Teo Seng Capital Berhad

Registration No. 200601013011 (732762-T)

H A T C H I N G F O R T H E F U T U R E

ANNUAL REPORT
2020

Ritma

Powering Forward

VISION & 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 result.

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
Boehringer Ingelheim
Boule
Elanco
ew nutrition
Himalaya
IDEXX
innovad
LANXESS
Natural Core
Nurture PRO
VETPHARM

Ritma Prestasi Sdn Bhd (629010-U)

Tel: +603-8066 9010 | Fax: +603-8066 9012 | Website: www.ritmapres.com

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This report is available at
www.teoseng.com.my

To access our Annual Report, please download the QR code reader to your smartphone by scanning the image below.

Integrated & Sustainable

Feedmill Division

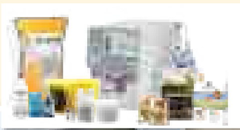
Advanced and tailor made formulation

Paper Egg Tray Division

1st PEFC eco-friendly egg trays

Animal Health Products Division

Animal health care with quality products & customised solution



Farming Division

Central Packaging Station

HQ & Central Packaging Station 2

Integrated & Sustainable (Continued)

Renewable Solar Energy

Fertiliser Division

LASKAR Fertiliser

Convert chicken manure into organic fertiliser by way of composting

Corporate Milestones

1970'S

1978
Established Teo Seng Farming Sdn. Bhd.

1990'S

1992
Set up 1st layer farm

1995
Implemented Closed House System

Own produce paper egg trays

1998
Launched HAPPY EGG

A "Happy Egg" is a Healthy Egg

1999
Implemented All-IN-ALL-OUT system

2000'S

2002
Set up feed mill plant

2005
Penetrated and export egg to Singapore

Acquisition of animal health products business

2000'S (CONT'D)

2008
Successfully listed on Second Board of Bursa Malaysia

2009
Transferred to Main Board of Bursa

2010'S

2011
Incorporation of waste management business

Commencement of operation of CPS 1

Expanded trading of egg business into Singapore

Premium Egg Products Pte Ltd

2015
Acquired BH Fresh Food Pte. Ltd. as distribution centre of egg products in Singapore

2016
Incorporation of Ritma Premier Pte. Ltd. in Singapore

2010'S (CONT'D)

2017
Awarded "The Brand Laureate Best Brand Award – Product Branding"

HAPPY EGG product innovation and rebranding

2019
Acquired Professional Vet Enterprise Sdn. Bhd. in Kuching, Sarawak

2020'S

2020
Commencement of operation of CPS 3

Hatching for the future!

Corporate Information

BOARD OF DIRECTORS

1

Non-Executive Chairman
- Lau Jui Peng

2

Managing Director
- Nam Hiok Joo

3

Executive Director
- Loh Wee Ching

4

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

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
- Dato' Koh Low @ Koh Kim Toon (Appointed on 17/11/2020)

REMUNERATION COMMITTEE

Committee Chairman
- Choong Keen Shian

Committee Member
- Dato' Koh Low @ Koh Kim Toon
- Frederick Ng Yong Chiang (Appointed on 17/11/2020)

RISK MANAGEMENT COMMITTEE

Committee Chairman
- Nam Hiok Joo

Committee Member
- Choong Keen Shian
- Frederick Ng Yong Chiang

KEY MANAGEMENT PERSONNEL

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

SECRETARIES

Lee Choon Seng
(MAICSA 7003453)
SSM Practising Certificate No. 202008002259

Lum Sow Wai
(MAICSA 7028519)
SSM Practising Certificate No. 202008002373

Wong Wai Foong
(MAICSA 7001358)
SSM Practising Certificate No. 202008001472

Tan Bee Hwee
(MAICSA 7021024)
SSM Practising Certificate No. 202008001497

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
OCBC Bank (Malaysia) 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 : 06-9555419

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.
Registration No. 197101000970 (11324-H)
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
200601013011 (732762-T)

- 100% **TEO SENG FARMING SDN. BHD.** 198301016528 (111937-P)
  - 100% **TEO SENG INTEGRATED FARMING SDN. BHD.** (FORMERLY KNOWN AS LIBERAL ENERGY SDN. BHD.) 201001001714 (886291-T)
  - 100% **GREAT EGG INDUSTRIES SDN. BHD.** 200601036824 (756583-V)
  - 100% **LASKAR FERTILISER SDN. BHD.** 201101011816 (939951-U)
- 100% **SUCCESS CENTURY SDN. BHD.** 199501017007 (346210-A)
- 100% **RITMA PRESTASI SDN. BHD.** 200301026590 (629010-U)
  - 100% **RITMA PREMIER PTE. LTD.** (201617304E)
  - 100% **B-TECH AQUACULTURE SDN. BHD.** 201001002955 (887536-H)
  - 100% **PROFESSIONAL VET ENTERPRISE SDN. BHD.** 200801025957 (827284-P)
- 100% **TEO SENG PAPER PRODUCTS SDN. BHD.** 199401014312 (299992-H)
- 100% **TEO SENG FEEDMILL SDN. BHD.** 199801018060 (474189-H)
- 100% **PREMIUM EGG PRODUCTS PTE. LTD.** (200305167W)
  - 100% **BH FRESH FOOD PTE. LTD.** (200105466D)
- 100% **PIONEER PROSPERITY SDN. BHD.** (IN MEMBERS' VOLUNTORY WINDING UP) 201101018122 (946258-M)

Profile of the Board of Directors

MR. LAU JUI PENG

Non-Executive Chairman

Aged 50
Male
Malaysian

Date of Appointment:
19 June 2008

Length of Service:
(as at 31 December 2020)
12 years 6 months

Mr. Lau Jui Peng, Malaysian, male, aged 50, 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 2020. Mr. Lau had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2020.

Profile of the Board of Directors (Continued)

MR. NAM HIOK JOO

Managing Director

Aged 54
Male
Malaysian

Date of Appointment:
27 June 2018

Length of Service:
(as at 31 December 2020)
2 year 6 months

Mr. Nam Hiok Joo, Malaysian, male, aged 54, was appointed as Managing Director of the Company on 27 June 2018. He is also the Chairman of Risk Management Committee of the Company since 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 2020. Mr Nam had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2020.

MR. LOH WEE CHING

Executive Director

Aged 52
Male
Malaysian

Date of Appointment:
19 June 2008

Length of Service:
(as at 31 December 2020)
12 years 6 months

Mr. Loh Wee Ching, Malaysian, male, aged 52, was appointed as the Non-Executive Director of the Company on 19 June 2008 and redesignated to Executive Director on 17 November 2020. He was also former member of both Remuneration Committee and Nomination Committee of the Company.

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, he has established a robust relationship with customers during his tenure with the Group of more than twenty (20) years. His extensive experience enables him to provide valuable guidance to the marketing team and contributes significantly to the Group's marketing strategies and business direction.

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 2020. Mr. Loh had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2020.

Profile of the Board of Directors (Continued)

MR. CHOONG KEEN SHIAN

Independent Non-Executive Director

Aged 64
Male
Malaysian

Date of Appointment:
19 June 2008

Length of Service:
(as at 31 December 2020)
12 years 6 months

Mr. Choong Keen Shian, Malaysian, male, aged 64, 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 2020. Mr. Choong had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2020.

Profile of the Board of Directors (Continued)

MR. FREDERICK NG YONG CHIANG

Independent Non-Executive Director

Aged 56
Male
Malaysian

Date of Appointment:
19 June 2008

Length of Service:
(as at 31 December 2020)
12 years 6 months

Mr. Frederick Ng Yong Chiang, Malaysian, male, aged 56, 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 as Nomination Committee Chairman of the Company on 27 August 2013. Further, he was also appointed as a member of the Risk Management Committee on 20 August 2018 and Remuneration Committee on 17 November 2020.

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 2020. Mr. Frederick Ng had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2020.

Profile of the Board of Directors (Continued)

DATO' KOH LOW @ KOH KIM TOON

Independent Non-Executive Director

Aged 68
Male
Malaysian

Date of Appointment:
19 November 2009

Length of Service:
(as at 31 December 2020)
11 years 1 month

Dato' Koh Low @ Koh Kim Toon, Malaysian, male, aged 68, 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. Further, he was also appointed as member of Remuneration Committee on 20 August 2018 and Nomination Committee on 17 November 2020.

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 and presently adviser of Muar Chung Hwa High School and former 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 2020. Dato' Koh had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2020.

Profile of the Key Management Personnel

MR. NG ENG LENG

Group Financial Controller

Mr. Ng Eng Leng, Malaysian, male, aged 50, 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 2020.

MR. NA ELUEN

Deputy Chief Operating Officer, Marketing

Mr. Na Eluen, Malaysian, male, aged 38, is currently the Deputy Chief Operating Officer, Marketing of Teo Seng Capital Berhad and was appointed on 1 January 2018. He has been in the industry for the past 18 years and was involved in various projects from planning to marketing starting with Teo Seng Farming Sdn. Bhd. back in 2003. Having headed various departments in the subsidiaries enable him to set foot in different business and understand every segments of the Group's business.

Mr. Eluen is responsible for developing the business and profile of the group. He is tasked with developing new business opportunities, analysing potential investments for the group, formulation of strategic direction, overall master planning, monitors market trends, conduct market research, product development, sales & marketing, budgeting, implementation of developments and group-wide product planning.

His scope of work also includes building the brand and developing marketing relationship for domestic and oversea market. He also contributed to the concept and planning for several projects and operations of the group including new and expansion exercises.

In 2011, he was the General Manager for Premium Egg Products Pte. Ltd. and BH Fresh Food Pte. Ltd, spearheading its business operation, developments and overseeing its planning and implementation. His contribution and involvement in the group's offices in Singapore have been recognised by the Group and with that, he was appointed as the Director of Premium Egg Products Pte. Ltd. and BH Fresh Food Pte. Ltd. on 2 May 2016.

Prior to that, Mr. Eluen worked with Ritma Prestasi Sdn. Bhd. and handled sales for animal health products division.

Mr. Eluen 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. He 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 2020.

Profile of the Key Management Personnel (Continued)

MR. NA YI CHAN

Deputy Chief Operating Officer, Layer Farming Division

Mr. Na Yi Chan, Malaysian, Male, aged 32, 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 possesses 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 2020.

MR. NAM YA JUN

Executive Director, Animal Health Products Division

Mr. Nam Ya Jun, Malaysian, male, aged 39, Executive Director of Ritma Prestasi Sdn. Bhd., a subsidiary company which distributes animal health care products in Malaysia. Mr. Nam graduated with a First Class Honours degree in Science, majoring in Psychology from Victoria University of Wellington, New Zealand in 2004. Mr. Nam joined Teo Seng Group on 01 July 2005 as an Executive in charge of Human Resources and Administrative functions of the Group. During the beginning of his career in the Group, he was primarily responsible for overseeing the Human Resources and Administrative functions of the Group, and dedicated to 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. He has been overseeing the daily operations of the company by focusing on business development and operational strategies. Under his leadership, Ritma Prestasi Sdn. Bhd has grown to become a competitive company in the industry, partnering with some major global animal healthcare providers. Along with his dedication, the company has expanded the business to Singapore by incorporating Ritma Permier Pte. Ltd. and East Malaysia with the acquisition of Professional Vet Enterprise Sdn. Bhd.

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 expanding the Animal Health Products Division, through innovative marketing and business strategies. His extensive experience and expertise in corporate business management also contribute significantly to the Group's businesses.

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 2020.

MR. KU LEONG CHOON

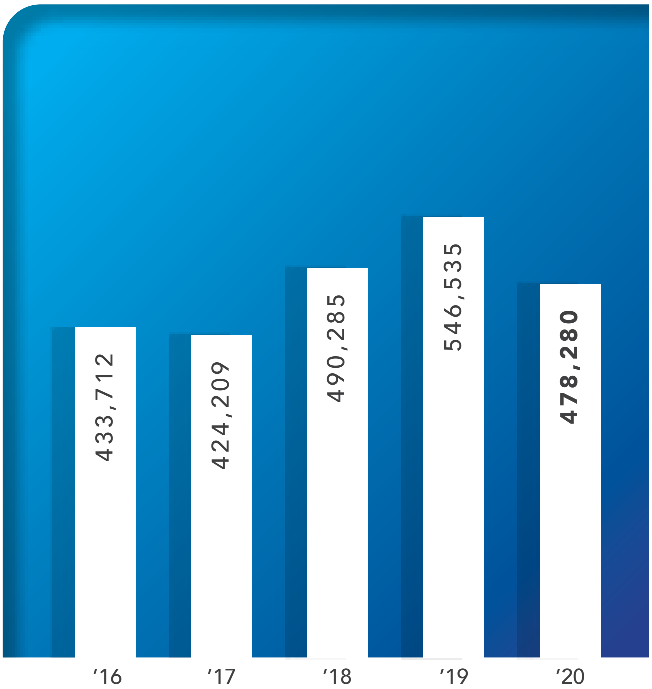
Farm General Manager

Mr. Ku Leong Choon, Malaysian, male, aged 54, 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.

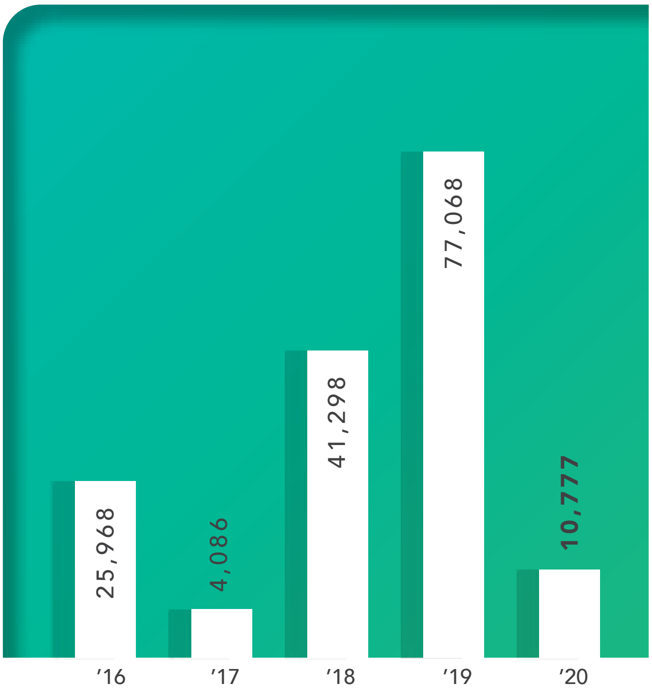
Mr. Ku does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Ku has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2020.

Financial Highlights

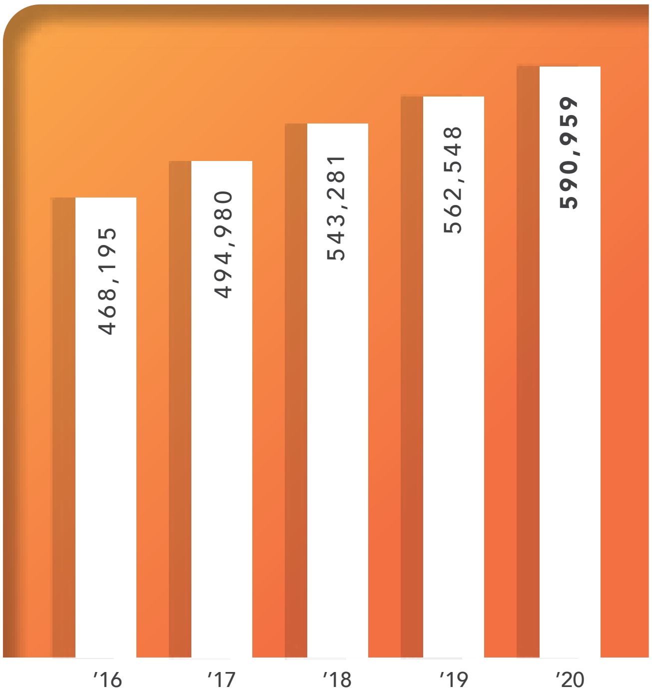
REVENUE (RM'000)



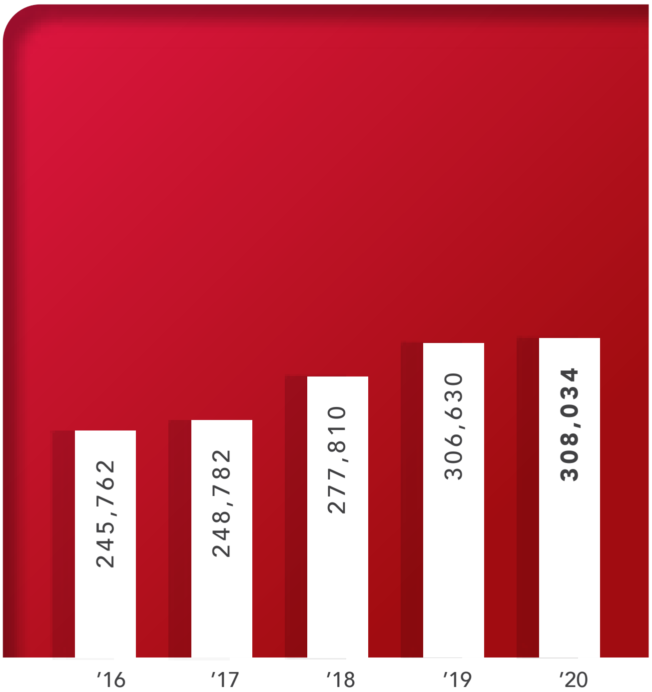
PROFIT BEFORE TAXATION (RM'000)



TOTAL ASSET (RM'000)



TOTAL EQUITY (RM'000)



KEY HIGHLIGHT OF THE YEAR

Daily Production of
4 million
EGGS

Capital Expenditure
RM48.80
MILLION

Revenue (RM'000)
478,280

Total Equity (RM'000)
308,034

Net Asset per Share (RM)
1.05

GROUP'S BUSINESS AND OPERATION

As one of the leading integrated layer farming companies in Malaysia, Teo Seng possess 40 years of poultry industry experience in Malaysia and is leaded by successful and excellent dynamic management team. We are principally involving in layer farming activities and become an integrated layer farming company over the years by adopting recognised All-In-All-Out ("AIAO") layer farming management system and Closed House system. The core business is further supported by own feedmill division, paper egg tray division, waste management division producing organic fertiliser and synergised animal health products division providing quality animal health products and customised solutions to customers. These business activities are categorised into two major segments namely (i) poultry farming and (ii) investment and trading of related poultry products. Our commitment is to supply quality and nutritional eggs and value-added products to our customers which is in line with the slogan of Teo Seng's premium egg brand named as Happy Egg – Healthy Eggs Happy Life.

Poultry Farming

As one of the largest layer farmers in Malaysia, we produce 4 million eggs a day from 15 layer farms which are supported by 9 pullet farms scattered in Johor, Malaysia. Our farms are accredited with Grade A poultry license and Malaysian Good Agricultural Practice ("MyGAP") certificate by Department of Veterinary Services Malaysia ("DVS"). The requirements to be fulfilled for the said license and certification include the farm management, especially biosecurity issues must be properly well handled. We are always implementing highly-advanced technologies and professional farm management concept and systems on our layer farming activities. These systems are the well-known internationally recognised systems in layer industry which bring the advantages and benefits to the farmers in terms of biosecurity and production. Additionally, more than 50% of our layer farms are accredited by Singapore Food Agency ("SFA"; formerly known as AVA) to export eggs to Singapore.

With the daily production of 4 million eggs, we export approximately 40% of eggs to overseas, mainly to Singapore and Hong Kong. Our customers can be grouped into five categories under wholesaler, hypermarket, manufacturer, retailer and direct sales.

Along with the commencement of new feedmill production line in year 2017, the production capacity of feedmill is increased double to cope with the layer farming expansion project. The presence of a feedmill plant adopting automated and computerised auto-mixing technology assists to control feed quality and cost effectiveness in Teo Seng Group's operations. With the advanced and tailor-made feed formulation, Teo Seng manufactures variety of nutritious feeds at optimum cost for different age of layer chickens and supply to its own layer farms. With this upstream operation, Teo Seng Group has become more cost effective and efficient in its production output.

OUR ACHIEVEMENTS IN 2020

1

Our new central packing station ("CPS") – CPS 3 has commenced operation in 2020 which equipped with latest model of egg grading machine to cater for our increasing egg production.

2

Our 3rd organic fertiliser plant has commenced operation in the same year for improving waste management in layer farming division and also increasing the production of organic fertiliser.

Management Discussion and Analysis (Continued)

Our paper egg tray division manufactures environmentally-friendly paper egg trays using recycled papers, such as old magazines, old newspapers and used cartons boxes. The horizontal diversification of the business enables us to be more cost effective, reduce our dependency on the supply of paper egg trays from other suppliers and to have a better control over the quality of the paper egg trays. Our various types of paper egg trays include 30 pcs of eggs like Multi-K Plus, Universal, 20 IBS, Compact and 20 pcs of eggs like Jumbo. This supporting division is the first company in local paper industry to obtain the Chain of Custody (CoC) Certification under the Programme for the Endorsement of Forest Certification (PEFC) for our eco-friendly egg trays.

The management highly emphasises the integration and sustainability to our businesses. Thus, we continue to expand our organic fertiliser production and explore the fertiliser market by way of composting and recycling chicken manure to produce 100% fully fermented organic fertiliser. It ultimately reduces the environmental pollution and further enhance sustainability of farming operations.

Investment and Trading of Related Poultry Products

Currently, our footprint of animal health products division exists in Peninsular Malaysia, East Malaysia and Singapore. Align with our mission to become the prominent leader and total solutions provider in the livestock industry and companion animal industry, we established two business units, namely Food Animal Strategic Team ("FAST") and Companion Animal Strategic Team ("CAST") to provide quality products and customised solutions to both internal and external parties. By ways of intimate collaborations with customers, executing dynamic marketing through customised strategies, implementing proactive sales approaches to targeted clientele and providing comprehensive after-sales supports and services, our ultimate aim is to become customers' first choice of products. We obtained sole distributorship for good quality and branded products from internationally recognised suppliers. The products include vaccines, feed addictive, supplements and others. Along with the outbreak of Covid-19 pandemic, it changes the business model of the world. We are now emphasising and pursuing digital and online marketing and E-commerce. Our products can be found on famous e-commerce platform and our own online platform.

