2021

Annual Report

Hatching For The Future

Teo Seng Capital Berhad

Registration No. 200601013011 (732762-T)

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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

PEFC

Promoting Sustainable Forest Management

www.pefc.org

Animal Health Products Division

Animal health care with quality products & customised solution

Farming Division

Integrated & Sustainable (Continued)

Renewable Solar Energy

Fertiliser Division

LASKAR Fertiliser

Convert chicken manure into organic fertiliser by way of composting

Corporate Milestones

1978

Established Teo Seng Farming Sdn Bhd

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

2002

Set up feedmill plant

2005

Penetrated and export egg to Singapore

Acquisition of animal health products business

2008

Successfully listed on Second Board of Bursa Malaysia

2009

Transferred to Main Board of Bursa Malaysia

2011

Incorporation of waste management business

Commencement of operation of CPS 1

Expanded trading of egg business into Singapore

2015

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

2016

Incorporation of Ritma Premier Pte. Ltd. in Singapore

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

Commencement of operation of CPS3

Corporate Information

BOARD OF DIRECTORS

Non-Executive Chairman
Lau Jui Peng

Managing Director
Nam Hiok Joo

Executive Director
Loh Wee Ching

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

REMUNERATION COMMITTEE
Committee Chairman
Choong Keen Shian

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

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

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
Registration No. 200601013011 (732762-T)

- 100% **TEO SENG FARMING SDN. BHD.** 198301016528 (111937-P)
  - 100% **TEO SENG INTEGRATED FARMING SDN. BHD.** 201001001714 (886291-T)
  - 100% **GREAT EGG INDUSTRIES SDN. BHD.** (IN MEMBERS' VOLUNTARY WINDING UP) 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)

Profile of the Board of Directors

LAU JUI PENG

Non-Executive Chairman

Malaysian | Male | Aged 51

Date of Appointment:
19 June 2008

Length of Service:
(as at 31 December 2021)
13 years 6 months

Lau Jui Peng, Malaysian, male, aged 51, 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 acts as the representative of Leong Hup (Malaysia) Sdn. Bhd. to sit on the Board of Directors of the Company.

Mr. Lau graduated with a Bachelor's Degree in Business Administration majoring in marketing from Hawaii Pacific University, United States in 1996. He began his career with Leong Hup Poultry Farm Sdn. Bhd. where he has been appointed as Deputy Chief Executive Officer primarily responsible for the production, operation and administration. He was then promoted to Chief Executive Officer and involved himself 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 the year 2004 and to the Board of Leong Hup (G.P.S.) Farm Sdn. Bhd. in the year 2007. Besides both stated companies, he also sits on the Board of several subsidiaries of the Company, Leong Hup International Berhad and other private limited companies. Mr. Lau also plays the role of Group Breeder Chief Executive Officer in Leong Hup International Berhad.

As an accomplished businessman who possesses extensive knowledge and experience in the production and management of the poultry business, Mr. Lau has the ability to escalate the growth of the Company. In addition, Mr. Lau was a member of the Audit Committee during the year 2009 to 2012. He gained keen insight on getting an accurate and deep intuitive understanding of internal control during the four (4) years of involvement in the Audit Committee.

Mr. Lau is the sibling of Datuk 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 the 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 interests. 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 2021. Mr. Lau had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2021.

Profile of the Board of Directors (Continued)

NAM HIOK JOO

Managing Director

Malaysian Male Aged 55

Date of Appointment:
27 June 2018

Length of Service:
(as at 31 December 2021)
3 year 6 months

Nam Hiok Joo, Malaysian, male, aged 55, was appointed as Managing Director of the Company on 27 June 2018. He is also the Chairman of the Risk Management Committee of the Company since 20 August 2018.

Mr. Nam possesses over thirty (30) years of experience in the poultry business and participated actively in the poultry industry. In 2001, Mr. Nam was appointed as General Manager of Teo Seng Feedmill Sdn. Bhd., where he is principally responsible for the operation and production of chicken feeds. With his ample experience, he plays a major role in the quality control of feeds production to ensure the nutritional requirements of chickens at the different growing and laying stages are met. Furthermore, he is responsible for overseeing 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 was actively involved in the management of the Company and strategic direction of Ritma. Subsequently, he was appointed as Group General Manager of the Company in March 2010. Mr. Nam contributes significantly to the Group's decision-making and corporate planning with his vast experiences in managing and overseeing Company's operation as well as governing Company's direction. Additionally, he also sits on the Board of 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 the 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 interests. 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 2021. Mr. Nam had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2021.

Profile of the Board of Directors (Continued)

LOH WEE CHING

Executive Director

Malaysian Male Aged 53

Date of Appointment:
19 June 2008

Length of Service:
(as at 31 December 2021)
13 years 6 months

Loh Wee Ching, Malaysian, male, aged 53, 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 a former member of both Nomination Committee and Remuneration Committee of the Company.

Prior to joining the Group, he held the position of Marketing Executive in Telic Corporation Sdn. Bhd., a diversified company that also engages in the poultry business. In 1994, Mr. Loh initiated his career in Teo Seng Farming Sdn. Bhd. ("TSF") as Sales Manager and subsequently was promoted as the Senior Marketing Manager in 2003. He has established a robust relationship with customers during his tenure with the Group of more than twenty (20) years. Presently, he holds the position of Marketing Director in the layer farming division. His enormous experience allows him to provide valuable guidance to the marketing team and contributes substantially to the Group's marketing strategies and business direction.

Mr. Loh does not hold any directorship in other public listed companies nor have any family relationship with any Director or major shareholder of the Company. There is no conflict of interest between Mr. Loh and 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 2021. He had achieved full attendance for all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2021.

Profile of the Board of Directors (Continued)

CHOONG KEEN SHIAN

Independent Non-Executive Director

Malaysian Male Aged 65

Date of Appointment:	Length of Service: (as at 31 December 2021)
19 June 2008	13 years 6 months

Choong Keen Shian, Malaysian, male, aged 65, 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. In addition, 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 from University of Malaya with a Bachelor of Science (Hon) Degree 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 credit and credit control management. In 1991, he joined Arena Eksklusif Sdn. Bhd., a property development company and involved in project administration. Presently, he is the finance manager of Atlas Edible Ice Sdn. Bhd., a member of The Atlas Ice Group of Company, which engages 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 also acts as the director of several private limited companies within The Atlas Ice Group and other private limited companies which are involved in the retailing of lighting accessories and lamps. He obtained in-depth experience in credit control management in the banking industry and regulatory understanding related to credit control. With his expertise in the field of credit control, he contributed effectively to the improvement of the Group's internal control efficiency and effectiveness.

His ample experience in the finance industry also enables him to advise constructively to the Group's financial affairs.

Mr. Choong does not have any family relationship with any Director/major shareholder of the Company. There is no conflict of interest between Mr. Choong and the Company. He 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 2021. Mr. Choong had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2021.

Profile of the Board of Directors (Continued)

FREDERICK NG YONG CHIANG

Independent Non-Executive Director

Malaysian Male Aged 57

Date of Appointment:
19 June 2008

Length of Service:
(as at 31 December 2021)
13 years 6 months

Frederick Ng Yong Chiang, Malaysian, male, aged 57, 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. Moreover, he was also appointed as a member of the Risk Management Committee on 20 August 2018 and the Remuneration Committee on 17 November 2020.

Mr. Frederick registered as an associate member of the Chartered Institute of Management Accountant, United Kingdom and a member of the Malaysian Institute of Accountants since 1991 after completing the professional course in accountancy. In 2017, he was qualified as a member of CPA Australia and ASEAN Chartered Professional Accountants ("ACPA"). Mr. Frederick began his commercial experience in Hong Leong Industries Berhad as Project Executive in 1990. Subsequently, 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 other private limited companies which operate 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 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 2021. Mr. Frederick Ng had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2021.

Profile of the Board of Directors (Continued)

DATO' KOH LOW @ KOH KIM TOON

Independent Non-Executive Director

Malaysian Male Aged 69

Date of Appointment:
19 November 2009

Length of Service:
(as at 31 December 2021)
12 years 1 month

Dato' Koh Low @ Koh Kim Toon, Malaysian, male, aged 69, was appointed as the Independent Non-Executive Director of the Company on 19 November 2009. He was appointed as a member of the Audit Committee of the Company on 13 April 2010. Besides, he was also appointed as a member of the 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 recognition and respect as a renowned entrepreneur in the industry. He sits on the board of several private limited companies which are involve in the plantation and fertiliser businesses. He is now 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 the 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 advice 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. There is no conflict of interest between Dato' Koh and the Company. He 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 2021. Dato' Koh had attended all of the five (5) Board of Directors' meetings held in the financial year ended 31 December 2021.

Profile of the Key Management Personnel

NG ENG LENG

Group Financial Controller

Ng Eng Leng, Malaysian, male, aged 51, is holding the position of Director of Teo Seng Farming Sdn. Bhd. since March 2002. He was also designated as Group Financial Controller of the Company since March 2010. He acquired 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. He accumulated tremendous knowledge and experience 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 the above-mentioned aspects, he gains great exposure and vast experience in those fields and enables him to play a crucial 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. Furthermore, he also sits on the Board of several subsidiaries of the Company.

Mr. Ng does not have any family relationship with any Director/major shareholder of the Company. There is no conflict of interest between Mr. Ng and the Company. 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 2021.

NA ELUEN

Deputy Chief Operating Officer, Marketing

Na Eluen, Malaysian, male, aged 39, was appointed as Deputy Chief Operating Officer, Marketing of Teo Seng Capital Berhad on 1 January 2018. He has more than 18 years of experience in sales, marketing and business development in the industry.

He started his career in 2003 as Junior Sales and then was promoted to Assistant Marketing Manager in 2007 in Teo Seng Farming Sdn. Bhd. In 2009, he was assigned to Ritma Prestasi Sdn. Bhd. as sales for animal health products division. In 2011, he assumed the role of General Manager for Premium Egg Products Pte. Ltd. and BH Fresh Food Pte. Ltd in Singapore, spearheading the business operation and developments. 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 02 May 2016.

As Deputy Chief Operating Officer, Marketing, he is responsible for the sales and marketing of egg division includes building the brand and developing marketing relationship for domestic and oversea market as well as the Egg Transport Department.

He is tasked with developing new sales and marketing opportunities. Under his leadership, the Group has successfully established distribution centre in Northern, Southern and East Coast of Malaysia for egg businesses. He also contributed to explore direct sales business and further develop the retail business. His knowledge and experience in marketing and operational management have been an added value to the team.

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 2021.

Profile of the Key Management Personnel (Continued)

NA YI CHAN

Deputy Chief Operating Officer,
Layer Farming Division

Na Yi Chan, Malaysian, male, aged 33, is Deputy Chief Operating Officer of Teo Seng Group Layer Farming Division since 01 January 2018. Mr. Na studied Bachelor's Degree of Business in Help University and College. 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. In 2015, he was designated as Business Operation Manager. Besides managing the production of 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 the poultry industry, he possesses excellent industrial and management skills which enable him to contribute significantly to the Group's affairs.

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 boosting the growth of the layer farming business. He directs, oversees and manages the implementation of farm-related policies and development. Mr. Na is one of the main driving forces and is instrumental to the expansion and operations of the layer farming of the Group. His expertise in layer farming production, management and operation enables him to make critical contributions 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. 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 2021.

NAM YA JUN

Executive Director,
Animal Health Products Division

Nam Ya Jun, Malaysian, male, aged 40, Executive Director of Ritma Prestasi Sdn. Bhd., a subsidiary company which distributes animal health care products in Malaysia. He graduated with a First-Class Honours Degree in Science from Victoria University of Wellington, New Zealand in 2004. Mr. Nam joined Teo Seng Group on 01 July 2005 as an Executive in Human Resources and Administrative Division. At the beginning of his career, he was primarily responsible for overseeing the Group Human Resources and Administrative functions. He had also dedicated his time establishing a robust structured business system for Ritma Prestasi Sdn. Bhd. and was subsequently promoted as the Group Assistant Manager.

