statements were prepared in compliance with the Malaysian Financial Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

2. *External Audit*

On 27 February 2018, the AC reviewed the Audit Committee Report from the external auditors, Messrs. PricewaterhouseCoopers PLT ("PwC") on the significant audit findings in respect of their audit of the Group and the response from the management for the financial year ended 31 December 2017.

PwC had declared and confirmed that they were independent and would be independent throughout their audit engagement in accordance with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

The AC was satisfied with the work performed by PwC based on the quality of services, sufficiency of resources, performance, independence and professionalism, and their ability to conduct the external audit within an agreeable timeline fixed by the AC. The AC thereafter recommended to the Board to table the motion for the re-appointment of PwC as the External Auditors of the Company at the forthcoming 13th Annual General Meeting.

On 3 September 2018, the AC reviewed external audit plan of external auditor, PwC for financial year ending 31 December 2018.

3. *Internal Audit*

On 27 February 2018, the AC noted that due to shortage of manpower for internal audit ("IA") of the existing IA team, the Company decided to outsource internal audit function to external party.

On 27 June 2018, the AC assessed the suitability, sufficiency of resources, independence and professionalism of external party of Internal Auditors, Moore Stephans Associates PLT, with their presentation of three (3) years strategic internal audit plan for year 2018 to 2020 of the Group and made the recommendation on their engagement and remuneration to the Board.

On 20 August 2018, the AC reviewed and accepted internal audit report on Enterprise Risk Management ("ERM") activities of the Group presented and reported by Internal Auditors.

AUDIT COMMITTEE'S REPORT (CONT'D)

4. *Related Party Transactions*

At each quarterly meeting, the AC reviewed and noted all the Related Party Transactions ("RPT") including the Recurrent Related Party Transactions of Revenue or Trading Nature ("RRPT") that may arise within the Company and its Group including any transactions, procedure or course of conduct that raises questions of management integrity.

The AC reviewed the processes and procedures in the Policy to ensure that related parties are appropriately identified and RPT and RRPT are appropriately declared, approved and reported.

The AC was satisfied that all RPT and RRPT were within arm's length, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders.

The AC had on 4 April 2018 reviewed, approved and recommended a related party transaction to the Board for acquisition of property as disclosed in page 41 Material Contracts under other information of Corporate Government Overview Statement of this Annual Report.

5. *Other Matters*

On 4 April 2018, the AC summarised the works and findings to the Board for preparing the Audit Committee Report and reviewed Statement on Risk Management and Internal Control, Terms and Reference of AC, Enterprise Risk Management and Sustainability Reporting Framework, Substantiality Statement and Whistleblowing Policy prior to submission of the same to the Board for consideration and inclusion in the Annual Report 2017 of the Company. The AC also reviewed the Circular to Shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature.

FINANCIAL **STATEMENTS**

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DIRECTORS' REPORT

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

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Directors of the Company
Lau Jui Peng
Loh Wee Ching
Choong Keen Shian
Frederick Ng Yong Chiang
Dato' Koh Low @ Koh Kim Toon
Dato' Zainal Bin Hassan
Nam Hiok Joo (appointed on 27 June 2018)
Nam Yok San (resigned on 27 June 2018)
Lau Joo Han (resigned on 31 July 2018)
Tan Sri Lau Tuang Nguang
(resigned on 9 August 2018)
Na Yok Chee (resigned on 9 August 2018)

Directors of subsidiaries
Dato' Lau Bong Wong
(deceased on 23 September 2018)
Na Hap Cheng
Nam Hiok Yong
Ng Eng Leng
Lim Meng Bin
Sim Kim Hwa
Lee Choon Seng
Na Eluen
Nam Ya Jun (appointed on 23 May 2018)
Na Yi Chan (appointed on 9 August 2018)
Dato' Dr. Ma'amor Bin Osman
Dr Aidawani Binti Abd Latif

PRINCIPAL ACTIVITIES

The Group is principally engaged in the production and distribution of eggs, animal feeds, animal health products, paper egg trays and fertiliser by-product business while the Company is in the business of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year attributable to:		
- owners of the Company	30,392,870	1,147,309

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

An interim single tier dividend of 0.5% equivalent to 0.5 sen per ordinary share amounting to RM1,498,961 in respect of the financial year ended 31 December 2018 was declared on 20 August 2018 and subsequently paid on 28 September 2018. The payment was made to the shareholders whose name appeared on the Company's Records of Depositors on 20 September 2018.

Subsequent to the year end, a second interim single tier dividend of 12.5% equivalent to 2.5 sen per ordinary share amounting to approximately RM7,500,000 in respect of the financial year ended 31 December 2018 was declared on 20 February 2019 and payable on 25 April 2019 to the shareholders whose name appeared on the Company's Records of Depositors on 15 April 2019.

DIRECTORS' REPORT (CONT'D)

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year:

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

TREASURY SHARES

As at 31 December 2018, the Company held as treasury shares a total of 209,000 out of its 300,001,225 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM376,237. Relevant details on the treasury shares are disclosed in Note 19 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any parties to take up any unissued shares in the Company.

WARRANTS

The salient features of the Warrants are set out in Note 18 to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration) 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, except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 28 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was 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' INTERESTS IN SHARES AND DEBENTURES

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 or debentures in the Company or its related corporations during the financial year except as follows:

		Number of ordinary shares			
		At 1.1.2018/ date of appointment	**Bought**	**Sold**	**At 31.12.2018**
Shares in the Company					
Nam Hiok Joo	- Direct	166,602	0	0	166,602
Lau Jui Peng	- Indirect	156,216,258	7,000,000	0	163,216,258

		Number of warrants			
		At 1.1.2018	**Exercised**	**Disposed**	**At 31.12.2018**
Warrants in the Company					
Lau Jui Peng	- Indirect	26,015,716	0	0	26,015,716

		Number of ordinary shares			
		At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Shares in immediate holding company –Advantage Valuations Sdn. Bhd.					
Lau Jui Peng	- Indirect	5,097	0	0	5,097
Shares in ultimate holding company –Emerging Glory Sdn. Bhd.					
Lau Jui Peng	- Indirect	20,002	0	0	20,002 #

Deemed interest by virtue of shareholding in CW Lau & Sons Sdn Bhd.

By virtue of his interest in the shares of the ultimate holding company, Lau Jui Peng is also deemed to have interest in the shares of the Company and all of its related corporations to extent that the ultimate holding company has interest.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 7 to the financial statements.

HOLDING COMPANIES

The Company is a subsidiary of Advantage Valuations Sdn. Bhd.. The Directors regard Emerging Glory Sdn. Bhd. as its ultimate holding company. Both holding companies are incorporated in Malaysia.

DIRECTORS'
REPORT (CONT'D)

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

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

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

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

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

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

(c) At the date of this report:

 (i) there are no charges on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

 (ii) there are no contingent liabilities in the Group and in the Company which has arisen since the end of the financial year.

(d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and 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 Group and of the Company which would render any amount stated in the financial statements misleading.

(f) In the opinion of the Directors:

 (i) the results of the operations of the Group and 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 Group and of the Company for the financial year in which this report is made.

DIRECTORS'
REPORT (CONT'D)

SUBSIDIARIES

Details of subsidiaries are set out in Note 12 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 9 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 17 April 2019. Signed on behalf of the Board of Directors:

LAU JUI PENG
DIRECTOR

NAM HIOK JOO
DIRECTOR

Melaka

STATEMENT BY **DIRECTORS**

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

We, Lau Jui Peng and Nam Hiok Joo, being two of the Directors of Teo Seng Capital Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 61 to 138 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and financial performance of the Group and of the Company 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.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 17 April 2019.

LAU JUI PENG
DIRECTOR

NAM HIOK JOO
DIRECTOR

Melaka

STATUTORY **DECLARATION**

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

I, Nam Hiok Joo, the Director primarily responsible for the financial management of Teo Seng Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 61 to 138 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

NAM HIOK JOO

Subscribed and solemnly declared by the abovenamed

At: Melaka
in the State of Melaka, Malaysia

On: 17 April 2019

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TEO SENG CAPITAL BERHAD
(Incorporated in Malaysia) (Company No.732762-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Teo Seng Capital Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the 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.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 138.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TEO SENG CAPITAL BERHAD(CONT'D)
(Incorporated in Malaysia) (Company No.732762-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. This matter was addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined that there are no key audit matters for the Company to communicate in our report.

Key audit matter	How our audit addressed the key audit matters
<u>Valuation of biological assets</u> The biological assets of the Group comprise pullets and layers. In determining the fair value of the biological assets, the Group uses the discounted cash flows model and significant judgement is involved in determining the key assumptions which will impact the amount of fair value of biological assets recognised. We focused on this area because there is key judgement involved in determining the expected number of table eggs produced by each layer, the expected selling price of the table eggs, mortality rate, feed consumption rate and feed costs over the remaining life of the layers, as well as the discount rates. The accounting policy for biological assets has been disclosed in Note 3.7 to the financial statements. The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 14 to the financial statements.	We evaluated the appropriateness of the methodology and key assumptions used by management in valuation of the biological assets. We have checked the mathematical accuracy of the valuation model prepared by management. We involved our valuation experts to check the discount rate used in computing the discounted cash flows of the biological assets to arrive at the fair value. We have corroborated the weekly number of table eggs produced and weekly feed consumption volume to the historical data provided to us by management. In respect of the projected selling prices and feed costs, we have back-tested by comparing the projected prices against historical prices and checked the reasonableness of the adjustments made for abnormal market movements. We have test checked the mortality rate assumption against historical actual mortality rate and found them to be in agreement. We assessed the appropriateness of the range used to test the sensitivity analysis performed by management as disclosed in Note 14. Based on the above procedures performed, we did not note material exceptions to the management's assessment on the valuation of biological assets as at 31 December 2018.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report, which we obtained prior to the date of this auditors' report, and the 2018 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TEO SENG CAPITAL BERHAD(CONT'D)
(Incorporated in Malaysia) (Company No.732762-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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: (continued)

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT LLP0014401-LCA & AF1146 Chartered Accountants	SHIRLEY GOH 01778/08/2020 J Chartered Accountant

Melaka
17 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
Revenue	4	490,285,458	424,209,121
Other income	5	3,100,014	4,281,248
Purchase of trading merchandise, raw materials, livestocks and poultry feeds		(332,283,344)	(310,658,472)
Changes in closing inventories		4,064,058	9,470,913
Changes in biological assets		8,488,029	(5,221,844)
Staff costs	6	(49,682,960)	(44,973,995)
Depreciation of property, plant and equipment	11	(19,904,722)	(17,268,120)
Utilities expense		(18,868,876)	(17,062,491)
Other expenses		(35,801,481)	(31,540,084)
Operating profit		49,396,176	11,236,276
Finance income			
- interest income		211,628	181,374
Finance costs	8	(8,310,147)	(7,331,981)
Finance costs - net		(8,098,519)	(7,150,607)
Profit before tax	9	41,297,657	4,085,669
Tax	10	(10,904,787)	(625,643)
Profit after tax		30,392,870	3,460,026
Other comprehensive income/(loss):			
Items that will be subsequently reclassified to profit or loss			
- foreign currency translation differences		144,038	(440,605)
- fair value changes of available-for-sale financial assets		0	1,030
Items that will not be subsequently reclassified to profit or loss			
- fair value changes of equity instruments classified as FVOCI		(10,437)	0
Total other comprehensive income/(loss)		133,601	(439,575)
Total comprehensive income for the financial year		30,526,471	3,020,451

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(CONT'D)

	Note	2018 RM	2017 RM
Profit after tax attributable to: Owners of the Company		30,392,870	3,460,026
Total comprehensive income attributable to: Owners of the Company		30,526,471	3,020,451
Earnings per ordinary share (sen):			
Basic	25(a)	10.13	1.15
Diluted	25(b)	10.13	1.15

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

	Note	2018 RM	2017 RM
Revenue	4	3,960,000	960,000
Staff costs	6	(1,506,261)	(1,175,048)
Depreciation of property, plant and equipment	11	(324,351)	(241,691)
Other expenses		(893,935)	(746,914)
Operating profit/(loss)		1,235,453	(1,203,653)
Finance income		33,915	36,093
Finance costs	8	(97,059)	(39,443)
Finance cost - net		(63,144)	(3,350)
Profit/(loss)before tax	9	1,172,309	(1,207,003)
Tax	10	(25,000)	0
Net profit/(loss) and total comprehensive income/(loss) for the financial year		1,147,309	(1,207,003)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	338,661,542	316,059,887
Other investments	13(a)	0	13,590
Equity instruments classified as FVOCI	13(b)	7,340	0
		338,668,882	316,073,477
CURRENT ASSETS			
Biological assets	14	53,518,837	45,030,808
Inventories	15	42,319,573	38,255,515
Trade and other receivables	16	69,027,577	64,422,992
Tax recoverable		9,745,252	11,829,056
Cash and bank balances	17	30,000,979	19,368,332
		204,612,218	178,906,703
TOTAL ASSETS		543,281,100	494,980,180
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	18	60,001,654	60,001,654
Treasury shares	19	(376,237)	(376,237)
Other reserves	20	(25,509,065)	(25,642,666)
Retained earnings		243,693,279	214,799,370
TOTAL EQUITY		277,809,631	248,782,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONT'D)

	Note	2018 RM	2017 RM
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank borrowings	21	39,877,264	39,410,322
Hire purchase payables	22	15,171,303	11,642,736
Deferred tax liabilities	23	24,586,241	17,696,995
		79,634,808	68,750,053
CURRENT LIABILITIES			
Trade and other payables	24	64,912,714	49,460,427
Bank borrowings	21	110,745,580	118,183,539
Hire purchase payables	22	9,300,047	8,532,327
Tax payable		878,320	1,271,713
		185,836,661	177,448,006
TOTAL LIABILITIES		265,471,469	246,198,059
TOTAL EQUITY AND LIABILITIES		543,281,100	494,980,180