FINANCIAL PERFORMANCE REVIEW

RM'000	2019	2020	2019 vs. 2020 Difference	2019 vs. 2020 Change %
Revenue	546,535	478,280	(68,255)	-12.49%
Profit Before Tax (PBT)	77,068	10,777	(66,291)	-86.02%
Profit After Tax (PAT)	58,835	4,188	(54,647)	-92.88%
Total Bank Borrowings	160,095	189,789	29,694	18.55%
Total Equity	306,630	308,034	1,404	0.46%
Gearing Ratio (times)	0.52	0.62	0.10	19.23%
Net Asset per Share (RM)	1.04	1.05	0.01	0.96%
Current Ratio (times)	1.29	1.13	(0.16)	-12.40%
Return on Equity (%)	19.19%	1.36%	-17.83%	-92.91%
Basic Earning per Share (sen)	20.02	1.43	(18.59)	-92.86%

It's undeniable that Covid-19 pandemic has negatively impacted businesses all over the world. All the major industries of the world are currently dealing with the unfavourable effects of Covid-19 pandemic. The negative impact can be wide-ranging and depends on the nature of the business itself, but the most obvious impact would be on the revenue. Despite the Group's businesses are categorised as the essential food sector and measures taken by the government to control the Covid-19 pandemic, the negative impacts caused by the pandemic has resulted weak market demand to adversely affect the selling price of eggs. The Covid-19 pandemic continued to impact the egg consumption especially in restaurants, hotels and school canteens. In respond to the depressed selling price of eggs, the revenue decreased by RM68.3 million or 12.5% in financial year ended 2020 as compared with preceding year's performance. As the result, the Group's profit before tax declined significantly to RM10.8million from RM77.1 million in the preceding year, translated to drop of 86.0%.

A manageable gearing ratio of 0.62 times was recorded. This figure rises considerably as compared with last term standing at 0.52 times mainly attributed by the increase of total borrowing of RM29.7 million due to additional financing for capital expenditure and working capital. Nevertheless, a healthy current ratio of 1.13 times was reported for the current year under review satisfying short term debt obligation when due in the normal course of business. The net asset per share as at 31 December 2020 stands at RM1.05, slightly increase from RM1.04 in the previous financial period.

CAPITAL EXPENDITURE AND STRUCTURE

The capital expenditure of RM48.8 million was incurred in financial year 2020 which consists of the following projects:

a. Installation of solar photovoltaic system for renewable energy generation used for daily operation.
b. Expansion on capacity of layer farming activity.
c. Upgrading of existing farm facilities and equipment.
d. Investment on downstream business – boiled egg project.

The capital expenditure incurred is mainly for expansion and upgrading of facilities and equipment on layer farming division. The funding for these expenditures were from combination of borrowings and internal funding.

BUSINESS OBJECTIVE, STRATEGIES AND REVIEW OF THE OPERATING ACTIVITIES

Poultry Farming

Teo Seng having its tagline – Hatching For The Future, recognises the important element of long-term sustainability in our business operation and strive to enhance value creation for the stakeholders which in turn driving its ambitional move to progress as a sustainable integrated layer farmer. Hence, the strategic focus on growth and profitability also takes into consideration of sustainable value for our stakeholders. As a result, these form the fundamental catalyst for us to improve operational efficiencies and effectiveness in a sustainable manner which elevated our performance. Besides, Teo Seng also able to strengthen its capability in delivering quality products and sustainable performance on a consistent basis while maintaining market competitiveness. In line with our mission to sustain competitive advantage, the Group's formulated its strategies to embrace automation which extended to on-going investment on automated chicken manure belt systems in farm houses since years ago. In addition, water treatment systems are also in place to assure the water supplied to our layers at the best quality to improve its immune system. Modern technology including automation and leading farm management software have been integrated into our production process, not only alleviated dependence on foreign workers but also solidify our competitive advantage.

The completion date of our planned new layer farm is deferred to 2nd half of year 2021 due to the spread of Covid-19 pandemic. Once completed, the capacity of layer chicken will increase by approximately 350,000 birds. Our boiled egg project will commence operation in 2nd quarter of year 2021. This downstream business allows us as an integrated layer farmer to supply fresh and nutritious cooked eggs to the market. Our portfolio of products has grown over the years and now extends to frozen layer hens specifically aimed to meat processing industry and export market.

In our supporting divisions, along with the commencement of operation of new feedmill production line in 2017, the feed production capacity is doubled which is sufficient to cater for the following few years' layer farming expansion plan. In line with the expansion, our new central packing station ("CPS") – CPS 3 has commenced operation in year 2020 which equipped with latest model of egg grading machine to cater for our increasing egg production. The standard capacity of the grading machine is 190,000 eggs per hour.

Management Discussion and Analysis (Continued)

The third and fourth fertiliser plant commenced operation in year 2020 and early of year 2021 of respectively to support our core business by providing waste management solution for chicken waste while the construction additional 3 fertiliser plants are also under the pipeline. 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, waste water treatment system is in place in CPS to further improve the waste water treatment. Teo Seng always puts great emphasis on waste management and it is part of our corporate social responsibility. We are committed to be an environmentally sustainable organisation in the country.

We embarked on our first renewable energy project to install 1st solar photovoltaic ("solar PV") system on the rooftops of our feedmill plant. Having commenced operations since June 2019, the solar PV system have proven to be successful at bringing down approximately 40% of the electricity costs of feedmill plant and meeting our environmental goals. In line with our aspiration of being an environmentally sustainable organisation as well as supporting the government's initiatives to encourage the use of green energy, we have decided to install the solar PV systems across our farms and factories. We have signed the Engineering, Procurement, Construction and Commissioning ("EPCC") Agreements with the reputable vendor to invest additional 15 projects ("Phase 2 projects") and the installations were commenced since year 2020. As at to-date, 12 projects have commenced operation gradually after testing and commissioning. We continue to monitor the performance of the solar PV systems and to ensure they achieve our initiative to be a green and sustainable layer farmer. The renewable energy generated will be used for the daily operations of Teo Seng's facilities and is expected to bring double digit percentage of savings on Teo Seng's electricity costs. This investment is a significant milestone for Teo Seng in contributing to the global environment conservation efforts. We believe Teo Seng is one of the first egg producers in Malaysia to invest in a renewable energy project of this scale.

Egg is an affordable, necessity and nutritious staple food for daily consumption. It can be found in many households as an easy and versatile food and also a good and cheapest source of protein. Eggs are also ubiquitous in numerous food and important ingredient to household in Asia. Accordingly, Malaysia is one of the highest egg consumptions per capita in the world. Understanding this insights, Teo Seng is investing enormous time and effort to develop our own brand of premium egg named as Happy Egg, to cater for those buyers who require higher degree of nutrition. Under the brand name of Happy Egg, there are Omega plus Lutein, Multigrain, Fresh Farm Egg, Hi Fresh Egg, Dinosaur Eggs and Kampung Egg. Today, Happy Egg contributes about 7% of our sales volume and we plan to further promote our Happy Egg to increase the sales which are enable us to enjoy stable profit margin. We have conducted several brand promotion activities to raise customer awareness of our premium product and brand through product introduction session event in school and online marketing to boost up the sale of premium eggs. We undertook active engagement with students to educate the benefits of eggs. Our marketing and sales team continues to expand our market presence and develop new business opportunities by conducting product samplings at various hypermarkets. Additionally, we started the direct sales in local and neighbouring areas to enhance our sales and promoting our brand. Besides, our established distribution centre in Penang is to further explore the market in northern region of Peninsular Malaysia.

Following the occurrence of Covid-19 pandemic globally in the beginning of year 2020, it had triggered the Malaysia government to implement several phases of Movement Control Order ("MCO"), Conditional MCO, Recovery MCO and Enhanced MCO in different areas of Malaysia and most of businesses are adversely affected. Despite the Group's businesses are categorised as the essential food sector, the uncertainty market condition is still challenging to us. The financial result in financial year ended 2020 was mainly affected by the depressed selling price of eggs which caused by weak market demand along with the spiking of Covid-19 spread. The Covid-19 pandemic continued to impact the egg consumption especially in restaurants, hotels and school canteens. Accordingly, our poultry farming segment recorded a decline in revenue of RM77.4 million, equivalent to decrease of 16.1%. While the reported segmental Loss Before Tax ("LBT") was RM0.1 million in year 2020, representing a decrease of 100.2% as compared with preceding year's performance. The depressed egg selling price coupled with slightly lower sales quantities of eggs caused the operating loss.

Investment and Trading of Related Poultry Products

Facilitating by new office cum warehouse acquired in year 2019, it provided dynamic for performance improvement and we manage to expand our businesses and achieve the growth of revenue by 13.5% or RM9.1 million over the last financial year.

RISKS AND MITIGATION MEASURES

Risk of Poultry Diseases

Risk of diseases is critical to poultry industry. As a layer farmer, we are always mindful of the risk associated with the outbreak of infectious diseases which may afflict our livestock and eventually bring adverse impact on our productivity and mortality of our layer stocks. It would then have an adverse effect on the revenue and profitability of our Group, further to impair our market share and reputation. The Management recognises the important of this risk and has taken decisive steps to reduce the Group's exposure to such risk by implementing strict and proactive biosecurity measures in all farms. The closed-house systems and AIAO layer farming management system are the best measures to mitigate the risk. Besides, we disperse our layer farming activity into total 24 farms at different locations. In addition, our experienced and professional veterinarian team and operation team equipped with latest know-how and best practices to closely monitor indicators and circumstances of the farming activity. Through robust management, all our farm facilities are cleaned, disinfected and equipped with the right disease-prevention and ventilation systems. Our livestock are well taken care with proper formulated feed, nutrition, and clean water.

Sustainability Initiatives - 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, the established waste management is implemented and will be continuously improved and developed to minimise the adverse impacts to environment and communities. With the implementation of rigorous waste management and organic fertiliser production, the potential environmental impact is significantly mitigated.

Sustainability Initiatives - Manpower Supply and Succession Planning

Labour shortages continued to affect the operations of poultry business in Malaysia because our business is highly dependent on manual labour. We need sufficient labour supply to operate our farms and most of them are foreign workers. Combined with professional and timely recruitment planning of foreign workers by our Human Resources department, newly introduced measures such as restructuring of operating mode in our layer farming activity managed to relieve the dependence on the manual labour. We are transforming ourselves by recruiting local labour and educating and training them to adapt to the working environment of farms and other operation sites. The Group is now on the path of promoting and implementing advanced technology, using automation system to solve the impending labour shortage as well as sustaining competitive advantages which in line with the Group's mission.

The success of our operations and implementation of our business strategy depends, in part, on our ability to attract and retain skilled/talented employees on both management and production field. The increasing competition for production workers and skilled/ talented employees could result in shortage of labour, higher compensation costs, difficulties in maintaining a capable workforce and management/leadership succession planning challenges. 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 on turnover of key roles.

Regulation and Political

Changes in political, economic as well as laws and regulations in the countries we are currently operating could adversely affect our financial performance and operation. These changes could make it more difficult to provide products to our customers and satisfy their demand/requirements or could increase the cost of products. The Group constantly keep abreast with the current political, economic and regulatory conditions so that counteractive measures can be implemented at a very short notice upon the awareness of any changes that can affect the Group's operation. We have established Corporate Affair Committee comprising Group Financial Controller, Company Secretaries, Senior Accountant and Business Affair Manager and supported by other internal and external professional to always keep ourselves updated about the latest regulations and requirements.

Pandemic

The Management has set up a Covid-19 Committee to deal with all relevant matters and adopted rigorous measures and new norm of business practice to mitigate the risk of infection. Several measures such as arranging some office staffs to continue work from home or at other alternate office, video conferencing with business associates to reduce physical face-to-face contact with each other, always wear face mask at the workplaces and reduce the business entertainment during this critical situation.

PROSPECTS

Global and Malaysia economies is currently facing strong headwinds with uncertain economic condition abroad and locally. This was also further compounded by the Covid-19 outbreak that is now showing strong signs of negative economic repercussions in many countries. The magnitude of this pandemic and the unprecedented imposition of the movement control order to the whole country will force businesses and government bodies to adopt new ways of working and business model.

Malaysian government is taking initiatives and implementing approaches to weather the economic downturn due to the pandemic. Following the significant increasing cases of Covid-19 recently, the MCO, Conditional MCO, Recovery MCO and Enhanced MCO are reinstating and to restrict inter-state and inter-district travelling across the whole country by the Government. In view of the reinstated MCO and Conditional MCO coupled with the recent higher commodity price of Maize and Soyabean meal, we are highly aware of the adverse industrial impacts and challenge towards the poultry industry as the uncertainty market condition is continued to be existed. It was an arduous journey to us during the financial year ended 2020. Gratefully, we manage to achieve the positive result in this difficult year by way of proper management planning and prudent operational and cost effectiveness. The commerce is now mostly suspending their expansion as the pandemic disrupts the supply-demand chain of the industries. The uncertainty market conditions may cause the industry to be consolidated. Those local farmers who are lack of competitive advantages may opt to phase out from the market, defer or cancel their expansion plans. Thus, we will be prudent to manage its financial resources, operational cost and capex requirements for the purpose of improving efficiency across the whole organisation, eventually to gain competitive advantages and continue to be integrated and sustainable in this industry. We are committed that improving efficiency across the whole organisation will lead us to achieve better performance in year 2021.

Operational wise, diseases risk is always critical issue to poultry industry. Farm improvement and expansion are always the most important agenda as it represents the core business of the group. Our farms are all closed-house system and practicing AIAO layer farming management system which both systems have better hygienic and safety standards to contribute higher production efficiency. The Group will focus on improving its competitiveness by investing in equipment to enhance efficiency. We concentrate to our core values which are integrated and sustainable by emphasising on continuously expanding our production capacities to meet growing demand and stepping up efficiencies to create value for our stakeholders. At the same time, for the purpose of mitigating the negative effects on aspects of environment, human resource, workplace, social and community, Teo Seng continues to invest on waste management facilities along with the expansion and growth of our business. We continue to pursue opportunities to increase our presence in overseas and sourcing right partners to enter into new markets and capturing more market share in existing domestic and overseas market by promoting our brand. Last but not least, the Management embarks investment into downstream business as part of our business pillars.

The Board of Directors are confident to face the challenge by taking pro-active actions to widen its customer base through E-commerce, retune its business direction and mitigate the possible risk impact on Covid-19 pandemic. In order to normalise, the pandemic has to be under control.

DIVIDEND

The Board intends to pay dividends 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. In view of the reported marginal net profit and uncertainty market conditions, the directors do not recommend any dividend payment in respect of the financial year ended 31 December 2020.

Hatching for The Future

ECONOMIC • ENVIRONMENTAL • SOCIAL

Integrating advanced and modern layer farming system, supported and synergised by Feedmill Division, Egg Trays Division, Animal Health Products Division and Waste Management Division with green energy generation, Teo Seng Capital Berhad sticks to our inspiration of "Hatching For The Future" to provide variety of quality products and committed to uphold ethical business practices and eventually to achieve sustainable development.

Sustainability Statement

Teo Seng Capital Berhad is pleased to present the Sustainability Statement ("Statement") for its commitment to sustainability in various aspects covering the Group's governance, economic, environmental and social considerations. This Statement is prepared in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") and the Board has considered the Sustainability Reporting Guide and its accompanying Toolkits, issued by Bursa.

The Board recognises the importance of building a sustainable business taking into consideration all factors that will affect the sustainability of the Group's business, the management and how these factors are addressed in order to create long term shareholder value and to safeguard the interest of all stakeholders. The Group is mindful that its activities should be carried out with the highest standards of corporate and social responsibility as it strives to align its business operations while balancing this to minimise the environmental impact arising from its operations and actions while at the same time improving the social and economic conditions for all its stakeholders including its employees and the communities that it operates in.

In line with Teo Seng Group's tagline "Hatching For The Future" and Happy Egg's slogan "Healthy Eggs Happy Life", we affirm sustainability initiatives extended into our core values, our day-to-day operations and business plans which are driving the Group's efforts on delivering values to our shareholders, practicing good governance, maximising contributions to stakeholders and minimising our environmental footprint.

ESTABLISHMENT OF SUSTAINABILITY GOVERNANCE STRUCTURE AND POLICIES

The Group's risk management team comprising of Heads of Departments, Head of Business Units, Risk Management Personnel ("RMP"), Risk Manager and Managing Director dealing with sustainability management of the Group. The Risk Management Committee ("RMC") was established for the purpose of managing and oversighting function of risk management and communicating with the Board on risk management issues and sustainability matters. The risk management team reports to the Group Managing Director, who is also the chairman of RMC. Based on corporate business objectives, the RMP 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 and reports to Risk Manager. The Risk Manager is responsible to report to Managing Director in assistance with the KMP. Ultimately, Managing Director briefs RMC and the Board on sustainability matters and activities.

The sustainability governance structure is depicted as follows:

The risk management team is tasked with the following responsibilities:

- Advising the Board and recommending the strategies in respect of sustainability related policies for adoption;
- Monitoring the implementation of sustainability strategies as approved by the Board;
- Overseeing the overall management of stakeholder engagement, including ensuring grievance mechanisms are in place;
- Overseeing the management of sustainability matters, with particular focus on material matters to the Group; and
- Overseeing the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval.

The Board is primarily responsible for the sustainability performance of the Group, provides oversight and review of sustainability reporting. The Board views sustainability as an ongoing continuous journey moving in tandem alongside its business and as the Group grows and develops.

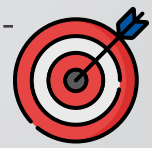
The Board continuously engage with relevant stakeholders forms an essential fundamental for fine tuning the Group's development by taking into consideration all stakeholders concern on sustainability.

VISION AND MISSION OF THE GROUP

VISION

enhance **sustainability of business** by focusing on **cost effectiveness** and **develop corporate value** that is align with the vision

MISSION

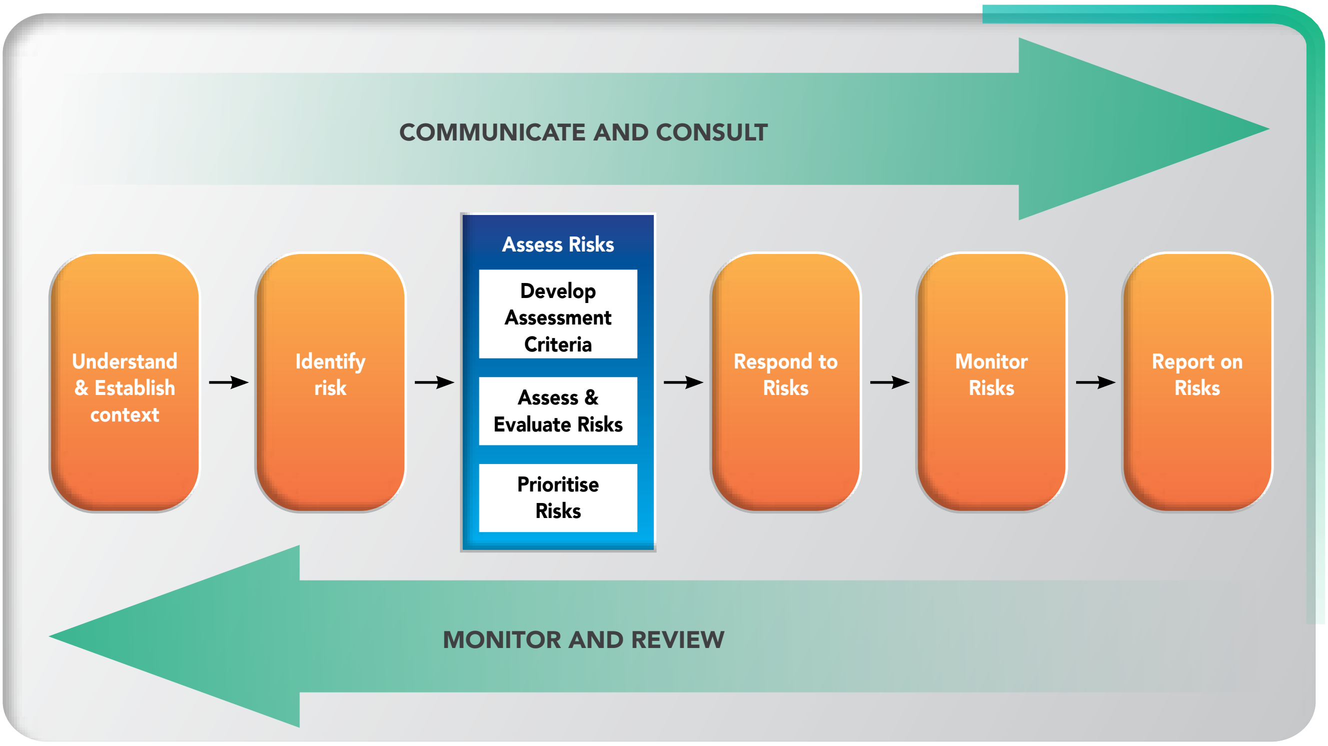


i. To innovate variety of **egg products** to satisfy different group of people.

ii. Keeping pace with the time, develops **fully-integrated layer farming system** and absorbs **industrially-advanced technologies & knowledge** which aims to **sustain competitive advantages**.

iii. To instil professional mind-set of importance of cost-benefit to **all level of the participants in company**, including general workers, middle-management and top management to **improve cost effectiveness**.

In order to enhance sustainability of our businesses which is aligning with our Group's vision and mission, risk management team 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. The methodology and process include:



We have established policy to facilitate systematic process in identifying, analysing and respond appropriately to relevant risks with due consideration to the appetites and tolerances for the relevant risks. As a result of change in business environment, regular review and update will be conducted in respond to change in specific business objectives, for example strategic, operational or asset protection. Thus, effective reporting mechanism on the effectiveness of the risk management and control measures is developed to enhance oversight by the Board and prompt remedial action on weaknesses.

MATERIAL SUSTAINABILITY MATTERS

Teo Seng recognises that sustainability is a journey and involves a process of change of our corporate culture and close engagement with all stakeholders, in particular, understanding their expectations in relation to the Group's business and operation and responding to their concerns and integrating these concerns on economic, environment and social sustainability into our operations are key to this sustainability journey. 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.

The process of determining materiality for preparing sustainability statement start with identifying relevant matters based on various sources of information obtained through stakeholders' engagements 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. We assess the importance of those matters in order to determine their ability to substantively influence assessments about the organisation's ability to create value over time and prioritise the matters identified.

The outcome of prioritised risk will continues with risk response planning, aiming to avoid, reduce, transfer or accept threats, and manage the risk to an appropriate level. The final step is the implementation of agreed responses. Risk management must be closely aligned to schedule management and it 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.

Economic and Market Place | Biosecurity and Diseases Control in Farms

Stakeholders Group:

Board of Directors | The Management | Customers | Regulatory Authorities

Engagement Channel:

On-going Meeting and Interaction

Risk associated with the outbreak of infectious diseases with the impact of afflict our livestock and eventually bring adverse impact on our productivity and mortality of our layer stocks are material to us as a poultry player. Its adverse impact could extended not only to revenue and profitability of our Group, but also to impair our market share and reputation. The Management recognises the important of this risk and has taken decisive steps to reduce the Group's exposure to such risk by implementing strict and proactive biosecurity measures in all farms. The closed-house systems ("CHS") and All-In-All-Out ("AIAO") layer farming management system are the best measures to mitigate the risk. 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. Besides, we disperse our layer farming activity into total 24 farms in different locations. Our farms are accredited with Malaysian Good Agricultural Practice ("MyGAP") by Department of Veterinary Services Malaysia in accordance with several aspects, including farm hygiene, management, biosecurity and disease control.