In 2011, Mr. Nam was promoted as the General Manager of Ritma Prestasi Sdn. Bhd. overseeing the daily operations of the company and focusing on business development and operational strategies. Under his leadership, Ritma Prestasi Sdn. Bhd. has grown to a competitive company in the industry, attracting partnership from major global animal healthcare providers through the years. Along with his dedication, the company has expanded its businesses to Singapore with the incorporation of Ritma Permier Pte. Ltd. in 2016 and to East Malaysia with the acquisition of Professional Vet Enterprise Sdn. Bhd. in 2019.

On 31 January 2018, Mr. Nam was appointed as the Executive Director of Ritma Prestasi Sdn. Bhd. Through his innovative marketing and business strategies, he has successfully expanded the Group Animal Health Products & Consumables Division to the next level. 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 2021.

Profile of the Key Management Personnel (Continued)

KU LEONG CHOON

Farm General Manager

Ku Leong Choon, Malaysian, male, aged 55, is holding the position of Farm General Manager since March 2002. In 1987, Mr. Ku initiated his career with Teo Seng Group as a farmworker. 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 responsibilities include supervising and coordinating various functions of farm managers, monitoring overall farm operation and maintaining a good environment in the poultry farms. He also assists Deputy Chief Operating Officer on the 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. There is no conflict of interest between Mr. Ku and the Company. 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 2021.

Financial Highlights

(RM'000)	2021	2020	2019	2018	2017
REVENUE	530,140	478,280	546,535	490,285	424,209
PROFIT BEFORE TAXATION	4,805	10,777	77,068	41,298	4,086
TOTAL ASSET	622,371	590,959	562,548	543,281	494,980
TOTAL EQUITY	311,474	308,034	306,630	277,810	248,782

Management Discussion and Analysis

Teo Seng has grown into one of the top integrated layer farming companies in Malaysia

GROUP'S BUSINESS AND OPERATION

With over 40 years' experience in the poultry industry, Teo Seng has grown into one of the top integrated layer farming companies in Malaysia with five main business divisions. The main business, layer farming is supported by feedmill division, paper egg tray division, animal health products division, egg processing division and fertiliser division. These businesses are categorised into two segments, (i) poultry farming and (ii) investment and trading of other related products. With the strategic plan of the outstanding dynamic management team, Teo Seng does not only improve its corporate value by providing high quality eggs produced by recognised All-In-All-Out ("AIAO") layer farming management system and Closed-House System ("CHS") and other value-added products, namely pasteurised boiled eggs, organic fertiliser and reputable animal health products, but also gain a good market reputation through its corporate sustainability initiatives such as integrated layer farming activities, investments in renewable energy and waste management projects and development of human resource.

KEY HIGHLIGHT OF THE YEAR

•
HAPPY EGG contributes
10%
of sales volume

••
Revenue
RM530.14
MILLION

•••
CAPEX
RM26.08
MILLION

••••
Total equity
RM311.47
MILLION

•••••
Net asset per share
RM1.06

Poultry Farming

Acting as one of the leading poultry farmers in Malaysia, Teo Seng had established 24 farms in Johor, Malaysia. The company had evolved its business model, not only business-to-business ("B2B"), but also business-to-consumer ("B2C") by growing its customer base from the wholesalers, hypermarkets, manufacturers, retailers and now including end consumers. Hence, more distribution centres had been established and operated at Penang, Kuantan and Johor Bahru in 2021 to provide better customer service for our customers to further explore the market and capture more market share.

Teo Seng is unique in its AIAO layer farming management system and CHS which minimise the disease risk. By taking proper precaution measures in the biosecurity issue, our farms are accredited with Grade A poultry license and Malaysian Good Agricultural Practices ("MyGAP") certification by the Department of Veterinary Services Malaysia ("DVS"). Furthermore, more than half of our layer farms are accredited by the Singapore Food Agency ("SFA") to export eggs to Singapore. Highly advanced technologies and professional farm management systems had been adopted in our layer farming activities to ensure the supply of fresh and high-quality eggs meets the demand of both local and overseas markets. Teo Seng's production has increased to approximately 4 million eggs per day and 35% of the production is mainly exported to Singapore and Hong Kong which directly contributed to the GDP of Malaysia.

The production capacity of feedmill is sufficient to support the current consumption and future layer farming expansion project since the commencement of new production line in few years ago. Feed quality is a pivotal factor that affects the health of chicken and the quality of eggs. With own feedmill plant, our professional teams are able to manufactures variety of nutritious feeds at optimum cost for different age of layer chickens based on advanced and tailor-made formulation and supply to own pullet

Management Discussion and Analysis (Continued)

OUR ACHIEVEMENTS IN 2021

Our egg downstream processing division commenced operation in third quarter of 2021 and expanded our product portfolio with pasteurised boiled eggs.

New fertiliser plants were established in the current year to support the expansion of the layer farming division, increase the production of organic fertiliser and enhance the waste management.

and layer farms. By implementing the vertical integration strategy, Teo Seng has more control over the quality of feed and becomes more cost efficient in its production.

With the added convenience and increasing concerns from a food safety standpoint, Teo Seng had set up an egg processing division which is responsible for eggs innovation and pasteurised boiled eggs production in third quarter of 2021. Our processed eggs are produced in sanitary facilities under a strict system of inspection. Since we are at the introduction stage, the research and development team are proactively acquiring feedback from the main target customers, hawkers and restaurants and making improvements to meet customers' demand. With the continuous innovation, this division will assist the company to attract more potential customers and create new sources of income in the future.

Being a supporting division to layer farming activity, paper egg tray division manufactures environmentally-friendly paper egg trays using recycled papers such as old newspapers, old magazines and used carton boxes for both internal and external uses. We have the ability to customise paper egg trays for 20 pieces of Jumbo eggs and 30 pieces of Universal, 20 IBS, Multi-K Plus and Compact eggs. The horizontal diversification of the business allows us to reduce dependency on the external supply of paper egg trays, increase cost-effectiveness and have a better control over the quality of the paper egg trays. It is notable that this division is the first company in the local paper industry which has been awarded the Chain of Custody ("CoC") certification under the Programme for the Endorsement of Forest Certification ("PEFC") for the eco-friendly egg trays.

In order to enhance the sustainability of farming operations, fertiliser division processes the chicken manure into 100% fully fermented organic fertiliser using advanced composting technologies. The division of fertiliser does not only target on managing waste products of layer farms but also seeks for opportunity to innovate new products from chicken manures. The division is essential and brings major contributions to the environmental pollution reduction and widespread public health benefits.

Investment and Trading of Other Related Products

Animal health products play a significant role in promoting the growth in livestock. With the aim to become the prominent leader and total solution provider in the animal health industry, we had operated the animal health products division in Peninsular Malaysia, East Malaysia and Singapore and obtained the sole proprietorship for high-quality and reputable animal health products from internationally recognised suppliers. Our products include feed additives, supplements, vaccines and others. This division enables Teo Seng to enjoy the priority of product supply and receive first-hand information on the latest innovation research available for deployment toward our business. There are two business units that provide quality products and customised solutions to both internal and external parties in this division, (i) Food Animal Strategic Team ("FAST") and (ii) Companion Animal Strategic Team ("CAST"). It is noteworthy that 30% of sales are contributed by Companion Animal Products ("CAP"). Along with the growth of market of CAP, we are putting effort on exploring this business. Digital and online marketing and E-commerce are now the trend of the business world and the outbreak of COVID-19 pandemic accelerate and boost the growth of the E-commerce. Our products can be found on famous e-commerce platform and our own online platform.

Management Discussion and Analysis (Continued)

FINANCIAL PERFORMANCE REVIEW

	2020 (RM'000)	2021 (RM'000)	2020 vs. 2021 Difference	2020 vs. 2021 Change %
KEY FINANCIAL RESULT				
Revenue	478,280	530,140	51,860	10.84%
Profit Before Tax (PBT)	10,777	4,805	(5,972)	-55.41%
Profit After Tax (PAT)	4,188	3,043	(1,188)	-28.37%
Total Borrowings	189,789	214,570	24,781	13.06%
Total Equity	308,034	311,474	3,397	1.10%
Gearing Ratio (times)	0.62	0.69	0.07	11.82%
Net Asset per Share (RM)	1.05	1.06	0.01	1.11%
Current Ratio (times)	1.13	1.09	(0.03)	-3.10%
Return on Equity (%)	1.36%	0.98%	(0.38%)	-27.94%
Basic Earning per Share (sen)	1.43	1.04	(0.39)	-27.27%

Since the Malaysian government made the announcement of the National Recovery Plan in the year 2021, the consumption and demand of eggs especially in restaurants, hotels and schools has increased along with the resume of businesses and economics. Thus, leading to the rising price of eggs. In response to the increment of eggs' selling price, the Group's revenue increased by RM51.9 million or 10.8% in the financial year ended 2021 as compared with the previous year's performance. However, the Group's profit before tax declined significantly by 55.4% from RM10.8 million in 2020 to RM4.8 million in 2021 due to the increase of production cost and operating expenses.

There is an increase of 11.8% for manageable gearing ratio, from 0.62 times in 2020 to 0.69 times in 2021. It is mainly contributed by the increase of total borrowing of RM24.8 million due to the additional financing for capital expenditure and working capital. Besides, the healthy current ratio of 1.09 times reveals that Teo Seng has sufficient capacity to repay short-term debt obligations when they are due in the normal course of business. The net asset per share as at 31 December 2021 stands at RM1.06, slightly increase from RM1.05 in the preceding financial year. It also indicates that the management is prudently managing the resources.

CAPITAL EXPENDITURE AND STRUCTURE

The capital expenditure of RM26.1 million was incurred in the financial year 2021 which consists of the following projects.

a. Expansion on the capacity of layer farming activity.
b. Upgrading of existing farm facilities and equipment.
c. Investment in the downstream business - boiled egg project.
d. Expansion on the farm waste management.
e. Information technology system.

The major portion of planned capital expenditure is used for the expansion and upgrading of facilities and equipment in the layer farming division. The sources of funding for these expenditures were a combination of borrowings and internal funds.

Management Discussion and Analysis (Continued)

BUSINESS OBJECTIVE, STRATEGIES AND REVIEW OF THE OPERATING ACTIVITIES

Poultry Farming

With the tagline - Hatching for Future, Teo Seng has become an integrated poultry farming company that always takes into account the long-term sustainability of the business in its operations and strives to create value for the stakeholders. The intention of boosting the growth and profit of the Group in a sustainable manner acts as a catalyst for the Group to improve the operational efficiency and effectiveness. To maintain the market competitiveness, the Group also adapts to market changes and strengthens its capability in delivering quality products and sustainable performance on a consistent basis.

The competitive advantages enjoyed by Teo Seng are economies of scale and advanced technology. The layer farms are equipped with upgraded facilities and modern technology such as automated chicken manure belt and leading farm management software. The use of large-scale automated plant and equipment not only alleviates the reliance on foreign workers but also increases egg production, reduces fixed cost and achieves economies of scale. Water treatment systems are also installed to ensure the water supplied to farms is at premium quality and improve the immune systems of chickens.

Our egg processing division commenced operation in third quarter of 2021. Currently, we are focusing and capturing the market with our new product, pasteurised boiled eggs. We will continue innovating new products, improve the utilisation rate of production lines and offer a range of pasteurised processed egg products to our end-consumers. This conforms with our mission of expanding the downstream business and exploring B2C business. To support the egg business, the Group also established new distribution centres in Johor Bahru, Penang and Kuantan.

From the perspective of supporting divisions, the commencement of operation of the new feedmill production line in 2017 has doubled the feed production capacity and it is sufficient to cater for the following few years' layer farming expansion plan. For the paper egg trays division, we face the challenge in collecting raw materials and put efforts in finding the substitutes and source of supply due to the decline in newspaper production. 3 new fertiliser plants also commenced operation in the year 2021 to support the core business by providing waste management solutions for chicken waste. This business is not merely to generate new income sources, but more importantly is a sustainable and comprehensive solution to mitigate the extremely large volume of daily by-products for productivity and environment issues. Besides, a waste water treatment system is in place in Central Packing Station ("CPS") to further improve the waste water discharge. 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.

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 had installed the solar PV systems across our farms and factories. All 15 projects which we had signed the Engineering, Procurement, Construction and Commissioning ("EPCC") Agreements with the reputable contractor had commenced operations and an additional projects will be further invested. The renewable energy generated is used for the daily operations of Teo Seng's facilities and successfully brings down approximately 30% of savings on installed site's electricity costs. The performance of the solar PV systems will be monitored continuously to ensure they achieve our initiative to be a green and sustainable layer farmer. This investment is a significant milestone for Teo Seng in contributing to the global environment conservation efforts and we believe that Teo Seng is the first egg producer in Malaysia who invests in a renewable energy project of this scale.