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

	Note	2018 RM	2017 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,122,335	1,471,657
Investments in subsidiaries	12	76,283,485	75,783,485
		78,405,820	77,255,142
CURRENT ASSETS			
Trade and other receivables	16	1,129,537	1,552,100
Tax recoverable		655,685	549,683
Cash and bank balances	17	70,310	145,514
		1,855,532	2,247,297
TOTAL ASSETS		80,261,352	79,502,439
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	18	60,001,654	60,001,654
Treasury shares	19	(376,237)	(376,237)
Retained earnings		17,176,122	17,527,774
TOTAL EQUITY		76,801,539	77,153,191
LIABILITIES			
NON-CURRENT LIABILITIES			
Hire purchase payables	22	220,387	35,899
Deferred tax liabilities	23	69,000	0
		289,387	35,899
CURRENT LIABILITIES			
Trade and other payables	24	2,987,872	2,279,248
Hire purchase payables	22	182,554	34,101
		3,170,426	2,313,349
TOTAL LIABILITIES		3,459,813	2,349,248
TOTAL EQUITY AND LIABILITIES		80,261,352	79,502,439

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital RM	Treasury shares RM	Reverse acquisition reserve RM	Foreign exchange translation reserve RM	Fair value reserve RM	Retained earnings RM	Total RM
2018								
At 1 January 2018		60,001,654	(376,237)	(26,078,000)	419,768	15,566	214,799,370	248,782,121
Comprehensive income								
Net profit for the financial year		0	0	0	0	0	30,392,870	30,392,870
Other comprehensive income								
- Fair value changes of equity instruments classified as FVOCI		0	0	0	0	(10,437)	0	(10,437)
- Foreign currency translation differences		0	0	0	144,038	0	0	144,038
Total comprehensive income for the financial year		0	0	0	144,038	(10,437)	30,392,870	30,526,471
Transaction with owners								
Dividends	26	0	0	0	0	0	(1,498,961)	(1,498,961)
Total transaction with owners		0	0	0	0	0	(1,498,961)	(1,498,961)
At 31 December 2018		60,001,654	(376,237)	(26,078,000)	563,806	5,129	243,693,279	277,809,631

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(CONT'D)

	Share capital RM	Treasury shares RM	Share premium RM	Reverse acquisition reserve RM	Foreign exchange translation reserve RM	Fair value reserve RM	Retained earnings RM	Total RM
2017								
At 1 January 2017	60,000,245	(376,237)	1,409	(26,078,000)	860,373	14,536	211,339,344	245,761,670
Comprehensive income								
Net profit for the financial year	0	0	0	0	0	0	3,460,026	3,460,026
Other comprehensive income								
- Fair value changes of available-for-sale financial assets	0	0	0	0	0	1,030	0	1,030
- Foreign currency translation differences	0	0	0	0	(440,605)	0	0	(440,605)
Total comprehensive income for the financial year	0	0	0	0	(440,605)	1,030	3,460,026	3,020,451
Effect of transition to no par value regime	1,409	0	(1,409)	0	0	0	0	0
At 31 December 2017	60,001,654	(376,237)	0	(26,078,000)	419,768	15,566	214,799,370	248,782,121

COMPANY STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital RM	Treasury shares RM	Share premium RM	Retained earnings RM	Total RM
2018						
At 1 January 2018		60,001,654	(376,237)	0	17,527,774	77,153,191
Comprehensive income						
Net profit and total comprehensive income for the financial year		0	0	0	1,147,309	1,147,309
Transaction with owners						
Dividends	26	0	0	0	(1,498,961)	(1,498,961)
At 31 December 2018		60,001,654	(376,237)	0	17,176,122	76,801,539
2017						
At 1 January 2017		60,000,245	(376,237)	1,409	18,734,777	78,360,194
Effect of transition to no par value regime		1,409	0	(1,409)	0	0
Comprehensive loss						
Net loss and total comprehensive loss for the financial year		0	0	0	(1,207,003)	(1,207,003)
At 31 December 2017		60,001,654	(376,237)	0	17,527,774	77,153,191

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

	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	30,392,870	3,460,026
Adjustments for:		
Property, plant and equipment		
- depreciation	19,904,722	17,268,120
- loss/(gain) on disposal	155,810	(439,320)
- written off	538,241	268,396
Inventories		
- written off	74,178	22,528
- written down	19,768	28,815
- reversal written down	0	(9,618)
Bad debts written off	198,225	4,568
Allowance for impairment losses on trade receivables	1,047,539	144,091
Reversal of allowance for impairment losses on trade receivables	(546,596)	(277,325)
Fair value loss on derivatives	10,670	977
Unrealised loss/(gain) on foreign exchange	135,750	(109,886)
Dividend income	(110)	(140)
Interest expenses	8,310,147	7,331,981
Interest income	(211,628)	(181,374)
Tax expense	10,904,787	625,643
	70,934,373	28,137,482
Changes in working capital:		
Biological assets	(8,488,029)	5,221,844
Inventories	(4,158,004)	(9,536,194)
Receivables	(5,354,066)	(11,142,404)
Payables	14,013,302	525,199
Cash generated from operations	66,947,576	13,205,927
Interest received	211,628	181,374
Tax paid	(2,400,360)	(7,555,955)
Tax refund	65,935	506,599
Net cash flow generated from operating activities	64,824,779	6,337,945

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	Note	2018 RM	2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		110	140
Proceeds from disposal of other investments		0	5,000
Proceeds from disposal of property, plant and equipment		199,374	610,284
Purchase of property, plant and equipment	11(d)	(28,288,123)	(29,044,298)
Net cash flow used in investing activities		(28,088,639)	(28,428,874)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movements in bankers' acceptances		(9,220,000)	25,134,000
Proceeds from drawdown of term loans		9,820,043	6,300,000
Repayment of term loans		(9,245,598)	(8,295,332)
Repayment of hire purchase payables		(9,377,183)	(8,714,375)
Dividends paid		(1,498,961)	0
Interest paid		(8,310,147)	(7,331,981)
Net cash flow (used in)/generated from financing activities		(27,831,846)	7,092,312
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		8,904,294	(14,998,617)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		51,007	102,881
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		19,368,332	34,264,068
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	17	28,323,633	19,368,332

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1.1.2018 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	Non-cash changes: Foreign exchange movement RM	Non-cash changes: New leases RM	At 31.12.2018 RM
Bankers' acceptances	104,192,000	326,170,000	(339,797,289)	4,407,289	0	0	94,972,000
Term loans	48,401,861	9,820,043	(11,376,854)	2,131,256	(2,808)	0	48,973,498
Revolving credit	5,000,000	2,000,000	(2,288,220)	288,220	0	0	5,000,000
Hire purchase payables	20,175,063	0	(10,617,331)	1,240,148	(1,595)	13,675,065	24,471,350
Bank overdrafts and other interest	0	0	(243,234)	243,234	0	0	0
	177,768,924	337,990,043	(364,322,928)	8,310,147	(4,403)	13,675,065	174,316,848

	At 1.1.2017 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	Non-cash changes: Foreign exchange movement RM	Non-cash changes: New leases RM	At 31.12.2017 RM
Bankers' acceptances	79,058,000	314,293,086	(293,016,477)	3,857,391	0	0	104,192,000
Term loans	50,683,270	6,300,000	(10,304,234)	2,008,902	(286,077)	0	48,401,861
Revolving credit	5,000,000	0	(256,457)	256,457	0	0	5,000,000
Hire purchase payables	15,721,252	0	(9,868,377)	1,154,002	(2,814)	13,171,000	20,175,063
Bank overdrafts and other interest	0	0	(55,229)	55,229	0	0	0
	150,462,522	320,593,086	(313,500,774)	7,331,981	(288,891)	13,171,000	177,768,924

COMPANY STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the financial year		1,147,309	(1,207,003)
Adjustments for:			
Property, plant and equipment			
- depreciation		324,351	241,691
Dividend income		(3,000,000)	0
Interest expenses		97,059	39,443
Interest income		(33,915)	(36,093)
Tax charge		25,000	0
		(1,440,196)	(961,962)
Changes in working capital:			
Receivables		422,564	(453,924)
Payables		291,340	(13,862)
Cash used in operations		(726,292)	(1,429,748)
Tax paid		(82,002)	(8,754)
Tax refund		20,000	0
Net cash flow used in operating activities		(788,294)	(1,438,502)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		3,000,000	0
Subscription of additional shares in subsidiaries	12	(500,000)	(13,000)
Purchase of property, plant and equipment	11(d)	(541,591)	(537,051)
Interest received		33,915	36,093
Net cash flow generated from/(used in) investing activities		1,992,324	(513,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from a subsidiary		1,654,392	1,623,392
Repayment to a subsidiary		(1,251,070)	(255,416)
Repayment of hire purchase payables		(86,536)	(7,872)
Dividends paid		(1,498,961)	0
Interest paid		(97,059)	(39,443)
Net cash flow (used in)/generated from financing activities		(1,279,234)	1,320,661
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(75,204)	(631,799)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		145,514	777,313
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	17	70,310	145,514

COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

					Non-cash changes		
	At 1.1.2018 RM	**Cash inflows RM**	**Cash outflows (including interest paid) RM**	**Interest accretion RM**	**Foreign exchange movement RM**	**New leases RM**	**At 31.12.2018 RM**
Amount due to subsidiary	1,888,792	1,654,392	(1,336,785)	85,715	0	0	2,292,114
Hire purchase payables	70,000	0	(97,880)	11,344	0	419,477	402,941
	1,958,792	1,654,392	(1,434,665)	97,059	0	419,477	2,695,055

					Non-cash changes		
	At 1.1.2017 RM	**Cash inflows RM**	**Cash outflows (including interest paid) RM**	**Interest accretion RM**	**Foreign exchange movement RM**	**New leases RM**	**At 31.12.2017 RM**
Amount due to subsidiary	520,816	1,623,392	(294,826)	39,410	0	0	1,888,792
Hire purchase payables	7,872	0	(11,671)	33	0	73,766	70,000
	528,688	1,623,392	(306,497)	39,443	0	73,766	1,958,792

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

1 GENERAL INFORMATION

The Group is principally engaged in the production and distribution of eggs, animal feeds, animal health products, paper egg trays and fertiliser by-product business while the Company is in the business of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

The Company is a subsidiary of Advantage Valuations Sdn. Bhd.. The Directors regard Emerging Glory Sdn. Bhd. as its ultimate holding company. Both holding companies are incorporated in Malaysia.

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

The address of the registered office of the Company is 201 - 203, Jalan Abdullah, 84000 Muar, Johor Darul Takzim.

The address of the principal place of business of the Company is Lot PTD 25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor Darul Takzim.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed on 17 April 2019.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by the biological assets, financial assets at fair value through other comprehensive income, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' 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 3.1.

2.2 Standards and amendments to published standards that are effective

The Group and Company have applied the following standards for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The Group and Company have adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements which resulted in the changes in accounting policies as follows:

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and amendments to published standards that are effective (continued)

MFRS 15 "Revenue from Contracts with Customers"

The Group and Company have applied MFRS 15 with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and Company applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

MFRS 9 "Financial Instruments"

The Group and Company have applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

The detailed impact of change in accounting policies are set out in Note 3.9 and Note 3.18. Other than that, the adoption of other amendment listed above did not have any material impact on the current period or any prior period and is not likely to have a material effect for future periods.

2.3 Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2019. None of these is expected to have a significant effect on the financial statements of the Group and Company except the following:

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RM6,179,713 (see Note 27), which are mainly in respect of the Group's leases of land in Singapore.

  For these lease commitments the Group expects an increase in total assets and total liabilities due to the recognition of right-of-use assets and lease liabilities.

  The effects on net profit after tax for the financial year ending 31 December 2019 is not expected to be material.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 9 "Prepayment Features with Negative Compensation" (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 "Business Combinations" (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly, it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 112 "Income Taxes" (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 "Borrowing Costs" (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

- Amendments to MFRS 3 "Definition of a Business" (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- Amendments to MFRS 3 "Definition of a Business" (continued)

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

Biological assets

The fair value of biological assets is determined using a discounted cash flow model which considers the expected quantity and price of the table eggs to be produced over the life of the layers, taking into account the layers' mortality rate.

In measuring the fair value of biological assets, management estimates and judgements are required which include the expected number of table eggs produced by each layer, the expected selling price of the table eggs, mortality rate, consumption rate, feed costs and other estimated costs over the remaining life of the layers, as well as the discount rates. Changes to any of these assumptions would affect the fair value of the biological assets.

The Group recorded a fair value for its biological assets of RM53,518,837 as at 31 December 2018 (2017: RM45,030,808). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 14 to the financial statements.

3.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Consolidation (continued)

Business combination under acquisition method

For business combination accounted for under acquisition method, the consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Business combination under common control

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised.

Transaction between Group companies

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Loss of control

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Costs includes expenditures that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Freehold land is not depreciated as it has an indefinite life. Leasehold land, classified as finance leases is amortised in equal instalments over the remaining period of the respective leases. Other property, plant and equipment are depreciated on a straight-line method to write down the cost of each asset to their residual values over their estimated useful lives as follows:

Farm and poultry buildings	2% - 20%
Factory buildings	1% - 3%
Plant and machinery and electrical installation	5% - 50%
Fish pond and equipment	5% - 10%
Egg layer conveyor and cages system	5%
Motor vehicles	20%
Furniture, fittings and equipment	10% - 33%
Renovation and hostel	2 – 10%

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Residual values and useful live of assets are reviewed, and adjusted if appropriate, at the end of the reporting date.

At the end of the reporting period, the Group 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. See accounting policy Note 3.5 on impairment of non-financial assets.

3.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

The impairment loss is charged to profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases - Accounting by lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

3.7 Biological assets

Biological assets comprise pullets and layers are measured at fair value less cost to sell.

The fair value of pullets and layers is determined using a discounted cash flow model based on the expected number of table eggs produced by each layer, the expected projected selling price of the tables eggs and salvage value for old hen and after allowing for feed costs, contributory asset charges for the land and farm houses owned by the entity and other costs incurred in getting the pullets and layers to maturity.

Costs to sell include the incremental selling costs, including estimated costs of transport but excludes finance costs and income taxes.

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

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average or first-in-first-out bases, as applicable.

Costs of egg trays, fertiliser and fertiliser work-in-progress comprise the costs of materials, direct labour and appropriate factory overheads.