In addition, our experienced and professional veterinarian team and operation team equipped with latest know-how and best-practices to closely monitor indicators and circumstances of the farming activity. The teams established strict biosecurity programmes and regularly reviewed internal control of the programmes to ensure the effectiveness of implementation. There is no outsider allowed to access our farms without prior permission and anyone who is permitted to visit farms have to clearly understand the rules and declare himself about his historical visit to other farms before entering our farms. Designated equipment and clothes will be provided to visitor upon accessing our farms. Through robust management, all our farm facilities are cleaned, disinfected and equipped with the right disease-prevention and ventilation systems. Our livestock are well taken care with proper formulated feed, nutrition, and clean water and we didn't experience any material case of disease outbreak from day one of layer farming business commencement.

Economic and Market Place | Shortage of Foreign Labour Supply to Production

Stakeholders Group:

Board of Directors | The Management | Customers

Engagement Channel:

On-going Meeting and Interaction

Poultry business in Malaysia highly depend on manual labour and that labour shortage remained as a challenge to poultry operation. Sufficient labour supply especially foreign workers are crucial to our farms' operation. The insufficient supply of foreign workers are becoming serious during the period of Covid-19 pandemic because of the preventive measures conducted by the authority. Combined with professional and timely recruitment planning of foreign workers by our Human Resources department, newly introduced measures such as restructuring of operating mode in our layer farming activity managed to relieve the dependence on the manual labour. The Group is now on the path of promoting and implementing advanced technology, using automation system to improve efficiency and productivity with the same level of labour or even lesser to mitigate the issue of labour shortage as well as sustaining competitive advantages in line with the Group's mission.

Economic and Market Place | **Data Security and Efficiency of IT System**

Stakeholders Group:

Board of Directors | The Management

Engagement Channel:

On-going Meeting and Interaction
Periodic Assessment

Undeniable the usage of date and information technology greatly facilitate and expedite operations while improving business efficiency and profitability which in turn making data security one of the most important business consideration. Failure to safeguard potential security risks could post devastical impact to a company. Therefore, we placed importance and accountable for the safety and confidentiality of client data and employee information. It is a tedious task that's becoming increasingly difficult as hackers come up with an advanced mechanism to evade safety and security measures. We are committed to enhancing data protection by strictly implement and enforce policies and procedures which sets out the rules for use of data and information apply to all employees.

Since 2019, our Information Technology ("IT") Department has implemented several policies and procedures which are in relation to system change management, system access control and management as well as data and system backup:

IT Policies & Procedures

No.	Policy & Procedure	Year of Implementation/ Review	Objective/Protection
1.	Data & System Backup	2019	To offer secure backup capability ensuring all data will be accessible in the event of a disaster or other event in which the data would be destroyed.
2.	Information Technology & System	2019	For ensure the effective protection and proper usage of Teo Seng IT Resources by all relevant parties, both internal and external stakeholders.
3.	System Access Control & Management	2019	To define the access controls and monitoring that is required to ensure an appropriate level of protection for information, systems and resources.
4.	System Change Management	2019	Provide standardised methods and procedures to meet the change management requirements supporting the company's operations.

In general, our data protection measures also comprise of the effective control of information flow and usage, limited access, establish strong user passwords, installation of firewall and antivirus protection, use of original licensed software, protected network access, regular backup of data and etc. Besides, we established 2 tiers of protection on system backup. Synology storage device is placed at different location with our server in main office serves as primary backup storage and there is another offsite backup and replication device serves as secondary backup storage in external Disaster Recovery Center. Because of this storage arrangement, the IT Department is able to offer secure backup capability ensuring all data will be accessible in the event of a disaster of other event in which the data would be destroyed.

The IT Department performs their regular assessment and evaluation on the adequacy of data security and reports to the management the identified weakness and recommendation for improvement. In addition, our IT related processes or matters were regularly audited by internal auditor and the auditor will provide observation and recommendations to further improve our processes.

Economic and Market Place

Corporate Governance and Regulatory Compliance

Stakeholders Group:

- Board of Directors
- The Management
- Regulatory Authorities
- Customers

Engagement Channel:

- On-going Meeting and Interaction
- Periodic Assessment
- Press Release

The Group always emphasise the importance of maintaining the highest ethical businesses standards and upholding the principles of good governance through our mission, vision and shared values. Our business conduct and ethics are guided by key policies, systems, processes, standard operating procedures and best practices, and are supported by our governance structure consisting of the Board of Directors and the Committees. We also appoint internal and external company secretary as an advisory role. At the level of middle management, corporate affair committee was established to oversee the implementation and compliance of corporate governance, which the members include Group Financial Controller, Senior Accountant, Company Secretary and Business Affair Personnel. Along with the establishment of corporate affair committee, the other departments like Admin Department also work together to oversight the compliance on regulations, such as labour law and others.

Details of our corporate governance practices are disclosed in the Corporate Governance Overview Statement of this Annual Report and Corporate Governance Report, whilst the details of our risk management and control structure and processes are disclosed in the Statement on Risk Management and Internal Control. We also established different policies and terms of reference to outline our control and governance in different aspects and they are published at our website.

During the financial year, Teo Seng Group adopted the policies and procedures on anti-corruption in respond to the implementation of Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") as the Group's commitment to combat corruption and uphold integrity in its businesses conduct with zero tolerance to all forms of bribery and corruption.

In line with our commitment towards promoting transparency, accountability and ethical behaviour throughout our businesses, we encourage our employees and external parties to report any suspected wrongdoing through our Whistleblowing Policy. Our Whistleblowing Policy provides an avenue for both internal and external parties to report any improper conduct or wrongdoing within the Group in a confidential and secure manner via dedicated channels.

Environmental — Waste Management

Stakeholders Group:

Board of Directors | The Management | Regulatory Authorities | Customers

Engagement Channel:

On-going Meeting and Interaction
Periodic Assessment
Press Release

Due to the significant footprint of our layer farming activity, waste management is a critical consideration for the long-term growth and sustainability. The main environmental issues are odour pollution and appropriate management and disposal of manure. We have total 4 fertiliser plants commenced operation and there will be more fertiliser plants to be completed the construction in year 2021 for the purpose of efficiently managing chicken waste generated from layer farming activity and reducing the negative impact towards the environment. 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.

We promote the efficient use of resources in all our facilities to reduce the potential pollution to environment and practice effective waste management and recycling initiatives. One of the initiatives is the reprocessing and reuse of treated waste water in the production process. A new waste water treatment system is in place in Central Packing Station to further improve the waste water treatment and reuse the treated water in the paper egg trays production process.

In paper egg tray division, we manufacture environmental-friendly paper egg trays using recycled papers, such as old magazines, old newspapers and used cartons boxes. In March 2020, our paper egg tray division stamped a mark in the local paper industry becoming the first company to obtain the Chain of Custody (CoC) Certification under the Programme for the Endorsement of Forest Certification (PEFC) for its eco-friendly egg trays.

Environmental — Renewable Energy

Stakeholders Group:

Board of Directors | The Management | Regulatory Authorities | Customers

Engagement Channel:

On-going Meeting and Interaction
Press Release

Our most direct and significant environmental impact stems from the operation of our business activities including our farms, factories and office buildings through the consumption of purchased electricity. As a part of the Group's Green Initiative, we invested substantial capital expenditure on installing solar photovoltaic ("Solar PV") system cross our farms and factories throughout Johor which will reduces carbon emission and lower electricity cost.

In 2019, the first Solar PV system for Teo Seng feedmill plant was completed and in operation with capacity of 489.75 kWp. Furthermore, the Group continues to embrace the use of green energy by implementing additional 3,900 kWp Solar PV systems across its factories and farms in phases in year 2020-2021. This investment is a significant milestone for Teo Seng in contributing to the global environment conservation efforts. The performance of the Group's Solar PV systems in operation at the end of financial year 2020 are as follow:

F.Y.E	Total Capacity (kWp)	Renewable Energy Generated (MWh)	CO_2 Avoidance (0.694 tCO_2/MWh)
2019	489.75	305	211.67
2020	1,489.91	951	659.99

Human Resource and Workplace | **Occupational Safety and Health**

Stakeholders Group:

Board of Directors | The Management | Regulatory Authorities | Customers | Employees

Engagement Channel:

On-going Meeting and Interaction

Periodic Assessment

The Group recognised the importance and its responsibility of creating a safe and healthy workplace for its employees. In this regard, the Safety and Health Committee was set up in April 2018 leading by Health, Safety and Environment Officer to formulate and execute a systematic safety and health plan and practices. We commit to instil across the Group an institutional safety culture with various programmes 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's Safety and health policy was in place since year 2018 with the defined targets set to provide guidelines in establishing and implementing programmes that will reduce workplace hazards, protect lives and promote employee health which in turn bring a safe and healthy working environment to all employees.

In addition, safety and health procedures includes the working activities of machine or equipment operation and maintenance, handling of chemical materials, drive forklift onsite and etc are set up to ensure employees carried out daily operation with proper process flow. Non-compliance of the procedure will lead to written disciplinary action.

Safety and Health Procedures

No	Description	Review Date	Modification Period
1.	Machine/Equipment Operation and Maintenance Procedure	09/07/2020	Every 3 years
2.	Safe Handling of Forklift/Tractor	28/06/2019	Every 3 years
3.	Incident Investigation and Reporting Procedure	05/02/2021	Every 3 years
4.	Fire Emergency Preparedness and Response Procedure	04/07/2018	Every 3 years
5.	Chemical Health Risk Assessment	16/05/2019	Every 5 years
6.	Noise Risk Assessment	16/07/2020	Every 5 years

Safety and Health Training

Relevant educational training in term of occupational safety and health will be scheduled periodically to our employees. Training programmes are tailor made to create safety awareness among employees coupled with improvement on ability of staffs, especially front-line workers, to apply the knowledge gained in practical and be able to take correct actions in a timely manner in respond to any emergency case. The employees gained the essential knowledges are able to work confidently with greater productivity through safe work practices and improved working behavior. Employees' understanding of the conducted training also form the essential fundamental to occupational safety and health development and implementation.

Incident and Accident Investigation

Incident investigation involves identifying the root causes of the accident or incident, then provide systematic control on such root causes. This enables the employers and employees to analyse the incident which in turn identify the relevant hazards and weakness on their safety and health measures. The outcome of the investigation is crucial in formulating and implementing corrective actions necessary to prevent future incidents. Therefore, employees are educated and encouraged to report immediately accident happened to respective person-in-charge. Investigation will be initiated by the safety and health officer with involvement of safety and health committee members to determine the root cause and recommend control measures 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. In the year 2020, 4 minor injury cases were reported and investigated in which remedial actions have been taken, there is no serious injury case being reported.

Risk Assessment

Risk assessment is a process to evaluate the potential risk to workers' safety and health from workplace hazards. Hazard Identification, Risk Analysis and Risk Control (HIRARC) procedures have been established to identify the potential hazard, assess the suspected risk and implement control measures. The risk assessment will be carried out by the Health, Safety and Environment Officer and discuss identified issues in the Safety and Health Committee Meeting to be held quarterly and on demand before granting approval from Management. All the potential workplace hazards are recorded and reviewed every 3 years to track their effectiveness of control to minimise recurrence of incident and accident.

Personal Protective Equipment ("PPE")

We have established PPE Management Procedure to record the detail of distribution and movement of PPE to ensure sufficient protection for workers in relation to their nature of work. Workers must wear or use PPE for example full body harness and safety helmet in a proper way when carrying out hazardous works to minimise exposure to hazards that cause serious workplace injuries and illnesses. It is considered as a last resort to be applied. Teo Seng Group spend approximately RM50,000 in year 2020 for purchase and replace of PPE for safety protection as well as protection against Covid-19 to ensure safety and health of employees are not compromised.

Human Resource and Workplace

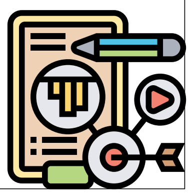
Employee Development and Succession Planning

Stakeholders Group:

- Board of Directors
- The Management
- Employees

Engagement Channel:

- On-going Meeting and Interaction
- Periodic Assessment



Human capital development is an essential catalyst to high performing work culture that underpinning our business growth. Human capital management plays a pivotal role in shaping the culture and dynamism of our people to ensure the success of our business. Our human capital management initiatives entail the championing of diversity practices in the workplace, the offer of various development programmes to upskill both our leaders' and our employees' competencies, the refinement of our engagement with our employees, as well as the attraction and retention of employees to sustain our talent pool.

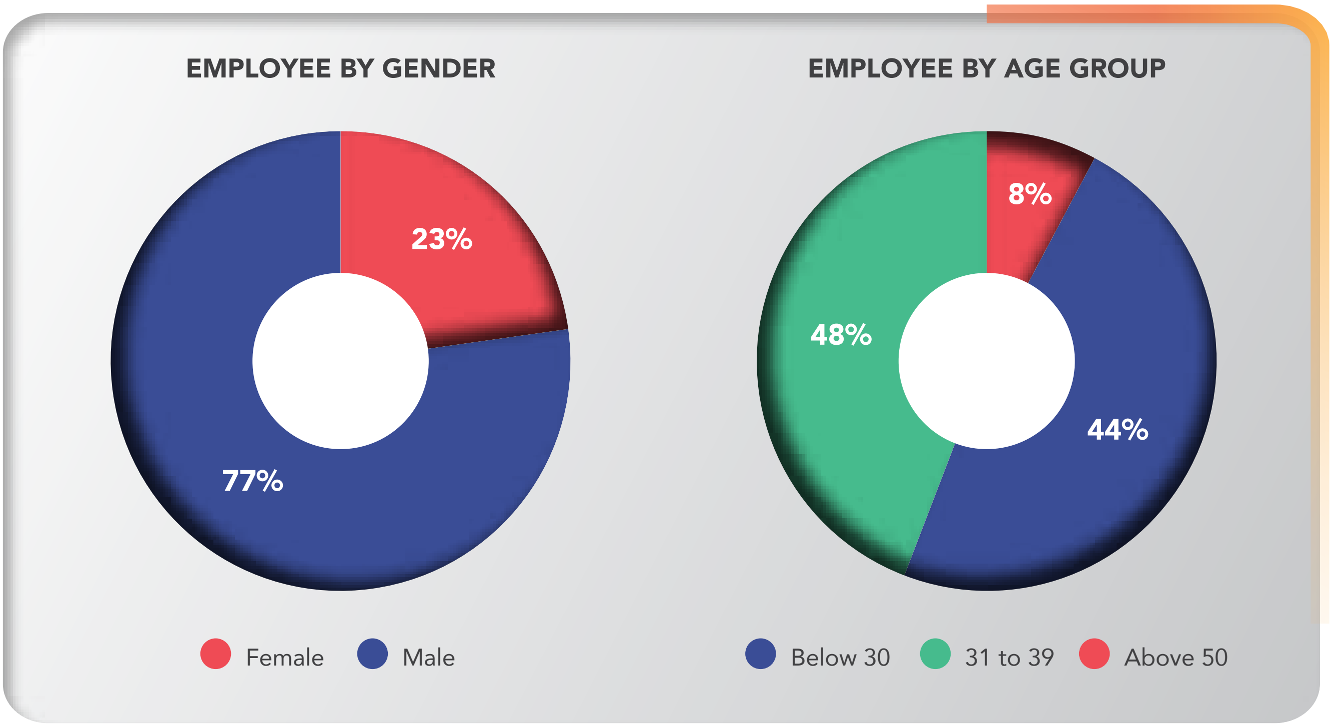
Performance Assessment

Performance review will be conducted twice a year with our employees, to provide an avenue for receiving feedback on their performance, necessary area of improvement as well as career development. Our reward system which could be in the form of bonus distribution, salary revision and/or promotion are linked to the employee performance assessment with the participation of the employee under assessment, the employee's superior, and the Group Human Resource Department, in ensuring the process is fair and transparent with appropriate check and balance. Through these performance reviews, we are able to better understand our employees' interests and concerns at the workplace and leverage on these findings to help for unleash valuable potential of our employees and enhance our human capital management initiatives.

Diversity within the Workforce

Workforce diversity remained as focused agenda of our human capital management as we recognize the potential benefit of diversity within the workforce like wider range of viewpoints and diverse skill sets that may contribute positively to improvement and/or expansion of our business operation. As such, continuous effort directed to attract, develop and retain both the management and production talent, leveraging on the diverse functional capabilities of our people.

Our employees' breakdown and analysis are as follows:



Employee Training and Development

Teo Seng constantly conduct relevant training and development programmes for its employees with the objective of improving their working knowledge, skill set as well as personal development. The Group's employee training and development programme also help employees elevate themselves at personal level as well as professional level. Not only does the Group's training and development programme provide employees with the opportunities towards a progressive career path, it also creates opportunity for the Group to identify personnel with high potential to be considered in its succession planning.

No	Name	Date	Type of training	Brief Description on the training
1.	Change Management	09-10 March 2020	In-house	Participants will be able to change in positive manner and adopt change management strategies without being seen as being forceful.
2.	Malaysian Sales Tax and Customs Procedures	12 August 2020	External	Identify customs departments, key decision makers, and degree of influence. Discuss customs tax problems/solutions-expedite fast solution.
3.	Malaysia Halal Certification (MHC) Food & Food Services	05 August 2020	External	Manage one best's halal practices within a food premises/area as well as understand the halal process and logistics of foods products.
4.	Certified Environmental Professional in the operation of industrial effluent treatment system (Bioprocess)	27 September - 01 October 2020	External	Training course for competent person to in charge of biological processes for water treatment plant.

No	Name	Date	Type of training	Brief Description on the training
5.	Sharpen your skills on Listing Requirement Compliance	01 October 2020	External	Participants will be able to sharpen their skill and understand on the latest development of Bursa Listing Requirements, obligations applicable to Lister Issuer and compliance requirements.
6.	Beneficial Ownership Reporting	26 October 2020	External	Gain understanding of beneficial ownership defined in Company Act 2016, requirement for obtaining information, reporting and maintaining statutory record of beneficial owner.

Social and Community

Corporate Social Responsibility

Stakeholders Group:

Board of Directors | The Management | Customers | Employees | Local Community

Engagement Channel:

On-going Meeting and Interaction

We remain committed towards contributing to sustainable development by helping to elevate the well-being of the community around us. Despite the economic downturn, we continue to engage the wider community through our Corporate Social Responsibility ("CSR") activity. We also provide sponsorship to charitable and education organisations as well as providing material assistance to people in need. We believe that by extending care to the local community, we are helping to strengthen our employees' morale which in turn is cementing employee loyalty and motivating our people to carry out their duties more diligently. During the period of Covid-19 pandemic, we donate our eggs to those in need upon request by organisations, i.e. NGO, government organisations, charity organisations and others.

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 2020 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 of operational and financial areas such as waste management control, human resource management control, reporting, monitoring, review process and procedures.

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 http://teoseng.com.my/corporate-governance-policies/.

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 optimise 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 effectively 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.

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 Management 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 their duties and responsibilities.

Access to Information and Advice

The Board has unrestricted access to all information from the respective Managements within the Group at all time and may seek advice from the Management concerned as and when 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 provide 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.

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.

The Board had on 17 April 2020 reviewed and updated 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 http://teoseng.com.my/corporate-governance-policies/.

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 http://teoseng.com.my/corporate-governance-policies/.

Whistleblowing Policy

Whistleblowing policy was established 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, victimise 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, the Board has six (6) members comprising of one (1) Non-Executive Chairman, two (2) Executive Directors and three (3) 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 who are Independent Non-Executive Directors.

The profile of each Director is presented on page 7 to page 12 of this Annual Report. The Directors, with 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 success of the Group's strategies.

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 (9) 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 twelve (12) 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:

Mr Choong Keen Shian ("Mr Choong")
Mr Choong continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"), and is able to ensure effective check and balance in the proceedings of the Board. He is also a person of calibre, credibility and has extensive experience in his respective professions which has equipped him to continue to provide valuable input to the Board in an independent manner with integrity and honesty. In addition, he devoted sufficient time to attend meetings and actively participated in the Board's deliberations. He also constantly challenges the management in constructive manner with professional skepticism without fear or favour.

Mr Frederick Ng Yong Chiang ("Mr Frederick Ng")
Mr Frederick Ng continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Listing Requirements, and is able to provide effective check and balance by bringing an element of objectivity and independent judgement for Board's deliberation. He has vast working experience in the accounting and corporate finance fields which enables him to participate actively and contribute during deliberations at Board meetings. With his professional proficiency, he is able to stand up for independent view and tackles conflicts as well as takes part in proposing solutions confidently. He has also devoted sufficient time to attend meetings and actively participated in the Board's deliberations.

Dato' Koh Low @ Koh Kim Toon ("Dato' Koh")
Dato' Koh continues to fulfill the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Listing Requirements. He remains objective and independent in expressing his view and participating in Board's deliberations. During his tenure, Dato' Koh has gained detailed understanding and insights of the Group's operations and industry practice which enables him to provide the Board with a diverse view in decision making process. 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. At the same time, he has contributed sufficient time and exercised due care and diligence during his tenure as Independent Director of the Company and has carried out his duties professionally and objectively in the best interest of the Company and shareholders as well as minority interest.

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 strategic 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
Dato' Koh Low @ Koh Kim Toon (Appointed on 17/11/2020)	Member
Loh Wee Ching (Resigned on 17/11/2020)	Member

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 scrutinised 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 two NC meeting held during the financial year ended 31 December 2020. 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 76(3) of the Company's Constitution, at the Annual General Meeting, one-third (1/3) of the Directors for the time being, shall retire from office and the retiring Directors shall be eligible to seek for re-election. For 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 conclusion of the next Annual General Meeting and shall then be eligible to seek for re-election pursuant to Article 76(6) of the Company's Constitution.

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. The Directors who will be retiring by rotation pursuant to Article 76(3) are Mr. Lau Jui Peng and Mr. Loh Wee Ching in the forthcoming 15th AGM and they are 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 incorporating policies and procedures on remuneration 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
Frederick Ng Yong Chiang (Appointed on 17/11/2020)	Member
Loh Wee Ching (Resigned on 17/11/2020)	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.