Egg is an affordable, necessity and nutritious staple food for daily consumption. It is also known as the cheapest source of protein and versatile food to households in Asia. According to the Department of Statistics Malaysia ("DOSM"), Malaysia is one of the top global consumers of eggs with the egg consumption per capita, 20.7kg per year. Since Teo Seng is one of the leading poultry farmers in Malaysia, Teo Seng has taken the responsibility to fulfil the demand of eggs with higher degree of nutrition by investing enormous time and effort to develop premium eggs with the brand name of Happy Egg. Under this brand, the products are categorised into Omega plus Lutein Eggs,

Management Discussion and Analysis (Continued)

Multigrain Eggs, Fresh Farm Eggs, Hi Fresh Eggs, Dinosaur Eggs, Kampung Eggs and etc. The development of Happy Eggs is successful as it contributes approximately 10% to our sales volume. We believe that the efforts in promoting our Happy Egg will enable us to enjoy higher sales and stable profit margin. Currently, we are emphasising on the direct sales business by conducting direct van sales in the local and neighbouring areas to increase sales, market shares and the shareholders' value. The commencement of our distribution centres in Penang, Johor and Kuantan will further increase the supply chain efficiency and improve the customer satisfaction level.

We have conducted several brand promotion activities to raise customer awareness of our premium product and brand. Our marketing and sales team continues to expand our market presence and develop new business opportunities by conducting product samplings at various hypermarkets.

The market uncertainties caused by COVID-19 pandemic and Russia-Ukraine war had caused the fluctuations in fuel, transportation and feed commodity prices. Our poultry farming segment recorded a higher sales revenue of RM445.8 million, equivalent to an increase of 10.9% mainly due to the improved selling price of eggs. However, the rising feed cost and the uplift of fair value biological assets led to a pre-tax loss of RM8.8 million, representing a decrement of 83.90 times for the financial period. It is clear that the volatility of commodity prices especially for maize and soybean increases the challenges of the poultry industry.

Investment and Trading of Related Poultry Products

In pursuit to become the trend leader to promote animal health care with quality products and customised solutions, we strive to capture the market of CAP aggressively while maintaining the high market share for FAP. We also managed to increase the segmental sales revenue by 10.3% or RM7.9 million and pre-tax profit by 24.8% or RM2.7 million which was contributed by the sustainable demand of animal health products and a gain on the disposal of right-of-use assets.

RISKS AND MITIGATION MEASURES

Risk of Poultry Diseases

The major business risk in the poultry industry is the poultry diseases. 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 importance 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 a total of 24 farms at different locations. In addition, our experienced and professional veterinarian team and operation team are equipped with the 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 of 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 areas. 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.

Management Discussion and Analysis (Continued)

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 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 systems to solve the impending labour shortage as well as sustaining competitive advantages which are 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 or talented employees in both management and production fields. The increasing competition for production workers and skilled or 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 beneficial to the Group. Our Group is rolling a series of efforts to address the importance of succession planning to encounter any inevitable changes that might occur and we believe that proactive succession planning efforts are able to reduce risk of hiring and promotion mistakes 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 keeps 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 a Corporate Affair Committee comprising Group Financial Controller, Company Secretaries, Senior Accountant and Business Affair Manager and supported by other internal and external professionals to always keep ourselves updated about the latest regulations and requirements.

Foreign Currency Risk

Teo Seng is exposed to foreign currency risk as its main raw materials such as maize and soybean are imported from overseas. In addition, 35% of our eggs production is exported to other countries, mainly to Singapore and Hong Kong and transacted in foreign currencies. Hence, any appreciation and depreciation of currency will impact the Group's financial performance crucially. Additionally, the presence of the Russia-Ukraine war leads to fluctuations in foreign currency. To mitigate the risk of foreign currency fluctuations, the Group has taken proactive action by entering into futures, forwards and options contracts.

PROSPECTS

On the back of the reopening economies, increasing vaccination levels and resumption of tourism, Malaysian poultry industry is being foreseen to have a positive outlook as the eggs consumption and demand of eggs increase continuously. However, the growth prospect in the poultry industry will be hampered by the market uncertainties which caused the temporarily shortage of eggs, shortage of labour supply and depreciation of Ringgit Malaysia. The situation becomes more challenging when there is a hike in the key raw materials prices such as maize and soybean. According to the research, the global maize and soybean prices had risen more than 40% year-on-year in 2021 and in the year-to-date for 2022. These commodities prices are still extending their uptrend due to uncertainty market conditions. The increasing input costs and price control on eggs lead to higher working capital requirement to operate farms and profit margin contractions. As a large fully integrated egg producer, we will be more resilient to overcome these obstacles as we have competitive advantages and enjoy the economies of scale. Conversely, the local farmers who

Management Discussion and Analysis (Continued)

are lacking competitive advantages may opt to phase out from the market, defer or cancel their expansion plans. Consequently, the poultry industry may be consolidated.

Incorporating with the National Recovery Plan of the country and the application of environment, social and governance ("ESG") framework in the business strategies to achieve sustainability, the financial outlook of the poultry industry is positive for integrated layer farmers. Teo Seng is committed to improve efficiency across the whole organisation and increase its competitive advantages by being prudent in managing its financial resources, operational cost and CAPEX requirements. We had taken proactive actions to widen our customer base through e-commerce, diversify marketing channels, retune its business direction and mitigate the possible risk impact of COVID-19 pandemic. By being proactive instead of reactive, we have a high level of confidence to solve problems before they escalate and turn market changes into opportunities; thus, maintaining the status of market leader in the poultry industry.

Operational wise, poultry immunity and health are always the critical factors that determine the quality of output and performance of the poultry industry. Farm improvement and expansion are always the most important agenda as it represents the core business of the Group. The implementation of both closed-house system and AIAO layer farming management system in all farms provide better hygienic and safety standards; thus, mitigating the biosecurity issues and contributing to the intensive poultry production. We concentrate on our core values which are integrated and sustainable by emphasising on continuously expanding our production capacities to meet the growing demand and stepping up the efficiency of the value chain to create value for our stakeholders. Concurrently, Teo Seng continues to invest on waste management facilities along with the expansion and growth of our core business to diminish the detrimental effects on the aspects of environment, human resource, workplace, social and community. We continue to pursue opportunities to increase our presence in the overseas market, find the right partners to enter into new markets and capture more market share in existing domestic and overseas markets by promoting our brand. Last but not least, the management embarks investment into downstream business as part of our business pillars.

Dividend

The Board intends to pay dividends between 20% to 50% of Profit After Tax ("PAT") after taking into consideration 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 during the period of COVID-19 pandemic, the directors do not recommend any dividend payment in respect of the financial year ended 31 December 2021.

Sustainability Statement

Hatching for the Future

As an integrated layer farmer, Teo Seng Capital Berhad strives to enhance market competitiveness through advanced poultry technologies and systems, products innovation and development as well as upholding the commitment of sustainability, which align with our core value "Hatching for the Future".

Economic and Market Place

ENVIRONMENTAL

SOCIAL

GOVERNANCE

Sustainability Statement (Continued)

This Sustainability Statement ("Statement") presents Teo Seng Capital Berhad Group's commitment to sustainability in term of economic, environmental, social and governance ("EESG") aspects during the financial year ended 2021.

The 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 shareholders' value at same time safeguard the interest of its important stakeholders including investors, customers, suppliers, employees, regulator and 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 instill sustainability initiatives into our core values, day-to-day operations and strategic business plans which drive the Group's efforts on delivering values to our shareholders, practicing good governance, maximising contributions to stakeholders and minimising our environmental footprint.

FEEDBACK AND COMMENTS

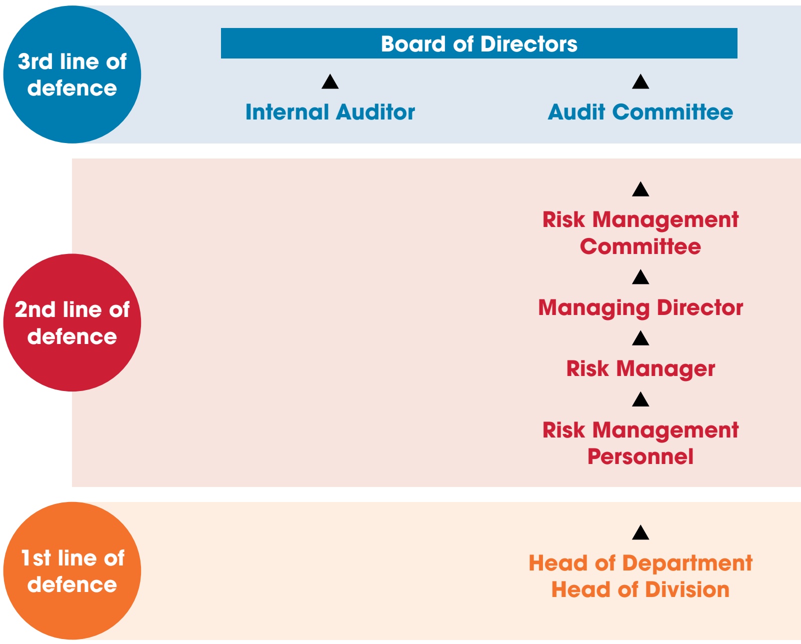
We welcome the valuable feedback from stakeholders which is crucial for our development and improvement on sustainability performance. We invite stakeholders to share their view or feedback via http://teoseng.com.my/contact/.

SUSTAINABILITY GOVERNANCE STRUCTURE AND POLICIES

The Group's risk management team comprising of Heads of Departments or Divisions, Risk Management Personnel ("RMP"), Risk Manager and the Group Managing Director who 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 the 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 the Risk Manager. The Risk Manager who reports to the Managing Director being a designated person entrusted by the Board to manage sustainability strategically. Ultimately, Managing Director through the RMC report to the Board on sustainability matters and activities integrated in the operation of the Group.

The Group's sustainability governance structure is depicted as follows:



Sustainability Statement (Continued)

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 to 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

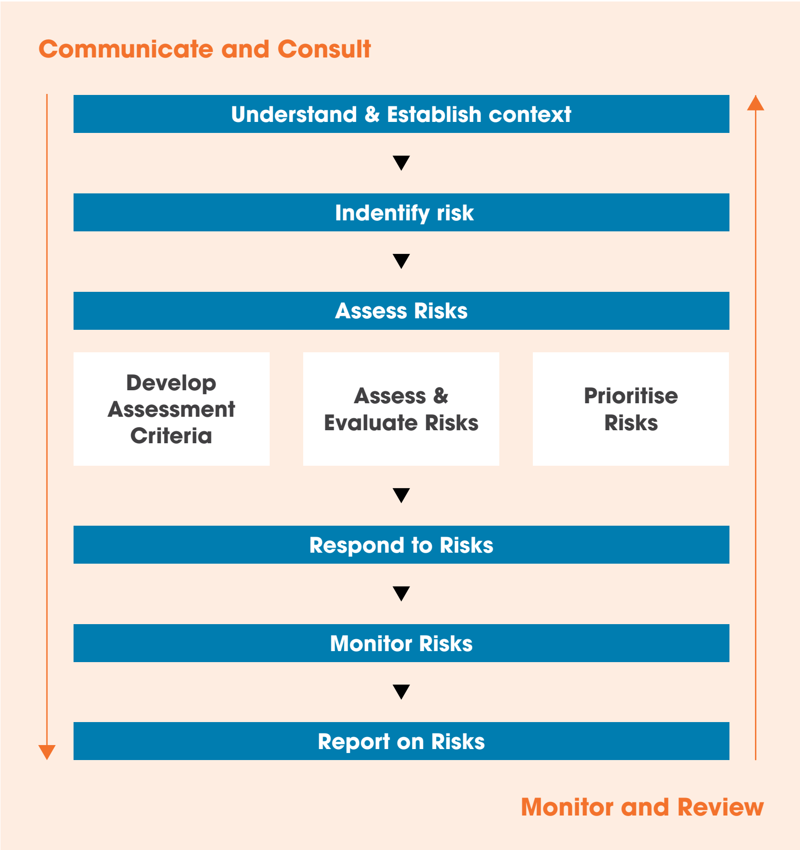
i. To innovate variety **of egg products** to satisfy different group of people.