Costs of poultry feeds, trading merchandise, raw materials for feeds, consumables and medication, comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs to completion and the estimated costs necessary to make the sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets

Accounting policies applied from 1 January 2018

(i) Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group elected to present in OCI changes in the fair value of all its investments in equity securities previously classified as AFS, because these investments are not held for trading or arise form contingent consideration recognised by acquirer in business combination. As a result, investments in these equity securities were reclassified from AFS financial assets to financial assets at FVOCI. Related AFS reserve were reclassified to FVOCI reserve on 1 January 2018.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(iii) Measurement (continued)

b) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

c) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss when the company's right to receive payments is established.

(iv) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and Company have the following financial instruments that are subject to the ECL model:

- Trade receivables, other receivables and intercompany receivables
- Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL approach can be classified into the categories below:

(i) General 3-stage approach for other receivables, intercompany receivables (non-trade) and financial guarantee contracts issued

At each reporting date, the Group and Company measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 30 (c)(ii) sets out the measurement details of ECL.

(ii) Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 30(c)(i) sets out the measurement details of ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:
- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:
The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:
The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

Groupings of instruments for ECL measured on collective basis

- Collective assessment

  To measure ECL, trade receivables arising from poultry and trading operations have been grouped based on shared credit risk characteristics such as type of customers and the days past due.

- Individual assessment

  Trade receivables which are in default or credit-impaired are assessed individually.

Write-off

- Trade receivables

  Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

  Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

Write-off (continued)

- Other receivables

  The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity.

As disclosed above, the adoption of MFRS 9 in 2018 resulted in reclassification and change in measurement of certain financial assets and liabilities.

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

	Measurement category		Carrying amount		
	Original (MFRS 139)	**New (MFRS 9)**	**Original (MFRS 139) RM**	**Reclassifications RM**	**New (MFRS 9) RM**
Group					
Non-Current financial assets					
Investment in equity securities	AFS	–	13,590	(13,590)	–
Investment in equity securities	–	FVOCI	–	13,590	13,590
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	62,461,060	–	62,461,060
Cash and bank balances	Amortised cost	Amortised cost	19,368,332	–	19,368,332
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	49,437,137	–	49,437,137
Bank borrowings	Amortised cost	Amortised cost	157,593,861	–	157,593,861
Hire purchase payables	Amortised cost	Amortised cost	20,175,063	–	20,175,063
Company					
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	963,126	–	963,126
Cash and bank balances	Amortised cost	Amortised cost	145,514	–	145,514
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	2,279,248	–	2,279,248
Hire purchase payables	Amortised cost	Amortised cost	70,000	–	70,000

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

Accounting policies applied until 31 December 2017

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Directors determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets held for trading are categorised as financial assets at fair value through profit or loss. Financial assets held for trading are assets that are acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and Company's loans and receivables comprise 'trade and other receivables', 'amounts receivable from subsidiaries' and 'cash and bank balances' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or Directors intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement – gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(iii) Subsequent measurement – gains and losses (continued)

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 3.10(iv)) and foreign exchange gains and losses on monetary assets (Note 3.21(ii)).

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments and fair value through profit or loss instruments are recognised in profit or loss when the Group's right to receive payments is established.

(iv) Subsequent measurement - Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(iv) Subsequent measurement - Impairment of financial assets (continued)

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

3.10 Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified as either financial liabilities at fair value through profit or loss or other financial liabilities after initial recognition for the purpose of subsequent measurement.

The Group and Company classified its financial liabilities as other financial liabilities.

Other financial liabilities

- Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.
- Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in statements of comprehensive income when the financial liabilities are derecognised and through the amortisation process.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statements of comprehensive income.

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in profit or loss.

3.13 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company 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 terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Current and deferred income taxes

The tax expense for the financial year 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Directors periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

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 (and tax laws) 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.

The benefit from reinvestment allowance is recognised when the tax credit is utilised as a reduction of current tax and no deferred tax asset is recognised when the tax credit arises.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

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.

3.15 Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares are deducted against equity.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Share capital (continued)

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not yet distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(iv) Purchase of own shares

Where the Company or its subsidiaries purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the Company's equity holders as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs or servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:
- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.16 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments and bank overdrafts.

For cash payments for bankers' acceptance, the cashflow is reported on a net basis as the turnover is quick, the amounts are large and the maturities the short.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Borrowings and borrowing costs

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Where the terms of a financial liability are renegotiated and the Group issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.18 Revenue and other income

<u>Accounting policies applied from 1 January 2018</u>

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Company transfer control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue and other income (continued)

Accounting policies applied from 1 January 2018 (continued)

(i) Revenue from contracts with customers (continued)

- Sales of goods (eggs, pet food, medicine and related poultry products)

  The Group's revenue is derived mainly from sales of goods comprises eggs, pet food, medicine and related poultry products. Revenue from sales of goods are recognised net of discount and goods and services tax at the point in time when control of the goods has transferred to customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to locations specified by the customer and acceptance of the goods by the customer; or upon delivery of the goods on board or aircraft for onward delivery to the customer.

- Service fee income

  Service fees are recognised on an accrual basis in the accounting period in which the services are rendered and the Group has a present right to payment for the services.

- Management fee income

  Management fees are recognised on an accrual basis in the accounting period in which the services are rendered to the subsidiaries.

(ii) Revenue from other sources

- Interest income is recognised on the accruals basis using the effective interest method.
- Dividend income is recognised when the Group's right to receive payment is established.
- Rental income receivable under operating lease is recognised on the straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Contingent rentals are recognised as income in the reporting period in which they are earned.

Accounting policies applied until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownerships of the goods have been transferred to the buyer.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue and other income (continued)

Accounting policies applied until 31 December 2017 (continued)

(c) Management fee income

Management fee income is recognised on accrual basis upon services rendered.

(d) Interest income

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

(e) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(f) Rental income

Rental income is recognised on accrual basis unless collectability is in doubt, in which case the recognition of such income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

3.19 Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

3.20 Functional currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Functional currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating expense'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate profit or loss presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

3.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to income are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Operating segments

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

4 REVENUE

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Revenue from contracts with customers:				
- Sales of goods	488,789,148	422,588,147	0	0
- Service fee income	1,105,991	1,232,431	0	0
- Management fee income	0	0	960,000	960,000
Revenue from other sources:				
- Dividend income from subsidiaries	0	0	3,000,000	0
- Warehousing rental income	390,319	388,543	0	0
Total revenue	490,285,458	424,209,121	3,960,000	960,000

5 OTHER INCOME

	Group	
	2018 RM	**2017 RM**
Insurance compensation claims	187,607	495,833
Rental income	87,445	71,400
Gain on disposal of property, plant and equipment	0	439,320
Government grants	45,790	74,760
Foreign exchange gain		
- realised	1,581,992	1,859,323
- unrealised	0	205,615
Reversal of impairment loss for trade receivables	546,596	277,325
Sale of scrap	496,622	559,651
Others	153,962	298,021
	3,100,014	4,281,248

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6 STAFF COST (INCLUDING DIRECTORS' REMUNERATION)

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Salaries, wages and bonus	40,880,511	38,570,829	1,140,737	922,963
Contribution to defined contribution plan	3,977,687	3,005,838	186,520	53,422
Other emoluments	3,719,273	3,205,328	67,004	78,663
Directors' fees	1,105,489	192,000	112,000	120,000
	49,682,960	44,973,995	1,506,261	1,175,048

7 DIRECTORS' REMUNERATION

(a) The aggregate amounts of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows:

Group	**2018** **RM**	**2017** **RM**
Executive Directors of the Company		
Salaries, bonuses and other benefits	1,496,318	1,629,139
Defined contribution benefits	237,472	227,593
Benefits-in-kind	18,971	7,000
	1,752,761	1,863,732
Non-Executive Directors of the Company		
Fees	112,000	120,000
Other allowances	63,863	0
	175,863	120,000
Executive Directors of the subsidiaries		
Salaries, bonuses and other benefits	3,873,030	2,883,041
Defined contribution benefits	591,717	451,933
Benefits-in-kind	37,200	56,892
	4,501,947	3,391,866
Non-Executive Directors of the subsidiaries		
Fees	993,489	72,000
Other allowances	64,000	0
	1,057,489	72,000
TOTAL DIRECTORS' REMUNERATION	7,488,060	5,447,598

7 DIRECTORS' REMUNERATION (CONTINUED)

(a) The aggregate amounts of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows: (continued)

Company	2018 RM	2017 RM
Executive Directors of the Company		
Salaries, bonuses and other benefits	633,124	432,523
Defined contribution benefits	121,779	80,280
	754,903	512,803
Non-Executive Directors of the Company		
Fees	112,000	120,000
Other allowances	10,000	0
	122,000	120,000
TOTAL DIRECTORS' REMUNERATION	876,903	632,803

(b) The number of the Company's Directors with total remuneration falling in bands of RM150,000 are as follows:

	Number of Directors 2018	2017
Executive Directors:		
RM 300,001 - RM 450,000	1	0
RM 450,001 - RM 600,000	1	0
RM 600,001 - RM 750,000	0	3
RM 750,001 - RM 900,000	0	1
Non-Executive Directors:		
RM 1 - RM 150,000	5	4
RM 150,001 - RM 300,000	0	1
RM 450,001 - RM 600,000	0	1

8 FINANCE COST

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Interest expenses				
- bank overdrafts	167,518	54,722	0	0
- bankers' acceptances	4,407,289	3,857,391	0	0
- hire purchase	1,240,148	1,154,002	11,344	33
- revolving credit	288,220	256,457	0	0
- term loan	2,131,256	2,008,902	0	0
- others	75,716	507	0	0
- advance from subsidiary	0	0	85,715	39,410
	8,310,147	7,331,981	97,059	39,443

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

9 PROFIT/(LOSS) BEFORE TAX

Included in profit/(loss) before tax are the following:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Trade receivables				
- impairment charge for the year	1,047,539	144,091	0	0
Auditors' remuneration	300,215	278,927	48,000	44,000
Bad debts written off	198,225	4,568	0	0
Fair value loss on derivatives	10,670	977	0	0
Property, plant and equipment				
- loss on disposal	155,810	0	0	0
- written off	538,241	268,396	0	0
Inventories				
- written off	74,178	22,528	0	0
- written down	19,768	28,815	0	0
Rental expenses	465,602	308,990	0	0
Unrealised foreign exchange loss	135,750	0	0	0

10 TAX

(a) The tax expense comprises:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Current tax				
- Malaysian tax	3,252,704	3,046,456	0	0
- Foreign tax	792,167	586,217	0	0
- (Over)/under accrual in prior financial years	(41,903)	323,593	(44,000)	0
	4,002,968	3,956,266	(44,000)	0
Deferred tax (Note 23)	6,884,203	(3,330,623)	69,000	0
Real property gains tax	17,616	0	0	0
	10,904,787	625,643	25,000	0

10 TAX (CONTINUED)

(b) Numerical reconciliation of tax expense

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit/(loss) before tax	41,297,657	4,085,669	1,172,309	(1,207,003)
Tax calculated at the Malaysian tax rate of 24%	9,911,000	981,000	281,000	(290,000)
Tax effects of:				
- differential in tax rates of subsidiaries	(151,000)	(199,000)	0	0
- income not subject to tax	(311,000)	(495,000)	(720,000)	0
- expenses not deductible for tax purposes	1,238,949	791,050	508,000	290,000
- utilisation of tax incentive	(1,525,000)	(1,068,000)	0	0
- deferred tax not recognised	69,000	292,000	0	0
- effect of changes in real property gain tax rate	1,697,125	0	0	0
- real property gains tax	17,616	0	0	0
(Over)/under accrual in prior financial years	(41,903)	323,593	(44,000)	0
Tax expense	10,904,787	625,643	25,000	0

(c) Subject to the agreement of the Inland Revenue Board, at the end of the reporting period, the Group has unutilised reinvestment allowances of approximately RM13,733,000 (2017: RM20,033,000) that are available for offsetting against future taxable profits. Any accumulated unutilised reinvestment allowance from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

11 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land, farm and poultry buildings RM	Leasehold land, freehold land and factory buildings RM	Plant and machinery and electrical installation RM	Fish pond and equipment RM	Egg layer conveyor and cages system RM
At cost					
As at 1 January 2018	159,878,738	59,333,931	108,336,345	515,724	72,278,487
Additions	9,950,435	2,674,141	12,770,752	0	6,524,524
Disposals	(74,481)	0	(73,500)	0	0
Write off	(419,335)	0	0	0	(1,338,590)
Reclassification	(5,827,950)	6,903,879	35,686	0	34,885
Foreign exchange difference	0	27,476	4,928	0	0
As at 31 December 2018	163,507,407	68,939,427	121,074,211	515,724	77,499,306
Less: Accumulated depreciation/impairment					
As at 1 January 2018	32,124,337	5,103,986	46,460,374	153,173	17,977,481
Charge for the financial year	3,283,210	1,446,900	6,945,337	29,116	3,755,966
Disposals	(36,074)	0	(31,238)	0	0
Write off	(219,836)	0	0	0	(1,042,160)
Reclassification	(2,943)	2,943	(5,711)	0	0
Foreign exchange difference	0	5,296	5,650	0	0
As at 31 December 2018	35,148,694	6,559,125	53,374,412	182,289	20,691,287
Net carrying amount as at 31 December 2018	128,358,713	62,380,302	67,699,799	333,435	56,808,019

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Motor vehicles RM	Furniture, fittings and equipment RM	Renovation and hostel RM	Capital work-in-progress RM	Total RM
At cost					
As at 1 January 2018	25,693,409	11,773,707	1,002,304	3,652,879	442,465,524
Additions	2,138,709	5,449,146	1,062,398	2,809,571	43,379,676
Disposals	(1,175,793)	(26,500)	0	0	(1,350,274)
Write off	(103,668)	(9,500)	0	0	(1,871,093)
Reclassification	0	11,828	0	(1,158,328)	0
Foreign exchange difference	3,798	736	548	0	37,486
As at 31 December 2018	26,556,455	17,199,417	2,065,250	5,304,122	482,661,319
Less: Accumulated depreciation/impairment					
As at 1 January 2018	17,846,442	5,994,405	706,874	38,565	126,405,637
Charge for the financial year	2,984,630	1,382,322	77,241	0	19,904,722
Disposals	(901,278)	(26,500)	0	0	(995,090)
Write off	(61,356)	(9,500)	0	0	(1,332,852)
Reclassification	0	5,711	0	0	0
Foreign exchange difference	4,849	1,126	439	0	17,360
As at 31 December 2018	19,873,287	7,347,564	784,554	38,565	143,999,777
Net carrying amount as at 31 December 2018	6,683,168	9,851,853	1,280,696	5,265,557	338,661,542