The Remuneration payable to the Board of Directors for the financial year ended 31 December 2020 is as follows:

	Company RM					
	Fee	Salaries	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Executive Director						
Nam Hiok Joo	-	263,568	131,784	26,744	89,248	511,344
Loh Wee Ching (Redesignated as Executive Director on 17/11/2020)	-	-	-	-	-	-
Sub-Total	**-**	**263,568**	**131,784**	**26,744**	**89,248**	**511,344**
Non-Executive Director						
Lau Jui Peng	-	-	-	-	-	-
Choong Keen Shian	24,000	-	-	-	2,000	26,000
Frederick Ng Yong Chiang	24,000	-	-	-	2,000	26,000
Dato' Koh Low @ Koh Kim Toon	24,000	-	-	-	2,000	26,000
Sub-Total	**72,000**	**-**	**-**	**-**	**6,000**	**78,000**
Total	**72,000**	**263,568**	**131,784**	**26,744**	**95,248**	**589,344**

	Group RM					
	Fee	Salaries	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Executive Director						
Nam Hiok Joo	-	404,400	202,200	26,744	130,311	763,655
Loh Wee Ching (Redesignated as Executive Director on 17/11/2020)	-	411,250	147,000	23,950	110,802	693,002
Sub-Total	**-**	**815,650**	**349,200**	**50,694**	**241,113**	**1,456,657**
Non-Executive Director						
Lau Jui Peng	365,568	-	-	-	152,320	517,888
Choong Keen Shian	24,000	-	-	-	2,000	26,000
Frederick Ng Yong Chiang	24,000	-	-	-	2,000	26,000
Dato' Koh Low @ Koh Kim Toon	24,000	-	-	-	2,000	26,000
Sub-Total	**437,568**	**-**	**-**	**-**	**158,320**	**595,888**
Total	**437,568**	**815,650**	**349,200**	**50,694**	**399,433**	**2,052,545**

The Remuneration paid to the five (5) KMP who are not Directors of the Company for the financial year ended 31 December 2020 in the bands of RM50,000 or SGD50,000:

Range of Remuneration	RM 200,001 to RM250,000	RM250,001 to RM300,000	RM500,001 to RM550,000	RM550,001 to RM600,000	SGD150,001 to SGD200,000
Ng Eng Leng				√	
Na Eluen	√				√
Nam Ya Jun			√		
Na Yi Chan			√		
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 2020 were as follows:

Director	Board of Directors Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Risk Management Committee Meeting
Lau Jui Peng	5/5	-	-	-	-
Nam Hiok Joo	5/5	-	-	-	1/1
Loh Wee Ching	5/5	-	2/2	2/2	-
Choong Keen Shian	5/5	5/5	2/2	2/2	1/1
Frederick Ng Yong Chiang	5/5	5/5	2/2	-	1/1
Dato' Koh Low @ Koh Kim Toon	5/5	5/5	-	2/2	-

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 fulfil 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 respective needs 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	Leong Hup Breeder Good Vaccination Practise Seminar	18 September 2020
Nam Hiok Joo	Section 17A of MACC (Amendment) Act Awareness Training	18 September 2020
Loh Wee Ching	Section 17A of MACC (Amendment) Act Awareness Training	18 September 2020
Choong Keen Shian	Budget 2021	18 November 2020
Frederick Ng Yong Chiang	Section 17A of MACC (Amendment) Act Awareness Training Budget 2021	18 September 2020 18 November 2020
Dato' Koh Low @ Koh Kim Toon	Section 17A of MACC (Amendment) Act Awareness Training	18 September 2020

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 held by 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. PricewaterhouseCoopers PLT and the level of non-audit services rendered to the Group for the financial year 2020.

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 2020.

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.

Fees paid/payable to Messrs. PricewaterhouseCoopers as follows:

Work-done	Group	Company
Statutory audit	335,982	52,000
Non-audit fee	184,500	-

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 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 49 to page 53 of the Annual Report. The 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

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 and press release 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 Directors 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 meeting 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 7 May 2021.

Additional Compliance Information

In compliance with the Listing Requirements of the Main Market 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 subsidiary involving directors' and/or major shareholders' interest during the financial year ended 31 December 2020.

Recurrent Related Party Transactions of a Revenue Nature

At the last Annual General Meeting held on 12 August 2020, the Company had obtained a general mandate from its shareholders for the Group to enter into recurrent related party transactions of a revenue or trading nature ("RRPT mandate"). The aggregate value of the recurrent related party transactions of revenue nature incurred by the Group pursuant to the RRPT mandate for the financial year ended 31 December 2020 did not exceed the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Utilisation of Proceeds

No new funds were raised by the Company from any corporate proposals during the financial year ended 31 December 2020.

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 2020, 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

The Board is pleased to present the Group's Statement on Risk Management and Internal Control for the financial year ended 31 December 2020, 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, which outlines the nature and state of the risk management and internal control of the Group.

BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control to ensure shareholders' interest and the Group's assets are safeguarded. The Board discharge their stewardship responsibilities by creating 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.

The system is designed to minimise and manage risk exposure within the acceptable level of tolerance rather than to completely eliminate the risk of failure in achieving the Group's business objectives.

The Board has received assurance from the Managing Director 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 extended beyond operational focus to strategic focus on value generation. The Group's driving value creation through:

- cost optimisation via improvement in efficiency and effectiveness of the business processes
- ensuring successful and timely execution of strategic moves in respond to change of business environment and industry
- preserving business assets and promote investment and enhancement of value creation of assets to remain competitive
- enable improved decision making, planning and prioritisation through a structured understanding of opportunities and threats
- achieving of customer and stakeholder satisfaction at optimal level

The Governance

The defined line function forms an essential element in ensuring the effectiveness of risk management. The Group's risk management governance premise is on the "Three Lines of Defence' model with the oversight of Management and the Board. When these three lines have been properly structured with no gaps in coverage, further enhance the probability of the Group being effectively managed.

First Line of Defence: Operational Management
The employee, managers and Head of Operating Units ("HOU") collectively form the first line of defence. They own the risk and execute the corresponding controls as part of their day-to-day ownership and management responsibility to enhance the likelihood that the Group's objectives are achieved.

Second Line of Defence: Internal Monitoring and Oversight Functions
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.

a) Risk Management (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. 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

The Group adopted an Enterprise Risk Management and Sustainability Governance ("ERMSG") framework in accordance with Malaysian Code on Corporate Governance 2017 ("MCCG 2017").

The Group's ERMSG framework is to facilitate structured defensible decision-making and prompt respond to a risk of undermining the achievement of organisation stated objectives. The application of the ERMSG framework provides a systematic process of identifying, evaluating and managing significant risks by effective 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

Risk represents an integral part of its business activities and will not remain static, therefore the Board has delegated to the management with the function of risk management and internal control. Management is held accountable to the Board for the effective implementation of on-going processes in identifying, evaluating, managing, reporting and monitoring significant control deficiencies and changes in risks that could significantly affect 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. The members of the RMC comprise of Audit Committee members and the Group MD.

The responsibilities of RMC include:-

- Identify and communicate with the Board on extreme risks exposed to the Group and the action plans to manage those risks;
- Oversight and review the adequacy of ERMSG framework and provide necessary recommendation on risk management policies and procedures;
- Ensure major policies keep abreast of any material changes in the operating environment;
- 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 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.

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 involve structured and systematic process in 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 term of their likelihood and impact 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 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.

During the financial year ended 31 December 2020, Risk Management Personnel ("RMP") led by the Risk Manager, Mr. Ng Eng Leng, who is also the Group Financial Controller performed the on-going risk assessment and management on respective departments and divisions by identifying the risks, assessing the risks based on its likelihood and consequences, reviewing risk treatment by evaluating existing control and adopting of new control and monitoring the residual risk. The risk assessment and management conducted was in accordance with the approved ERMSG framework.

It is an on-going process for RMP to meet and interview the relevant personnel of respective departments and divisions. The respective departments and divisions have given their utmost cooperation for re-assessment of existing risks as well as identifying any emerging new risks to ensure the relevancy and effectiveness of control measures are in place. The RMP covered the following departments and divisions of the Group to identify and assess both existing and new risks with the correspond risk treatments or controls:

i. Purchasing Department
ii. IT Department
iii. Account & Finance Department
iv. Costing Department
v. HR & Administration Department
vi. Transport Department
vii. Marketing Department
viii. Corporate Affair Division
ix. Central Packing Station Division
x. Layer Farming Division
xi. Egg Tray Division
xii. Animal Feed Division
xiii. Fertiliser Division

The RMP has taken proactive actions to align control measures and strategies in managing different identified risks which are categorised into operational, financial, legal and compliance, technology and human capital aspects. The RMP facilitate the monitoring and reporting process to ensure effective improvement from inherent risk level to residual risk level of respective risks based on their likelihood and consequence within acceptable risk appetite. It is required to take

a) Risk Management (Continued)

timely and appropriate adjustment to control measures in respond to new development when circumstance warrant.

Meeting of RMC

There were one (1) meetings of the RMC held during the financial year ended 31 December 2020, which were attended by the RMC members as follows:

Name of member	Number of meetings attended
Nam Hiok Joo	1/1
Choong Keen Shian	1/1
Frederick Ng Yong Chiang	1/1

During the financial year ended 31 December 2020, RMC reviewed and approved the policies and procedures on anti-corruption and whistle-blowing in response to the latest development of Malaysia Anti-Corruption Commission Act 2009.

Mitigate Risk of Covid-19 Pandemic

The Conditional Movement Control Order ("CMCO") was implemented in 2020 after the end of Movement Control Order ("MCO") 1.0 in Jun 2020. Along with the significant increasing cases of Covid-19, MCO 2.0 was reintroduced to restrict inter-state and inter-district travelling across the whole country by the Government. There are differences between the standard operating procedures ("SOP") and requirements with that for MCO 1.0 as government aim to revive the economic activities. In view of the reinstatement of MCO, we are highly aware of the adverse industrial impacts and challenge towards the poultry industry due to uncertainty in market conditions. The Management has adopted rigorous measures and new norm of business practice to mitigate the risk of infection. Several measures such as arranging some office staffs to continue work from home or working at other alternate office, doing video conferencing with business associates to reduce face-to-face physical contact with each other, always wear face mask at the work places and reduce the business entertainment during this critical situation. The Board of Directors are confident to face this challenge and by taking proactive actions to widen its customer base through E-commerce. In order to normalise business environment, respective measures need to be in place.

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 collection, 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 Associates 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.

b) Internal Control System(Continued)

During the financial year 2020, a delegated team of Internal Auditor, led by Mr. Dennis Chong, a Chartered Member of Institute of Internal Audit (CMIIA), Malaysia had performed regular and systematic review 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.

The management and employees have given their utmost cooperation and placed no restriction upon the scope of the Internal Audit function's work to facilitate the rigorous audit carried out by Internal Auditor. Authority also extended for Internal Auditor to access to the necessary records and meeting up/interview with relevant personnel of the Group.

The Audit Committee reviewed the work of the internal audit function during the financial year, together with 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.

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 addressing the business risks therein during the financial year:

i. Procurement to Payment of Ritma Prestasi Sdn. Bhd.;
ii. Poultry Operation, Sales to Receipt;
iii. Premium Egg Products Pte. Ltd. Operation; and
iv. Record to Report Process Review

The total costs incurred for the internal audit functions in respect of the financial year ended 31 December 2020 amounted to approximately RM80,000.

Board

The Board, through the 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 2020.

Management

The Management committed to take on-going measures in addressing identified weaknesses and strengthening 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 2020.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement was approved by the Board of the Company on 6 April 2021.

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 2020 in compliance with Paragraph 15.15 of the Main Listing Requirement of Bursa Malaysia.

COMPOSITION

The Audit Committee ("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

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 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 five (5) meetings of the AC held during the financial year ended 31 December 2020, which were attended by the AC members as follows:

Name of member	Number of meetings attended
Choong Keen Shian	5/5
Frederick Ng Yong Chiang	5/5
Dato' Koh Low @ Koh Kim Toon	5/5

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 2019, first quarter ended 31 March 2020, second quarter ended 30 June 2020 and third quarter ended 30 September 2020 were tabled at the AC meetings held on 13 February 2020, 18 May 2020, 12 August 2020 and 17 November 2020 respectively.

b) Audited Financial Statements

On 17 April 2020, the AC reviewed the Audited Financial Statements for the year ended 31 December 2019.

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 13 February 2020, 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 2019.

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.

By using External Auditor's Performance and Independence Evaluation, 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 14th Annual General Meeting.

On 12 August 2020, the AC reviewed external audit plan of external auditor, PwC for financial year ended 31 December 2020.

3. *Internal Audit*

The AC reviewed the following internal audit report findings presented by Moore Stephans Associates PLT:

Date	Internal Audit Area
13 February 2020	Internal Audit Report Findings on Procurement to Payment of Ritma Prestasi Sdn. Bhd.
12 August 2020	Internal Audit Report Findings on Poultry Operation of Teo Seng Farming Sdn Bhd and Success Century Sdn Bhd.
17 November 2020	Internal Audit Report Findings on Premium Egg Products Pte Ltd Operation Review, Record to Report Process Review and 3-Year Strategic Internal Audit Plan 2021-2023 by Internal Auditor

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 on 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.

5. *Other Matters*

On 17 April 2020, the AC reviewed the policies and procedures on Anti-Corruption and the complementary policies and procedures on whistle-blowing presented by Risk Management Committee.

In addition, the AC also reviewed Term of Reference of AC, summarised the works and findings to the Board for preparing the Audit Committee Report and reviewed Statement on Risk Management and Internal Control, and Sustainability Statement prior to submission of the same to the Board for consideration and inclusion in the Annual Report 2019 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

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 2020.

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	Directors of subsidiaries
Lau Jui Peng	Tan Sri Lau Tuang Nguang
Nam Hiok Joo	Lau Joo Han
Loh Wee Ching	Na Hap Cheng
Choong Keen Shian	Na Yok Chee
Frederick Ng Yong Chiang	Nam Hiok Yong
Dato' Koh Low @ Koh Kim Toon	Ng Eng Leng
	Lim Meng Bin
	Sim Kim Hwa
	Lee Choon Seng
	Na Eluen
	Nam Ya Jun
	Na Yi Chan
	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 health products, animal feeds, 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 14 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	4,188,413	11,293,063

DIVIDENDS

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

	RM
In respect of the financial year ended 31 December 2019:	
Third interim single tier dividend of 5% equivalent to 1.0 sen per ordinary share, declared on 13 February 2020 and paid on 12 March 2020	2,938,515

The Directors did not recommend the payment of any dividends in respect of the financial year ended 31 December 2020.

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, the share capital of the Company has increased from RM60,001,654 to RM60,011,036 via issuance of new shares of RM9,382 upon exercise of warrants.

The new shares issued rank equally in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, right, allotment and/or other distribution that may be declared, made or paid to the shareholders of the Company.

There were no issues of debentures by the Company during the financial year.

TREASURY SHARES

On 12 August 2020, at the Annual General Meeting, the shareholders of the Company renewed the approval for the Company to buy back its own shares up to ten percent (10%) of the issued and paid-up capital of the Company.

As at 31 December 2020, the Company held as treasury shares a total of 6,156,700 out of its 300,008,175 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM8,345,642. Relevant details on the treasury shares are disclosed in Note 21 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.

EMPLOYEES' SHARE OPTION SCHEME

The penultimate holding Company, Leong Hup International Berhad, a company listed in the Main Board of Bursa Malaysia Securities Berhad implemented an Employees' Share Option Scheme ("ESOS") on 14 May 2019 for a period of 5 years expiring on 10 April 2024 for eligible employees and Directors of the LHI Group which including Teo Seng Group. The options granted are divided into 4 equal tranches which vested on 1 July 2019, 1 June 2020, 1 June 2021 and 1 June 2022 respectively.

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 in the Company ("Share") at an exercise price of RM1.35 per new ordinary share.

During the financial year, 6,950 new ordinary shares have been issued via exercise of the warrants.

The Warrants has expired on 29 January 2020. Accordingly, the Warrants has been removed from the Official List of Bursa Securities with effect from 30 January 2020.

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 30 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 except for the share options granted by Leong Hup International Berhad to eligible employees of its related companies, including Executive Directors of the Company.

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 1.1.2020	Bought	Sold	At 31.12.2020
Shares in the Company					
Nam Hiok Joo	- Direct	166,602	0	0	166,602
Lau Jui Peng	- Indirect	162,716,258	0	(2,227,255)	160,489,003

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

		Number of ordinary shares			
		At 1.1.2020	Bought	Sold	At 31.12.2020
Shares in immediate holding company – Advantage Valuations Sdn. Bhd.					
Lau Jui Peng	- Indirect	5,097	0	0	5,097
Shares in penultimate holding company – Leong Hup International Berhad					
Lau Jui Peng	- Direct	24,583,822	0	0	24,583,822
	- Indirect	1,927,201,000	0	0	1,927,201,000
Nam Hiok Joo	- Direct	363,600	0	0	363,600
Loh Wee Ching	- Direct	165,500	0	0	165,500
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.

	Number of share options			
	At 1.1.2020	Granted	Exercised/ lapsed	At 31.12.2020
Options over shares in penultimate holding company – Leong Hup International Berhad				
Lau Jui Peng	1,275,000	0	0	1,275,000
Nam Hiok Joo	123,000	0	0	123,000
Loh Wee Ching	123,000	0	0	123,000

DIRECTORS' REMUNERATION

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

No indemnity or insurance effected for any Director was paid or declared by the Company for the financial year ended 31 December 2020.

HOLDING COMPANIES

The Company is a subsidiary of Advantage Valuations Sdn. Bhd.. The Directors regard Leong Hup International Berhad and Emerging Glory Sdn. Bhd. as its penultimate and ultimate holding company. All the holding companies are incorporated in Malaysia.

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.

SUBSIDIARIES

Details of subsidiaries are set out in Note 14 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 6 April 2021. Signed on behalf of the Board of Directors:

LAU JUI PENG
DIRECTOR

NAM HIOK JOO
DIRECTOR

Melaka

Consolidated Statement of Comprehensive Income

For the Financial Year ended 31 December 2020

	Note	2020 RM	2019 RM
Revenue	4	478,280,417	546,534,805
Other income	5	1,957,281	2,381,199
Purchase of trading merchandise, raw materials, livestocks and poultry feeds		(331,978,672)	(336,359,209)
Changes in closing inventories		1,583,238	3,638,326
Changes in biological assets		(1,162,588)	3,335,242
Staff costs	6	(53,829,649)	(54,335,880)
Property, plant and equipment	11		
- depreciation charge		(22,917,420)	(22,213,971)
- impairment charge		0	(46,335)
Amortisation of right of use assets	12	(297,648)	(282,361)
Utilities expense		(15,731,042)	(16,604,946)
Transportation expenses		(14,994,601)	(16,032,858)
Other expenses		(23,882,641)	(25,479,798)
Operating profit		17,026,675	84,534,214
Finance income			
- interest income		330,701	355,225
Finance costs	8	(6,579,955)	(7,821,162)
Finance costs - net		(6,249,254)	(7,465,937)
Profit before tax	9	10,777,421	77,068,277
Tax	10	(6,589,008)	(18,233,298)
Profit after tax		4,188,413	58,834,979
Other comprehensive (loss)/income:			
Items that will be subsequently reclassified to profit or loss			
- currency translation differences		(15,894)	35,070
Items that will not be subsequently reclassified to profit or loss			
- fair value changes of equity instruments classified as FVOCI		(1,715)	1,115
Total other comprehensive (loss)/income		(17,609)	36,185
Total comprehensive income for the financial year		4,170,804	58,871,164

Consolidated Statement of Comprehensive Income (Continued)
For the Financial Year ended 31 December 2020

	Note	2020 RM	2019 RM
Profit after tax attributable to:			
Owners of the Company		4,188,413	58,834,979
Total comprehensive income attributable to:			
Owners of the Company		4,170,804	58,871,164
Earnings per ordinary share (sen):			
Basic	28(a)	1.43	20.02
Diluted	28(b)	1.43	20.02

Company Statement of Comprehensive Income
For the Financial Year ended 31 December 2020

	Note	2020 RM	2019 RM
Revenue	4	13,757,680	37,334,800
Other income	5	106,099	268,581
Staff costs	6	(1,206,007)	(1,476,846)
Depreciation of property, plant and equipment	11	(377,687)	(365,893)
Other expenses		(987,536)	(881,355)
Operating profit		11,292,549	34,879,287
Finance income		128,929	42,668
Finance costs	8	(33,415)	(118,904)
Finance cost - net		95,514	(76,236)
Profit before tax	9	11,388,063	34,803,051
Tax	10	(95,000)	(64,000)
Net profit and total comprehensive income for the financial year		11,293,063	34,739,051

Consolidated Statement of Financial Position
As at 31 December 2020

	Note	2020 RM	2019 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	373,605,154	348,472,707
Right-of-use assets	12	5,106,469	5,127,342
Goodwill arising on consolidation	13	102,424	102,424
Equity instruments classified as FVOCI	15	6,740	8,455
Deferred tax assets	26	448,699	158,021
Prepayment for purchase of property, plant and equipment	18	3,720,849	0
		382,990,335	353,868,949
CURRENT ASSETS			
Biological assets	16	55,691,491	56,854,079
Inventories	17	48,195,713	46,612,475
Trade and other receivables	18	53,401,183	62,517,609
Tax recoverable		5,761,800	1,594,218
Cash and bank balances	19	44,918,529	41,101,083
		207,968,716	208,679,464
TOTAL ASSETS		590,959,051	562,548,413
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	20	60,011,036	60,001,654
Treasury shares	21	(8,345,642)	(8,345,642)
Other reserves	22	(25,043,907)	(25,188,738)
Retained earnings		281,412,693	280,162,795
TOTAL EQUITY		308,034,180	306,630,069

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

	Note	2020 RM	2019 RM
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank borrowings	23	52,178,042	45,322,688
Hire purchase payables	24	9,245,774	12,910,416
Lease liabilities	25	3,341,633	3,354,458
Deferred tax liabilities	26	33,444,068	33,139,428
		98,209,517	94,726,990
CURRENT LIABILITIES			
Trade and other payables	27	54,577,784	58,424,649
Bank borrowings	23	122,010,629	94,313,230
Hire purchase payables	24	6,354,451	7,548,626
Lease liabilities	25	232,150	172,116
Tax payable		1,540,340	732,733
		184,715,354	161,191,354
TOTAL LIABILITIES		282,924,871	255,918,344
TOTAL EQUITY AND LIABILITIES		590,959,051	562,548,413

Company Statement of Financial Position

As at 31 December 2020

	Note	2020 RM	2019 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,029,977	1,988,247
Investments in subsidiaries	14	72,532,216	76,177,386
Prepayment for purchase of property, plant and equipment	18	250,781	0
		74,812,974	78,165,633
CURRENT ASSETS			
Trade and other receivables	18	6,084,271	4,138,932
Dividend receivable		10,000,000	0
Tax recoverable		65,160	29,550
Cash and bank balances	19	403,429	1,223,888
		16,552,860	5,392,370
TOTAL ASSETS		91,365,834	83,558,003
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	20	60,011,036	60,001,654
Treasury shares	21	(8,345,642)	(8,345,642)
Other reserve	22	55,209	35,230
Retained earnings		37,904,258	29,549,710
TOTAL EQUITY		89,624,861	81,240,952
LIABILITIES			
NON-CURRENT LIABILITIES			
Hire purchase payables	24	65,431	83,306
Deferred tax liabilities	26	228,000	61,000
		293,431	144,306
CURRENT LIABILITIES			
Trade and other payables	27	1,332,264	2,035,664
Hire purchase payables	24	115,278	137,081
		1,447,542	2,172,745
TOTAL LIABILITIES		1,740,973	2,317,051
TOTAL EQUITY AND LIABILITIES		91,365,834	83,558,003

Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2020

	Note	Share capital RM	Treasury shares RM	Reverse acquisition reserve RM	Currency translation reserve RM	Fair value reserve RM	Capital contribution reserve RM	Retained earnings RM	Total RM
2020									
At 1 January 2020		60,001,654	(8,345,642)	(26,078,000)	598,876	6,244	284,142	280,162,795	306,630,069
Employees' share option scheme									
- value of employee service		0	0	0	0	0	162,440	0	162,440
Comprehensive income									
Net profit for the financial year		0	0	0	0	0	0	4,188,413	4,188,413
Other comprehensive income									
- Fair value changes of equity instruments classified as FVOCI		0	0	0	0	(1,715)	0	0	(1,715)
- Foreign currency translation differences		0	0	0	(15,894)	0	0	0	(15,894)
Total comprehensive income for the financial year		0	0	0	(15,894)	(1,715)	162,440	4,188,413	4,333,244
Transaction with owners									
Exercise of warrants	20	9,382	0	0	0	0	0	0	9,382
Dividends	29	0	0	0	0	0	0	(2,938,515)	(2,938,515)
Total transaction with owners		9,382	0	0	0	0	0	(2,938,515)	(2,929,133)
At 31 December 2020		60,011,036	(8,345,642)	(26,078,000)	582,982	4,529	446,582	281,412,693	308,034,180

Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2019

	Note	Share capital RM	Treasury shares RM	Reverse acquisition reserve RM	Currency translation reserve RM	Fair value reserve RM	Capital contribution reserve RM	Retained earnings RM	Total RM
2019									
At 1 January 2019		60,001,654	(376,237)	(26,078,000)	563,806	5,129	0	243,693,279	277,809,631
Employees' share option scheme									
- value of employee service		0	0	0	0	0	284,142	0	284,142
Comprehensive income									
Net profit for the financial year		0	0	0	0	0	0	58,834,979	58,834,979
Other comprehensive income									
- Fair value changes of equity instruments classified as FVOCI		0	0	0	0	1,115	0	0	1,115
- Foreign currency translation differences		0	0	0	35,070	0	0	0	35,070
Total comprehensive income for the financial year		0	0	0	35,070	1,115	284,142	58,834,979	59,155,306
Transaction with owners									
Shares buy back	21	0	(7,969,405)	0	0	0	0	0	(7,969,405)
Dividends	29	0	0	0	0	0	0	(22,365,463)	(22,365,463)
Total transaction with owners		0	(7,969,405)	0	0	0	0	(22,365,463)	(30,334,868)
At 31 December 2019		60,001,654	(8,345,642)	(26,078,000)	598,876	6,244	284,142	280,162,795	306,630,069

Company Statement of Changes in Equity

For the Financial Year ended 31 December 2020

	Note	Share capital RM	Treasury shares RM	Capital contribution reserve RM	Retained earnings RM	Total RM
2020						
At 1 January 2020		60,001,654	(8,345,642)	35,230	29,549,710	81,240,952
Employees' share option scheme						
- value of employee service		0	0	19,979	0	19,979
Comprehensive income						
Net profit and total comprehensive income for the financial year		0	0	0	11,293,063	11,293,063
		0	0	19,979	11,293,063	11,313,042
Transaction with owners						
Exercise of warrants	20	9,382	0	0	0	9,382
Dividends	29	0	0	0	(2,938,515)	(2,938,515)
		9,382	0	0	(2,938,515)	(2,929,133)
At 31 December 2020		60,011,036	(8,345,642)	55,209	37,904,258	89,624,861
2019						
At 1 January 2019		60,001,654	(376,237)	0	17,176,122	76,801,539
Employees' share option scheme						
- value of employee service		0	0	35,230	0	35,230
Comprehensive income						
Net profit and total comprehensive income for the financial year		0	0	0	34,739,051	34,739,051
		0	0	0	34,739,051	34,739,051
Transaction with owners						
Shares buy back	21	0	(7,969,405)	0	0	(7,969,405)
Dividends	29	0	0	0	(22,365,463)	(22,365,463)
		0	(7,969,405)	35,230	(22,365,463)	(30,299,638)
At 31 December 2019		60,001,654	(8,345,642)	35,230	29,549,710	81,240,952

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2020

	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	4,188,413	58,834,979
Adjustments for:		
Property, plant and equipment		
- depreciation	22,917,420	22,213,971
- impairment charge	0	46,335
- gain on disposal	(112,007)	(291,709)
- written off	530,160	460,871
Amortisation of right of use assets	297,648	282,361
Inventories		
- written off	162,775	174,677
Bad debts written off	12,440	1,593
Deposit written off	0	23,665
Loss allowance for trade receivables	137,280	413,392
Fair value (gain)/loss on derivatives	(17,993)	18,299
Unrealised loss on foreign exchange	84,255	75,040
Dividend income	(90)	(110)
Interest expenses	6,579,955	7,821,162
Interest income	(330,701)	(355,225)
Share-based compensation expense	162,440	284,142
Tax expense	6,589,008	18,233,298
	41,201,003	108,236,741
Changes in working capital:		
Biological assets	1,162,588	(3,335,242)
Inventories	(1,746,078)	(3,813,004)
Receivables	9,421,941	8,298,667
Payables	(8,361,353)	(6,975,959)
Cash generated from operations	41,678,101	102,411,203
Interest received	330,701	355,225
Tax paid	(10,468,005)	(9,919,424)
Tax refund	534,732	8,069,889
Net cash flow generated from operating activities	32,075,529	100,916,893

Consolidated Statement of Cash Flows (Continued)
For the Financial Year ended 31 December 2020

	Note	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		90	110
Acquisition of subsidiary, net of cash and cash equivalent	13	0	(1,338,097)
Proceeds from disposal of property, plant and equipment		326,241	504,429
Purchase of property, plant and equipment	11(c)	(45,111,668)	(29,835,931)
Net cash flow used in investing activities		(44,785,337)	(30,669,489)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movements in bankers' acceptances		19,642,000	(14,522,000)
Proceeds from drawdown of revolving credit		4,000,000	0
Repayment of revolving credit		(1,000,000)	0
Proceeds from drawdown of term loans		20,015,252	14,248,102
Repayment of term loans		(9,910,200)	(9,055,096)
Repayment of hire purchase payables		(7,881,890)	(9,765,366)
Repayment of lease liabilities		(229,422)	(210,023)
Shares buy back		0	(7,969,405)
Proceeds from exercise of warrants		9,382	0
Dividends paid		(2,938,515)	(22,365,463)
Interest paid		(6,978,618)	(7,821,162)
Net cash flow used in financing activities		14,727,989	(57,460,413)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		2,018,181	12,786,991
EFFECTS OF FOREIGN CURRENCY EXCHANGE TRANSLATION		(7,784)	(9,541)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		41,101,083	28,323,633
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	19	43,111,480	41,101,083

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

					Non-cash changes		
	At 1.1.2020 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	Foreign currency exchange movement RM	New leases/ hire purchase RM	At 31.12.2020 RM
Bankers' acceptances	80,450,000	329,728,125	(313,426,637)	3,340,512	0	0	100,092,000
Term loans	54,185,918	20,015,252	(11,958,949)	2,048,749	(1,348)	0	64,289,622
Revolving credit	5,000,000	4,000,000	(1,271,940)	271,940	0	0	8,000,000
Hire purchase payables	20,459,042	0	(8,946,897)	1,065,007	173	3,022,900	15,600,225
Bank overdrafts and other interest	0	0	(124,760)	124,760	0	0	0
Lease liabilities	3,526,574	0	(357,072)	127,650	(2,009)	278,640	3,573,783
	163,621,534	353,743,377	(336,086,255)	6,978,618	(3,184)	3,301,540	191,555,630

					Non-cash changes		
	At 1.1.2019 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	Foreign currency exchange movement RM	New leases/ hire purchase RM	At 31.12.2019 RM
Bankers' acceptances	94,972,000	313,028,000	(331,460,038)	3,910,038	0	0	80,450,000
Term loans	48,973,498	14,248,102	(11,019,153)	1,964,054	19,417	0	54,185,918
Revolving credit	5,000,000	0	(224,690)	224,690	0	0	5,000,000
Hire purchase payables	24,471,350	0	(11,069,881)	1,304,515	27,478	5,725,580	20,459,042
Bank overdrafts and other interest	0	0	(286,805)	286,805	0	0	0
Lease liabilities	3,668,507	0	(341,083)	131,060	(16,779)	84,869	3,526,574
	177,085,355	327,276,102	(354,401,650)	7,821,162	30,116	5,810,449	163,621,534

Company Statement of Cash Flows

For the Financial Year ended 31 December 2020

	Note	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		11,293,063	34,739,051
Adjustments for:			
Property, plant and equipment			
- depreciation		377,687	365,893
- written off		9,197	0
Dividend income		(13,000,000)	(36,250,000)
Interest expenses		33,415	118,904
Interest income		(128,929)	(42,668)
Share-based payments		19,979	35,230
Impairment loss in investment of subsidiary		132,519	106,099
Gain on disposal of subsidiary		(106,099)	0
Tax charge		95,000	64,000
		(1,274,168)	(863,491)
Changes in working capital:			
Receivables		228,655	(3,009,395)
Payables		(107,699)	25,226
Cash used in operations		(1,153,212)	(3,847,660)
Tax paid		(78,610)	(127,548)
Tax refund		115,000	681,683
Net cash flow used in operating activities		(1,116,822)	(3,293,525)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		3,000,000	36,250,000
Proceeds from disposal of investment in a subsidiary	14	3,000,000	0
Capital distribution from a subsidiary		645,170	0
Purchase of property, plant and equipment	11(c)	(545,547)	(252,147)
Interest received		128,929	42,668
Advances to subsidiaries		(2,200,414)	0
Net cash flow generated from investing activities		4,028,138	36,040,521

Company Statement of Cash Flows (Continued)
For the Financial Year ended 31 December 2020

	Note	2020 RM	2019 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from a subsidiary		583,338	1,107,973
Repayment to a subsidiary		(1,212,887)	(2,065,065)
Repayment of hire purchase payables		(139,678)	(182,554)
Dividends paid		(2,938,515)	(22,365,463)
Interest paid		(33,415)	(118,904)
Shares buy back		0	(7,969,405)
Proceeds from exercise of warrants		9,382	0
Net cash flow used in financing activities		(3,731,775)	(31,593,418)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(820,459)	1,153,578
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,223,888	70,310
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	19	403,429	1,223,888

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

					Non-cash changes		
	At 1.1.2020 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	Foreign currency exchange movement RM	New hire purchase RM	At 31.12.2020 RM
Amount due to subsidiary	1,335,022	583,338	(1,236,917)	24,030	0	0	705,473
Hire purchase payables	220,387	0	(149,063)	9,385	0	100,000	180,709
	1,555,409	583,338	(1,385,980)	33,415	0	100,000	886,182

					Non-cash changes		
	At 1.1.2019 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	Foreign currency exchange movement RM	New hire purchase RM	At 31.12.2019 RM
Amount due to subsidiary	2,292,114	1,107,973	(2,165,057)	99,992	0	0	1,335,022
Hire purchase payables	402,941	0	(201,466)	18,912	0	0	220,387
	2,695,055	1,107,973	(2,366,523)	118,904	0	0	1,555,409

1 GENERAL INFORMATION

The Group is principally engaged in the production and distribution of eggs, animal health products, animal feeds, 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 14 to the financial statements.

The Company is a subsidiary of Advantage Valuations Sdn. Bhd.. The Directors regard Leong Hup International Berhad and Emerging Glory Sdn. Bhd. as its penultimate and ultimate holding company. All the holding companies are incorporated in Malaysia. The penultimate holding company, Leong Hup International Berhad a company listed on the Main Market of Bursa Malaysia Securities Berhad prepares consolidated financial statements available for public use.

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 6 April 2021.

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 and amendments for the first time for the financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'
- Amendments to MFRS 16 'COVID-19 - Related Rent Concessions'

The adoption of the amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective and adopted by the Group and Company

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds Before Intended Use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date. The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date.

  The amendments shall be applied retrospectively.

The adoption of the above amendments to standards is not expected to have a significant impact to the Group and Company's financial statements.

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, based on the expected cash inflow from the table eggs produced by each layer, less expected costs incurred over the life span of the pullets and layers, and imputed contributory assets charges for the assets essential for the production of table eggs.

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, expected salvage value of layers, mortality rate, feed consumption rate, feed costs and other estimated costs to be incurred over the life span of the layers, as well as the discount rate used for the cash flow. 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 RM55,691,491 as at 31 December 2020 (2019: RM56,854,079). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 16 to the financial statements.

Assessment of impairment of property, plant and equipment

The Group assesses whether there is any indication that non-financial assets are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use (VIU) is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment.

Taking into consideration the uncertainty due to Covid-19 pandemic, management has prepared two scenarios of cashflow projections. The baseline scenario of cashflow projections assume a business as usual projection and the worst case scenario of cashflow projection assume a delay in revenue growth rate to a later projection year. Management then applies a probability-weighting of occurrence to these two different scenarios to estimate the expected cash flows.

The recoverable amounts of the non-financial assets computed using the VIU method exceed their carrying amounts. Accordingly, no impairment loss has been recorded.

Measurement of ECL allowance

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period. Details of the key assumptions and inputs used are disclosed in Note 32 (c).

In view of the economic conditions resulting from the impact of Covid-19 pandemic, management has considered a range of possible outcomes, ie a baseline scenario and the worst case scenario in computing the ECL. In the baseline scenario, management incorporated the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables and made adjustments to the expected loss rates accordingly. In the worst case scenario, management considered a further increase in expected loss rate as computed in the baseline scenario. A probability-weighting of occurrence was subsequently applied to these two different scenarios to derive at the expected credit loss allowance to be made.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Critical accounting estimates and judgements (continued)

Taxation

The Group has recognised certain tax recoverable for which the Group believes that there is a reasonable basis for recognition. Where the final tax outcome of this matter is different from the amount that was initially recorded, such difference may cause a material adjustment to the carrying amount of the tax recoverable balance recorded in the period in which such determination is made. As at 31 December 2020, the tax recoverable of the Group in relation to corporate taxes recoverable from the tax authorities was RM5,761,800 (2019: RM1,594,218). The realisation of this tax recoverable is dependent on the decision of the tax authorities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgement regarding future taxable profits of particular entities within the Group in which the deferred tax asset has been recognised.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Consolidation (continued)

Subsidiaries (continued)

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.

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. 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%

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

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.

3.6 Leases

(a) Accounting by lessee

(i) Lease term

In determining the lease term, the Group and Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and Company and affects whether the Group and Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (iv) below).

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- initial direct costs; and
- Decommissioning or restoration costs if any.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of assets' useful lives or the lease term on a straight-line basis. If the Group and Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the term of the lease. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Leasehold land is amortised over the respective leasehold period of 39 years. The other ROU assets are depreciated over lease period of 3 to 5 years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(a) Accounting by lessee (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. 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 Group and Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

(iv) Reassessment of lease liabilities

The Group and Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture and equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

(b) Accounting by lessor

As a lessor, the Group and Company determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(b) Accounting by lessor (continued)

Operating leases

The Group and Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and Company recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

3.7 Biological assets

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

The fair value of biological assets is determined using a discounted cash flow model, based on the expected cash inflow from the table eggs produced by each layer, less expected costs incurred over the life span of the pullets and layers, and imputed contributory assets charges for the assets essential for the production of table eggs.

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 profit or loss.

3.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See accounting policy Note 3.10(d) on impairment of financial assets.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average bases.

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)

3.10 Financial assets

(a) 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.

(b) 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.

(c) 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").

<u>Debt instruments</u>

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.

The Group classifies its debt instruments at amortised cost.

<u>Amortised cost</u>

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.

<u>Equity instruments</u>

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.

(d) Subsequent measurement – Impairment

<u>Impairment for debt instruments and financial guarantee contracts</u>

The Group and Company 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Impairment for debt instruments and financial guarantee contracts (continued)

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 and Company 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.

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 measure 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 32(c)(ii) sets out the measurement details of ECL.

(ii) Simplified approach for trade receivables

The Group and Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 32(c)(i) sets out the measurement details of ECL.

Significant increase in credit risk

The Group and Company 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 and Company 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk (continued)

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.

Definition of default and credit-impaired financial assets

The Group and Company 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 and Company 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 and Company 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

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 Company, 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.

- Other receivables

  The Group and Company 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 and Company may write-off financial assets that are still subject to enforcement activity.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

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.

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)

3.13 Financial guarantee contracts (continued)

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

3.14 Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

3.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 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.

(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

<u>Basic earnings per share</u>

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.

<u>Diluted earnings per share</u>

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.

3.17 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 are short.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 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 and Company 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 and Company 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.

3.19 Revenue and other income

(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 sales 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

- Poultry farming (production and sales of eggs, animal feeds, paper egg trays and fertiliser by-product)

  Revenue from sales of goods from poultry farming are recognised net of discount and sales 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.

- Distribution of pet food, medicine and other animal health related products

  Revenue from distribution of goods are recognised net of discount and sales 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 for onward delivery to the customer.

- Income from provision of management services

  Income from provision of management services are recognised over time when performance obligations of services promised in the contract is satisfied.

(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 and Company's right to receive payment is established.

3.20 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 and Company.

(ii) Post-employment benefits

A defined contribution plan is a pension plan under which the Group and Company and Company 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 and Company'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 and Company has no further payment obligations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Employee benefits (continued)

(iii) Share-based payments - Employee options

The penultimate holding company operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the penultimate holding company. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share option reserve within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The credit to equity is treated as a capital contribution as the parent is compensating the Company's employees with no recharge of expenses to the Company.

3.21 Functional currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group and Company'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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Functional currencies (continued)

(ii) Transactions and balances (continued)

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.

3.22 Government grant

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.

3.23 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers:				
- Poultry farming	401,876,482	479,233,952	0	0
- Distribution of pet food, medicine and other animal health related products	75,102,256	65,804,942	0	0
- Investment holding and provision of management services	1,093,335	1,082,743	757,680	1,084,800
Revenue from other sources:				
- Dividend income from subsidiaries	0	0	13,000,000	36,250,000
- Warehousing rental income	208,344	413,168	0	0
Total revenue	478,280,417	546,534,805	13,757,680	37,334,800
Timing of revenue recognition:				
Point in time	477,187,082	545,452,062	13,000,000	36,250,000
Overtime	1,093,335	1,082,743	757,680	1,084,800
Total revenue	478,280,417	546,534,805	13,757,680	37,334,800

5 OTHER INCOME

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Insurance compensation claims	40,450	364,157	0	0
Rental income	56,379	78,765	0	0
Gain on disposal of property, plant and equipment	112,007	291,709	0	0
Government grants	639,826	26,336	0	0
Foreign exchange gain				
- realised	0	42,003	0	1,497
- unrealised	0	112,665	0	0
Reversal of impairment loss for trade receivables	0	516,570	0	0
Gain on disposal of a subsidiary	0	0	106,099	0
Fair value gain on derivatives	17,993	0	0	0
Sale of scrap	525,877	519,836	0	0
Others	564,749	429,158	0	267,084
	1,957,281	2,381,199	106,099	268,581

6 STAFF COST (INCLUDING DIRECTORS' REMUNERATION)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, wages and bonus	44,566,345	44,159,444	916,774	1,102,161
Contribution to defined contribution plan	4,578,489	4,571,608	144,682	175,726
Other emoluments	3,843,937	4,502,326	52,572	71,729
Share-based payment	156,214	284,147	19,979	35,230
Directors' fees	684,664	818,355	72,000	92,000
	53,829,649	54,335,880	1,206,007	1,476,846

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	2020 RM	2019 RM
Executive Directors of the Company		
Salaries, bonuses and other benefits	1,164,850	728,570
Defined contribution benefits	214,606	140,284
Share-based payment	26,507	22,860
Benefits-in-kind	50,694	23,950
	1,456,657	915,664
Non-Executive Directors of the Company		
Fees	437,568	428,889
Other allowances	158,320	388,329
	595,888	817,218
TOTAL DIRECTORS' REMUNERATION	2,052,545	1,732,882

Company	2020 RM	2019 RM
Executive Directors of the Company		
Salaries, bonuses and other benefits	395,352	474,729
Defined contribution benefits	76,050	91,125
Share-based payment	13,198	22,860
Benefits-in-kind	26,744	23,950
	511,344	612,664
Non-Executive Directors of the Company		
Fees	72,000	92,000
Other allowances	6,000	29,005
	78,000	121,005
TOTAL DIRECTORS' REMUNERATION	589,344	733,669

7 DIRECTORS' REMUNERATION (CONTINUED)

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

	Number of Directors	
	2020	2019
Executive Directors:		
RM 150,001 - RM 300,000	0	0
RM 300,001 - RM 450,000	0	0
RM 450,001 - RM 600,000	0	0
RM 600,001 - RM 750,000	1	0
RM 750,001 - RM 900,000	1	1
Non-Executive Directors:		
RM 1 - RM 150,000	3	5

8 FINANCE COST

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest expenses				
- bank overdrafts	124,760	205,955	0	0
- bankers' acceptances	2,941,849	3,910,038	0	0
- hire purchase	1,065,007	1,304,515	9,385	18,912
- revolving credit	271,940	224,690	0	0
- term loan	2,048,749	1,964,054	0	0
- lease liabilities	127,650	131,060	0	0
- others	0	80,850	0	0
- advance from subsidiary	0	0	24,030	99,992
	6,579,955	7,821,162	33,415	118,904

9 PROFIT BEFORE TAX

Included in profit before tax are the following:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Loss allowance for trade receivables	137,280	413,392	0	0
Auditors' remuneration	335,982	343,564	52,000	52,000
Fair value (gain)/loss on derivatives	(17,993)	18,299	0	0
Property, plant and equipment				
- gain on disposal	(112,007)	(291,709)	0	0
- written off	530,160	460,871	9,197	0
Inventories				
- written off	162,775	174,677	0	0
Short term leases	124,322	164,980		
Lease of low value assets	32,382	22,183	0	0
Unrealised foreign exchange loss	84,255	75,040	0	0

10 TAX

(a) The tax expense comprises:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax				
- Malaysian tax	5,877,578	9,175,544	0	72,000
- Foreign tax	440,747	684,817	0	0
- Under/(over) accrual in prior financial years	183,091	29,787	(72,000)	0
	6,501,416	9,890,148	(72,000)	72,000
Deferred tax (Note 26)	16,063	8,387,590	167,000	(8,000)
Real property gains tax	71,529	(44,440)	0	0
	6,589,008	18,233,298	95,000	64,000