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**.

Sustainability Statement (Continued)

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 EESG sustainability into our operations are key to this sustainability journey. Thereafter, we engage with different stakeholder groups who are impacted by the Group's business and operation, or have the potential to impact our operational or financial performance via corresponds channels.

Materiality Assessment Process

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 assessed the importance of those matters based on their importance to business operation and importance to stakeholder to prioritise the matters identified. We have taken 9 prioritised matters out 15 matters assessed while the rest remain relevant.

Sustainability Statement (Continued)

MATERIALITY MATRIX

The outcome of prioritised risk will continue 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.

Sustainability Statement (Continued)

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS ("SDG")

Aspect	Material Matters	Relevant SDGs	How We Contribute to the Relevant SDGs
Economic and Market Place	Biosecurity and Diseases Control	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Proactive biosecurity measures • Closed-house system • All-in-all-out management system • Disperse farms in different locations • Experience and professional veterinarian team • Comply with Department of Veterinary Services Malaysia ("DVS") requirements
	Shortage of Manpower	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Recruitment planning and restructuring of operation mode • Implementation of automation system
	Data Security & IT System Efficiency	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Implementation of IT Policies and Procedures • Firewall and anti-virus protection • Protected network access • Secondary backup storage in Disaster Recovery Center
Environmental	Waste Management	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	• Environmental-friendly paper egg trays production • Convert manure into organic fertiliser • Wastewater treatment system
	Renewable Energy	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	• Installation of solar photovoltaic systems across farms and factories
Social	Occupational Safety & Health	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH	• Safety and Health Committee • Safety and Health Policy and Procedures • Safety and Health Training • Incident and Accident Investigation • Personal Protective Equipment • Provides healthcare insurance and benefits to employees
	Employee Development & Succession Planning	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	• Periodical performance assessment • Diversity within workforce • Training and development
	Corporate Social Responsibility	1 NO POVERTY 2 ZERO HUNGER	• Donation of eggs to those who are in need • Provides sponsorship to charitable and education organisations
Governance	Corporate Governance & Regulatory Compliance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Corporate Affair Committee • Code of conduct and ethics for directors • Employees' handbook • Anti-corruption policy & procedure • Whistleblowing policy • Enterprise Risk Management & Sustainability Governance Framework

Sustainability Statement (Continued)

Economic and Market Place > Biosecurity and Diseases Control

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. It not only could adversely deteriorate 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 Group adopted the closed-house systems ("CHS") and All-In-All-Out ("AIAO") layer farming management system which are the best measures to mitigate the risk. The CHS of farming involves the rearing of chickens in a closed farm with high biosecurity and built-in ventilation with temperature control, 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 also adopted in our farms, where full cleaned-out and disinfection in accordance with established procedures are practiced for 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 better performance in terms of 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. Relevant trainings under the biosecurity programmes also have been organised for farms' employees. Outsider is prohibited to access our farm 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.

Sustainability Statement (Continued)

Economic and Market Place › Shortage of Manpower

Stakeholders Group:

Board of Directors | The Management | Customers | Employees

Engagement Channel:
On-going Meeting and Interaction

The operation of poultry business in Malaysia would require substantial manpower which in turn shortage of manpower posts great challenge to poultry operation. Its smooth operation inevitably depends on the labour supply especially foreign workers. The issue on insufficient supply of foreign workers becoming imperative to poultry industry at the same time the required COVID-19 pandemic preventive measures also elevated the situation.

The Group placed emphasis on professional and timely recruitment planning of both local and foreign workers by our Human Resources Department, newly introduced measures such as restructuring of operating mode in our layer farming activity managed to mitigate reliance on manual labour. In addition, the Group also actively promotes and implements advanced technology, invests and using automation system, new machinery, conveyor system, modern equipment and systematic working process to improve efficiency and productivity with the same level of labour or even lesser to balance manpower demand as well as sustaining competitive advantages in line with the Group's mission.

Economic and Market Place › Data Security and IT System Efficiency

Stakeholders Group:

Board of Directors | The Management | Customers | Employees

Engagement Channel:
On-going Meeting and Interaction
Periodic Assessment
Internal Training

In the modern economy, information technology able to greatly facilitate and expedite business operations by improving efficiency and profitability which render data security and protection as crucial business consideration. Failure to safeguard potential security risks could hinder daily operation, negatively impact profitability and reputation of a company, even worse could threaten its existence or licenses to operate. Therefore, we placed importance and accountable for the safety and confidentiality of client data and employee information. It is a demanding task that's becoming increasingly sophisticated 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.

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

Sustainability Statement (Continued)

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.

During the year, the Group has implemented a new online employees' portal with secure login identity which allow employees to timely access updated employees' handbook, Group's policies and procedure, employees leave entitlements and application, pay slip and their personal information. The implementation of the portal facilitates efficient dissemination of new information that could be conveniently access by employees in a secure manner.

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 or 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.

Sustainability Statement (Continued)

Environmental Waste Management

Stakeholders Group:

Board of Directors
The Management
Customers
Regulatory Authorities

Engagement Channel:
On-going Meeting and Interaction
Periodic Assessment
Press Release

Waste management become a critical consideration for our long-term growth and sustainability due to the significant footprint of the layer farming activity. The main environmental issues are odour pollution and appropriate management and disposal of manure. Currently, we have total of 7 fertiliser plants in operation and additional fertiliser plants under construction will be completed in year 2022 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 plants, 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 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
Customers
Regulatory Authorities

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 Initiatives, we invested substantial capital expenditure on installing solar photovoltaic ("Solar PV") systems cross our farms and factories throughout Johor which will reduces carbon emission and lower electricity cost.

Sustainability Statement (Continued)

The first Solar PV system for Teo Seng feedmill plant was completed and in operation with capacity of 490 kWp in 2019. Additional 3,900 kWp of Solar PV systems were installed in year of 2020-2021 as the Group's commitment to utilise renewable energy in its operation in order to contribute to global environment preservation. The total Solar PV systems in operation across the Group at the year ended 2021 has been increased to 3,505 kWp. Furthermore, the Group is planning for its next phase of solar projects in 2022. The performance of the Group's Solar PV systems in operation at the end of financial year 2021 are as follow:

F.Y.E	Total Capacity (kWp)	Renewable Energy Generated (MWh)	CO_2 Avoidance ($0.694\ tCO_2/MWh$)
2019	490	305	211.67
2020	1,490	951	659.99
2021	3,505	3,599	2498.05

Social Occupational Safety and Health

Stakeholders Group:

Board of Directors

The Management

Customers

Regulatory Authorities

Employees

Engagement Channel:
On-going Meeting and Interaction
Periodic Assessment

Occupational safety and health being recognised as an important responsibility of the Group to create a safe and healthy workplace for its employees. The Group formed its Safety and Health Committee leading by qualified Health, Safety and Environment Officer tasked to formulate and execute a systematic safety and health plan and practices. We endeavor to instill and create awareness 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 machines or equipment operation and maintenance, handling of chemical materials, onsite forklift driving 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.

Sustainability Statement (Continued)

Safety and Health Procedures

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

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 working practices and improved working behavior. Employees' understanding of the conducted training also form the essential fundamental to occupational safety and health development and implementation.

Emergency Preparedness

Preparing before an emergency incident plays a vital role in ensuring that employees are being well preparedness for emergencies and aware of hazards to keep themselves safe when an emergency occurs. The factory or farm manager as a coordinator has to lead and coordinate the emergency situation. The coordinators are responsible for assessing the situation to determine whether an emergency exists requiring activation an emergency procedure and coordinating outside emergency services such as medical aid and local fire department. The emergency procedure should be revised when shortcoming have become known and reviewed every 3 years for updating changes in processes, infrastructure, materials used and key personnel.

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 2021, 1 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.

Sustainability Statement (Continued)

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 RM52,000 in last year 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.

Social — 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. While employees required to manage their careers for ongoing employability, Teo Seng also play the essential role to focus on attracting, grooming and retaining high potential promotable employees. Teo Seng realised the importance of investing in the employee development which believe will bring the beneficial impact to the Group, at the same time, productive workforce can be generated from the efforts of the leaders work together with the employees.

Business Continuity Planning

The Group establishes planning processes and action plans in human resource perspective to maintain operational continuity for business from absence or loss or reduction of manpower in critical job position, and critical skills of essential employees during a disruption such as pandemic COVID-19 so that critical operation or services or products are delivered or continue to be available during that disruption. Each of the Head of Department is required to using risk assessment tool to identify and assessing critical job position, identify critical job position competencies, as well as critical job position gap analysis to ensure the potential retainable employees are successfully developed.

Performance Assessment

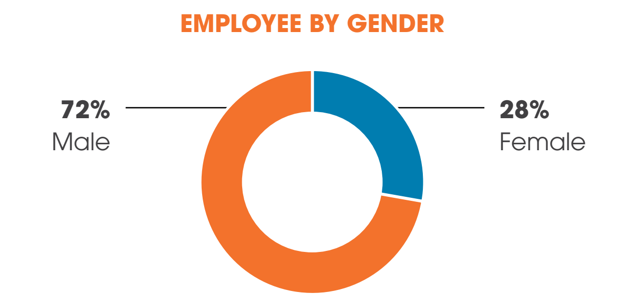
Teo Seng enhanced and reviewed the current performance management system to be able to truly reflect employee performance and productivity by minimise the qualitative evaluation and focus on emphasising quantitative measurement. A quantitative performance evaluation uses analytics and metric rather than the subjective view of performance. 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.

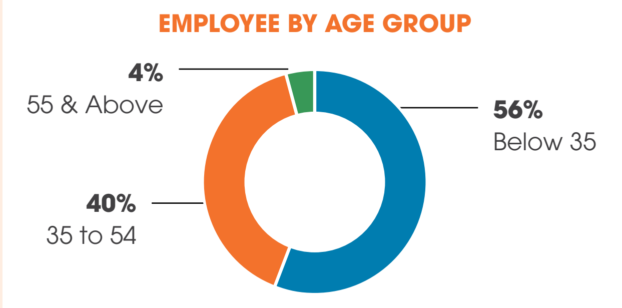
Sustainability Statement (Continued)

Diversity within the Workforce

Workforce diversity remained as focused agenda of our human capital management as we recognise 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. In response to those ongoing change, Company have started to create work environments to address the needs and respond to the opportunities of a diverse workforce.

Our employees' breakdown and analysis are as follows:





Employee Training and Development

The COVID-19 pandemic has disrupted and affected work patterns in companies worldwide. One of the most affected has been employee learning and development. In response, Company also arranged some form of remote learning instead of provide in-person, classroom-based training. The Group's employee training and development programme always aim to ensure our employee remain competent and competitive. 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	Halal Executive Online Course	13/03/2021-18/04/2021	Virtual Training	To enable the participants to be certified as halal executive.
2	Implementing Amendments in the Malaysian Code on Corporate Governance	01/6/2021	Virtual Training	Gain basic understanding on the implication and new requirements under latest edition of Malaysian Code on Corporate Governance.
3	Kursus Latihan Pengendali Makanan	12/07/2021 & 01/11/2021	Virtual Training	To provide exposure and awareness to all food handlers on the aspects of food hygiene and safety, food handlers and food premises and also to reduce the incidence of food poisoning.
4	Financial Modeling Using Excel	21/07/2021-22/07/2021	Virtual Training	To equal essential skills for effectively utilising spreadsheet software in a day-to-day business environment.
5	Share Buy-Back: A Regulatory Perspective	2/9/2021	Virtual Training	Provide in-dept understanding on regulatory requirements in relation to share buy-back exercise by a listed entity.