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

* The freehold land, leasehold land, farm and poultry buildings, factory buildings and shophouse of the Group are analysed as follows:

	Freehold land, farm and poultry buildings			Leasehold land, freehold land and factory buildings			
	Freehold land RM	Farm poultry buildings RM	Total RM	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
At cost							
As at 1 January 2018	75,110,733	84,768,005	159,878,738	10,148,740	1,878,243	47,306,948	59,333,931
Additions	6,153,976	3,796,459	9,950,435	0	0	2,674,141	2,674,141
Write off	0	(74,481)	(74,481)	0	0	0	0
Disposals	0	(419,335)	(419,335)	0	0	0	0
Reclassification	(5,138,463)	(689,487)	(5,827,950)	5,138,463	0	1,765,416	6,903,879
Foreign exchange differences	0	0	0	0	0	27,476	27,476
As at 31 December 2018	76,126,246	87,381,161	163,507,407	15,287,203	1,878,243	51,773,981	68,939,427
Less: Accumulated depreciation							
As at 1 January 2018	0	32,124,337	32,124,337	0	184,577	4,919,409	5,103,986
Charge for the financial year	0	3,283,210	3,283,210	0	20,509	1,426,391	1,446,900
Write off	0	(36,074)	(36,074)	0	0	0	0
Disposals	0	(219,836)	(219,836)	0	0	0	0
Reclassification	0	(2,943)	(2,943)	0	0	2,943	2,943
Foreign exchange differences	0	0	0	0	0	5,296	5,296
As at 31 December 2018	0	35,148,694	35,148,694	0	205,086	6,354,039	6,559,125
Net carrying amount as at 31 December 2018	76,126,246	52,232,467	128,358,713	15,287,203	1,673,157	45,419,942	62,380,302

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land, farm and poultry buildings RM	Leasehold land, freehold land and factory buildings RM	Plant and machinery and electrical installation RM	Fish pond and equipment RM	Egg layer conveyor and cages system RM
At cost					
As at 1 January 2017	145,608,937	52,726,594	86,307,683	895,150	66,575,506
Additions	12,006,767	871,385	7,557,963	0	4,622,680
Disposals	(96,068)	0	(247,950)	0	0
Write off	(1,077,565)	0	(186,351)	(379,426)	(326,510)
Reclassification	3,436,667	6,440,186	14,990,008	0	1,406,811
Foreign exchange difference	0	(704,234)	(85,008)	0	0
As at 31 December 2017	159,878,738	59,333,931	108,336,345	515,724	72,278,487
Less: Accumulated depreciation/impairment					
As at 1 January 2017	30,054,484	3,957,944	41,533,478	299,338	14,834,674
Charge for the financial year	3,164,977	1,226,862	5,334,668	57,575	3,463,875
Disposals	(28,436)	0	(177,293)	0	0
Write off	(1,066,688)	0	(169,691)	(203,740)	(321,068)
Foreign exchange difference	0	(80,820)	(60,788)	0	0
As at 31 December 2017	32,124,337	5,103,986	46,460,374	153,173	17,977,481
Net carrying amount as at 31 December 2017	127,754,401	54,229,945	61,875,971	362,551	54,301,006

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Motor vehicles RM	Furniture, fittings and equipment RM	Renovation and hostel RM	Capital work-in-progress RM	Total RM
At cost					
As at 1 January 2017	24,349,670	8,977,903	998,610	21,210,960	407,651,013
Additions	3,416,264	2,466,329	7,200	9,104,495	40,053,083
Disposals	(1,925,464)	0	0	0	(2,269,482)
Write off	(95,000)	(49,525)	0	0	(2,114,377)
Reclassification	0	388,904	0	(26,662,576)	0
Foreign exchange difference	(52,061)	(9,904)	(3,506)	0	(854,713)
As at 31 December 2017	25,693,409	11,773,707	1,002,304	3,652,879	442,465,524
Less: Accumulated depreciation/impairment					
As at 1 January 2017	16,830,684	5,063,364	647,797	38,565	113,260,328
Charge for the financial year	2,981,575	978,712	59,876	0	17,268,120
Disposals	(1,892,788)	0	0	0	(2,098,517)
Write off	(42,750)	(42,044)	0	0	(1,845,981)
Foreign exchange difference	(30,279)	(5,627)	(799)	0	(178,313)
As at 31 December 2017	17,846,442	5,994,405	706,874	38,565	126,405,637
Net carrying amount as at 31 December 2017	7,846,967	5,779,302	295,430	3,614,314	316,059,887

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

* The freehold land, leasehold land, farm and poultry buildings, factory buildings and shophouse of the Group are analysed as follows:

	Freehold land, farm and poultry buildings			Leasehold land, freehold land and factory buildings			
	Freehold land RM	Farm poultry buildings RM	Total RM	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
At cost							
As at 1 January 2017	66,376,568	79,232,369	145,608,937	10,148,740	1,878,243	40,699,611	52,726,594
Additions	8,734,165	3,272,602	12,006,767	0	0	871,385	871,385
Write off	0	(1,077,565)	(1,077,565)	0	0	0	0
Disposals	0	(96,068)	(96,068)	0	0	0	0
Reclassification	0	3,436,667	3,436,667	0	0	6,440,186	6,440,186
Foreign exchange differences	0	0	0	0	0	(704,234)	(704,234)
As at 31 December 2017	75,110,733	84,768,005	159,878,738	10,148,740	1,878,243	47,306,948	59,333,931
Less: Accumulated depreciation							
As at 1 January 2017	0	30,054,484	30,054,484	0	164,069	3,793,875	3,957,944
Charge for the financial year	0	3,164,977	3,164,977	0	20,508	1,206,354	1,226,862
Write off	0	(1,066,688)	(1,066,688)	0	0	0	0
Disposals	0	(28,436)	(28,436)	0	0	0	0
Foreign exchange differences	0	0	0	0	0	(80,820)	(80,820)
As at 31 December 2017	0	32,124,337	32,124,337	0	184,577	4,919,409	5,103,986
Net carrying amount as at 31 December 2017	75,110,733	52,643,668	127,754,401	10,148,740	1,693,666	42,387,539	54,229,945

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At cost				
As at 1 January 2018	2,094,800	329,423	0	2,424,223
Additions	162,905	79,753	732,371	975,029
Reclassification	349,447	0	(349,447)	0
As at 31 December 2018	2,607,152	409,176	382,924	3,399,252
Less: Accumulated depreciation				
As at 1 January 2018	799,506	153,060	0	952,566
Charge for the financial year	247,833	76,518	0	324,351
As at 31 December 2018	1,047,339	229,578	0	1,276,917
Net carrying amount as at 31 December 2018	1,559,813	179,598	382,924	2,122,335
At cost				
As at 1 January 2017	1,546,864	252,977	0	1,799,841
Additions	547,936	76,446	0	624,382
As at 31 December 2017	2,094,800	329,423	0	2,424,223
Less: Accumulated depreciation				
As at 1 January 2017	609,684	101,191	0	710,875
Charge for the financial year	189,822	51,869	0	241,691
As at 31 December 2017	799,506	153,060	0	952,566
Net carrying amount as at 31 December 2017	1,295,294	176,363	0	1,471,657

(a) Certain property, plant and equipment of certain subsidiaries with carrying amount of RM42,000,467 (2017: RM37,063,071) have been pledged to banks as security for banking facilities granted to the Group (Note 21).

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The following property, plant and equipment were acquired under hire purchase instalment plans (Note 22):

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Carrying amount				
Plant and machinery	11,538,288	6,974,387	0	0
Egg layer conveyor and cages system	21,835,912	22,082,855	0	0
Motor vehicles	4,751,853	4,943,362	129,002	75,172
Equipments	637,333	0	334,916	0
	38,763,386	34,000,604	463,918	75,172

(c) Motor vehicles with carrying amount of RM262,000 and RM6,000 (2017: RM576,400 and RM13,200) are held in trust and registered under third party's name.

(d) Purchase of property, plant and equipment are as follows:

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Cost of property, plant and equipment purchased	43,379,676	40,053,083	975,029	624,382
Amount financed through hire purchase	(13,675,065)	(13,171,000)	(419,477)	(70,000)
Unpaid balance included under sundry payables (Note 24(d))	(3,972,090)	(2,555,602)	(31,292)	(17,331)
Cash disbursed in respect of purchases made in previous financial year	2,555,602	4,717,817	17,331	0
Cash disbursed for purchase of property, plant and equipment	28,288,123	29,044,298	541,591	537,051

12 INVESTMENT IN SUBSIDIARIES

	Company	
	2018 **RM**	**2017** **RM**
Unquoted shares, at cost		
- in Malaysia	74,834,600	74,334,600
- outside Malaysia	1,448,885	1,448,885
	76,283,485	75,783,485

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries, are as follows:

Name of subsidiary	Principal place of business/ Country of incorporation	Percentage of issued share capital		Principal activities
		2018 %	2017 %	
Subsidiaries of the Company				
Teo Seng Farming Sdn. Bhd.	Malaysia	100	100	Investment holding and poultry farming.
Teo Seng Feedmill Sdn. Bhd.	Malaysia	100	100	Manufacturing and marketing of animal feeds.
Success Century Sdn. Bhd.	Malaysia	100	100	Poultry farming.
Ritma Prestasi Sdn. Bhd.	Malaysia	100	100	Distribution of pet food, medicine and other animal health related products.
Teo Seng Paper Products Sdn. Bhd.	Malaysia	100	100	Manufacturing and marketing of egg trays.
Liberal Energy Sdn. Bhd.	Malaysia	100	100	General trading and generation of energy by establishment of bio gas plants. - Dormant
Pioneer Prosperity Sdn. Bhd.	Malaysia	100	100	Dormant
* Premium Egg Products Pte. Ltd.	Singapore	100	100	Wholesaler, importers, exporters of eggs products.
Subsidiaries of Teo Seng Farming Sdn. Bhd.				
Great Egg Industries Sdn. Bhd. (Formerly known as Forever Best Supply Sdn. Bhd.)	Malaysia	100	100	Dormant
Laskar Fertiliser Sdn. Bhd.	Malaysia	100	100	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produces.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries, are as follows: (continued)

Name of subsidiary	Principal place of business/ Country of incorporation	Percentage of issued share capital 2018 %	2017 %	Principal activities
Subsidiaries of Ritma Prestasi Sdn. Bhd.				
B-Tech Aquaculture Sdn. Bhd.	Malaysia	100	100	Dormant
* Ritma Premier Pte. Ltd.	Singapore	100	100	Distribution of pet food, medicine and other animal health related products.
Subsidiary of Premium Egg Products Pte. Ltd.				
* BH Fresh Food Pte. Ltd.	Singapore	100	100	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income.

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.

13 (a) OTHER INVESTMENTS

	Group 2018 RM	2017 RM
<u>At fair value</u>		
Quoted shares in Malaysia	0	13,590
Market value of quoted shares	0	13,590

13 (b) EQUITY INSTRUMENTS CLASSIFIED AS FVOCI

Quoted shares in Malaysia	7,340	0

The above investments were classified as available-for-sale financial assets in 2017 as set out in Note 13(a).

The Group has irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in OCI. The Group considers this equity instruments classification to be more relevant as these instruments are strategic investments of the Group and not held for trading purposes.

Refer to Note 3.9(i) for explanations of changes in accounting policy and reclassification of investment in non-trading equities from AFS to FVOCI.

Refer to Note 30(e) for disclosure of fair values information on the quoted shares.

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14 BIOLOGICAL ASSETS

	Group 2018 RM	Group 2017 RM
At fair value less cost to sell		
Pullets and layers	53,518,837	45,030,808

Biological assets comprise pullets and layers and the movement can be analysed as follows:

	Group 2018 RM	Group 2017 RM
At 1 January	45,030,808	50,252,652
Increase due to purchases	9,901,362	8,403,480
Livestock losses	(4,645,256)	(3,917,081)
Change in fair value	28,824,848	20,918,399
Depopulation	(25,592,925)	(30,626,642)
At 31 December	53,518,837	45,030,808

In measuring the fair value of biological assets management estimates and judgements are required, which include the expected number of table eggs produced by each layer, the projected selling prices of the table eggs, mortality rate, feed consumption rate, feed costs and other estimated costs over the remaining life of the layers as well as the discount rates.

The Group has classified its biological assets measured at fair value within Level 3 of the fair value hierarchy. The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation mode.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Discounted cash flows: - The valuation method considers the expected quantity and price of table eggs to be produced over the life of the layers, taking into account the layers' mortality rate.	Significant assumptions made in determining the fair value of the table eggs as follows: • the projected selling prices of table eggs are based on management's estimate by reference to historical selling price adjusted for abnormal market movements • management's estimate of feed and other variable costs expected to incur throughout the laying period	The fair value is sensitive to projected selling prices.

14 BIOLOGICAL ASSETS (CONTINUED)

The key assumptions used for the fair value calculation are as follows:

	Group	
	2018	2017
Projected selling prices of the table eggs (RM)	0.285	0.285
Feed and other variable costs (per MT)	1,274	1,272
Discount rate	10%	10%

Sensitivity analysis

If the estimated projected selling prices of the table eggs had been 1 sen lower than management estimates, the fair value of the biological assets would have decreased by RM5,900,000.

In respect of other variables, a reasonable possible change in the assumptions used will not result in any material change to the fair valuation of biological assets.

15 INVENTORIES

	Group	
	2018 RM	2017 RM
Raw materials	14,757,516	9,927,201
Trading merchandise	17,552,787	17,891,967
Poultry feeds	1,419,995	1,239,421
Medication	2,319,362	2,339,610
Consumables	1,208,763	1,341,847
Eggs	1,909,942	3,372,382
Egg trays	1,768,852	1,056,052
Fertiliser	323,359	429,702
Fertiliser work-in-progress	1,058,997	657,333
	42,319,573	38,255,515

Inventories recognised as an expense during the financial year ended 31 December 2018 amounted to RM328,219,286 (2017: RM301,187,559).