10 TAX (CONTINUED)

(b) Numerical reconciliation of tax expense

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	10,777,421	77,068,277	11,388,063	34,803,051
Tax calculated at the Malaysian tax rate of 24%	2,587,000	18,496,000	2,733,000	8,353,000
Tax effects of:				
- differential in tax rates of subsidiaries	(163,984)	(225,666)	0	0
- income not subject to tax	(215,412)	(258,331)	(3,120,000)	(8,700,000)
- expenses not deductible for tax purposes	1,620,277	1,538,948	554,000	411,000
- current year temporary difference not recognised	781,200	0	0	0
- current year tax loss not recognised	1,962,307	0	0	0
- utilisation of tax incentive	(237,000)	(1,303,000)	0	0
- real property gains tax	71,529	(44,440)	0	0
Under/(over) accrual in prior financial years	183,091	29,787	(72,000)	0
Tax expense	6,589,008	18,233,298	95,000	64,000

11 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land, farm and poultry buildings RM	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 2020	166,998,640	67,550,824	127,995,362	515,724	80,694,079
Additions	5,071,785	503,064	13,162,509	0	146,550
Disposals	(179,843)	0	(569,052)	0	0
Write off	(466,524)	(120,833)	(532,100)	0	(503,500)
Reclassification	8,816,777	28,394	9,633,944	0	0
Foreign exchange difference	0	(14,036)	(1,923)	0	0
As at 31 December 2020	180,240,835	67,947,413	149,688,740	515,724	80,337,129
Less: Accumulated depreciation					
As at 1 January 2020	38,549,153	8,210,164	61,335,406	211,405	24,279,679
Charge for the financial year	3,565,616	1,399,662	8,705,520	29,117	3,981,125
Disposals	(101,983)	0	(432,678)	0	0
Write off	(404,909)	(20,860)	(460,283)	0	(229,356)
Foreign exchange difference	0	(3,840)	(1,904)	0	0
As at 31 December 2020	41,607,877	9,585,126	69,146,061	240,522	28,031,448
Net carrying amount as at 31 December 2020	138,632,958	58,362,287	80,542,679	275,202	52,305,681

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 2020	28,502,059	22,153,439	2,516,443	14,893,829	511,820,399
Additions	1,698,336	2,041,006	0	26,181,268	48,804,518
Disposals	(612,803)	(233,155)	0	0	(1,594,853)
Write off	(31,500)	(525,051)	0	0	(2,179,508)
Reclassification	0	4,051,382	0	(22,530,497)	0
Foreign exchange difference	(1,257)	(265)	(141)	0	(17,622)
As at 31 December 2020	29,554,835	27,487,356	2,516,302	18,544,600	556,832,934
Less: Accumulated depreciation					
As at 1 January 2020	20,714,652	8,880,023	1,082,310	0	163,262,792
Charge for the financial year	2,777,155	2,110,031	349,194	0	22,917,420
Disposals	(843,708)	(2,250)	0	0	(1,380,619)
Write off	(31,500)	(502,440)	0	0	(1,649,348)
Foreign exchange difference	(1,199)	(277)	(145)	0	(7,365)
As at 31 December 2020	22,615,400	10,485,087	1,431,359	0	183,142,880
Less: Accumulated impairment					
As at 1 January 2020/ 31 December 2020	0	0	0	84,900	84,900
Net carrying amount as at 31 December 2020	6,939,435	17,002,269	1,084,943	18,459,700	373,605,154

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Freehold land, farm and poultry buildings			Freehold land and factory buildings		
	Freehold land RM	Farm poultry buildings RM	Total RM	Freehold land RM	Factory buildings RM	Total RM
At cost						
As at 1 January 2020	76,934,689	90,063,951	166,998,640	15,287,203	52,263,621	67,550,824
Additions	4,079,903	991,882	5,071,785	0	503,064	503,064
Disposals	0	(179,843)	(179,843)	0	0	0
Write off	0	(466,524)	(466,524)	0	(120,833)	(120,833)
Reclassification	165,373	8,651,404	8,816,777	0	28,394	28,394
Foreign exchange differences	0	0	0	0	(14,036)	(14,036)
As at 31 December 2020	81,179,965	99,060,870	180,240,835	15,287,203	52,660,210	67,947,413
Less: Accumulated depreciation						
As at 1 January 2020	0	38,549,153	38,549,153	0	8,210,164	8,210,164
Charge for the financial year	0	3,565,616	3,565,616	0	1,399,662	1,399,662
Disposals	0	(101,983)	(101,983)	0	0	0
Write off	0	(404,909)	(404,909)	0	(20,860)	(20,860)
Foreign exchange differences	0	0	0	0	(3,840)	(3,840)
As at 31 December 2020	0	41,607,877	41,607,877	0	9,585,126	9,585,126
Net carrying amount as at 31 December 2020	81,179,965	57,452,993	138,632,958	15,287,203	43,075,084	58,362,287

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land, farm and poultry buildings RM	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 2019	163,507,407	67,061,184	121,074,211	515,724	77,499,306
Additions	1,154,808	410,377	4,270,522	0	(86,644)
Disposals	0	0	(112,500)	0	0
Write off	0	0	(50,418)	0	(771,000)
Reclassification	2,336,425	29,258	2,806,696	0	4,052,417
Acquisition of subsidiary	0	0	0	0	0
Foreign exchange difference	0	50,005	6,851	0	0
As at 31 December 2019	166,998,640	67,550,824	127,995,362	515,724	80,694,079
Less: Accumulated depreciation					
As at 1 January 2019	35,148,694	6,354,039	53,374,412	182,289	20,691,287
Charge for the financial year	3,400,459	1,850,923	8,052,702	29,116	3,919,607
Disposals	0	0	(46,595)	0	0
Write off	0	0	(50,418)	0	(331,215)
Foreign exchange difference	0	5,202	5,305	0	0
As at 31 December 2019	38,549,153	8,210,164	61,335,406	211,405	24,279,679
Net carrying amount as at 31 December 2019	128,449,487	59,340,660	66,659,956	304,319	56,414,400

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 2019	26,556,455	17,199,417	2,065,250	5,304,122	480,783,076
Additions	4,009,611	4,785,613	479,124	19,302,814	34,326,225
Disposals	(1,954,732)	(268,413)	0	0	(2,335,645)
Write off	(153,574)	(55,511)	(28,357)	0	(1,058,860)
Reclassification	0	488,311	0	(9,713,107)	0
Acquisition of subsidiary (Note 13)	39,894	3,144	0	0	43,038
Foreign exchange difference	4,405	878	426	0	62,565
As at 31 December 2019	28,502,059	22,153,439	2,516,443	14,893,829	511,820,399
Less: Accumulated depreciation					
As at 1 January 2019	19,873,287	7,347,564	784,554	0	143,756,126
Charge for the financial year	2,836,980	1,803,478	320,706	0	22,213,971
Disposals	(1,859,170)	(217,163)	0	0	(2,122,928)
Write off	(138,820)	(54,443)	(23,093)	0	(597,989)
Foreign exchange difference	2,375	587	143	0	13,612
As at 31 December 2019	20,714,652	8,880,023	1,082,310	0	163,262,792
Less: Accumulated impairment					
As at 1 January 2019	0	0	0	38,565	38,565
Charge for the financial year	0	0	0	46,335	46,335
As at 31 December 2019	0	0	0	84,900	84,900
Net carrying amount as at 31 December 2019	7,787,407	13,273,416	1,434,133	14,808,929	348,472,707

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Freehold land, farm and poultry buildings			Freehold land and factory buildings		
	Freehold land RM	Farm poultry buildings RM	Total RM	Freehold land RM	Factory buildings RM	Total RM
At cost						
As at 1 January 2019	76,126,246	87,381,161	163,507,407	15,287,203	51,773,981	67,061,184
Additions	808,443	346,365	1,154,808	0	410,377	410,377
Reclassification	0	2,336,425	2,336,425	0	29,258	29,258
Foreign exchange differences	0	0	0	0	50,005	50,005
As at 31 December 2019	76,934,689	90,063,951	166,998,640	15,287,203	52,263,621	67,550,824
Less: Accumulated depreciation						
As at 1 January 2019	0	35,148,694	35,148,694	0	6,354,039	6,354,039
Charge for the financial year	0	3,400,459	3,400,459	0	1,850,923	1,850,923
Foreign exchange differences	0	0	0	0	5,202	5,202
As at 31 December 2019	0	38,549,153	38,549,153	0	8,210,164	8,210,164
Net carrying amount as at 31 December 2019	76,934,689	51,514,798	128,449,487	15,287,203	44,053,457	59,340,660

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 2020	2,838,986	409,176	382,895	3,631,057
Additions	220,044	111,290	97,280	428,614
Reclassification	480,175	0	(480,175)	0
Written off	(52,657)	0	0	(52,657)
As at 31 December 2020	3,486,548	520,466	0	4,007,014
Less: Accumulated depreciation				
As at 1 January 2020	1,331,397	311,413	0	1,642,810
Charge for the financial year	342,738	34,949	0	377,687
Written off	(43,460)	0	0	(43,460)
As at 31 December 2020	1,630,675	346,362	0	1,977,037
Net carrying amount as at 31 December 2020	1,855,873	174,104	0	2,029,977
At cost				
As at 1 January 2019	2,607,152	409,176	382,924	3,399,252
Additions	231,805	0	0	231,805
Reclassification	29	0	(29)	0
As at 31 December 2019	2,838,986	409,176	382,895	3,631,057
Less: Accumulated depreciation				
As at 1 January 2019	1,047,339	229,578	0	1,276,917
Charge for the financial year	284,058	81,835	0	365,893
As at 31 December 2019	1,331,397	311,413	0	1,642,810
Net carrying amount as at 31 December 2019	1,507,589	97,763	382,895	1,988,247

(a) Certain property, plant and equipment of certain subsidiaries with carrying amount of RM29,828,544 (2019: RM40,683,380) have been pledged to banks as security for banking facilities granted to the Group (Note 23).

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The following property, plant and equipment were acquired under hire purchase instalment plans (Note 24):

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Carrying amount				
Plant and machinery	10,169,983	11,934,802	0	0
Egg layer conveyor and cages system	10,825,481	17,378,030	0	0
Motor vehicles	5,372,267	6,238,654	107,581	53,169
Equipment	0	0	265,020	299,968
Capital work-in-progress	0	155,000	0	0
	26,367,731	35,706,486	372,601	353,137

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cost of property, plant and equipment purchased	48,804,518	34,326,225	428,614	231,805
Amount financed through hire purchase	(3,022,900)	(5,725,580)	(100,000)	0
Prepaid balance included under non-current receivables (Note 18)	3,720,849	0	250,781	0
Unpaid balance included under sundry payables (Note 27(d))	(7,123,169)	(2,732,370)	(44,798)	(10,950)
Cash disbursed in respect of purchases made in previous financial year	2,732,370	3,967,656	10,950	31,292
Cash disbursed for purchase of property, plant and equipment	45,111,668	29,835,931	545,547	252,147

(d) Included in capital work-in-progress was borrowing cost of RM67,735 (2019: RM358,125) arising on funds borrowed which was capitalised by applying the average borrowing rate of 4% (2019: 4%) per annum.

12 RIGHT-OF-USE ASSETS

	Leasehold land RM	Buildings RM	Total RM
Group			
2020			
At 1 January 2020	4,976,060	151,282	5,127,342
ROU acquired during the year	0	278,640	278,640
Depreciation	(130,590)	(167,058)	(297,648)
Currency translation difference	(1,474)	(391)	(1,865)
At 31 December 2020	4,843,996	262,473	5,106,469
Cost	5,310,046	581,777	5,891,823
Less: Accumulated depreciation	(466,050)	(319,304)	(785,354)
Net carrying amount	4,843,996	262,473	5,106,469
2019			
At 1 January 2019	5,122,013	219,652	5,341,665
ROU acquired during the year	0	84,869	84,869
Depreciation	(129,122)	(153,239)	(282,361)
Currency translation difference	(16,831)	0	(16,831)
At 31 December 2019	4,976,060	151,282	5,127,342
Cost	5,311,520	303,528	5,615,048
Less: Accumulated depreciation	(335,460)	(152,246)	(487,706)
Net carrying amount	4,976,060	151,282	5,127,342

13 GOODWILL ARISING ON CONSOLIDATION

	2020 RM	2019 RM
At beginning of financial year	102,424	0
Arising from acquisition during the year	0	102,424
At end of financial year	102,424	102,424

The above goodwill arises from the acquisition of subsidiary, Professional Vet Enterprise Sdn Bhd during the previous financial year, and was allocated to its pet food, medicine and other animal health related products operation in East Malaysia. It is not deemed to be material to the Group.

The impact of acquisition was as follows:

	RM
Net assets acquired	1,697,576
Goodwill arising on consolidation	102,424
Purchase consideration	1,800,000
Less: Cash and cash equivalents of subsidiaries acquired	(461,903)
Net cash outflow on acquisition of subsidiaries	1,338,097

14 INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM	2019 RM
Unquoted shares, at cost		
- in Malaysia	71,215,850	74,834,600
- outside Malaysia	1,448,885	1,448,885
Less: Accumulated impairment loss	(132,519)	(106,099)
	72,532,216	76,177,386

14 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
		2020 %	2019 %	
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.
* 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.	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.

14 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		Principal activities
		2020 %	2019 %	
Subsidiaries of Teo Seng Farming Sdn. Bhd.				
** Teo Seng Integrated Farming Sdn. Bhd. (fka Liberal Energy Sdn. Bhd.)	Malaysia	100	100	Poultry farming, manufacturing and marketing of animal feeds, fertiliser and related poultry products – yet to commence operations
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.
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
Professional Vet Enterprise Sdn. Bhd.	Malaysia	100	100	Distribution of pet food, medicine and other animal health related products.

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

** During the financial year, the Company disposed its entire equity interest in Teo Seng Integrated Farming Sdn. Bhd. (fka Liberal Energy Sdn. Bhd.) ("TSIF") for a cash consideration of RM3,000,000 to its subsidiary, Teo Seng Farming Sdn Bhd. Following the disposal, TSIF is now a direct subsidiary of Teo Seng Farming Sdn. Bhd. There is no impact to the Group financial statements.

15 EQUITY INSTRUMENTS CLASSIFIED AS FVOCI

	Group	
	2020 RM	2019 RM
Quoted shares in Malaysia	6,740	8,455

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 32(e) for disclosure of fair values information on the quoted shares.

16 BIOLOGICAL ASSETS

	Group	
	2020 RM	2019 RM
<u>At fair value less cost to sell</u>		
Pullets and layers	55,691,491	56,854,079

The movement of biological assets can be analysed as follows:

	Group	
	2020 RM	2019 RM
At 1 January	56,854,079	53,518,837
Increase due to purchases	8,789,724	9,521,874
Livestock losses	(7,963,778)	(8,041,060)
Change in fair value	25,220,573	28,242,498
Depopulation	(27,209,107)	(26,388,070)
At 31 December	55,691,491	56,854,079

The biological assets comprise pullets and layers. During the financial year, the Group produced approximately 1.4 billion (2019: 1.4 billion) of table eggs. The number of pullets and layers as at 31 December 2020 included in the fair valuation of biological assets was 5.6 million (2019: 5.3 million).

The fair value of biological assets is determined using a discounted cash flow model, based on the expected cash inflow from the table eggs produced by each layer, less expected costs incurred over the life span of the pullets and layers, and imputed contributory assets charges for the assets essential for the production of table eggs.

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, expected salvage value of layers, mortality rate, feed consumption rate, feed costs and other variable costs to be incurred over the life span of the layers, as well as the discount rate used for the cash flow. Changes to any of these assumptions would affect the fair value of the biological assets.

16 BIOLOGICAL ASSETS (CONTINUED)

The Group performs the valuation of the biological assets required for financial reporting purposes. Discussions of valuation processes and results are performed by the Group at least once every quarter.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- projected selling price of the table eggs – based on management's estimate by reference to historical selling price adjusted for abnormal market movements
- discount rate – based on weighted average cost of capital and adjusted for risk specific to the biological assets

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 model.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Discounted cash flow: - The valuation method considers the expected cash inflow from the table eggs produced, less expected costs incur over the life span of the layers, and imputed contributory assets charges for the assets essential to the production of table eggs.	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.

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

	Group	
	2020	2019
Projected selling prices of the table eggs (RM per egg)	0.278	0.282
Feed and other variable costs (per MT)	1,221	1,245
Discount rate	10%	10%

Sensitivity analysis

If the estimated projected selling prices of the table eggs had been 1 sen lower per egg than management estimate, the fair value of the biological assets would have decreased by RM5,791,410.

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.

17 INVENTORIES

	Group	
	2020 RM	2019 RM
Raw materials	15,885,719	15,620,101
Trading merchandise	23,087,774	22,222,219
Poultry feeds	1,575,376	1,608,342
Medication	693,960	575,721
Consumables	1,870,045	1,566,074
Eggs	2,296,612	2,054,962
Egg trays	1,458,822	1,264,111
Fertiliser	340,071	362,761
Fertiliser work-in-progress	987,334	1,338,184
	48,195,713	46,612,475

Inventories recognised as an expense during the financial year ended 31 December 2020 amounted to RM330,395,434 (2019: RM332,720,883).

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
NON CURRENT				
Prepayment for purchase of property, plant and equipment	3,720,849	0	250,781	0
CURRENT				
Trade receivables				
Amounts due from related companies	4,547,103	4,926,829	0	0
Amounts due from related parties	2,047,059	2,806,327	0	0
Other trade receivables	44,791,905	48,222,281	0	0
	51,386,067	55,955,437	0	0
Less: Loss allowance for trade receivables	(1,343,513)	(2,398,610)	0	0
	50,042,554	53,556,827	0	0

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables				
Amount due from related company	0	8,300	0	0
Amounts due from subsidiaries	0	0	6,010,644	3,810,230
Deposits	791,977	4,052,983	0	0
Prepayments	1,845,616	2,567,219	73,627	327,256
Goods and services tax recoverable	63,134	67,843	0	1,446
Sundry receivables	657,902	2,264,437	0	0
	3,358,629	8,960,782	6,084,271	4,138,932
Total current	53,401,183	62,517,609	6,084,271	4,138,932
Total	57,122,032	62,517,609	6,335,052	4,138,932

The movement of loss allowance for trade receivable is as follows:

	Group	
	2020 RM	2019 RM
At 1 January	2,398,610	2,091,617
Increase in loss allowance recognised in profit or loss during the year	137,280	413,392
Write off during the year	(1,192,251)	(106,399)
Foreign exchange differences	(126)	0
At 31 December	1,343,513	2,398,610

(a) The changes in gross carrying amount of the trade receivables that contributed to the changes in loss allowance above were as follows:

(i) Decrease in revenue contracts from customer which has decreased the gross carrying amount by 8%, resulting in decrease in loss allowance of RM276,112;
(ii) Write off of trade receivables with gross carrying amount of RM1,192,251 resulted in the reduction of loss amount in the same balance.

(b) The Group and the Company's normal credit terms range from cash term to 150 days (2019: cash term to 150 days).

(c) 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 RM6,010,218 (2019: RM641,037) which bear interest at 2% (2019: 3.40%) per annum.

19 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	44,918,529	41,101,083	403,429	1,223,888
Less: Bank overdrafts (Note 23)	(1,807,049)	0	0	0
Cash and cash equivalents	43,111,480	41,101,083	403,429	1,223,888

Bank balances are deposits held at call with the banks.

20 SHARE CAPITAL

	Group and Company	
	2020 RM	2019 RM
Ordinary shares issued and fully paid, at no par value		
At 1 January 300,001,225 (2019: 300,001,225) ordinary shares	60,001,654	60,001,654
Issuance of share via exercise of warrants 6,950 ordinary shares (2019: NIL)	9,382	0
At 31 December 300,008,175 (2019: 300,001,225) ordinary shares	60,011,036	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 in the Company ("Share") at an exercise price of RM1.35 per new ordinary share.

During the financial year, 6,950 new ordinary shares have been issued via exercise of the warrants.

The Warrants has expired on 29 January 2020. Accordingly, the Warrants has been removed from the Official List of Bursa Securities with effect from 30 January 2020.

21 TREASURY SHARES

On 12 August 2020, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy back its own shares on up to ten percent (10%) of the issued and paid-up capital of the Company.

There was no issuance, repurchase, cancellation or resales of the treasury shares during the current financial year. During the previous financial year, the Company repurchased 5,947,700 ordinary shares of its issued share capital from the open market for RM7,969,405 at an average price of RM1.34 per share.

As at 31 December 2020, the Company held as treasury shares a total of 6,156,700 out of its 300,008,175 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM8,345,642.

22 OTHER RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-distributable				
Fair value reserve				
- FVOCI	4,529	6,244	0	0
Capital contribution reserve	446,582	284,142	55,209	35,230
Currency translation reserve	582,982	598,876	0	0
Reverse acquisition reserve	(26,078,000)	(26,078,000)	0	0
	(25,043,907)	(25,188,738)	55,209	35,230

(a) Fair value reserve

The fair value reserve represents the cumulative fair value changes of equity instruments classified as FVOCI.

(b) Capital contribution reserve

The capital contribution reserve comprises the cumulative share based compensation expenses related to the employees' share option scheme of the penultimate holding company.

(c) Currency translation reserve

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

(d) 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.

23 BANK BORROWINGS

	Group	
	2020 RM	2019 RM
CURRENT		
Secured		
Term loans	2,568,280	3,625,794
Unsecured		
Bankers' acceptances	100,092,000	80,450,000
Revolving credit	8,000,000	5,000,000
Bank overdrafts	1,807,049	0
Term loans	9,543,300	5,237,436
	122,010,629	94,313,230
NON-CURRENT		
Secured		
Term loans	9,258,471	16,298,225
Unsecured		
Term loans	42,919,571	29,024,463
	52,178,042	45,322,688
TOTAL		
Secured		
Term loans	11,826,751	19,924,019
Unsecured		
Bankers' acceptances	100,092,000	80,450,000
Revolving credit	8,000,000	5,000,000
Bank overdrafts	1,807,049	0
Term loans	52,462,871	34,261,899
	174,188,671	139,635,918

23 BANK BORROWINGS (CONTINUED)

(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 unsecured bank borrowings of the Group are covered by a corporate guarantee by the Company and a negative pledge on subsidiaries' assets.

(c) The term loans are repayable over 72 to 96 monthly instalments.