Sustainability Statement (Continued)

No	Name	Date	Type of training	Brief Description on the training
6	Industrial Relations Application During Pandemic of COVID-19	08/09/2021	Virtual Training	Participants will understand how amendments of Industrial Relations Act 1967 affect the labor market, especially during the recently reimplemented or future MCO.
7	Integrated Pest Control Management (IPM)	15/09/2021 (CN) 23/09/2021 (BM) 24/09/2021 (BM)	Virtual Training	Gain understanding on the importance and how to integrate effectively pest control management in day-to-day operation.
8	The Ultimate Guide to RPT Analysis	23/09/2021-24/09/2021	Virtual Training	To acquire knowledge and analytical skill in determining RPT transaction and its corresponding legal compliance actions.
9	Standard PEFC Chain-Of-Custody Certification System	07/10/2021-08/10/2021	Virtual Training	Understand the process PEFC certification system in certifying the wood-based materials used in production are from legal and sustainable origin, traceable and the rights of the indigenous people and workers are protected.
10	Introduction to MS1480:2019 Food Safety According to HACCP System	22/12/2021-23/12/2021	Virtual Training	Gain understanding for developing comprehensive HACCP plan based on the specific risk to your product and process.

Social

Corporate Social Responsibility

Stakeholders Group:

Board of Directors

The Management

Customers

Employees

Local Community

Engagement Channel:
On-going Meeting and Interaction

Despite a challenging year of navigating through COVID-19, we remain committed toward sustainable development of the communities by taking care of their well-being. As part of our effort to bring positive impact to the community, we continue to engage with the community through our Corporate Social Responsibility ("CSR") activity. We provided sponsorship to charitable and educational organisations as well as providing material assistance to people in need. During the period of COVID-19 pandemic, we also donate our eggs to those in need upon request by various organisations, i.e. NGO, government organisations, charity organisations and others. The eggs donation assistance would be able to relief the financial burden or hunger situation of those underprivileged recipients. Our caring extended to the local community not only would develop good social rapport but also able to strengthen our employees' morale and cementing employees' loyalty as well as motivating them to carry out their duties more diligently.

Sustainability Statement (Continued)

Governance — Corporate Governance and Regulatory Compliance

Stakeholders Group:

Board of Directors

The Management

Customers

Regulatory Authorities

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, the Board had reviewed the Group's Anti-Corruption Policy and Procedures to further enhance the Group's commitment to combat corruption and uphold integrity in its businesses conduct with zero tolerance to all forms of bribery and corruption. The Risk Management Team also organised briefing sessions for the Anti-Corruption Policy and Procedures with assessment of level of understanding to all departments across the Group. As an effort of the Group to inculcate the highest level of ethical standard and value to all its employees, a new version of employees' hand books applicable to all employees has been adopted and disseminated to its employees.

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.

Corporate Governance Overview Statement

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 ("MCCG") 2021 revision 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 2021 during the financial year ended 31 December 2021 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.

Corporate Governance Overview Statement (Continued)

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 Group'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-meetings/.

h. Integration of sustainability considerations in corporate strategy, governance and decision-making.

The Board in development of strategic plan of the Group shall takes into account strategies on economic, environmental, social and governance ("EESG") considerations which underpinning sustainability and supports long-term value creation.

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.

Corporate Governance Overview Statement (Continued)

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.

Corporate Governance Overview Statement (Continued)

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-meetings/.

Code of Conduct and Ethics

The Board has formalised a Directors' Code of Conduct and Ethics and adopted the Group's latest version of Employee Handbook incorporated with particular section dedicated for Employees' Code of Conduct and Ethics, setting out the standards of conduct expected from Directors and employees respectively. The Code of Conduct and Ethics for Directors and employees includes principles relating to Directors' duties or employees' working attitude, conflicts of interest and dealings in securities. The Codes of Conduct and Ethics serves as a guideline for Directors and employees 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-meetings/.

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.

Corporate Governance Overview Statement (Continued)

Governing Sustainability

The Board recognises its responsibility for the governance of sustainability and integrate sustainability consideration into the strategic direction of the Group's business operations. The strategic management of material sustainability matters rest with the Risk Management Team, led by Risk Manager, Mr. Ng Eng Leng, the Group Financial Controller, who is delegated by the Board as the designated person from the senior management team to coordinates and manages sustainability efforts and strategies of the Group. The Risk Manager reports to the Managing Director ("MD"), the MD who is the Chairman of the Risk Management Committee ("RMC") through the RMC reports to the Board on the Group's sustainability matters.

The Board through the involvement of various Head of Departments or Divisions under the established sustainability governance structure communicates to employees of respective departments information in relation to implementation of sustainability initiatives. For external stakeholders, on-going engagement and Sustainability Statements of the Annual Report was prepared to provide stakeholders the relevant information on the development and contribution of the Group to the prioritised sustainability matters.

The Board plays a prominent role in the Group's sustainability management is aware of the need to stay abreast with and understand the development of sustainability issue relevant to our business operations. Other than periodic review and discuss on the Group's EESG matters progress and performance, professional training on related subject matters will be considered and attended by members of the Board as well as the Key Management Personnel ("KMP"). The Board and KMP performance evaluation take into account their performance in addressing material sustainability risk and opportunities will be assessed by the Nomination Committee annually. Further detail of the Group's sustainability matters and initiatives are set out in the Sustainability Statement of this Annual Report.

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 2021 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 in consideration of Para 1.01 (h) of the amended Listing Requirements of Bursa Malaysia ("MMLR") to be implemented and the Practice 5.3 & 5.4 of MCCG 2021 which limit tenure of Independent Non-Executive Directors ("INED") up to maximum of 12 years without further extension, the Board with recommendation of the NC accepted Dato' Koh Low @ Koh Kim Toon served as INED of the Company for more than 12 years since 19 November 2009 who will be retired pursuant to Section 76(3) of the Company's Constitution not to seek for re-election while Mr. Choong Keen Shian and Mr. Frederick Ng Yong Chiang have served as the INED of the Company for more than 12 years since 19 June 2008 also opted for retirement at the forthcoming 16th AGM.

The Board would like to takes this opportunity to express the greatest gratitude and appreciation for excellent services of the INEDs namely Mr. Choong Keen Shian, Mr. Frederick Ng Yong Chiang and Dato' Koh Low @ Koh Kim Toon rendered to the Company over the years. Based on recommendations of MCCG 2021, the Board is actively sourcing for suitable candidates for replacement with due consideration to independency and objectivity, diversity, skills set and experience required to ensure effectiveness of the Board.

Corporate Governance Overview Statement (Continued)

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	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.

Corporate Governance Overview Statement (Continued)

NC reviews and recommends the suitable training programmes to the members of the Board in order to carrying out its functions. There was one NC meeting held during the financial year ended 31 December 2021. 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. Evaluated Key Management Personnel performance.
d. Reviewed the independence of the Directors.
e. Discussed the Company's Directors' retirement by rotation.
f. Conducted the assessment on the AC and each of its members.
g. Reviewed training programmes attended by Directors.

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. Nam Hiok Joo and Dato' Koh Low @ Koh Kim Toon in the forthcoming 16th AGM. Mr. Nam Hiok Joo being eligible, have offered himself for re-election and that Dato' Koh Low @ Koh Kim Toon has indicated to the Company that he would not seek re-election at the 16th AGM. Based on the recommendation of NC, the Board supports the re-election of Mr. Nam Hiok Joo as Managing Director of the Company. Mr. Nam Hiok Joo's profile is set out on page 8 of the Annual Report and the Board statement of support for his re-election stated in the explanatory note of the notices of 16th AGM.

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.

Corporate Governance Overview Statement (Continued)

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	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 2021 is as follows:

	Company RM					
	Fee	Salaries	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Executive Director						
Nam Hiok Joo	-	263,568	109,820	28,000	77,632	479,020
Loh Wee Ching	-	58,800	24,500	-	16,750	100,050
Sub-Total	**-**	**322,368**	**134,320**	**28,000**	**94,382**	**579,070**
Non-Executive Director						
Lau Jui Peng	-	-	-	-	-	-
Choong Keen Shian	31,000	-	-	-	3,000	34,000
Frederick Ng Yong Chiang	31,000	-	-	-	3,000	34,000
Dato' Koh Low @ Koh Kim Toon	31,000	-	-	-	3,000	34,000
Sub-Total	**93,000**	**-**	**-**	**-**	**9,000**	**102,000**
Total	**93,000**	**322,368**	**134,320**	**28,000**	**103,381**	**681,069**

Corporate Governance Overview Statement (Continued)

	Group RM					
	Fee	Salaries	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Executive Director						
Nam Hiok Joo	-	404,400	168,500	28,000	116,465	717,365
Loh Wee Ching	-	411,916	147,000	23,950	103,248	686,114
Sub-Total	**-**	**816,316**	**315,500**	**51,950**	**219,713**	**1,403,479**
Non-Executive Director						
Lau Jui Peng	365,568	-	-	-	121,855	487,423
Choong Keen Shian	31,000	-	-	-	3,000	34,000
Frederick Ng Yong Chiang	31,000	-	-	-	3,000	34,000
Dato' Koh Low @ Koh Kim Toon	31,000	-	-	-	3,000	34,000
Sub-Total	**458,568**	**-**	**-**	**-**	**130,855**	**589,423**
Total	**458,568**	**816,316**	**315,500**	**51,950**	**350,568**	**1,992,902**

The Remuneration paid to the five (5) KMP who are not Directors of the Company for the financial year ended 31 December 2021 in the bands of RM50,000:

	Group RM					
	Fee	Salaries	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Key Management Personnel						
Ng Eng Leng	-	250,001-300,000	100,001-150,000	0-50,000	150,001-200,000	550,001-600,000
Na Eluen	-	250,001-300,000	100,001-150,000	-	200,001-250,000	650,001-700,000
Na Yi Chan	-	250,001-300,000	100,001-150,000	-	100,001-150,000	500,001-550,000
Nam Ya Jun	-	250,001-300,000	100,001-150,000	-	100,001-150,000	500,001-550,000
Ku Leong Choon	-	150,001-200,000	0-50,000	0-50,000	0-50,000	250,001-300,000

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.

Corporate Governance Overview Statement (Continued)

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. Board members' meeting attendances for the financial year ended 31 December 2021 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	-	-	-	2/2
Loh Wee Ching	5/5	-	-	-	-
Choong Keen Shian	5/5	5/5	1/1	1/1	2/2
Frederick Ng Yong Chiang	5/5	5/5	1/1	1/1	2/2
Dato' Koh Low @ Koh Kim Toon	5/5	5/5	1/1	1/1	-

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	Grandparent Standard Technical Webinar Series: Hot Weather Ventilation	7 April 2021
	Grandparent Standard Technical Webinar Series: Chick Quality	26 May 2021
	Grandparent Standard Technical Webinar Series: Immunity, Vaccination and Monitoring Technique	2 June 2021
	Cyber Threat: How to Fight Phishing, Ransomware and Other Top Attacks	24 August 2021
	Malaysian Code on Corporate Governance 2021 (Revised)	15 September 2021
	The 6 Critical Practices for Leading a Team	21-22 September 2021
	Competition Law-How It May Impact The Way We Do Business	18 November 2021

Corporate Governance Overview Statement (Continued)

Directors	List of Training Programmes/Seminars attended/participated	Date
Nam Hiok Joo	Malaysian Code on Corporate Governance 2021 (Revised)	15 September 2021
	The 6 Critical Practices for Leading a Team	21-22 September 2021
	Competition Law-How It May Impact The Way We Do Business	18 November 2021
Loh Wee Ching	Malaysian Code on Corporate Governance 2021 (Revised)	15 September 2021
	The 6 Critical Practices for Leading a Team	21-22 September 2021
	Competition Law-How It May Impact The Way We Do Business	18 November 2021
Choong Keen Shian	Malaysian Code on Corporate Governance 2021 (Revised)	15 September 2021
	Competition Law-How It May Impact The Way We Do Business	18 November 2021
Frederick Ng Yong Chiang	Removal of Director	25 January 2021
	Beneficial Ownership Reporting Framework of Legal Persons-The Essentials	25 February 2021
	MIA Conference 2021: Navigating A Sustainable Future with Agility and Resilience	8-10 June 2021
	Malaysian Code on Corporate Governance 2021 (Revised)	15 September 2021
	Competition Law-How It May Impact The Way We Do Business	18 November 2021
	2022 Budget Seminar	25 November 2021
Dato' Koh Low @ Koh Kim Toon	Malaysian Code on Corporate Governance 2021 (Revised)	15 September 2021
	Competition Law-How It May Impact The Way We Do Business	18 November 2021

Corporate Governance Overview Statement (Continued)

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. The AC is planning to extend the cooling-off period to at least 3 years in compliance with revised MCCG 2021 recommendation.