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16 TRADE AND OTHER RECEIVABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CURRENT				
Trade receivables				
Amounts due from related companies	3,291,741	3,774,711	0	0
Amounts due from related parties	1,691,386	4,090,211	0	0
Other trade receivables	53,673,497	44,543,035	0	0
	58,656,624	52,407,957	0	0
Less: Loss allowance for trade receivables	(2,091,617)	(1,592,110)	0	0
	56,565,007	50,815,847	0	0
Other receivables				
Amount due from related company	0	114,690	0	0
Amounts due from subsidiaries	0	0	811,627	963,126
Deposits	3,208,847	1,562,651	18,500	309,200
Prepayments	1,791,480	1,961,932	297,964	279,774
Goods and services tax recoverable	6,376,175	7,686,464	1,446	0
Sundry receivables	1,086,068	2,281,408	0	0
	12,462,570	13,607,145	1,129,537	1,552,100
	69,027,577	64,422,992	1,129,537	1,552,100

	Group 2018 RM	Group 2017 RM
Loss allowance for trade receivables		
31 December 2017 – calculated under MFRS 139/Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	1,592,110	1,727,936
Increase in loss allowance recognised in profit or loss during the year	1,047,539	144,091
Reversal of impairment loss	(546,596)	(277,325)
Foreign exchange differences	(1,436)	(2,592)
At 31 December	2,091,617	1,592,110

(a) The Group and the Company's normal credit terms range from cash term to 150 days (2017: cash term to 150 days).

(b) The non-trade amount due from subsidiaries (current) are unsecured, interest free, repayable on demand and to be settled in cash except for the advances to subsidiaries of RM791,627 (2017: RM941,926) which bear interest at 3.65% (2017: 3.50%) per annum.

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	30,000,979	19,368,332	70,310	145,514
Less: Bank overdrafts (Note 21)	(1,677,346)	0	0	0
Cash and cash equivalents	28,323,633	19,368,332	70,310	145,514

Bank balances are deposits held at call with the banks.

18 SHARE CAPITAL

	Group and Company	
	2018 RM	2017 RM
Ordinary shares issued and fully paid:		
At 1 January 300,001,225 (2017: 300,001,225) ordinary shares	60,001,654	60,000,245
Transfer from share premium upon transition to no par value regime under the new Companies Act 2016	0	1,409
At 31 December 300,001,225 (2017: 300,001,225) ordinary shares	60,001,654	60,001,654

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

Warrants 2015/2020 ("Warrants")

A total of 50,000,000 warrants were issued by the Company on 30 January 2015 on the basis of one (1) warrant for every four (4) existing ordinary shares held. Each Warrant entitles the holder the right to subscribe for one (1) new ordinary share of RM 0.20 each in the Company ("Share") at an exercise price of RM1.35 per new ordinary share. At the end of the reporting period, the number of outstanding Warrants was 49,998,775. The Warrants will expire on 29 January 2020.

The Warrants are constituted by a Deed Poll dated 14 January 2015 ("Deed Poll").

The salient features of the Warrants 2015/2020 are as follows:

(a) The Warrants can be exercised at any time within five (5) years commencing on and including the date of issuance of the Warrants and ending on the date preceding the fifth (5th) anniversary of the date of issuance, or if such day is not a market day, then it shall be the market day immediately preceding the said non-market day. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

(b) Subject to the provisions to be included in the Deed Poll, each Warrant shall entitle the registered holder to subscribe for one (1) new Share at the Exercise Price during the Exercise Period.

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18 SHARE CAPITAL (CONTINUED)

The salient features of the Warrants 2015/2020 are as follows: (continued)

(c) The new Shares to be issued upon exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that they shall not be entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of the new Shares to be issued upon exercise of the Warrants.

(d) The Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders are issued with new Shares upon exercise of the Warrants.

(e) The Exercise Price and/or number of Warrants in issue may be subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.

19 TREASURY SHARES

Of the total 300,001,225 (2017: 300,001,225) issued and fully paid-up ordinary shares at the end of the reporting period, 209,000 (2017: 209,000) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold or cancelled during the financial year.

20 OTHER RESERVES

	Group	
	2018 RM	**2017 RM**
Non-distributable		
Fair value reserve		
- FVOCI	5,129	0
- AFS	0	15,566
Foreign currency translation reserve	563,806	419,768
Reverse acquisition reserve	(26,078,000)	(26,078,000)
	(25,509,065)	(25,642,666)

(a) Fair value reserve

The fair value reserve represents the cumulative fair value changes of equity instruments classified as FVOCI. In the prior year, the fair value reserve related to equity securities classified as AFS. Following the adoption of MFRS 9, the Group elected to present in OCI changes in the fair value of all its investments in equity securities previously classified as AFS, because these investments are not held for trading or arise from contingent consideration recognised by acquirer in business combination. As a result, investments in these equity securities were reclassified from AFS financial assets to financial assets at FVOCI. Related AFS reserve were reclassified to FVOCI reserve on 1 January 2018.

(b) Foreign currency translation reserve

The foreign currency translation reserve arose from the translation of the financial statements of subsidiaries whose functional currency differs from the Group's presenting currency.

(c) Reverse acquisition reserve

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as a reserve.

21 BANK BORROWINGS

	Group 2018 RM	2017 RM
CURRENT		
Secured		
Term loans	3,572,113	3,349,115
Unsecured		
Bankers' acceptances	94,972,000	104,192,000
Revolving credit	5,000,000	5,000,000
Bank overdrafts	1,677,346	0
Term loans	5,524,121	5,642,424
	110,745,580	118,183,539
NON-CURRENT		
Secured		
Term loans	19,564,354	22,178,902
Unsecured		
Term loans	20,312,910	17,231,420
	39,877,264	39,410,322
Total bank borrowings	150,622,844	157,593,861
TOTAL		
Secured		
Term loans	23,136,467	25,528,017
Unsecured		
Bankers' acceptances	94,972,000	104,192,000
Revolving credit	5,000,000	5,000,000
Bank overdrafts	1,677,346	0
Term loans	25,837,031	22,873,844
	150,622,844	157,593,861

(a) The secured bank borrowings of the Group are secured by the followings:

(i) Certain property, plant and equipment of certain subsidiaries (Note 11(a)); and
(ii) Corporate guarantee by the Company.

(b) The security arrangements of the unsecured bank borrowings of the Group are as follows:

(i) Corporate guarantee by the Company; and
(ii) Negative pledge on subsidiaries' assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

21 BANK BORROWINGS (CONTINUED)

(c) The weighted average effective interest rates at the end of the reporting period for bank borrowings were as follows:

	2018 % per annum	**2017 % per annum**
Bank overdrafts	8.1	Nil
Bankers' acceptances	4.4	4.2
Revolving credit	4.7	5.0
Term loans	4.8	4.7

22 HIRE PURCHASE PAYABLES

	Group		**Company**	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Minimum lease payments under hire purchase liabilities are:				
Not later than one financial year	10,527,875	9,567,019	201,422	36,888
Later than one financial year and not later than five financial years	16,604,462	12,421,131	231,231	36,878
	27,132,337	21,988,150	432,653	73,766
Less: Future finance charges	(2,660,987)	(1,813,087)	(29,712)	(3,766)
Present value of the hire purchase liabilities	24,471,350	20,175,063	402,941	70,000
Present value of hire purchase liabilities:				
Current	9,300,047	8,532,327	182,554	34,101
Non-current	15,171,303	11,642,736	220,387	35,899
	24,471,350	20,175,063	402,941	70,000

The weighted average effective interest rates at the end of the reporting period for hire purchase payable were as follows:

	Group		**Company**	
	2018 % per annum	**2017 % per annum**	**2018 % per annum**	**2017 % per annum**
Hire purchase payable	3.4 – 6.9	2.4 – 6.8	4.9 – 6.1	5.1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

23 DEFERRED TAX LIABILITIES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax liabilities				
- subject to income tax	21,193,991	16,001,870	69,000	0
- subject to real property gains tax	3,392,250	1,695,125	0	0
	24,586,241	17,696,995	69,000	0
The movements during the financial year are as follows:				
At beginning of the financial year	17,696,995	21,128,100	0	0
Charged/(credited) to profit or loss (Note 10)				
- property, plant and equipment	7,096,203	(844,623)	167,000	0
- biological assets	98,000	(899,000)	0	0
- receivables	(243,000)	106,000	0	0
- unutilised tax losses	(67,000)	(1,693,000)	(98,000)	0
	6,884,203	(3,330,623)	69,000	0
- foreign exchange differences	5,043	(100,482)	0	0
At end of the financial year	24,586,241	17,696,995	69,000	0
<u>Subject to income tax</u>				
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	21,725,991	16,321,870	167,000	0
- biological assets	1,967,000	1,869,000	0	0
	23,692,991	18,190,870	167,000	0
Offsetting	(2,499,000)	(2,189,000)	(98,000)	0
Deferred tax liabilities (after offsetting)	21,193,991	16,001,870	69,000	0
Deferred tax assets (before offsetting)				
- receivables	533,000	290,000	0	0
- unutilised tax losses	1,966,000	1,899,000	98,000	0
	2,499,000	2,189,000	98,000	0
Offsetting	(2,499,000)	(2,189,000)	(98,000)	0
Deferred tax assets (after offsetting)	0	0	0	0
<u>Subject to real property gains tax</u>				
Deferred tax liabilities				
- property, plant and equipment	3,392,250	1,695,125	0	0

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

23 DEFERRED TAX LIABILITIES (CONTINUED)

The amounts of deductible temporary differences and unused tax for which no deferred tax asset is recognised are as follows:

	Group	
	2018 RM	2017 RM
Deductible temporary differences		
- property, plant and equipment	16,000	1,487,000
Unutilised tax losses	1,423,000	823,000
	1,439,000	2,310,000

No deferred tax assets are recognised in respect of these items as it is not probable that future taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised.

Under the Malaysia Finance Bill 2018 which was passed on 10 December 2018, the Group's unutilised tax losses amounting to RM426,000 as at 31 December 2018 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Amounts due to related companies	2,572,087	3,373,896	0	0
Amounts due to related parties	784,330	953,916	0	0
Other trade payables	36,340,624	26,975,098	0	0
	39,697,041	31,302,910	0	0
Other payables				
Amount due to immediate holding company	800,000	0	0	0
Amounts due to related companies	1,720	38,391	0	0
Amount due to a subsidiary	0	0	2,292,114	1,888,792
Accruals	11,714,652	7,463,495	500,266	239,083
Goods and services tax payables	0	23,293	0	0
Sales and services tax payables	110,312	0	0	0
Sundry payables	12,578,319	10,632,338	195,492	151,373
Derivatives financial liabilities	10,670	0	0	0
	25,215,673	18,157,517	2,987,872	2,279,248
	64,912,714	49,460,427	2,987,872	2,279,248

24 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The normal trade terms granted to the Group range from cash term to 90 days (2017: cash term to 90 days).

(b) The non-trade amounts due to related companies are unsecured, interest free, repayable on demand and to be settled in cash.

(c) The amount due to subsidiary is unsecured, repayable on demand and to be settled in cash with interest bearing at 3.65% (2017: 3.50%) per annum at the end of the reporting period.

(d) Included in sundry payables of the Group and Company is an amount of RM3,972,090 (2017: RM2,555,602) and RM31,292 (2017: RM17,331) respectively payable for the purchase of property, plant and equipment (Note 11(d)).

(e) Derivative financial liabilities relate to the forward foreign currency contracts entered into by the Company to manage their exposure to foreign currency exchange risks related to transactions denominated in USD. The Company classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss. None of the derivatives are designated as hedges as the Company did not apply hedge accounting during the financial year.

25 EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company for the financial year by the average numbers of ordinary shares in issue during the financial year.

	Group	
	2018	**2017**
Profit attributable to ordinary equity holders of the Company (RM)	30,392,870	3,460,026
Weighted average number of ordinary shares in issue (units)	299,792,225	299,792,225
Basic earnings per ordinary share (sen)	10.13	1.15

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

25 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per ordinary share

For the dilutive earnings per ordinary share calculation, the average number of ordinary shares in issue is adjusted to assume conversation of all dilutive potential ordinary share. The dilutive potential ordinary shares for the Group are the warrants.

For the warrants issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription's rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the net profit for the financial year for the warrants.

	Group	
	2018	**2017**
Profit attributable to owners of the Company (RM)	30,392,870	3,460,026
Weighted average number of ordinary shares in issue (units)	299,792,225	299,792,225
Assumed shares issued from exercise of warrants* (units)	0	0
Weighted average number of ordinary shares for computation of diluted earnings per share	299,792,225	299,792,225
Diluted earnings per ordinary share (sen)	10.13	1.15

* The potential conversion of (warrants) are anti-dilutive as their exercise prices are higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the exercise of warrants has been ignored in the calculation of dilutive earnings per share.

26 DIVIDENDS

	2018 RM	**2017 RM**
In respect of financial year ended 31 December 2018/2017:		
An interim single tier dividend of 0.5 sen (2017: NIL) on 299,792,225 ordinary shares	1,498,961	0

Subsequent to the year end, a second interim single tier dividend of 12.5% equivalent to 2.5 sen per ordinary share amounting to approximately RM7,500,000 in respect of the financial year ended 31 December 2018 was declared on 20 February 2019 and payable on 25 April 2019 to the shareholders whose name appeared on the Company's Records of Depositors on 15 April 2019.