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

	2020 % per annum	2019 % per annum
Bank overdrafts	6.6	N/A
Bankers' acceptances	2.7	4.1
Revolving credit	3.5	4.2
Term loans	3.8	4.6

24 HIRE PURCHASE PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Minimum lease payments under hire purchase liabilities are:				
Not later than one financial year	7,074,755	8,535,830	120,760	146,111
Later than one financial year and not later than five financial years	9,815,222	13,982,607	68,290	85,120
	16,889,977	22,518,437	189,050	231,231
Less: Future finance charges	(1,289,752)	(2,059,395)	(8,341)	(10,844)
Present value of the hire purchase liabilities	15,600,225	20,459,042	180,709	220,387
Present value of hire purchase liabilities:				
Current	6,354,451	7,548,626	115,278	137,081
Non-current	9,245,774	12,910,416	65,431	83,306
	15,600,225	20,459,042	180,709	220,387

24 HIRE PURCHASE PAYABLES (CONTINUED)

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

	Group		Company	
	2020 % per annum	2019 % per annum	2020 % per annum	2019 % per annum
Hire purchase payables	1.9 – 6.7	3.4 – 6.7	4.4 – 6.1	5.0 – 6.1

25 LEASE LIABILITIES

	Group	
	2020 RM	2019 RM
Amount due for settlement within 12 months - current	232,150	172,116
Amount due for settlement after 12 months - non-current	3,341,633	3,354,458
At 31 December	3,573,783	3,526,574
Maturity analysis		
Not more than 1 year	356,255	297,123
Later than 1 year and not later than 2 years	281,983	214,099
Later than 2 years and not later than 5 years	552,004	567,296
Later than 5 years	4,462,042	4,648,488
At 31 December	5,652,284	5,727,006

Included in the above lease liabilities is one lease contract which its lease payments are subject to an annual revision based on market rent but the amount of the rental increase is not to exceed a certain percentage. The lease liabilities are measured using the lease rate as at the latest market rent review.

Total cash outflow for leases are as follows:

	Group	
	2020 RM	2019 RM
Lease payment within financing activities	357,072	341,083
Cash flows relating to short-term leases that included in administrative expenses	124,322	164,980
Cash flows relating to low-value assets that included in administrative expenses)	32,382	22,183
Total cash outflow for leases	513,776	528,246

26 DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax assets				
- subject to income tax	(448,699)	(158,021)	0	0
Deferred tax liabilities				
- subject to income tax	30,051,818	29,747,178	228,000	61,000
- subject to real property gains tax	3,392,250	3,392,250	0	0
	33,444,068	33,139,428	228,000	61,000
	32,995,369	32,981,407	228,000	61,000
The movements during the financial year are as follows:				
At beginning of the financial year	32,981,407	24,586,241	61,000	69,000
Charged/(credited) to profit or loss (Note 10)				
- property, plant and equipment	(623,272)	5,904,590	64,000	(3,000)
- biological assets	256,000	922,000	0	0
- receivables	280,335	(100,000)	0	0
- unutilised tax losses	103,000	1,661,000	103,000	(5,000)
	16,063	8,387,590	167,000	(8,000)
- foreign exchange differences	(2,101)	7,576	0	0
At end of the financial year	32,995,369	32,981,407	228,000	61,000

26 DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Subject to income tax				
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	27,408,151	27,596,178	228,000	164,000
- biological assets	3,145,000	2,889,000	0	0
	30,553,151	30,485,178	228,000	164,000
Offsetting	(501,333)	(738,000)	0	(103,000)
Deferred tax liabilities (after offsetting)	30,051,818	29,747,178	228,000	61,000
Deferred tax assets (before offsetting)				
- property, plant and equipment	(595,367)	(158,021)	0	0
- receivables	(152,665)	(433,000)	0	0
- unutilised tax losses	(202,000)	(305,000)	0	(103,000)
	(950,032)	(896,021)	0	(103,000)
Offsetting	501,333	738,000	0	103,000
Deferred tax assets (after offsetting)	(448,699)	(158,021)	0	0
Subject to real property gains tax				
Deferred tax liabilities				
- property, plant and equipment	3,392,250	3,392,250	0	0

The Group has elected to measure freehold land at fair value as deemed cost as at date of transition upon first time adoption of MFRS. The related revaluation reserve net of deferred tax impact was reclassified to retained earnings.

Deferred tax assets not recognised

The amounts of unused tax losses and unutilised capital allowance for which no deferred tax asset is recognised were RM10,057,000 (2019: RM1,881,000) and RM3,255,000 (2019: RM NIL) respectively. No deferred tax assets are recognised as it is not probable that future taxable profits will be available against which the unused tax losses and unutilised capital allowance can be utilised.

Under the Malaysia Finance Bill 2018 which was passed on 10 December 2018, the Group's unutilised tax losses and unutilised reinvestment allowance will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses or unutilised reinvestment allowance brought forward can be carried forward for another 7 consecutive years of assessment. The unutilised capital allowance has no expiry date.

26 DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

The unutilised tax losses and unutilised reinvestment allowance will expire within the following periods:

Unutilised tax losses:

	RM
Year	
2025	1,881,000
2027	8,176,000
	10,057,000

Unutilised reinvestment allowances:

	RM
Year	
2025	9,233,974
2026	0
2027	882,161
	10,116,135

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables				
Amounts due to related companies	2,843,951	2,864,882	0	0
Amounts due to related parties	771,932	914,094	0	0
Other trade payables	26,680,839	32,421,387	0	0
	30,296,722	36,200,363	0	0
Other payables				
Amounts due to related companies	12,990	16,711	5,505	5,136
Amount due to a subsidiary	0	0	705,473	1,335,022
Accruals	10,211,978	12,935,354	418,486	499,582
Sales and services tax payables	170,978	138,982	0	0
Sundry payables	13,740,920	9,104,270	202,800	195,924
Deferred government grant	133,220	0	0	0
Derivative financial liabilities	10,976	28,969	0	0
	24,281,062	22,224,286	1,332,264	2,035,664
	54,577,784	58,424,649	1,332,264	2,035,664

27 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The normal trade terms granted to the Group range from cash term to 90 days (2019: 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 2.0% (2019: 3.4%) per annum at the end of the reporting period.

(d) Included in sundry payables of the Group and Company is an amount of RM7,123,169 (2019: RM2,732,370) and RM44,798 (2019: RM10,950) respectively payable for the purchase of property, plant and equipment (Note 11(c)).

(e) Derivative financial liabilities relate to the forward foreign currency contracts entered into by the Group to manage their exposure to foreign currency exchange risks related to transactions denominated in USD. The Group 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 Group did not apply hedge accounting during the financial year.

28 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	
	2020	**2019**
Profit attributable to ordinary equity holders of the Company (RM)	4,188,413	58,834,979
Weighted average number of ordinary shares in issue (units)	293,851,475	293,844,525
Basic earnings per ordinary share (sen)	1.43	20.02

(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. There are no dilutive potential ordinary shares for the Group during the current financial year while during the prior financial year, the dilutive potential ordinary shares for the Group were 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.

The potential conversion of (warrants) were anti-dilutive as their exercise prices were higher than the average market price of the Company's ordinary shares during the prior financial year. Accordingly, the exercise of warrants had been ignored in the calculation of dilutive earnings per share and the diluted earnings per ordinary share is the same as the basic earnings per ordinary shares.

29 DIVIDENDS

	2020 RM	2019 RM
In respect of financial year ended 31 December 2018:		
A second interim single tier dividend of 2.5 sen (2019: 2.5 sen) on 299,792,225 ordinary shares	0	7,494,806
In respect of financial year ended 31 December 2019:		
A first interim single tier dividend of 3 sen (2019: 3 sen) on 299,792,225 ordinary shares	0	8,993,767
A second interim single tier dividend of 2 sen (2019: 2 sen) on 293,844,525 ordinary shares	0	5,876,890
A third interim single tier dividend of 1 sen (2019: NIL) on 293,851,475 ordinary shares	2,938,515	0
	2,938,515	22,365,463

The Board of Directors do not recommend any dividend for the financial year ended 31 December 2020.

30 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 Berhad	Penultimate holding company
Leong Hup (Malaysia) Sdn Bhd	Fellow subsidiary
Leong Hup Corporate Services Sdn Bhd	Fellow subsidiary
Lee Say Group Pte Ltd	Fellow subsidiary

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(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	
	2020 RM	2019 RM
With fellow subsidiaries		
- sale of goods	(23,041,049)	(17,509,886)
- purchase of goods	17,103,326	16,350,201
With related parties:		
- companies where Lau family# are Directors/shareholders		
- sale of goods	(2,259,139)	(13,666,635)
- purchase of goods	2,190,167	13,016,591
- company where spouse of Mr. Nam Yok San, the Director of the Company, is a director		
- transport charges	8,461,591	9,301,677

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, Lau Joo Han Lau Chia Nguang, Datuk Lau Chir Nguan, Dato' Lau Eng Guang, Lau Hai Nguan and Tan Sri Lau Tuang Nguang collectively.

	Company	
	2020 RM	2019 RM
With subsidiaries		
- dividend income received	(13,000,000)	(36,250,000)
- interest income	(110,668)	(24,703)
- interest expense	24,030	99,992
- management fee income	(757,680)	(1,084,800)

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

(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.

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel compensation (continued)

The key management personnel compensation during the financial year are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Executive Directors' Remuneration of the Company (Note 7)	1,456,657	915,664	511,344	612,664
Executive Directors' Remuneration of the subsidiaries	1,811,845	2,326,736	0	0
Other key management personnel				
Salaries, bonuses and other benefits	2,224,026	2,484,886	0	0
Defined contribution benefits	284,607	320,313	0	0
Share based payment	28,694	49,624	0	0
Benefits-in-kind	22,700	26,200	0	0
	2,560,027	2,881,023	0	0
	5,828,529	6,123,423	511,344	612,664

31 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 – distribution of pet food, medicine, and other animal health related products, investment holding and provision of management services.

(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 and equity instrument classified as FVOCI.

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

31 OPERATING SEGMENTS (CONTINUED)

(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 segments. The effects of such inter-segment transactions and balances arising thereof are eliminated.

The intersegment elimination for the segment profit before interest and tax comprised mainly intersegment dividend and unrealised profit on unsold inventories purchased from intersegment. The intersegment elimination for the segment assets comprised mainly intersegment balances and unrealised profit on unsold inventories purchased from intersegment while for the segment liabilities, it comprised mainly intersegment balances.

Business segments

	Poultry RM	Trading & Others RM	Intersegment elimination RM	Group RM
2020				
REVENUE				
- external revenue	401,876,482	76,403,935	0	478,280,417
- inter-segment revenue	0	46,413,649	(46,413,649)	0
CONSOLIDATED REVENUE	401,876,482	122,817,584	(46,413,649)	478,280,417
RESULTS				
Segment profit before interest and tax	5,790,441	17,922,383	(6,686,149)	17,026,675
Finance income				330,701
Finance costs				(6,579,955)
CONSOLIDATED PROFIT BEFORE TAX				10,777,421
Tax				(6,589,008)
CONSOLIDATED PROFIT AFTER TAX				4,188,413
ASSETS				
Segment assets	490,065,196	118,058,690	(23,382,074)	584,741,812
Unallocated assets:				
Deferred tax assets				448,699
Income producing assets				6,740
Tax recoverable				5,761,800
CONSOLIDATED TOTAL ASSETS				590,959,051

31 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Poultry RM	Trading & Others RM	Intersegment elimination RM	Group RM
2020				
LIABILITIES				
Segment liabilities	60,943,583	19,999,994	(22,792,010)	58,151,567
Unallocated liabilities:				
Borrowings				189,788,896
Tax payable and deferred tax liabilities				34,984,408
CONSOLIDATED TOTAL LIABILITIES				282,924,871
OTHER SEGMENT ITEMS				
Capital expenditure	48,056,632	747,886	0	48,804,518
Depreciation	20,658,514	2,258,906	0	22,917,420
Non-cash item (other than depreciation)	525,168	383,517	0	908,685
2019				
REVENUE				
- external revenue	479,233,952	67,300,853	0	546,534,805
- inter-segment revenue	0	58,738,441	(58,738,441)	0
CONSOLIDATED REVENUE	479,233,952	126,039,294	(58,738,441)	546,534,805
RESULTS				
Segment profit before interest and tax	76,491,603	37,929,383	(29,886,772)	84,534,214
Finance income				355,225
Finance costs				(7,821,162)
CONSOLIDATED PROFIT BEFORE TAX				77,068,277
Tax				(18,233,298)
CONSOLIDATED PROFIT AFTER TAX				58,834,979

31 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Poultry RM	Trading & Others RM	Intersegment elimination RM	Group RM
2019				
Segment assets	471,868,275	106,495,465	(17,576,021)	560,787,719
Unallocated assets:				
Deferred tax assets				158,021
Income producing assets				8,455
Tax recoverable				1,594,218
CONSOLIDATED TOTAL ASSETS				562,548,413
LIABILITIES				
Segment liabilities	54,628,198	24,364,101	(17,041,076)	61,951,223
Unallocated liabilities:				
Borrowings				160,094,960
Tax payable and deferred tax liabilities				33,872,161
CONSOLIDATED TOTAL LIABILITIES				255,918,344
OTHER SEGMENT ITEMS				
Capital expenditure	31,906,084	2,420,141	0	34,326,225
Depreciation	19,992,844	2,221,127	0	22,213,971
Non-cash item (other than depreciation)	772,491	248,375	0	1,020,866

31 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Group				
Malaysia	290,540,117	340,034,559	357,259,330	325,219,535
Singapore	150,485,371	176,396,502	25,275,566	28,482,938
Others	37,254,929	30,103,744	0	0
	478,280,417	546,534,805	382,534,896	353,702,473

Major customers

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

32 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 16.

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:

(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.

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

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 31.12.2020				
Group	**HKD RM**	**SGD RM**	**USD RM**	**Others RM**	**Total RM**
FINANCIAL ASSETS					
Trade and other receivables	2,154,640	8,328,108	39,648	56,719	10,579,115
Cash and bank balances	733	12,683,501	4,911	19,089	12,708,234
	2,155,373	21,011,609	44,559	75,808	23,287,349
FINANCIAL LIABILITIES					
Trade and other payables	0	(1,850,048)	(5,130,242)	(672,307)	(7,652,597)
Bank borrowings	0	(8,221,787)	0	0	(8,221,787)
Hire purchase payables	0	(278,609)	0	0	(278,609)
	0	(10,350,444)	(5,130,242)	(672,307)	(16,152,993)
Less: Forward foreign currency contracts (contracted notional principal)	0	0	1,923,623	0	1,923,623
CURRENCY EXPOSURE	2,155,373	10,661,165	(3,162,060)	(596,499)	9,057,979

	Currency exposure as at 31.12.2019				
Group	**HKD RM**	**SGD RM**	**USD RM**	**Others RM**	**Total RM**
FINANCIAL ASSETS					
Trade and other receivables	938,431	12,687,093	82	133,372	13,758,978
Cash and bank balances	914	14,235,834	4,911	22,302	14,263,961
	939,345	26,922,927	4,993	155,674	28,022,939
FINANCIAL LIABILITIES					
Trade and other payables	0	(2,735,732)	(10,996,552)	(356,238)	(14,088,522)
Bank borrowings	0	(9,736,679)	0	0	(9,736,679)
Hire purchase payables	0	(440,974)	0	0	(440,974)
	0	(12,913,385)	(10,996,552)	(356,238)	(24,266,175)
Less: Forward foreign currency contracts (contracted notional principal)	0	0	3,878,011	0	3,878,011
CURRENCY EXPOSURE	939,345	14,009,542	(7,113,548)	(200,564)	7,634,775

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

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	
	2020 RM	**2019 RM**
Effects on profit after tax and equity		
HKD/RM		
- strengthened by10% (2019: 10%)	163,808	71,390
- weakened by 10% (2019: 10%)	(163,808)	(71,390)
SGD/RM		
- strengthened by 5% (2019: 5%)	405,124	532,396
- weakened by 5% (2019: 5%)	(405,124)	(532,396)
USD/RM		
- strengthened by 5% (2019: 5%)	(120,158)	(270,315)
- weakened by 5% (2019: 5%)	120,158	270,315

The Company is not exposed to foreign currency risk as at 31 December 2020 and 31 December 2019.

(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.

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk (continued)

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	
	2020 RM	2019 RM	2020 RM	2019 RM
FIXED RATE INSTRUMENTS				
Financial liabilities				
Hire purchase payable	15,600,225	20,459,042	180,709	220,387
FLOATING RATE INSTRUMENTS				
Financial liabilities				
Bank overdrafts	1,807,049	0	0	0
Term loans	64,289,622	54,185,918	0	0
Bankers' acceptances	100,092,000	80,450,000	0	0
Revolving credits	8,000,000	5,000,000	0	0
	174,188,671	139,635,918	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	
	2020 RM	2019 RM
+ 50 bp	661,917	530,616
- 50 bp	(661,917)	(530,616)

(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.

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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. 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.

Group impairment policy

(i) Trade receivables using simplified approach

Historically, the Group's loss arising from credit risk is low. 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.

During the financial year, in view of the economic conditions resulting from the impact of Covid-19 pandemic, management has considered a range of possible outcomes, ie a baseline scenario and the worst case scenario in computing the ECL. In the baseline scenario, management incorporated the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables and made adjustments to the expected loss rates accordingly. In the worst case scenario, management considered a further increase in expected loss rate as computed in the baseline scenario. A probability-weighting of occurrence was subsequently applied to these two different scenarios to derive at the expected credit loss allowance to be made.

(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	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if repayments are 30 days past due.	Lifetime ECL
Non-performing	Repayments are 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Reconciliation of loss allowance

(i) Trade receivables using simplified approach

The loss allowance provision for trade receivables as at 31 December 2020 reconciles to the opening loss allowance disclosed in Note 18.

(ii) Other receivables using general 3-stage approach

No loss allowance is recorded.

Maximum exposure to credit risk

(i) Trade receivables using simplified approach

The following table contains an analysis of the credit risk exposure of trade receivables (external) for which a loss allowance is recognised using simplified approach. The gross carrying amount of trade receivables below also represents the Group's maximum exposure to credit risk on these assets:

	Current	1 to 90 days past due	91 to 180 days past due	More than 180 days past due	Total
31 December 2020					
Gross carrying amount (RM):					
- external trade receivables	29,735,840	13,186,366	441,540	1,428,159	44,791,905
Individual impairment – credit impaired	0	0	0	(534,470)	(534,470)
	29,735,840	13,186,366	441,540	893,689	44,257,435
Expected loss rate (%)	0	0.2	34	71	
Less: Loss allowance	0	(25,034)	(150,671)	(633,338)	(809,043)
Carrying amount (net of loss allowance)	29,735,840	13,161,332	290,869	260,351	43,448,392
31 December 2019					
Gross carrying amount (RM):					
- external trade receivables	33,359,235	11,574,085	843,174	2,445,787	48,222,281
Individual impairment – credit impaired	0	0	0	(1,673,460)	(1,673,460)
	33,359,235	11,574,085	843,174	772,327	46,548,821
Expected loss rate (%)	0	1	5	68	
Loss allowance	0	(160,202)	(39,143)	(525,805)	(725,150)
Carrying amount (net of loss allowance)	33,359,235	11,413,883	804,031	246,522	45,823,671

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Maximum exposure to credit risk (continued)

(ii) Intercompany receivables (trade) - inclusive of amounts due from related companies and related parties using simplified approach

Intercompany receivables (trade) represent amounts outstanding arising from sale of goods. In arriving at loss allowance, the same assumptions as trade receivables have been applied. As a result, management is of the view that no loss allowance is required as at the date of reporting.

(iii) Intercompany receivables (non-trade) - inclusive of amounts due from subsidiaries using general 3-stage approach

The Company provides unsecured advances to subsidiaries and where necessary makes payments for expenses on behalf of its subsidiaries. The Company monitors the performance of the subsidiaries regularly.

Management has assessed the loss allowance for amounts due from subsidiaries individually taking into consideration of the financial position and the plans in place for the respective subsidiaries. As at this reporting date, management is of the view that no loss allowance is to be recorded.

(iv) Other receivables using general 3-stage approach

The Group's other receivables amounted to RM657,902 (2019: RM2,264,437). Management has assessed these other receivables and determined that the other receivables are fully recoverable and no loss allowance is to be recorded.

(v) Financial guarantee using general 3-stage approach

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 maximum credit risk exposure is the amount of borrowings utilised by the subsidiaries. Historically, the Group has not defaulted in any borrowings and with the stringent monitoring over the treasury process, management is of the view that the financial guarantee contracts are unlikely to be called by the subsidiaries' lenders.

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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):

	On demand or within 1 year RM	Between 1 - 5 years RM	Over 5 years RM	Total contractual cashflow RM	Total carrying amount RM
Group					
As at 31.12.2020					
Trade and other payables	54,262,610	0	0	54,262,610	54,262,610
Derivative financial liabilities	1,923,623	0	0	1,923,623	10,976
Bank borrowings					
- bank overdrafts	1,807,049	0	0	1,807,049	1,807,049
- bankers' acceptances	100,092,000	0	0	100,092,000	100,092,000
- revolving credit	8,021,312	0	0	8,021,312	8,000,000
- term loans	13,992,406	46,551,866	11,022,661	71,566,933	64,289,622
Hire purchase payables	7,074,755	9,815,222	0	16,889,977	15,600,225
Lease Liabilities	356,255	833,987	4,462,042	5,652,284	3,573,783
	187,530,010	57,201,075	15,484,703	260,215,788	247,636,265
As at 31.12.2019					
Trade and other payables	58,256,698	0	0	58,256,698	58,256,698
Derivative financial liabilities	3,878,011	0	0	3,878,011	28,969
Bank borrowings					
- bankers' acceptances	80,450,000	0	0	80,450,000	80,450,000
- revolving credit	5,000,000	0	0	5,000,000	5,000,000
- term loans	10,575,075	39,608,526	11,059,162	61,242,763	54,185,918
Hire purchase payables	8,535,830	13,982,607	0	22,518,437	20,459,042
Lease Liabilities	297,124	781,396	4,648,486	5,727,006	3,526,574
	166,992,738	54,372,529	15,707,648	237,072,915	221,907,201

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

	On demand or within 1 year RM	Between 1 - 5 years RM	Total contractual cashflow RM	Total carrying amount RM
Company				
As at 31.12.2020				
Trade and other payables	1,340,829	0	1,340,829	1,332,264
Hire purchase payables	120,760	68,290	189,050	180,709
	1,461,589	68,290	1,529,879	1,512,973
Financial guarantee contracts (*)	182,756,141	0	182,756,141	0
As at 31.12.2019				
Trade and other payables	2,035,664	0	2,035,664	2,035,664
Hire purchase payables	146,111	85,120	231,231	220,387
	2,181,775	85,120	2,266,895	2,256,051
Financial guarantee contracts (*)	151,510,255	0	151,510,255	0

* 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.

(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.

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

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:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Financial assets				
Equity instruments classified as FVOCI				
- quoted shares	6,740	0	0	6,740
Financial liabilities				
Derivative financial liabilities	0	10,976	0	10,976
2019				
Financial assets				
Equity instruments classified as FVOCI				
- quoted shares	8,455	0	0	8,455
Financial liabilities				
Derivative financial liabilities	0	28,969	0	28,969

The Company does not have any financial assets and liabilities at fair values as at 31 December 2020 and 2019.

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.

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

(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:

	2020		2019	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial liabilities				
Hire purchase payables	15,600,225	14,766,741	20,459,042	19,104,037
Company				
Financial liabilities				
Hire purchase payables	180,709	176,677	220,387	215,671

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 16), the Group does not have assets and liabilities measured at fair value at the reporting date.