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 2021.

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 provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants and with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional 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 2021.

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	337,536	55,000
Non-audit fee	77,700	-

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 with the Listing Requirement of Bursa Securities.

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

Corporate Governance Overview Statement (Continued)

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 56 to page 62 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

Corporate Governance Overview Statement (Continued)

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 facilitates meaningful engagement with shareholders by providing a platform for 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. In 2021, the Company conducted the 15th AGM on a fully virtual manner through live streaming online meeting platform and remote participation and voting facilities provided by Tricor Investor Issuing House Services Sdn. Bhd. which allows shareholders to participate and voting remotely. The minutes of the AGM as well as questions and answers posed by shareholders were made available and accessible through the Company's website at www.teoseng.com.my within 30 business days after the AGM.

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 12 April 2022.

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 2021.

Recurrent Related Party Transactions of a Revenue Nature

At the last Deferred Annual General Meeting held on 5 August 2021, 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 2021 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 2021.

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 2021, 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 2021, 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 2021, 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.

Statement on Risk Management and Internal Control (Continued)

a) Risk Management (Continued)

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.

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 2021 ("MCCG 2021").

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.

Statement on Risk Management and Internal Control (Continued)

a) Risk Management (Continued)

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.

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.

Statement on Risk Management and Internal Control (Continued)

a) Risk Management (Continued)

During the financial year ended 31 December 2021, 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 timely and appropriate adjustment to control measures in respond to new development when circumstance warrant.

Meeting of RMC

There were two (2) meetings of the RMC held during the financial year ended 31 December 2021, which were attended by the RMC members as follows:

Name of member	Number of meetings attended
Nam Hiok Joo	2/2
Choong Keen Shian	2/2
Frederick Ng Yong Chiang	2/2

Statement on Risk Management and Internal Control (Continued)

a) Risk Management (Continued)

During the financial year ended 31 December 2021, RMC reviewed the policies and procedures on anti-corruption and whistle-blowing to further enhance its applicability and control in supporting the Group's commitment to combat corruption and uphold integrity. The Risk Management Team conducted briefing sessions for the Anti-Corruption Policy and Procedures to all departments across the Group with multi-languages presentation material as well as performed assessment of understanding for individual employees.

Mitigation of Risk of COVID-19 Pandemic

In pace with the impressive progress of vaccination in Malaysia, the government lifted interstate and international travel restrictions since 01 April 2022 with conditions imposed. Following the country's National Recovery Plan (Pelan Pemulihan Negara, "PPN"), the authority announced that we are in the transition from COVID-19 pandemic to endemic. We are highly aware of the 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 offices, 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 by taking pro-active actions to widen its customer base through E-commerce, retune its business direction, diversify marketing channel and mitigate the possible risk impact on COVID-19 pandemic. 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.

Statement on Risk Management and Internal Control (Continued)

b) Internal Control System (Continued)

During the financial year ended 31 December 2021, 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. Operation of Teo Seng Paper Products Sdn. Bhd.;
ii. Enterprise Risk Management and Related Party Transaction and Disclosure;
iii. Malaysian Anti-Corruption Act Section 17A - Corporate Liability Adequacy; and
iv. Procurement to Payment;

The total costs incurred for the internal audit functions in respect of the financial year ended 31 December 2021 amounting 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 2021.

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.

Statement on Risk Management and Internal Control (Continued)

b) Internal Control System (Continued)

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 2021.

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 12 April 2022.

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 2021 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 2021, 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 2020, first quarter ended 31 March 2021, second quarter ended 30 June 2021 and third quarter ended 30 September 2021 were tabled at the AC meetings held on 9 February 2021, 6 April 2021, 7 May 2021, 17 August 2021 and 16 November 2021 respectively.

Audit Committee's Report (Continued)

1. Financial Reporting (Continued)

b) Audited Financial Statements

On 6 April 2021, the AC reviewed the Audited Financial Statements for the year ended 31 December 2020.

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 9 February 2021, 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 2020.

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 15th Annual General Meeting.

On 17 August 2021, the AC reviewed the external audit terms of engagement, proposed audit remuneration, audit plan of external auditor, PwC for financial year ending 31 December 2021.

The AC also discussed and reviewed with the External Auditors, the applicability and the impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.

3. Internal Audit

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

Date	Internal Audit Area
9 February 2021	Operation Review on Teo Seng Paper Products Sdn. Bhd.
17 August 2021	Enterprise Risk Management, Related Party Transaction and Disclosure and Malaysian Anti-Corruption Act Section 17A-Corporate Liability Adequacy Review
16 November 2021	Procurement to Payment Review

Significant issues, Management's responses and relevant recommendations or changes thereto being be assessed and reported to the Board.

The AC also assessed the adequacy of scope, functions, competency and resources of the Internal Audit function.

By using evaluation form, the AC was satisfied with the performance of Internal Audit on the works performed by them.

Audit Committee's Report (Continued)

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 9 February 2021 and 16 November 2021, the AC reviewed the report from Risk Management Committee on updating of Anti-Corruption Policy and Procedures.

In addition, the AC also 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 2020 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 2021.

DIRECTORS

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

Directors of the Company

Lau Jui Peng
Nam Hiok Joo
Loh Wee Ching
Choong Keen Shian
Frederick Ng Yong Chiang
Dato' Koh Low @ Koh Kim Toon

Directors of subsidiaries

Tan Sri Lau Tuang Nguang
Lau Joo Han
Na Hap Cheng
Na Yok Chee
Nam Hiok Yong
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	3,043,255	11,138,535

Directors' Report (Continued)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2021.

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

There were no changes in the issued and paid-up capital of the Company during the financial year. There were debentures issued during the financial year.

TREASURY SHARES

There was no issuance, repurchase, cancellation or resale of the treasury shares during the current financial year.

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.

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' Report (Continued)

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 1.1.2021	Bought	Sold	At 31.12.2021
Shares in the Company					
Nam Hiok Joo	- Direct	166,602	0	0	166,602
Lau Jui Peng	- Indirect	160,489,003	0	0	160,489,003
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
Dato' Koh Low @ Koh Kim Toon	- Direct	0	85,000	0	85,000
Shares in ultimate holding company – Emerging Glory Sdn. Bhd.					
Lau Jui Peng	- Indirect	20,002	0	0	20,002#

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

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

Directors' Report (Continued)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Number of share options			
	At 1.1.2021	Granted	Exercised/ lapsed	At 31.12.2021
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 2021.

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.

Directors' Report (Continued)

OTHER STATUTORY INFORMATION (CONTINUED)

(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 12 April 2022. Signed on behalf of the Board of Directors:

LAU JUI PENG
DIRECTOR

NAM HIOK JOO
DIRECTOR

Consolidated Statement of Comprehensive Income

For the Financial Year ended 31 December 2021

	Note	2021 RM	2020 RM
Revenue	4	**530,140,096**	478,280,417
Other income	5	**5,988,723**	1,957,281
Purchase of trading merchandise, raw materials, livestock and poultry feeds		**(407,639,713)**	(331,978,672)
Changes in closing inventories		**10,369,802**	1,583,238
Changes in biological assets		**9,381,867**	(1,162,588)
Staff costs	6	**(55,852,237)**	(53,829,649)
Depreciation of property, plant and equipment	11	**(23,961,496)**	(22,917,420)
Amortisation of right of use assets	12	**(297,775)**	(297,648)
Utilities expense		**(12,707,162)**	(15,731,042)
Transportation expenses		**(18,092,271)**	(14,994,601)
Other expenses		**(26,485,691)**	(23,882,641)
Operating profit		**10,844,143**	17,026,675
Finance income			
- interest income		**292,465**	330,701
Finance costs	8	**(6,331,977)**	(6,579,955)
Finance costs - net		**(6,039,512)**	(6,249,254)
Profit before tax	9	**4,804,631**	10,777,421
Tax	10	**(1,761,376)**	(6,589,008)
Profit after tax		**3,043,255**	4,188,413
Other comprehensive income/(loss):			
Items that will be subsequently reclassified to profit or loss			
- currency translation differences		**326,563**	(15,894)
Items that will not be subsequently reclassified to profit or loss			
- fair value changes of equity instruments classified as FVOCI		**(70)**	(1,715)
Total other comprehensive income/(loss)		**326,493**	(17,609)
Total comprehensive income for the financial year		**3,369,748**	4,170,804

Consolidated Statement of Comprehensive Income (Continued)

For the Financial Year ended 31 December 2021

	Note	2021 RM	2020 RM
Profit after tax attributable to:			
Owners of the Company		**3,043,255**	4,188,413
Total comprehensive income attributable to:			
Owners of the Company		**3,369,748**	4,170,804
Earnings per ordinary share (sen):			
Basic	28(a)	**1.04**	1.43
Diluted	28(b)	**1.04**	1.43

Company Statement of Comprehensive Income

For the Financial Year ended 31 December 2021

	Note	2021 RM	2020 RM
Revenue	4	**14,139,232**	13,757,680
Other income	5	**0**	106,099
Staff costs	6	**(2,320,105)**	(1,206,007)
Depreciation of property, plant and equipment	11	**(419,455)**	(377,687)
Other expenses		**(345,622)**	(987,536)
Operating profit		**11,054,050**	11,292,549
Finance income		**73,339**	128,929
Finance costs	8	**(7,297)**	(33,415)
Finance cost - net		**66,042**	95,514
Profit before tax	9	**11,120,092**	11,388,063
Tax	10	**18,443**	(95,000)
Net profit and total comprehensive income for the financial year		**11,138,535**	11,293,063

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 RM	2020 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**373,442,932**	373,605,154
Right-of-use assets	12	**3,297,884**	5,106,469
Goodwill arising on consolidation	13	**102,424**	102,424
Equity instruments classified as FVOCI	15	**6,670**	6,740
Deferred tax assets	26	**309,199**	448,699
Prepayment for purchase of property, plant and equipment	18	**807,028**	3,720,849
		377,966,137	382,990,335
CURRENT ASSETS			
Biological assets	16	**65,073,358**	55,691,491
Inventories	17	**58,565,515**	48,195,713
Trade and other receivables	18	**66,998,409**	53,401,183
Tax recoverable		**4,751,608**	5,761,800
Cash and bank balances	19	**49,016,298**	44,918,529
		244,405,188	207,968,716
TOTAL ASSETS		**622,371,325**	590,959,051
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	20	**60,011,036**	60,011,036
Treasury shares	21	**(8,345,642)**	(8,345,642)
Other reserves	22	**(24,647,412)**	(25,043,907)
Retained earnings		**284,455,948**	281,412,693
TOTAL EQUITY		**311,473,930**	308,034,180

Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

	Note	2021 RM	2020 RM
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank borrowings	23	**48,918,676**	52,178,042
Hire purchase payables	24	**5,072,944**	9,245,774
Lease liabilities	25	**3,260,450**	3,341,633
Deferred tax liabilities	26	**28,923,327**	33,444,068
		86,175,397	98,209,517
CURRENT LIABILITIES			
Trade and other payables	27	**62,917,706**	54,577,784
Bank borrowings	23	**156,078,155**	122,010,629
Hire purchase payables	24	**4,500,487**	6,354,451
Lease liabilities	25	**184,560**	232,150
Tax payable		**1,041,090**	1,540,340
		224,721,998	184,715,354
TOTAL LIABILITIES		**310,897,395**	282,924,871
TOTAL EQUITY AND LIABILITIES		**622,371,325**	590,959,051

Company Statement of Financial Position

As at 31 December 2021

	Note	2021 RM	2020 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**2,160,049**	2,029,977
Investments in subsidiaries	14	**96,807,285**	72,532,216
Prepayment for purchase of property, plant and equipment	18	**85,932**	250,781
		99,053,266	74,812,974
CURRENT ASSETS			
Trade and other receivables	18	**317,030**	6,084,271
Dividend receivable		**2,400,000**	10,000,000
Tax recoverable		**121,754**	65,160
Cash and bank balances	19	**193,711**	403,429
		3,032,495	16,552,860
TOTAL ASSETS		**102,085,761**	91,365,834
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	20	**60,011,036**	60,011,036
Treasury shares	21	**(8,345,642)**	(8,345,642)
Other reserve	22	**72,007**	55,209
Retained earnings		**49,042,793**	37,904,258
TOTAL EQUITY		**100,780,194**	89,624,861
LIABILITIES			
NON-CURRENT LIABILITIES			
Hire purchase payables	24	**31,967**	65,431
Deferred tax liabilities	26	**190,000**	228,000
		221,967	293,431
CURRENT LIABILITIES			
Trade and other payables	27	**1,050,136**	1,332,264
Hire purchase payables	24	**33,464**	115,278
		1,083,600	1,447,542
TOTAL LIABILITIES		**1,305,567**	1,740,973
TOTAL EQUITY AND LIABILITIES		**102,085,761**	91,365,834

Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2021

	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
2021								
At 1 January 2021	**60,011,036**	**(8,345,642)**	**(26,078,000)**	**582,982**	**4,529**	**446,582**	**281,412,693**	**308,034,180**
Employees' share option scheme								
- value of employee service	**0**	**0**	**0**	**0**	**0**	**70,002**	**0**	**70,002**
<u>Comprehensive income</u>								
Net profit for the financial year	**0**	**0**	**0**	**0**	**0**	**0**	**3,043,255**	**3,043,255**
<u>Other comprehensive income</u>								
- Fair value changes of equity instruments classified as FVOCI	**0**	**0**	**0**	**0**	**(70)**	**0**	**0**	**(70)**
- Foreign currency translation differences	**0**	**0**	**0**	**326,563**	**0**	**0**	**0**	**326,563**
Total comprehensive income for the financial year	**0**	**0**	**0**	**326,563**	**(70)**	**0**	**3,043,255**	**3,369,748**
At 31 December 2021	**60,011,036**	**(8,345,642)**	**(26,078,000)**	**909,545**	**4,459**	**516,584**	**284,455,948**	**311,473,930**

Consolidated Statement of Changes in Equity (Continued)

For the Financial Year ended 31 December 2021

	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)	0	4,188,413	4,170,804
Transactions 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

Company Statement of Changes in Equity

For the Financial Year ended 31 December 2021

	Note	Share capital RM	Treasury shares RM	Capital contribution reserve RM	Retained earnings RM	Total RM
2021						
At 1 January 2021		**60,011,036**	**(8,345,642)**	**55,209**	**37,904,258**	**89,624,861**
Employees' share option scheme						
- value of employee service		**0**	**0**	**16,798**	**0**	**16,798**
Comprehensive income						
Net profit and total comprehensive income for the financial year		**0**	**0**	**0**	**11,138,535**	**11,138,535**
At 31 December 2021		**60,011,036**	**(8,345,642)**	**72,007**	**49,042,793**	**100,780,194**
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
Transactions 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

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2021

	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	**3,043,255**	4,188,413
Adjustments for:		
Property, plant and equipment		
- depreciation	**23,961,496**	22,917,420
- gain on disposal	**(1,969,212)**	(112,007)
- written off	**166,197**	530,160
Right-of-use assets		
- amortisation	**297,775**	297,648
- gain on disposal	**(2,996,404)**	0
Inventories		
- written off	**1,566**	162,775
Bad debts written off	**0**	12,440
Loss allowance for trade receivables	**1,018,509**	137,280
Fair value gain on derivatives	**(4,639)**	(17,993)
Unrealised (gain)/loss on foreign exchange	**(20,160)**	84,255
Dividend income	**0**	(90)
Interest expenses	**6,331,977**	6,579,955
Interest income	**(292,465)**	(330,701)
Share-based compensation expense	**70,002**	162,440
Tax expense	**1,761,376**	6,589,008
	31,369,273	41,201,003
Changes in working capital:		
Biological assets	**(9,381,867)**	1,162,588
Inventories	**(10,358,967)**	(1,746,078)
Receivables	**(6,190,622)**	9,421,941
Payables	**9,408,437**	(8,361,353)
Cash generated from operations	**14,846,254**	41,678,101
Interest received	**292,465**	330,701
Tax paid	**(7,582,079)**	(10,468,005)
Tax refund	**1,906,925**	534,732
Net cash flow generated from operating activities	**9,463,565**	32,075,529

Consolidated Statement of Cash Flows (Continued)

For the Financial Year ended 31 December 2021

	Note	2021 RM	2020 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**0**	90
Proceeds from disposal of property, plant and equipment	11(d)	**3,243,280**	326,241
Purchase of property, plant and equipment	11(c)	**(23,225,633)**	(45,111,668)
Net cash flow used in investing activities		**(19,982,353)**	(44,785,337)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movements in bankers' acceptances		**26,986,000**	19,642,000
Proceeds from drawdown of revolving credit		**7,000,000**	4,000,000
Repayment of revolving credit		**0**	(1,000,000)
Proceeds from drawdown of term loans		**14,113,084**	20,015,252
Repayment of term loans		**(15,606,927)**	(9,910,200)
Repayment of hire purchase payables		**(9,591,926)**	(7,881,890)
Repayment of lease liabilities		**(243,051)**	(229,422)
Proceeds from exercise of warrants		**0**	9,382
Dividends paid		**0**	(2,938,515)
Interest paid		**(6,331,977)**	(6,978,618)
Net cash flow generated from financing activities		**16,325,203**	14,727,989
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**5,806,415**	2,018,181
EFFECTS OF FOREIGN CURRENCY EXCHANGE TRANSLATION		**98,403**	(7,784)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**43,111,480**	41,101,083
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	19	**49,016,298**	43,111,480

Consolidated Statement of Cash Flows (Continued)

For the Financial Year ended 31 December 2021

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1.1.2021 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	Non-cash changes Foreign currency exchange movement RM	Non-cash changes New leases/hire purchase RM	At 31.12.2021 RM
Bankers' acceptances	100,092,000	374,228,000	(350,136,507)	2,894,507	0	0	127,078,000
Term loans	64,289,622	14,113,084	(17,811,749)	2,204,822	123,052	0	62,918,831
Revolving credit	8,000,000	7,000,000	(277,535)	277,535	0	0	15,000,000
Hire purchase payables	15,600,225	0	(10,308,441)	716,515	4,132	3,561,000	9,573,431
Bank overdrafts and other interest	0	0	(112,107)	112,107	0	0	0
Lease liabilities	3,573,783	0	(369,542)	126,491	53,002	61,276	3,445,010
	191,555,630	395,341,084	(379,015,881)	6,331,977	180,186	3,622,276	218,015,272

	At 1.1.2020 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	Non-cash changes Foreign currency exchange movement RM	Non-cash changes 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

Company Statement of Cash Flows

For the Financial Year ended 31 December 2021

	Note	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		**11,138,535**	11,293,063
Adjustments for:			
Property, plant and equipment			
- depreciation		**419,455**	377,687
- written off		**1,047**	9,197
- loss on disposal		**144,254**	0
Dividend income		**(12,400,000)**	(13,000,000)
Interest expenses		**7,297**	33,415
Interest income		**(73,339)**	(128,929)
Share-based payments		**16,798**	19,979
Impairment loss in investment of subsidiary		**0**	132,519
Gain on disposal of subsidiary		**0**	(106,099)
Tax (credit)/charge		**(18,443)**	95,000
		(764,396)	(1,274,168)
Changes in working capital:			
Receivables		**(22,466)**	228,655
Payables		**200,927**	(107,699)
Cash used in operations		**(585,935)**	(1,153,212)
Tax paid		**(76,151)**	(78,610)
Tax refund		**0**	115,000
Net cash flow used in operating activities		**(662,086)**	(1,116,822)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**20,000,000**	3,000,000
Proceeds from disposal of investment in a subsidiary		**0**	3,000,000
Additional investments in subsidiaries (*)		**(20,000,000)**	0
Proceeds from disposal of property, plant and equipment	11(d)	**359,648**	0
Capital distribution from a subsidiary		**24,931**	645,170
Purchase of property, plant and equipment	11(c)	**(798,437)**	(545,547)
Interest received		**73,339**	128,929
Advances to subsidiaries (*)		**1,489,707**	(2,200,414)
Net cash flow generated from investing activities		**1,149,188**	4,028,138

Company Statement of Cash Flows (Continued)

For the Financial Year ended 31 December 2021

	Note	2021 RM	2020 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from a subsidiary		**82,450**	583,338
Repayment to a subsidiary		**(656,695)**	(1,212,887)
Repayment of hire purchase payables		**(115,278)**	(139,678)
Dividends paid		**0**	(2,938,515)
Interest paid		**(7,297)**	(33,415)
Proceeds from exercise of warrants		**0**	9,382
Net cash flow used in financing activities		**(696,820)**	(3,731,775)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**(209,718)**	(820,459)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**403,429**	1,223,888
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	19	**193,711**	403,429

Non-cash transactions

* During the financial year ended 31 December 2021, Company invested additional investments in its subsidiaries of which RM20,000,000 was by way of cash and RM4,300,000 by way of setting off against amount owing to the Company.

Company Statement of Cash Flows (Continued)

For the Financial Year ended 31 December 2021

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1.1.2021 RM	Cash inflows RM	Cash outflows (including interest paid) RM	Interest accretion RM	At 31.12.2021 RM
Amount due to subsidiary	705,473	82,450	(658,510)	1,815	131,228
Hire purchase payables	180,709	0	(120,760)	5,482	65,431
	886,182	82,450	(779,270)	7,297	196,659

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2021

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 12 April 2022.

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform – Phase 2'

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.

2.3 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 2022. 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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 (continued)

- 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Critical accounting estimates and judgements (continued)

Biological assets (continued)

The Group recorded a fair value for its biological assets of RM65,073,358 as at 31 December 2021 (2020: RM55,691,491). 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.

In view of the uncertain economic conditions, 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 uncertain economic conditions, 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.

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 2021, the tax recoverable of the Group in relation to corporate taxes recoverable from the tax authorities was RM4,751,608 (2020: RM5,761,800). The realisation of this tax recoverable is dependent on the decision of the tax authorities.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Critical accounting estimates and judgements (continued)

Taxation (continued)

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

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% - 20%
Fish pond and equipment	5% - 10%
Egg layer conveyor and cages system	5%
Motor vehicles	20%
Furniture, fittings and equipment	10% - 33%
Renovation and hostel	2 - 10%

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3.5 on impairment of non-financial assets.

3.5 Impairment of non-financial assets

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

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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(a) Accounting by lessee (continued)

(iii) Lease liabilities (continued)

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 a major part of the economic life of the asset.

<u>Operating leases</u>

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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").

Debt instruments

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

The Group classifies its debt instruments at amortised cost.

Amortised cost

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

Equity instruments

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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

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.

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

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.

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Groupings of instruments for ECL measured on collective basis

- Collective assessment

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

- Individual assessment

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

Write-off

- Trade receivables

  Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Derivative financial instruments (continued)

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.

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Current and deferred income taxes (continued)

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.

3.16 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Share capital (continued)

(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.

3.18 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Borrowings and borrowing costs (continued)

(i) Borrowings (continued)

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

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

  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.

- <u>Distribution of pet food, medicine and other animal health related products</u>

  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.