27 OPERATING LEASE COMMITMENTS

Operating lease payments are for rentals payable for land in Singapore. The land lease period is for 39 years from 1 April 2011. The rentals are subject to an annual revision based on market rent but the amount of the rental increase is not to exceed a certain percentage. At the end of the reporting period, the future minimum lease payments under the non-cancellable operating leases based on the existing rental rates are as follows:

Group	2018 RM	2017 RM
Not later than one year	538,300	631,695
Later than one year and not later than five years	1,001,636	969,854
Later than five years	4,639,777	5,161,531
	6,179,713	6,763,080

28 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Significant related party relationship

The related parties and its relationship with the Group and Company are as follows:

Name of the company	Relationship
Emerging Glory Sdn Bhd	Ultimate holding company
Leong Hup International Sdn Bhd	Fellow subsidiary
Leong Hup (Malaysia) Sdn Bhd	Fellow subsidiary
Leong Hup Corporate Services Sdn Bhd	Fellow subsidiary
Lee Say Group Pte Ltd	Fellow subsidiary

(b) Significant related party transactions and balances

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

	Group	
	2018 RM	2017 RM
With fellow subsidiaries		
- sale of goods	(15,546,588)	(12,137,644)
- purchase of goods	19,016,295	19,835,862
With related parties:		
- companies where Lau family# are Directors/shareholders		
- sale of goods	(12,468,002)	(11,687,054)
- purchase of goods	14,981,180	9,490,377
- company where spouse of Mr. Nam Yok San, the Director of the Company, is a Director		
- transport charges	8,664,641	8,071,659

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party transactions and balances (continued)

	Company	
	2018 RM	**2017 RM**
With subsidiaries		
- dividend income received	(3,000,000)	0
- interest income	(31,316)	(36,093)
- interest expense	85,715	39,410
- management fee income	(960,000)	(960,000)

Lau family refers to anyone or jointly of the following individuals who are the Directors of the related parties or/and have substantial shareholding interest in, Dato' Lau Bong Wong (deceased), Lau Chia Nguang, Datuk Lau Chir Nguan, Dato' Lau Eng Guang, Lau Hai Nguan and Tan Sri Lau Tuang Nguang collectively. Tan Sri Lau Tuang Nguang is a Director of the Company until he resigned on 9 August 2018.

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

No expense was recognised during the financial year for bad or doubtful debts in respect of the amounts due from the related parties.

(c) Key management personnel compensation

The key management personnel of the Group and of the Company include Executive Directors and certain members of senior management of the Group and of the Company. The key management personnel compensation during the financial year are as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Executive Directors' remuneration (Note 7)	6,254,708	5,255,598	754,903	512,803
<u>Other key management personnel</u>				
Salaries, bonuses and other benefits	1,043,548	831,480	0	0
Defined contribution benefits	175,529	148,915	0	0
Benefits-in-kind	32,750	23,950	0	0
	1,251,827	1,004,345	0	0
	7,506,535	6,259,943	754,903	512,803

29 OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Operating Committees as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

During the current financial year, the Operating Committees have organised the Group into the following two main operating segments:

- Poultry – production of eggs, animal feeds, paper egg trays, and fertiliser by-product.
- Trading and others – trading of pet food, medicine, and other related products, investment holding and provision of management fees.

Consequently, the comparatives have been reclassified to conform with current year's operating segments presentation.

(a) The Operating Committees assesses the performance of the operating segments based on their profit before interest expense and tax. The accounting policies of the operating segments are the same as the Group's accounting policies.

Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to operating segments.

(b) Each operating segment assets is measured based on all assets of the segment other than tax-related assets.

(c) Each operating segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.

(d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Transactions between operating segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions and balances arising thereof are eliminated.

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FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

29 OPERATING SEGMENTS (CONTINUED)

Business segments

	Poultry RM	Trading & Others RM	Intersegment elimination RM	Group RM
2018				
REVENUE				
- external revenue	428,638,330	61,647,128	0	490,285,458
- inter-segment revenue	0	23,467,987	(23,467,987)	0
CONSOLIDATED REVENUE	428,638,330	85,115,115	(23,467,987)	490,285,458
RESULTS				
Segment profit before interest and tax	40,918,355	10,252,668	(1,774,847)	49,396,176
Finance income				211,628
Finance costs				(8,310,147)
CONSOLIDATED PROFIT BEFORE TAX				41,297,657
Tax				(10,904,787)
CONSOLIDATED PROFIT AFTER TAX				30,392,870
ASSETS				
Segment assets	486,971,078	171,081,997	(124,524,567)	533,528,508
Unallocated assets:				
Income producing assets				7,340
Tax recoverable				9,745,252
CONSOLIDATED TOTAL ASSETS				543,281,100
LIABILITIES				
Segment liabilities	58,444,862	18,639,511	(12,171,659)	64,912,714
Unallocated liabilities:				
Borrowings				175,094,194
Current and deferred tax liabilities				25,464,561
CONSOLIDATED TOTAL LIABILITIES				265,471,469
OTHER SEGMENT ITEMS				
Capital expenditure	40,640,149	2,739,527	0	43,379,676
Depreciation	18,053,384	1,851,338	0	19,904,722
Non-cash item (other than depreciation)	962,998	247,440	0	1,210,438

29 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Poultry RM	Trading & Others RM	Intersegment elimination RM	Group RM
2017				
REVENUE				
- external revenue	372,641,298	51,567,823	0	424,209,121
- inter-segment revenue	0	22,673,203	(22,673,203)	0
CONSOLIDATED REVENUE	372,641,298	74,241,026	(22,673,203)	424,209,121
RESULTS				
Segment profit before interest and tax	1,340,712	8,218,821	1,676,743	11,236,276
Finance income				181,374
Finance costs				(7,331,981)
CONSOLIDATED PROFIT BEFORE TAX				4,085,669
Tax				(625,643)
CONSOLIDATED PROFIT AFTER TAX				3,460,026
ASSETS				
Segment assets	441,877,766	169,519,293	(128,259,525)	483,137,534
Unallocated assets:				
Income producing assets				13,590
Tax recoverable				11,829,056
CONSOLIDATED TOTAL ASSETS				494,980,180
LIABILITIES				
Segment liabilities	44,703,706	19,032,709	(14,275,988)	49,460,427
Unallocated liabilities:				
Borrowings				177,768,924
Current and deferred tax liabilities				18,968,708
CONSOLIDATED TOTAL LIABILITIES				246,198,059
OTHER SEGMENT ITEMS				
Capital expenditure	31,298,361	8,754,722	0	40,053,083
Depreciation	15,565,231	1,702,889	0	17,268,120
Non-cash item (other than depreciation)	(380,529)	13,756	0	(366,773)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

29 OPERATING SEGMENTS (CONTINUED)

Geographical Information

Revenue is analysed based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Group				
Malaysia	307,747,890	287,282,100	287,211,746	287,533,055
Singapore	142,233,229	110,785,111	51,457,136	28,540,422
Others	40,304,339	26,141,910	0	0
	490,285,458	424,209,121	338,668,882	316,073,477

Major customers

There is no single customer that contributed 10% or more of the Group's revenue.

30 FINANCIAL RISK MANAGEMENT

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

The Group is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks for biological assets.

The Group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The Group has environmental policies and procedures in place to comply with environmental and other laws.

The Group is exposed to risks arising from fluctuations in the egg prices. A sensitivity analysis has been disclosed in Note 14.

The Group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

The Group's policies in respect of the major areas of treasury activity are as follows:

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Hong Kong Dollar ("HKD"), Singapore Dollar ("SGD") and United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward currency contracts to hedge against its foreign currency risk.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

	Currency exposure as at 31.12.2018				
	HKD RM	**SGD RM**	**USD RM**	**Others RM**	**Total RM**
Group					
FINANCIAL ASSETS					
Trade and other receivables	2,544,088	34,647,727	107,081	1,517,048	38,815,944
Cash and bank balances	788	10,326,498	9,407	35,579	10,372,272
	2,544,876	44,974,225	116,488	1,552,627	49,188,216
FINANCIAL LIABILITIES					
Trade and other payables	0	(23,418,780)	(5,486,701)	(211,704)	(29,117,185)
Bank borrowings	0	(11,132,508)	0	0	(11,132,508)
Hire purchase payables	0	(18,143)	0	0	(18,143)
	0	(34,569,431)	(5,486,701)	(211,704)	(40,267,836)
Less: Forward foreign currency contracts (contracted notional principal)	0	0	1,800,896	0	1,800,896
CURRENCY EXPOSURE	2,544,876	10,404,794	(3,569,317)	1,340,923	10,721,276

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

	Currency exposure as at 31.12.2017				
	HKD RM	**SGD RM**	**USD RM**	**Others RM**	**Total RM**
Group					
FINANCIAL ASSETS					
Trade and other receivables	1,999,985	8,483,241	110,682	0	10,593,908
Cash and bank balances	769	4,799,215	9,277	33,820	4,843,081
	2,000,754	13,282,456	119,959	33,820	15,436,989
FINANCIAL LIABILITIES					
Trade and other payables	0	(2,118,873)	(3,772,196)	(83,805)	(5,974,874)
Bank borrowings	0	(12,504,712)	0	0	(12,504,712)
Hire purchase payables	0	(143,886)	0	0	(143,886)
	0	(14,767,471)	(3,772,196)	(83,805)	(18,623,472)
CURRENCY EXPOSURE	2,000,754	(1,485,015)	(3,652,237)	(49,985)	(3,186,483)

Sensitivity analysis for foreign currency risk

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

	Group	
	2018 RM	**2017 RM**
Effects on profit after tax and equity		
HKD/RM		
- strengthened by 5%	96,705	76,029
- weakened by 5%	(96,705)	(76,029)
SGD/RM		
- strengthened by 5%	395,382	(51,774)
- weakened by 5%	(395,382)	51,774
USD/RM		
- strengthened by 5%	(135,634)	(138,785)
- weakened by 5%	135,634	138,785

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group does not account for fixed rate financial assets and liabilities through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit and loss.

The interest rate profile of the Group's significant interest-bearing financial instruments based on the carrying amounts as of the end of the reporting period was as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
FIXED RATE INSTRUMENTS				
Financial liabilities				
Hire purchase payable	24,471,350	20,175,063	402,941	70,000
FLOATING RATE INSTRUMENTS				
Financial liabilities				
Bank overdrafts	1,677,346	0	0	0
Term loans	48,973,498	48,401,861	0	0
Bankers' acceptances	94,972,000	104,192,000	0	0
Revolving credits	5,000,000	5,000,000	0	0
	150,622,844	157,593,861	0	0

Interest rate risk sensitivity analysis

The following table illustrates the sensitivity of profit and equity to a reasonable possible change in interest rates of +/- 50 basis point ("bp"). These changes considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group	
	2018 RM	**2017 RM**
+ 50 bp	572,367	598,857
- 50 bp	(572,367)	(598,857)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the Group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control. With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers with good credit history that have been transacting with the Group.

<u>Group impairment policy</u>

(i) Trade receivables using simplified approach

Historically, the Group's loss arising from credit risk is negligible. The historical loss rates are calculated based on the percentage of receivables that will turn into bad debts at the end of the period. The expected loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

(ii) Other receivables using general 3-stage approach

The Group use these following categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories:

Category	**Group's definition of category**	**Basis for recognising expected credit losses ("ECL")**
Performing	The customers that have no history of default.	Lifetime ECL
In-default	• Customers that have history of default. • Amount that is more than 90 days past due.	Lifetime ECL
Write-off	Amount that is more than 365 days and there is evidence indicating that the Company has no realistic prospect of recovery.	Asset is written off

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Group impairment policy (continued)

(ii) Other receivables using general 3-stage approach (continued)

All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses. These financial assets instruments are considered to be low credit risk when they have a low risk of default and the counterparties have strong capacity to meet its contractual cash flow obligations in the near term.

Reconciliation of loss allowance

(i) Trade receivables using simplified approach

The loss allowance provision for trade receivables as at 31 December 2018 reconciles to the opening loss allowance disclosed in Note 16.

No significant changes in the gross carrying amount of financial assets that resulted from the implementation of MFRS 9 to Group and Company.

(ii) Other receivables using general 3-stage approach

Other receivables are deemed receivable and performing, as there is no indication of increase in credit risk of these balances.

Maximum exposure to credit risk

(i) Trade receivables using simplified approach

The Group recognises the ECL allowance when the amount due exceed 150 days. The loss allowance recognised as at 31 December 2018 is RM1,047,539.

The remaining amount not provided are deemed recoverable with low probability of default. This is supported after considering the historical data by each debtor category and the possibility of no credit loss may occur.

(ii) Other receivables using general 3-stage approach

As of the end of the reporting date, the maximum exposure to credit risk arising from other receivables is limited to the carrying amounts in the statements of financial position due to the balances are considered to be performing, have low risk of default and strong capacity to meet contractual cash flow.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Maximum exposure to credit risk (continued)

(iii) Financial guarantee using general 3-stage approach

The following table contains an analysis of the credit risk exposure of financial guarantee contracts for which an ECL allowance is recognised as at 31 December 2018. The total amount guaranteed below also represents the maximum amount that the Company have to pay if the guarantee is called on:

	Stage 1 12-month ECL RM	Stage 2 Lifetime ECL RM	Stage 3 Lifetime ECL RM	Total RM
Company's internal credit rating				
Performing	160,466,341	0	0	160,466,341
In-default	0	0	0	0
Total amount guaranteed	160,466,341	0	0	160,466,341
Loss allowance	0	0	0	0

(d) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group and Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Within 1 year RM	1 - 5 years RM	Over 5 years RM	Total RM
Group				
As at 31.12.2018				
Trade and other payables64,791,732	0	0	64,791,732	
Derivate financial liabilities10,670	0	0	10,670	
Bank borrowings				
- bank overdrafts	1,677,346	0	0	1,677,346
- bankers' acceptances	94,972,000	0	0	94,972,000
- revolving credit	5,000,000	0	0	5,000,000
- term loans	11,128,104	35,792,473	8,412,118	55,332,695
Hire purchase payables	10,527,875	16,604,462	0	27,132,337
	188,107,727	52,396,935	8,412,118	248,916,780

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

	Within 1 year RM	1 – 5 years RM	Over 5 years RM	Total RM
Group				
As at 31.12.2017				
Trade and other payables	49,437,137	0	0	49,437,137
Bank borrowings				
- bankers' acceptances	104,192,000	0	0	104,192,000
- revolving credit	5,000,000	0	0	5,000,000
- term loans	10,693,781	34,348,915	9,165,978	54,208,674
Hire purchase payables	9,567,019	12,421,131	0	21,988,150
	178,889,937	46,770,046	9,165,978	234,825,961

	Within 1 year RM	1 – 5 years RM	Total RM
Company			
As at 31.12.2018			
Trade and other payables	2,987,872	0	2,987,872
Hire purchase payables	201,422	231,231	432,653
	3,189,294	231,231	3,420,525
Financial guarantee contracts (*)	160,466,341	0	160,466,341
Company			
As at 31.12.2017			
Trade and other payables	2,345,356	0	2,345,356
Hire purchase payables	36,888	36,878	73,766
	2,382,244	36,878	2,419,122
Financial guarantee contracts (*)	160,527,229	0	160,527,229

* The financial guarantee contracts are in relation to the corporate guarantee given to banks in respect of the bank facilities given to the subsidiaries. The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised since their fair value was not material.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values

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

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

(ii) Level 2 – Valuation techniques for the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

(iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms. The fair values of term loans approximate their carrying amounts as they are repriced to market interest rates on or near the reporting date.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed together with their values and carrying amounts shown in the statement of financial position.