(f) Financial instruments by categories

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Financial assets classified as FVOCL:				
Equity instruments	6,740	8,455	0	0
Financial assets classified as amortised cost:				
Trade and other receivables	51,492,433	59,882,547	6,010,644	3,810,230
Cash and bank balances	44,918,529	41,101,083	403,429	1,223,888
	96,410,962	100,983,630	6,414,073	5,034,118
Total financial assets	96,417,702	100,992,085	6,414,073	5,034,118

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by categories (continued)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Financial liabilities classified as amortised cost:				
Trade and other payables	54,262,610	58,256,698	1,332,264	2,035,664
Bank borrowings	174,188,671	139,635,918	0	0
Hire purchase payables	15,600,225	20,459,042	180,709	220,387
Lease liabilities	3,573,783	3,526,574	0	0
	247,625,289	221,878,232	1,512,973	2,256,051
Financial liabilities classified as FVTPL:				
Derivative financial liabilities	10,976	28,969	0	0
Total financial liabilities	247,636,265	221,907,201	1,512,973	2,256,051

33 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.

Gearing ratio

The gearing ratios used to assess the appropriateness of the Group's debt level. 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 and lease liabilities less cash and cash equivalents. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

	Group	
	2020 RM	2019 RM
Bank borrowings	174,188,671	139,635,918
Hire purchase payables	15,600,225	20,459,042
Lease Liabilities	3,573,783	3,526,574
	193,362,679	163,621,534
Less: Cash and bank balances	(44,918,529)	(41,101,083)
Net debt	148,444,150	122,520,451

33 CAPITAL RISK MANAGEMENT (CONTINUED)

Gearing ratio (continued)

	Group	
	2020 RM	2019 RM
Total equity	308,034,180	306,630,069
Debt-to-equity ratio	0.48	0.40

Externally imposed capital requirements

As at reporting date, the Group maintains a gearing ratio that is in compliance with the financing covenants of its borrowings.

There was no change in the Group's approach to capital management during the financial year.

34 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	Group	
	2020 RM	2019 RM
Contracted but not provided for		
- purchase of property, plant and equipment	12,400,000	19,001,000
Approved but not contracted for		
- purchase of property, plant and equipment	9,011,000	1,950,000

35 SUBSEQUENT EVENT

Subsequent to the financial year end, the subsidiary companies Success Century Sdn Bhd ("SCSB"), Laskar Fertiliser Sdn Bhd ("Laskar") and Teo Seng Farming Sdn Bhd ("TSF") entered into a Business Transfer Agreement ("BTA") dated 15 January 2021 that SCSB and Laskar (hereinafter "Transferor") to transfer their respective businesses as a going concern, which include all its operating assets comprising property, plant and equipment, inventories and biological assets which are necessary for the continuation of the business presently carried on, and including employees (where applicable) for a the total consideration of RM37,252,375 and RM3,876,023 respectively. The total consideration is to be settled through the issuance of redeemable preference shares ("RPS") by TSF and the creation of unsecured debt with TSF.

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 63 to 145 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 2020 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 6 April 2021.

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 63 to 145 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: 6 April 2021

Before me:
Pesuruhjaya Sumpah, Chan Chiew Yen

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of Teo Seng Capital Berhad
(Incorporated in Malaysia) (Registration No. 200601013011 (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 2020, 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 2020 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 63 to 145.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

Key audit matters

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of biological assets 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 flow 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, feed consumption volume, feed and other variable costs to be incurred over the life span of the layers, as well as the discount rate used for the cash flow model. 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 16 to the financial statements.	We obtained biological assets valuation prepared by management using the discounted cash flow model. We have checked the mathematical accuracy of the valuation model prepared by management. We involved our valuation experts to evaluate the appropriateness of the methodology and key assumptions, including the discount rate used by management in the valuation of the biological assets. 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 assessed the appropriateness of the range used to test the sensitivity analysis performed by management as disclosed in Note 16. 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 2020.

There are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report , which we obtained prior to the date of this auditors' report, and 2020 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 of the Company's internal control.

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

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

(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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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, actions taken to eliminate threats or safeguards applied.

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 financial 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 14 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 & AF 1146
Chartered Accountants

TAN CHIN YEE
03380/06/2022 J
Chartered Accountant

Melaka
6 April 2021

Top 10 Properties Owned by Teo Seng Capital Berhad and Its Subsidiaries

(Pursuant to Appendix 9c Part A (25) of Main Market Listing Requirement)

LIST OF PROPERTY, PLANT AND EQUIPMENT - FYE 31 DECEMBER 2020

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	26,585 sq ft	9	21,859	*Dec-20
2	GRN560956 Lot 31730 GRN560957 Lot 31732 Mukim Tanjong Sembrong Batu 4, Jalan Air Hitam Daerah Batu Pahat, Johor.	Central Packing Station 3	Freehold	4.3413A	1	13,381	Apr-18
3	HS (M) 16560 PTD 30302 Mukim Tanjong Sembrong Tempat Yong Peng - Air Hitam Road Daerah Batu Pahat, Johor.	Feedmill Plant	Freehold	5.74A	20	12,750	*Mar-09
4	HS (D) 62613 PTD 29431 Mukim Tanjong Sembrong Batu 4, Jalan Air Hitam Johor.	Central Packing Station 1	Freehold	4.2387A	9	8,625	*May-17
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	4	8,365	Jul-17
6	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	14 13	8,076	*May-17
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	7 7 7 7 7	7,581	*Sep-17

Top 10 Properties Owned by Teo Seng Capital Berhad and Its Subsidiaries (Continued)

(Pursuant to Appendix 9c Part A (25) of Main Market Listing Requirement)

LIST OF PROPERTY, PLANT AND EQUIPMENT - FYE 31 DECEMBER 2020 (CONTINUED)

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition/ Revaluation
8	Lot 83, 89, 90 PTD 2513-2517 Jalan Kg Kangkar Baru Daerah Batu Pahat, Johor.	Layer Farm 9	Freehold	48.05A	15	7,346	*May-17
9	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 8.51A 5.46A	28 11 6	6,144	*Sep-17
10	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 3.45A 5.69A	25 11 11	5,826	*Sep-17

* Date of Revaluation

Analysis of Shareholdings

As at 15 April 2021

Total Number of Issued Shares	: 300,008,175 ordinary shares (inclusive of 6,156,700 Treasury shares)
Class of Shares	: Ordinary shares
Voting Shares	: One vote per ordinary share

ANALYSIS BY SIZE SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	%	No. of Shares	%#
Less than 100	65	1.20	2,552	0.00
100 to 1,000	1,004	18.57	487,856	0.17
1,001 to 10,000	2,807	51.92	14,902,365	5.07
10,001 to 100,000	1,326	24.53	39,831,595	13.56
100,001 to 14,692,572	203	3.76	85,258,104	29.01
14,692,573 and above	1	0.02	153,369,003	52.19
Total	**5,406**	**100.00**	**293,851,475**	**100.00**

Note: # Excluding 6,156,700 Treasury Shares

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Advantage Valuations Sdn. Bhd.	153,369,003	52.19
2	Leong Hup (Malaysia) Sdn. Bhd.	7,000,000	2.38
3	Teo Sik Ghood	4,327,400	1.47
4	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	2,775,600	0.94
5	Leong Hup Holdings Sdn. Bhd.	1,927,255	0.66
6	Nam Yok San	1,805,733	0.61
7	Lau Joo Kiang	1,754,399	0.60
8	Wong Ah Tai	1,711,000	0.58
9	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	1,651,600	0.56
10	Nam Hiok Yong	1,606,818	0.55
11	Tong Seh Industries Supply Sdn. Berhad	1,500,000	0.51
12	Goh Cha Boh @ Goh Hui Siang	1,397,800	0.48
13	Amnah Binti Ibrahim	1,332,800	0.45
14	Na Yok Chee	1,248,886	0.43
15	Lai Chong Koo	1,112,000	0.38
16	Soh Kian	1,104,000	0.38
17	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	1,091,000	0.37
18	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chooi Ho	1,078,200	0.37

THIRTY LARGEST SHAREHOLDERS (CONTINUED)

No.	Name	No. of Shares	%
19	Yeo Koon Lian	1,000,000	0.34
20	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Bank of Singapore Limited (Foreign)	999,600	0.34
21	Ng Lee Ping	944,300	0.32
22	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Wai Kong	900,000	0.31
23	Wong Lee Peng	878,058	0.30
24	Nam Hiok Yok	814,500	0.28
25	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kong Kok Choy	740,000	0.25
26	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Kah Wui	728,000	0.25
27	Leong Ai Hsia	721,000	0.24
28	Maybank Nominees (Tempatan) Sdn. Bhd. Hong Chin Teck	700,000	0.24
29	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Saw Hai Earn (PB)	620,000	0.21
30	Na Yi Chan	615,000	0.21
	Total	**197,453,952**	**67.20**

SUBSTANTIAL SHAREHOLDERS

As per Register of Substantial Shareholdings

	No of Shares Held			
Shareholders	**Direct**	**%**	**Indirect**	**%**
Advantage Valuations Sdn. Bhd.	153,369,003	52.19	-	-
Leong Hup (Malaysia) Sdn. Bhd.	7,000,000	2.38	153,489,003[1]	52.23
Unigold Capital Sdn. Bhd.	-	-	153,369,003[1]	52.19
Leong Hup International Sdn Bhd	-	-	160,489,003[2]	54.62
Emerging Glory Sdn Bhd	-	-	160,489,003[3]	54.62
CW Lau & Sons Sdn Bhd	-	-	160,489,003[4]	54.62
Lau Joo Han	-	-	160,489,003[4]	54.62
Datuk Lau Joo Hong	-	-	160,489,003[5]	54.62
Lau Jui Peng	-	-	160,489,003[5]	54.62
Lau Joo Heng	-	-	160,489,003[5]	54.62
Na Hap Cheng	434,000	0.15	153,881,003[6&7]	52.37
Na Yok Chee	1,248,886	0.43	154,708,503[6&7]	52.65

Analysis of Shareholdings (Continued)
As at 15 April 2021

DIRECTORS' INTEREST
As per Register of Directors' Shareholdings

	No of Shares Held			
Directors	**Direct**	**%**	**Indirect**	**%**
Lau Jui Peng	-	-	160,489,003[5]	54.62
Nam Hiok Joo	166,602	0.06	-	-
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. pursuant to Section 8(4) of the Act.*
3. *Deemed interested by virtue of their interest in Leong Hup International Sdn. Bhd. pursuant to Section 8(4) of the Act.*
4. *Deemed interested by virtue of their interest in Emerging Glory Sdn. Bhd. pursuant to Section 8(4) of the Act.*
5. *Deemed interested by virtue of their interest in CW Lau & Sons Sdn. Bhd. pursuant to Section 8(4) of the Act.*
6. *Deemed interested by virtue of their interest in Unigold Capital Sdn. Bhd. pursuant to Section 8(4) of the Act.*
7. *Deemed interested by virtue of his indirect equity interest in Teo Seng Capital Berhad via his spouse and/or children.*

Notice of Fifteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth 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, 15 June 2021, 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 2020. **(Please refer to Explanatory Note 1)**

2. To approve the payment of Directors' fees and benefits up to RM168,000.00 for the period with effect from 16 June 2021 until the next Annual General Meeting of the Company to be held in 2022. **[Ordinary Resolution 1] (Please refer to Explanatory Note 2)**

3. To re-elect the following Directors who retire pursuant to Clause 76(3) of the Constitution of the Company: **(Please refer to Explanatory Note 3)**

   3.1 Lau Jui Peng **[Ordinary Resolution 2]**
   3.2 Loh Wee Ching **[Ordinary Resolution 3]**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration. **[Ordinary Resolution 4] (Please refer to Explanatory Note 4)**

AS SPECIAL BUSINESS

To consider and if thought fit, with or without any modification(s), to pass the following resolutions:

5. **PROPOSED CONTINUATION IN OFFICE OF CHOONG KEEN SHIAN AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

   "THAT approval 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 twelve (12) years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company in accordance with the Malaysian Code on Corporate Governance." **[Ordinary Resolution 5] (Please refer to Explanatory Note 5)**

6. **PROPOSED CONTINUATION IN OFFICE OF FREDERICK NG YONG CHIANG AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

   "THAT approval 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 twelve (12) years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company in accordance with the Malaysian Code on Corporate Governance." **[Ordinary Resolution 6] (Please refer to Explanatory Note 5)**

7. **PROPOSED CONTINUATION IN OFFICE OF DATO' KOH LOW @ KOH KIM TOON AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

   "THAT approval 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 7] (Please refer to Explanatory Note 5)**

8. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

[Ordinary Resolution 8]
(Please refer to Explanatory Note 6)

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby empowered to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed twenty per centum (20%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2021.

THAT with effect from 1 January 2022, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Listing Requirements provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors of the Company may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company held after the approval was given;

(b) the expiration of the period within which the next Annual General Meeting is required to be held after the approval was given; or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate".)

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

9. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

[Ordinary Resolution 9]
(Please refer to Explanatory Note 7)

"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 the Circular to Shareholders of the Company dated 11 May 2021 ("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 must 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."

10. **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 10]
(Please refer to Explanatory Note 8)

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") 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 best 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 funds 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 Listing Requirements 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, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

(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, Listing Requirements, 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."

11. 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.

By order of the Board

Lee Choon Seng (MAICSA 7003453) (SSM Practising Certificate No. 202008002259)
Lum Sow Wai (MAICSA 7028519) (SSM Practising Certificate No. 202008002373)
Wong Wai Foong (MAICSA 7001358) (SSM Practising Certificate No. 202008001472)
Tan Bee Hwee (MAICSA 7021024) (SSM Practising Certificate No. 202008001497)
Secretaries

Yong Peng
11 May 2021

Notes:

(i) For the purpose of determining who shall be entitled to attend the Fifteenth ("15th") Annual General Meeting ("AGM"), the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 8 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.

(ii) A member entitled to attend and vote at the 15th AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.

(iii) A member of the Company who is entitled to attend and vote at the 15th AGM of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at this AGM.

(iv) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

(v) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

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

(vii) 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.

(viii) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 15th AGM, i.e. by 11.30 a.m. on Sunday, 13 June 2021 or adjourned 15th AGM at which the person named in the appointment proposes to vote:

(i) In Hard Copy Form
In the case of an appointment made in hard copy form, the proxy form or any authority pursuant to which such an appointment is made by a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By Tricor Online System (TIIH Online)
In the case of an appointment made via electronic mean, the proxy form can be electronically submitted to the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online. The website to access TIIH Online is https://tiih.online (Kindly refer to the Administrative Guide for the 15th AGM).

(ix) Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

(x) Last date and time for lodging the proxy form is 11.30 a.m., on Sunday, 13 June 2021.

(xi) Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
a. Identity card ("NRIC") (Malaysian), or
b. Police report (for loss of NRIC) / temporary NRIC (Malaysian), or
c. Passport (Foreigner).

(xii) For a corporate member who has appointed a representative instead of a proxy to attend this AGM, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's Share Registrar earlier.

(xiii) It is important that you read the Administrative Guide for the conduct of the 15th AGM.

(xiv) Shareholders are advised to check the Company's website at http://teoseng.com.my and announcements from time to time for any changes to the administration of the 15th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

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 Companies Act 2016 ("the Act") do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 2 of the Agenda

The proposed Ordinary Resolution 1 is to seek the shareholders' approval for the payment of the Directors' fees and benefits as follows:

	16 June 2021 until the next Annual General Meeting ("AGM") in 2022	
	Directors' fees (RM)	**Other Emoluments/ (Festival Token) (RM)**
Non-Executive Director	144,000	24,000

This resolution is to facilitate payment of Directors' fees and benefits for duties performed as Non-Executive Directors of the Company on a monthly basis and/or as and when required.

3. Item 3 of the Agenda

The Nomination Committee ("NC") of the Company has assessed the contribution of Mr. Lau Jui Peng 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 Mr. Lau Jui Peng and Mr. Loh Wee Ching be re-appointed as Directors of the Company.

Notice of Fifteenth Annual General Meeting (Continued)

4. Item 4 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.

5. Items 5, 6 and 7 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 a cumulative term of more than twelve (12) years since 19 June 2008 and Dato' Koh Low @ Koh Kim Toon has served the Board as an INED of the Company for a cumulative term of more than nine (9) years since 19 November 2009. The Board has through the NC's assessment, recommending to shareholders to retain their designation as INED of the Company based on the following:

Mr Choong Keen Shian ("Mr Choong")

Mr Choong continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"), and is able to ensure effective check and balance in the proceedings of the Board. He is also a person of calibre, credibility and has extensive experience in his respective professions which has equipped him to continue to provide valuable input to the Board in an independent manner with integrity and honesty. In addition, he devoted sufficient time to attend meetings and actively participated in the Board's deliberations. He also constantly challenges the management in constructive manner with professional skepticism without fear or favour.

Mr Frederick Ng Yong Chiang ("Mr Frederick Ng")

Mr Frederick Ng continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Listing Requirements, and is able to provide effective check and balance by bringing an element of objectivity and independent judgement for Board's deliberation. He has vast working experience in the accounting and corporate finance fields which enables him to participate actively and contribute during deliberations at Board meetings. With his professional proficiency, he is able to stand up for independent view and tackles conflicts as well as takes part in proposing solutions confidently. He has also devoted sufficient time to attend meetings and actively participated in the Board's deliberations.

Dato' Koh Low @ Koh Kim Toon ("Dato' Koh")

Dato' Koh continues to fulfill the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Listing Requirements. He remains objective and independent in expressing his view and participating in Board's deliberations. During his tenure, Dato' Koh has gained detailed understanding and insights of the Group's operations and industry practice which enables him to provide the Board with a diverse view in decision making process. 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. At the same time, he has contributed sufficient time and exercised due care and diligence during his tenure as Independent Director of the Company and has carried out his duties professionally and objectively in the best interest of the Company and shareholders as well as minority interest.

6. Item 8 of the Agenda

Bursa Malaysia Securities Berhad ("Bursa Securities") had, among others, on 16 April 2020, introduced an interim measure which allows listed issuers to increase the general mandate limit for a new issue of securities from the existing 10% limit under Paragraph 6.03 of the Listing Requirements to not more than 20% of the total number of issued shares (excluding treasury shares) of the company, subject to compliance with certain conditions, which the 20% general mandate may be utilised by the company up to 31 December 2021.

The proposed Ordinary Resolution 8 is intended to renew the authority granted to the Directors of the Company at the Fourteenth ("14th") Annual General Meeting ("AGM") of the Company held on 12 August 2020, and if passed, will give the Directors authority to issue and allot shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares"), provided that the aggregate number of such New Shares to be issued and allotted pursuant to this resolution does not exceed 20% of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. Subsequent thereto, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities. The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate".)

The 20% General Mandate granted by the shareholders at the 14th AGM of the Company held on 12 August 2020 had not been utilised and hence, no proceeds were raised therefrom.

The renewal of the Proposed General Mandate will enable the Directors to issue and allot new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding current and/or future investment project(s), working capital, repayment of borrowings, acquisition(s) and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors of the Company may deem fit in the best interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares.

7. Item 9 of the Agenda

The proposed Ordinary Resolution 9, 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 and transaction prices, which are not prejudicial to the interests of the minority shareholders. Please refer to Part A of the Circular to Shareholders dated 11 May 2021 for further information.

8. Item 10 of the Agenda

The proposed Ordinary Resolution 10, 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 Statement to Shareholders dated 11 May 2021 for further information.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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Teo Seng Capital Berhad

Registration No. 200601013011 (732762-T)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No. of Authorised Nominee#

#applicable to shares held through nominee account

CDS Account No.

No. of shares held

I/We____ Tel: ________________

[Full name in block, NRIC/Passport/Company No.]

of ____

being member(s) of **Teo Seng Capital Berhad**, hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

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 Fifteenth 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, 15 June 2021, at 11.30 a.m. or any adjournment thereof, and to vote as indicated below:

Item	Agenda			
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 2020.			
	Ordinary Resolutions	**Resolution**	**FOR**	**AGAINST**
2.	To approve the payment of Directors' fees and benefits up to RM168,000.00 for the period with effect from 16 June 2021 until the next Annual General Meeting of the Company to be held in 2022.	1		
3.1	To re-elect Mr Lau Jui Peng who is retiring pursuant to Clause 76(3) of the Constitution of the Company.	2		
3.2	To re-elect Mr Loh Wee Ching who is retiring pursuant to Clause 76(3) of the Constitution of the Company.	3		
4.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration.	4		
5.	To approve the continuation in office of Mr Choong Keen Shian as Independent Non-Executive Director.	5		
6.	To approve the continuation in office of Mr Frederick Ng Yong Chiang as Independent Non-Executive Director.	6		
7.	To approve the continuation in office of Dato' Koh Low @ Koh Kim Toon as Independent Non-Executive Director.	7		
8.	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.	8		
9.	Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	9		
10.	Proposed renewal of authorisation to enable the Company to purchase up to 10% of the total number of issued shares of the Company.	10		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Signed this : ____________day of____________

____
Signature*
Member

* *Manner of execution:*
(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:

1. *For the purpose of determining who shall be entitled to attend the Fifteenth ("15th") Annual General Meeting ("AGM"), the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 8 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.*
2. *A member entitled to attend and vote at the 15th AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
3. *A member of the Company who is entitled to attend and vote at the 15th AGM of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at this AGM.*
4. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*
5. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of Section 25A(1) of SICDA.*
7. *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.*
8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 15th AGM, i.e. by 11.30 a.m. on Sunday, 13 June 2021 or adjourned 15th AGM at which the person named in the appointment proposes to vote:*

   (i) *In Hard Copy Form*

   In the case of an appointment made in hard copy form, the proxy form or any authority pursuant to which such an appointment is made by a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) *By Tricor Online System (TIIH Online)*

   In the case of an appointment made via electronic mean, the proxy form can be electronically submitted to the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online. The website to access TIIH Online is https://tiih.online (Kindly refer to the Administrative Guide for the 15th AGM).
9. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
10. *Last date and time for lodging the proxy form is 11.30 a.m., on Sunday, 13 June 2021.*
11. *Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:*
    a. *Identity card (NRIC) (Malaysian), or*
    b. *Police report (for loss of NRIC)/Temporary NRIC (Malaysian), or*
    c. *Passport (Foreigner).*
12. *For a corporate member who has appointed a representative instead of a proxy to attend this AGM, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's Share Registrar earlier.*
13. *It is important that you read the Administrative Guide for the conduct of the 15th AGM.*
14. *Shareholders are advised to check the Company's website at http://teoseng.com.my and announcements from time to time for any changes to the administration of the 15th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.*

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POSTAGE

The Share 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.

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TEO SENG FARMING SDN. BHD. (A Subsidiary of Teo Seng Capital Berhad) (111937P)
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Teo Seng Capital Berhad

Registration No. 200601013011 (732762-T)

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