(i) Financial instruments measured at fair value

The following table represent the Group's financial assets that are measured at fair value into three difference level as per below:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
2018				
Financial assets				
Equity instruments classified as FVOCI				
- quoted shares	7,340	0	0	7,340
Financial liabilities				
Derivatives financial liabilities	1,790,226	0	0	1,790,226
2017				
Financial assets				
Available-for-sale financial assets				
- quoted shares	13,590	0	0	13,590

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

(i) Financial instruments measured at fair value (continued)

The Company does not have any financial assets and liabilities at fair values as at 31 December 2018 and 2017.

The fair values above have been determined using the following basis:

- The fair values of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.
- The fair values of forward currency contracts are determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.

There was no transfer between all 3 levels of the fair value hierarchy during the financial year.

(ii) Financial instruments measured at amortised costs

The carrying amounts and fair values of long-term financial assets and liabilities measured at amortised cost as at 31 December are as follows:

	2018		2017	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Group				
Financial liabilities				
Hire purchase payables	24,471,350	22,809,824	20,175,063	19,080,640
Company				
Financial liabilities				
Hire purchase payables	402,941	386,064	70,000	68,264

The fair values of the Group's long-term financial instruments are categorised as Level 2 in the fair value hierarchy as they are estimated by discounting the future contractual cash flows at the current market rate available for similar instruments.

(iii) Other non-financial assets and liabilities measured at fair value

Other than Biological assets (Note 14), the Group does not have assets and liabilities measured at fair value at the reporting date.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

31 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

	Group	
	2018 **RM**	**2017** **RM**
Bank borrowings	150,622,844	157,593,861
Hire purchase payables	24,471,350	20,175,063
	175,094,194	177,768,924
Less: Cash and bank balances	(30,000,979)	(19,368,332)
Net debt	145,093,215	158,400,592
Total equity	277,809,631	248,782,121
Debt-to-equity ratio	0.52	0.64

There was no change in the Group's approach to capital management during the financial year.

As at reporting date, the Group maintains a gearing ratio that is in compliance with the financing covenants of its borrowings.

TOP 10 PROPERTIES OWNED
BY TEO SENG CAPITAL BERHAD AND ITS SUBSIDIARIES

(PURSUANT TO APPENDIX 9C PART A (25) OF MAIN MARKET LISTING REQUIREMENTS)

LIST OF PROPERTY, PLANT AND EQUIPMENT

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition / Revaluation
1	6 Chin Bee Crescent Singapore 619892	2-Storey JTC Detached Factory	Leasehold expiring on 31st March 2050	26.58 sq ft	7	25,154	*Dec-18
2	HS (M) 16560 PTD 30302 Mukim Tanjong Sembrong Tempat Yong Peng - Air Hitam Road Daerah Batu Pahat, Johor.	Feedmill Plant	Freehold	5.74A	18	13,188	*Mar-09
3	HS (D) 62613 PTD 29431 Mukim Tanjong Sembrong Batu 4, Jalan Air Hitam Johor.	Central Packing Station 1	Freehold	4.2387A	7	8,755	*Dec-16
4	GM 14408 Lot 19641 (formerly Lot PTD 25740) Mukim Tanjong Sembrong Tempat Yong Peng - Air Hitam Road Daerah Batu Pahat, Johor.	Central Packing Station 2 and Corporate Office Building	Freehold	4.19A	12 11	8,217	*Dec-16
5	HSD 35156 PT 49508 Mukim Dengkil Daerah Sepang, Selangor No.43, Jalan Meranti Jaya 11 Taman Meranti Jaya 47120	Single Storey Semi-Detached Factory	Freehold	1,766 sq meter	2	8,062	Jul-17
6	Lot 83, 89, 90 PTD 2513-2517 Jalan Kg Kangkar Baru Daerah Batu Pahat, Johor.	Layer Farm 9	Freehold	48.05A	13	7,742	*Dec-16

TOP 10 PROPERTIES OWNED BY TEO SENG CAPITAL BERHAD AND ITS SUBSIDIARIES

(PURSUANT TO APPENDIX 9C PART A (25) OF MAIN MARKET LISTING REQUIREMENTS) (CONT'D)

LIST OF PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition / Revaluation
7	GM 115 Lot 577 GM 85862 Lot 1309 GM 85865 Lot 1310 GM 85869 Lot 1311 GM 85872 Lot 1312 All in Mukim Chaah Bahru Batu 4 1/2, Jalan Labis Daerah Batu Pahat, Johor	Layer Farm 14	Freehold	1.33A 5.37A 4.86A 4.89A 5.02A	5 5 5 5 5	7,437	*Dec-16
8	GM 561 Lot 1862 GM 564 Lot 1287 GM 650 Lot 1288 GM 666 Lot 462 Mukim Chaah Bahru Batu 4 1/2, Jalan Paloh Daerah Batu Pahat, Johor	Layer Farm 13	Freehold	18.70A	6	6,245	*Dec-16
9	GM 503 Lot 3660 GRN 81499 Lot 3667 HS (M) 12 MLO 201 GM 873 Lot 3830 All in Mukim Chaah Bahru Daerah Batu Pahat, Johor	Layer Farm 5 Layer Farm 5B	Freehold Freehold	20.97A 3.450A 5.687A	23 9 9	6,211	*Dec-16
10	GM 5684 Lot 7416 GM 6528 Lot 7417 GM 172 Lot 160 GM 6529 Lot 7418 Both in Mukim Tanjong Sembrong Batu 5, Jalan Air Hitam Tempat Kangkar Serom Daerah Batu Pahat, Johor.	Layer Farm 2 Layer Farm 2B	Freehold Freehold	15.86A 8.512A 5.4625A	26 9 4	5,727	*Dec-16

*Date of Revaluation

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2019

Total Number of Issued Shares	:	300,001,225 Ordinary shares (inclusive of 209,000 Treasury shares)
Class of Shares	:	Ordinary shares
Voting Shares	:	One vote per Ordinary share

ANALYSIS BY SIZE SHAREHOLDINGS

Size of Shareholdings	No. of Sharehorders	%	No. of Shares	%
Less than 100	60	1.78	2,500	0.00
100 to 1,000	739	21.88	294,754	0.10
1,001 to 10,000	1,596	47.26	8,538,750	2.85
10,001 to 100,000	805	23.84	26,687,300	8.90
100,001 to 14,989,610	176	5.21	110,899,918	36.99
14,989,611 and above	1	0.03	153,369,003	51.16
Total	**3,377**	**100.00**	**299,792,225**	**100.00**

Note: # Excluding 209,000 Treasury Shares

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Advantage Valuations Sdn. Bhd.	153,369,003	51.16
2	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	7,563,200	2.52
3	Nam Yok San	7,221,733	2.41
4	Leong Hup (Malaysia) Sdn. Bhd.	7,000,000	2.33
5	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Pheim)	4,941,000	1.65
6	Lau Joo Keat	4,150,500	1.38
7	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	3,378,000	1.13
8	Ong Lei Im	3,115,000	1.04
9	Amnah Binti Ibrahim	2,799,300	0.93
10	Wong Ah Tai	2,711,000	0.90
11	Lau Joo Kiang	2,137,949	0.71
12	Leong Hup Holdings Sdn. Bhd.	1,927,255	0.64
13	Ng Lee Ping	1,500,000	0.50
14	Tong Seh Industries Supply Sdn. Berhad	1,500,000	0.50
15	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	1,412,900	0.47
16	Goh Cha Boh @ Goh Hui Siang	1,397,800	0.47
17	Nam Hiok Yong	1,380,818	0.46
18	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Yee Hui	1,316,900	0.44

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2019 (CONT'D)

THIRTY LARGEST SHAREHOLDERS (CONTINUED)

No.	Name	No. of Shares	%
19	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	1,233,800	0.41
20	Leong Ai Hsia	1,221,000	0.41
21	Lai Chong Koo	1,112,000	0.37
22	Yeo Koon Lian	1,110,000	0.37
23	Soh Kian	1,104,000	0.37
24	Citigroup Nominees (Asing) Sdn. Bhd.CEP for Pheim Sicav-Sif	1,053,200	0.35
25	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koh Kwee Choo	997,600	0.33
26	Public Nominees (Tempatan) Sdn. Bhd Pledged Securities Account For Wong Yee Hui (KLC/KEN)	953,100	0.32
27	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Boon Chai	884,000	0.30
28	Wong Lee Peng	878,058	0.29
29	Nam Ze Cung	855,000	0.29
30	Ooi Chun Hua	820,800	0.28
	Total	**221,044,916**	**73.73**

SUBSTANTIAL SHAREHOLDERS
As per Register of Substantial Shareholdings

	No of Shares Held			
Shareholders	**Direct**	**%**	**Indirect**	**%**
Advantage Valuations Sdn. Bhd.	153,369,003	51.16	–	–
Leong Hup (Malaysia) Sdn. Bhd	7,000,000	2.33	153,989,003[1]	51.37
Unigold Capital Sdn. Bhd.	–	–	153,369,003[1]	51.16
Leong Hup International Berhad	–	–	160,989,003[2]	53.70
Clarinden Investments Pte Ltd	–	–	160,989,003[3]	53.70
Concordant Investments Pte Ltd	–	–	160,989,003[4]	53.70
Affinity Asia Pacific Fund IV L.P.	–	–	160,989,003[5]	53.70
Affinity Asia Pacific Fund IV (NO.2) L.P.	–	–	160,989,003[5]	53.70
Emerging Glory Sdn Bhd	–	–	163,216,258[3]	54.44
CW Lau & Sons Sdn Bhd	–	–	163,216,258[6]	54.44
Lau Joo Han	–	–	163,216,258[6]	54.44
Lau Joo Hong	–	–	163,216,258[7]	54.44
Lau Jui Peng	–	–	163,216,258[7]	54.44
Lau Joo Heng	–	–	163,216,258[7]	54.44
Na Hap Cheng	64,000	0.02	153,881,003[8&9]	51.33
Na Yok Chee	577,886	0.19	154,708,503[8&9]	51.61

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2019 (CONT'D)

DIRECTORS' INTEREST
As per Register of Directors' Shareholdings

	No of Shares Held			
Directors	**Direct**	**%**	**Indirect**	**%**
Lau Jui Peng	–	–	163,216,258[7]	54.44
Nam Hiok Joo	166,602	0.06	–	–
Dato' Zainal Bin Hassan	–	–	–	–
Dato' Koh Low @ Koh Kim Toon	–	–	–	–
Loh Wee Ching	–	–	–	–
Choong Keen Shian	–	–	–	–
Frederick Ng Yong Chiang	–	–	–	–

Notes :
1. *Deemed interested by virtue of its/his interest in Advantage Valuations Sdn. Bhd. and/or subsidiary pursuant to Section 8(4) of the Companies Act 2016 (" the Act.").*
2. *Deemed interested by virtue of its interest in Leong Hup (Malaysia) Sdn. Bhd. and/or subsidiaries pursuant to Section 8(4) of the Act.*
3. *Deemed interested by virtue of their interest in Leong Hup International Berhad and/or subsidiaries pursuant to Section 8(4) of the Act.*
4. *Deemed interested by virtue of its interest in Clarinden Investments Pte. Ltd. pursuant to Section 8(4) of the Act.*
5. *Deemed interested by virtue of their interest in Concordant Investments Pte.Ltd. pursuant to Section 8(4) of the Act.*
6. *Deemed interested by virtue of their interest in Emerging Glory Sdn. Bhd. pursuant to Section 8(4) of the Act.*
7. *Deemed interested by virtue of their interest in CW Lau & Sons Sdn. Bhd. pursuant to Section 8(4) of the Act.*
8. *Deemed interested by virtue of their interest in Unigold Capital Sdn. Bhd. pursuant to Section 8(4) of the Act.*
9. *Deemed interested by virtue of his indirect equity interest in Teo Seng Capital Berhad via his spouse and/or children.*

ANALYSIS OF WARRANT HOLDINGS
AS AT 2 APRIL 2019

No of Warrants Issued	:	50,000,000
No of Warrants Exercised	:	1,225
No of Warrants Unexercised	:	49,998,775
Exercise Price Per Warrant	:	RM1.35
Exercise Period of Warrant	:	30/01/2015 to 29/01/2020

ANALYSIS BY SIZE WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
Less than 100	631	49.07	19,275	0.04
100 to 1,000	162	12.60	75,773	0.15
1,001 to 10,000	239	18.58	1,180,650	2.36
10,001 to 100,000	198	15.40	7,179,999	14.36
100,001 to 2,499,937	54	4.20	13,150,571	26.30
2,499,938 and above	2	0.15	28,392,507	56.79
Total	**1,286**	**100.00**	**49,998,775**	**100.00**

THIRTY LARGEST WARRANTS HOLDERS

No.	Name	No. of Shares	%
1	Advantage Valuations Sdn. Bhd.	25,561,507	51.12
2	Maybank Nominees (Tempatan) Sdn. Bhd. Nomura Singapore Limited For Lim Lian Hock (410242)	2,831,000	5.66
3	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	874,800	1.75
4	Lau Joo Keat	666,750	1.33
5	Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kong Kok Choy (8092812)	510,000	1.02
6	Safari Bird Park & Wonderland Sdn. Bhd.	480,100	0.96
7	Lau Joo Pern	471,750	0.95
8	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koh Mei Chen (TJJ/KEN)	460,600	0.92
9	Sim Keng Chor	450,000	0.90
10	Chua Chin Chyang	430,000	0.86
11	Lai Chong Koo	386,000	0.77
12	Leong Hup Holdings Sdn. Bhd.	321,209	0.64
13	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chen Yoke Faa	320,000	0.64
14	Haw Yoo Hoon	317,400	0.63
15	Maybank Nominees (Tempatan) Sdn. Bhd. Sia Lum Wah	300,000	0.60
16	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tay Bee Geok (TJJ/KEN)	299,300	0.60

ANALYSIS OF WARRANT HOLDINGS
AS AT 2 APRIL 2019 (CONT'D)

THIRTY LARGEST WARRANTS HOLDERS (CONTINUED)

No.	Name	No. of Shares	%
17	Ng Lee Ping	250,000	0.50
18	Tong Seh Industries Supply Sdn. Berhad	250,000	0.50
19	Lenny Mahdalena Johan	225,000	0.45
20	Tan Poh Huat	219,300	0.44
21	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Phey Ying	216,100	0.43
22	Low Eng Guan	212,125	0.43
23	Nam Hiok Yong	203,562	0.41
24	Bong Ng Youn	200,350	0.40
25	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Beng Hong	200,000	0.40
26	Lau Joo Kiang	200,000	0.40
27	Leong Ai Hsia	200,000	0.40
28	Teo Kok Lam	200,000	0.40
29	Teo Sek Ching	198,100	0.40
30	Toh Seng Chang	194,000	0.39
	Total	**37,648,953**	**75.30**

DIRECTORS' INTEREST
As per Register of Directors' Warrant Holdings

	No of Shares Held			
Directors	**Direct**	**%**	**Indirect**	**%**
Lau Jui Peng	–	–	26,015,716[1]	52.03
Nam Hiok Joo	27,767	0.06	–	–
Dato' Zainal Bin Hassan	–	–	–	–
Dato' Koh Low @ Koh Kim Toon	–	–	–	–
Loh Wee Ching	–	–	–	–
Choong Keen Shian	–	–	–	–
Frederick Ng Yong Chiang	–	–	–	–

Note :
1. *Deemed interested by virtue of his interest in CW Lau & Sons Sdn. Bhd. pursuant to Section 8(4) of the Act.*

NOTICE OF THIRTEENTH **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at Teo Seng Capital Berhad Conference Room, First Floor, Lot PTD 25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor on Tuesday, 28 May 2019 at 11:30 a.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company and of the Group and the Reports of the Directors and the Auditors thereon for the financial year ended 31 December 2018. **(Please refer to Explanatory Note 1)**

2. To approve the payment of Directors' remuneration (including Directors' fees) of RM122,000-00 in respect of the financial year ended 31 December 2018. **[Ordinary Resolution 1] (Please refer to Explanatory Note 2)**

3. To approve the payment of Directors' remuneration (including Directors' fees) up to RM160,000-00 from 1 January 2019 until the conclusion of the next Annual General Meeting. **[Ordinary Resolution 2] (Please refer to Explanatory Note 2)**

4. To re-elect Mr Nam Hiok Joo who retires pursuant to Article 110 of the Constitution of the Company. **[Ordinary Resolution 3] (Please refer to Explanatory Note 3)**

5. To re-elect the following Directors who retire pursuant to Article 103 of the Constitution of the Company: **(Please refer to Explanatory Note 4)**

   5.1 Dato' Koh Low @ Koh Kim Toon **[Ordinary Resolution 4]**
   5.2 Mr Loh Wee Ching **[Ordinary Resolution 5]**

6. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration. **[Ordinary Resolution 6] (Please refer to Explanatory Note 5)**

AS SPECIAL BUSINESS

To consider and if thought fit, with or without any modification(s), to pass the following resolutions:

7. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT authority be and is hereby given to Mr Choong Keen Shian who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company." **[Ordinary Resolution 7] (Please refer to Explanatory Note 6)**

8. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT authority be and is hereby given to Mr Frederick Ng Yong Chiang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company."

[Ordinary Resolution 8]
(Please refer to Explanatory Note 6)

9. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT subject to the passing of Ordinary Resolution 4, authority be and is hereby given to Dato' Koh Low @ Koh Kim Toon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company."

[Ordinary Resolution 9]
(Please refer to Explanatory Note 6)

10. AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

"THAT subject to Sections 75 and 76 of the Companies Act 2016, Constitution of the Company, and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued during the preceding twelve (12) months does not exceed ten per centum (10%) of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

[Ordinary Resolution 10]
(Please refer to Explanatory Note 7)

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company, or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an Ordinary Resolution of the Company at a general meeting."

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (CONT'D)

11. PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

[Ordinary Resolution 11]
(Please refer to Explanatory Note 8)

"THAT subject to Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 2 of Part A of the Circular/Statement to Shareholders of the Company dated 30 April 2019 ("the Circular") provided that such transactions are:

(a) necessary for the day-to-day operations;

(b) in the ordinary course of business and are on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public; and

(c) not prejudicial to the minority shareholders of the Company,

("Shareholders' Mandate").

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (CONT'D)

12. PROPOSED RENEWAL OF AUTHORISATION TO ENABLE THE COMPANY TO PURCHASE UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY

[Ordinary Resolution 12]
(Please refer to Explanatory Note 9)

"THAT, subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this Ordinary Resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase;

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following at which time the authority shall lapse unless by Ordinary Resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) revoked or varied by Ordinary Resolution passed by the shareholders of the Company at a general meeting;

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the MMLR and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, MMLR, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (CONT'D)

12. PROPOSED RENEWAL OF AUTHORISATION TO ENABLE THE COMPANY TO PURCHASE UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (CONT'D)

(i) To cancel all or part of the Purchased Shares;
(ii) To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
(iii) To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
(iv) To resell all or part of the treasury shares;
(v) To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
(vi) To transfer all or part of the treasury shares as purchase consideration;
(vii) To sell, transfer or otherwise use the Shares for such other purposes as the Minister may by order prescribed; and/or
(viii) To deal with the treasury shares in any other manners as allowed by the Act, MMLR, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

13. PROPOSED ALTERATION OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION BY REPLACING WITH A NEW CONSTITUTION OF THE COMPANY ("PROPOSED ALTERATION")

"THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in Part C of the Circular/Statement dated 30 April 2019 AND THAT the same be hereby adopted as the Constitution of the Company with effect from the date of passing this special resolution.

[Special Resolution 1]
(Please refer to Explanatory Note 10)

THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities."

14. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (CONT'D)

By order of the Board

LEE CHOON SENG (MAICSA 7003453)
LUM SOW WAI (MAICSA 7028519)
WONG WAI FOONG (MAICSA 7001358)
TAN BEE HWEE (MAICSA 7021024)
Secretaries

Yong Peng
30 April 2019

Notes:

(i) For the purpose of determining a member who shall be entitled to attend and vote at the Thirteenth Annual General Meeting ("AGM"), the Company shall be requesting the Record of Depositors as at 16 May 2019. Only a depositor whose name appears on the Record of Depositors as at 16 May 2019 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

(ii) A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her stead.

(iii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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

(v) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(vi) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at 201-203, Jalan Abdullah, 84000 Muar, Johor, not less than forty-eight (48) hours before 11.30 a.m. on Sunday, 26 May 2019.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES

1. Item 1 of the Agenda

   This Agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Items 2 and 3 of the Agenda

   The proposed Ordinary Resolution 1 and 2 are to seek the shareholders' approval for the payment of the Directors' remuneration as follows:

	1 January 2019 until the conclusion of the next Annual General Meeting ("AGM")		Financial year ended 31 December 2018	
	Directors' Fees (RM)	Other Emoluments (Festival Token) (RM)	Directors' Fees (RM)	Other Emoluments (Festival Token) (RM)
Non-Executive Director	144,000	16,000	112,000	10,000

   These resolutions are to facilitate payment of Directors' remunerations for duties performed as Non-Executive Directors of the Company on a monthly basis and/or as and when required.

3. Item 4 of the Agenda

   The Nominating Committee ("NC") of the Company has assessed the contribution of Mr Nam Hiok Joo by using self and peer evaluation and was satisfied with his performance of his roles and duties in the Company and recommended for his re-election. The Board endorsed the NC's recommendation that Mr Nam Hiok Joo be re-appointed as Director of the Company.

4. Item 5 of the Agenda

   The NC of the Company has assessed the contribution of Dato' Koh Low @ Koh Kim Toon and Mr Loh Wee Ching by using self and peer evaluation and was satisfied with their performance and recommended for their re-election. The Board endorsed the NC's recommendation that Dato' Koh Low @ Koh Kim Toon and Mr Loh Wee Ching be re-appointed as Directors of the Company.

5. Item 6 of the Agenda

   The Audit Committee ("AC") had conducted assessment on the performance of PricewaterhouseCoopers PLT. Please refer to the Corporate Governance Overview Statement for further details on the assessment conducted by AC.

6. Items 7, 8 and 9 of the Agenda

   Mr Choong Keen Shian and Mr Frederick Ng Yong Chiang have served the Board as the Independent Non-Executive Directors ("INED") of the Company for more than nine (9) years since 19 June 2008 and Dato' Koh Low @ Koh Kim Toon has served the Board as an INED of the Company for more than nine (9) years since 19 November 2009. The Board has through the NC's assessments, recommending to shareholders to retain their designation as INED of the Company based on the following reasons:

   a. They have actively participated in the Board's deliberations and provided independent opinions to the Board.
   b. They have ensured effective check and balance in the proceedings of the Board.
   c. They have extensive experience in their respective profession to provide constructive opinions and ideas of Company to the Board.
   d. They devoted sufficient time to attend the meetings.

EXPLANATORY NOTES (CONTINUED)

7. Item 10 of the Agenda

   The proposed Ordinary Resolution 10 is the renewal of the mandate obtained from the members at the last AGM and if passed, will give the Directors authority to issue new ordinary shares up to such number not exceeding ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors would consider to be in the best interest of the Company (hereinafter referred to as the "General Mandate"). This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. The new General Mandate will commence from the date of this AGM and, unless earlier revoked or varied by the shareholders of the Company at a subsequent general meeting, expire at the next AGM.

   The General Mandate granted by the shareholders at the Twelfth AGM of the Company held on 27 June 2018 had not been utilized and hence, no proceeds were raised therefrom.

   The purpose of the new General Mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

8. Item 11 of the Agenda

   The proposed Ordinary Resolution 11, if passed, will allow the Group to continue to enter into recurrent related party transactions on an arm's length basis and on normal commercial terms, which are not prejudicial to the interests of the minority shareholders. Please refer to Part A of the Circular/Statement to Shareholders dated 30 April 2019 for further information.

9. Item 12 of the Agenda

   The proposed Ordinary Resolution 12, if passed, will allow the Company to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company. Please refer to Part B of the Circular/Statement dated 30 April 2019 for further information.

10. Item 13 of the Agenda

    This proposed Special Resolution 1, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution ("Proposed Alteration") which is drafted in accordance with the relevant provisions of the Act, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements and other provisions of laws and regulations that are applicable to the Company.

    For further information on the Proposed Alteration, please refer to the Part C of the Circular/Statement dated 30 April 2019.

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PROXY FORM

TEO SENG CAPITAL BERHAD (732762-T)

CDS Account No. of Authorised Nominee#

#applicable to shares held through nominee account

I/We .... NRIC No. ....

of...

being a member(s) of **TEO SENG CAPITAL BERHAD** (732762-T) hereby appoint ....

.... NRIC No. ....

of...

or failing him/her .... NRIC No. ....

of...

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Teo Seng Capital Berhad Conference Room, First Floor, Lot PTD 25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor on Tuesday, 28 May 2019 at 11.30 a.m. and at any adjournment thereof. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Item	Agenda			
1.	To receive the Audited Financial Statements of the Company and of the Group and the Reports of Directors and Auditors thereon for the financial year ended 31 December 2018.			
	Ordinary Resolutions	**Resolution**	**FOR**	**AGAINST**
2.	To approve the payment of Directors' remuneration (including Directors' fees) of RM122,000-00 in respect of the financial year ended 31 December 2018.	1		
3.	To approve the payment of Directors' remuneration (including Directors' fees) up to RM160,000-00 from 1 January 2019 until the conclusion of the next Annual General Meeting.	2		
4.	To re-elect Mr Nam Hiok Joo who retires pursuant to Article 110 of the Constitution of the Company.	3		
5.1.	To re-elect Dato' Koh Low @ Koh Kim Toon who retires pursuant to Article 103 of the Constitution of the Company.	4		
5.2.	To re-elect Mr Loh Wee Ching who retires pursuant to Article 103 of the Constitution of the Company.	5		
6.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration.	6		
7.	To approve the continuation of Mr Choong Keen Shian as Independent Non-Executive Director.	7		
8.	To approve the continuation of Mr Frederick Ng Yong Chiang as Independent Non-Executive Director.	8		
9.	To approve the continuation of Dato' Koh Low @ Koh Kim Toon as Independent Non-Executive Director.	9		
10.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	10		
11.	Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	11		
12.	Proposed renewal of authorisation to enable the Company to purchase up to 10% of the total number of issued shares of the Company.	12		
	Special Resolution	**Resolution**	**FOR**	**AGAINST**
13.	Proposed alteration of the existing Memorandum and Articles of Association by replacing with a new Constitution of the Company.	1		

Signed this .... day of 2018

For appointment of two proxies, percentage of shareholdings to be represented by the proxies :

	No of shares	Percentage
Proxy 1		%
Proxy 2		%
		100 %

____
Signature of Member/Common Seal

Tel No.: ____________________

Number of shares held :

Date :

Notes:

(i) For the purpose of determining a member who shall be entitled to attend and vote at the Thirteenth Annual General Meeting, the Company shall be requesting the Record of Depositors as at 16 May 2019. Only a depositor whose name appears on the Record of Depositors as at 16 May 2019 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

(ii) A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her stead.

(iii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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

(v) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(vi) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at 201-203, Jalan Abdullah, 84000 Muar, Johor, not less than forty-eight (48) hours before 11.30 a.m. on Sunday, 26 May 2019.

Fold this flap for sealing

Then fold here

Postage

The Company Secretary
TEO SENG CAPITAL BERHAD
(Company No. 732762-T)

201-203, Jalan Abdullah
84000 Muar, Johor,
Malaysia.

1st fold here

www.teoseng.com.my

TEO SENG CAPITAL BERHAD

(Company No 732762-T)

Lot PTD 25740, Batu 4, Jalan Air Hitam,
83700 Yong Peng, Johor Darul Takzim, Malaysia.
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Email: tscb@teoseng.com.my