- <u>Income from provision of management services</u>

  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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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'.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Functional currencies (continued)

(ii) Transactions and balances (continued)

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

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

(iii) Group companies

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

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

3.22 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

4 REVENUE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contracts with customers:				
- Poultry farming	**445,847,994**	401,876,482	**0**	0
- Distribution of pet food, medicine and other animal health related products	**83,046,085**	75,102,256	**0**	0
- Investment holding and provision of management services	**1,110,312**	1,093,335	**1,739,232**	757,680
Revenue from other sources:				
- Dividend income from subsidiaries	**0**	0	**12,400,000**	13,000,000
- Warehousing rental income	**135,705**	208,344	**0**	0
Total revenue	**530,140,096**	478,280,417	**14,139,232**	13,757,680
Timing of revenue recognition:				
Point in time	**529,029,784**	477,187,082	**12,400,000**	13,000,000
Overtime	**1,110,312**	1,093,335	**1,739,232**	757,680
Total revenue	**530,140,096**	478,280,417	**14,139,232**	13,757,680

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

5 OTHER INCOME

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Insurance compensation claims	**217,268**	40,450	**0**	0
Rental income	**66,576**	56,379	**0**	0
Gain on disposal of property, plant and equipment	**1,969,212**	112,007	**0**	0
Gain on disposal of right-of-use assets	**2,996,404**	0	**0**	0
Government grants	**247,486**	639,826	**0**	0
Gain on disposal of a subsidiary	**0**	0	**0**	106,099
Fair value gain on derivatives	**4,639**	17,993	**0**	0
Sale of scrap	**258,176**	525,877	**0**	0
Others	**228,962**	564,749	**0**	0
	5,988,723	1,957,281	**0**	106,099

6 STAFF COST (INCLUDING DIRECTORS' REMUNERATION)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries, wages and bonus	**45,711,220**	44,566,345	**1,853,808**	916,774
Contribution to defined contribution plan	**4,943,020**	4,578,489	**282,316**	144,682
Other emoluments	**4,667,560**	3,843,937	**74,183**	52,572
Share-based payment	**67,285**	156,214	**16,798**	19,979
Directors' fees	**463,152**	684,664	**93,000**	72,000
	55,852,237	53,829,649	**2,320,105**	1,206,007

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	2021 RM	2020 RM
Executive Directors of the Company		
Salaries, bonuses and other benefits	**1,131,816**	1,164,850
Defined contribution benefits	**208,202**	214,606
Share-based payment	**11,510**	26,507
Benefits-in-kind	**51,950**	50,694
	1,403,478	1,456,657
Non-Executive Directors of the Company		
Fees	**458,568**	437,568
Other allowances	**111,400**	158,320
Defined contribution benefits	**19,456**	0
	589,424	595,888
TOTAL DIRECTORS' REMUNERATION	**1,992,902**	2,052,545

Company	2021 RM	2020 RM
Executive Directors of the Company		
Salaries, bonuses and other benefits	**456,688**	395,352
Defined contribution benefits	**88,627**	76,050
Share-based payment	**5,755**	13,198
Benefits-in-kind	**28,000**	26,744
	579,070	511,344
Non-Executive Directors of the Company		
Fees	**93,000**	72,000
Other allowances	**9,000**	6,000
	102,000	78,000
TOTAL DIRECTORS' REMUNERATION	**681,070**	589,344

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	
	2021	2020
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	**2**	1
RM 750,001 - RM 900,000	**0**	1
Non-Executive Directors:		
RM 1 - RM 150,000	**3**	3
RM 150,001 - RM 300,000	**0**	0
RM 300,001 - RM 450,000	**0**	0
RM 450,001 - RM 600,000	**1**	1

8 FINANCE COST

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest expenses				
- bank overdrafts	**104,811**	124,760	**0**	0
- bankers' acceptances	**2,894,507**	2,941,849	**0**	0
- hire purchase	**716,515**	1,065,007	**5,482**	9,385
- revolving credit	**277,535**	271,940	**0**	0
- term loan	**2,204,822**	2,048,749	**0**	0
- lease liabilities	**126,491**	127,650	**0**	0
- others	**7,296**	0	**0**	0
- advance from subsidiary	**0**	0	**1,815**	24,030
	6,331,977	6,579,955	**7,297**	33,415

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

9 PROFIT BEFORE TAX

Included in profit before tax are the following:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Loss allowance for trade receivables	**1,018,509**	137,280	**0**	0
Auditors' remuneration	**337,536**	335,982	**55,000**	52,000
Property, plant and equipment				
- (gain)/loss on disposal	**(1,969,212)**	(112,007)	**144,254**	0
- written off	**166,197**	530,160	**1,047**	9,197
Right-of-use assets				
- gain on disposal	**(2,996,404)**	0	**0**	0
Inventories				
- written off	**1,566**	162,775	**0**	0
Short term leases	**169,242**	124,322	**0**	0
Lease of low value assets	**97,723**	32,382	**0**	0
Unrealised foreign exchange (gain)/loss	**(20,160)**	84,255	**0**	0

10 TAX

(a) The tax expense/(credit) comprises:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
<u>Current tax</u>				
- Malaysian tax	**6,018,413**	5,877,578	**15,000**	0
- Foreign tax	**122,459**	440,747	**0**	0
- (over)/under accrual in prior financial years	**(352,256)**	183,091	**4,557**	(72,000)
	5,788,616	6,501,416	**19,557**	(72,000)
Deferred tax (Note 26)	**(4,437,239)**	16,063	**(38,000)**	167,000
Real property gains tax	**409,999**	71,529	**0**	0
	1,761,376	6,589,008	**(18,443)**	95,000

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

10 TAX (CONTINUED)

(b) Numerical reconciliation of tax expense/(credit)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit before tax	**4,804,631**	10,777,421	**11,120,092**	11,388,063
Tax calculated at the Malaysian tax rate of 24%	**1,153,000**	2,587,000	**2,669,000**	2,733,000
Tax effects of:				
- differential in tax rates of subsidiaries	**(37,310)**	(163,984)	**0**	0
- income not subject to tax	**(1,141,353)**	(215,412)	**(2,976,000)**	(3,120,000)
- expenses not deductible for tax purposes	**1,705,962**	1,620,277	**284,000**	554,000
- current year temporary difference not recognised	**0**	781,200	**0**	0
- current year tax loss not recognised	**0**	1,962,307	**0**	0
- utilisation of tax loss not previously recognised	**132,329**	0	**0**	0
- utilisation of tax incentive	**(108,995)**	(237,000)	**0**	0
- real property gains tax	**409,999**	71,529	**0**	0
(Over)/under accrual in prior financial years	**(352,256)**	183,091	**4,557**	(72,000)
Tax expense/(credit)	**1,761,376**	6,589,008	**(18,443)**	95,000

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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 2021	**180,240,835**	**67,947,413**	**149,688,740**	**515,724**	**80,337,129**
Additions	**2,280,887**	**122,400**	**5,161,678**	**0**	**76,548**
Disposals	**(2,168,911)**	**(804,962)**	**(403,621)**	**0**	**0**
Write off	**(2,198,014)**	**(33,500)**	**(163,590)**	**0**	**(231,825)**
Reclassification	**3,322,708**	**35,448**	**3,613,543**	**0**	**0**
Foreign exchange difference	**0**	**355,218**	**54,986**	**0**	**0**
As at 31 December 2021	**181,477,505**	**67,622,017**	**157,951,736**	**515,724**	**80,181,852**
Less: Accumulated depreciation					
As at 1 January 2021	**41,607,877**	**9,585,126**	**69,146,061**	**240,522**	**28,031,448**
Charge for the financial year	**3,674,843**	**1,348,277**	**9,765,832**	**29,118**	**3,997,526**
Disposals	**(423,038)**	**(99,849)**	**(401,887)**	**0**	**0**
Write off	**(2,198,014)**	**(3,905)**	**(161,047)**	**0**	**(189,268)**
Foreign exchange difference	**0**	**34,576**	**45,887**	**0**	**0**
As at 31 December 2021	**42,661,668**	**10,864,225**	**78,394,846**	**269,640**	**31,839,706**
Net carrying amount as at 31 December 2021	**138,815,837**	**56,757,792**	**79,556,890**	**246,084**	**48,342,146**

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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 2021	29,554,835	27,487,356	2,516,302	18,544,600	556,832,934
Additions	1,195,501	895,567	42,008	16,303,721	26,078,310
Disposals	(546,802)	0	0	0	(3,924,296)
Write off	(106,575)	(324,390)	(539,737)	0	(3,597,631)
Reclassification	(75,301)	341,788	0	(7,067,577)	170,609
Foreign exchange difference	35,890	7,319	4,015	0	457,428
As at 31 December 2021	30,057,548	28,407,640	2,022,588	27,780,744	576,017,354
Less: Accumulated depreciation					
As at 1 January 2021	22,615,400	10,485,087	1,431,359	0	183,142,880
Charge for the financial year	2,608,976	2,194,584	342,340	0	23,961,496
Disposals	(537,454)	0	0	0	(1,462,228)
Write off	(17,763)	(321,700)	(539,737)	0	(3,431,434)
Reclassification	155,604	15,005	0	0	170,609
Foreign exchange difference	20,241	5,564	1,931	0	108,199
As at 31 December 2021	24,845,004	12,378,540	1,235,893	0	202,489,522
Less: Accumulated impairment					
As at 1 January 2021/ 31 December 2021	0	0	0	84,900	84,900
Net carrying amount as at 31 December 2021	5,212,544	16,029,100	786,695	27,695,844	373,442,932

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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 2021	81,179,965	99,060,870	180,240,835	15,287,203	52,660,210	67,947,413
Additions	1,544,072	736,815	2,280,887	0	122,400	122,400
Disposals	(1,678,780)	(490,131)	(2,168,911)	0	(804,962)	(804,962)
Write off	0	(2,198,014)	(2,198,014)	0	(33,500)	(33,500)
Reclassification	0	3,322,708	3,322,708	0	35,448	35,448
Foreign exchange differences	0	0	0	0	355,218	355,218
As at 31 December 2021	81,045,257	100,432,248	181,477,505	15,287,203	52,334,814	67,622,017
Less: Accumulated depreciation						
As at 1 January 2021	0	41,607,877	41,607,877	0	9,585,126	9,585,126
Charge for the financial year	0	3,674,843	3,674,843	0	1,348,277	1,348,277
Disposals	0	(423,038)	(423,038)	0	(99,849)	(99,849)
Write off	0	(2,198,014)	(2,198,014)	0	(3,905)	(3,905)
Foreign exchange differences	0	0	0	0	34,576	34,576
As at 31 December 2021	0	42,661,668	42,661,668	0	10,864,225	10,864,225
Net carrying amount as at 31 December 2021	81,045,257	57,770,580	138,815,837	15,287,203	41,470,589	56,757,792

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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 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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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 2021	**3,486,548**	**520,466**	**0**	**4,007,014**
Additions	**313,656**	**279,660**	**461,160**	**1,054,476**
Reclassification	**74,412**	**0**	**(74,412)**	**0**
Disposal	**(531,732)**	**(156,199)**	**0**	**(687,931)**
Written off	**(3,490)**	**0**	**0**	**(3,490)**
As at 31 December 2021	**3,339,394**	**643,927**	**386,748**	**4,370,069**
Less: Accumulated depreciation				
As at 1 January 2021	**1,630,675**	**346,362**	**0**	**1,977,037**
Charge for the financial year	**335,893**	**83,562**	**0**	**419,455**
Disposal	**(68,320)**	**(115,709)**	**0**	**(184,029)**
Written off	**(2,443)**	**0**	**0**	**(2,443)**
As at 31 December 2021	**1,895,805**	**314,215**	**0**	**2,210,020**
Net carrying amount as at 31 December 2021	**1,443,589**	**329,712**	**386,748**	**2,160,049**
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

(a) Certain property, plant and equipment of certain subsidiaries with carrying amount of RM29,596,745 (2020: RM29,828,544) have been pledged to banks as security for banking facilities granted to the Group (Note 23).

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Carrying amount				
Plant and machinery	**6,390,569**	10,169,983	**0**	0
Egg layer conveyor and cages system	**7,081,453**	10,825,481	**0**	0
Motor vehicles	**4,235,789**	5,372,267	**85,323**	107,581
Equipment	**0**	0	**0**	265,020
Capital work-in-progress	**144,000**	0	**0**	0
	17,851,811	26,367,731	**85,323**	372,601

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

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Cost of property, plant and equipment purchased	**26,078,310**	48,804,518	**1,054,476**	428,614
Amount financed through hire purchase	**(3,561,000)**	(3,022,900)	**0**	(100,000)
Prepaid balance included under non-current receivables (Note 18)	**807,028**	3,720,849	**85,932**	250,781
Unpaid balance included under sundry payables (Note 27(d))	**(3,501,025)**	(7,123,169)	**(135,988)**	(44,798)
Cash disbursed/(prepaid) in respect of purchases made in previous financial year	**3,402,320**	2,732,370	**(205,983)**	10,950
Cash disbursed for purchase of property, plant and equipment	**23,225,633**	45,111,668	**798,437**	545,547

(d) Disposal of property, plant and equipment and right-of-use assets

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Sales proceeds on disposal	**9,051,280**	326,241	**359,648**	0
Included in sundry receivables (Note 18(d))	**(5,808,000)**	0	**0**	0
Cash received for disposal	**3,243,280**	326,241	**359,648**	0

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

12 RIGHT-OF-USE ASSETS ("ROU")

	Leasehold land RM	Buildings RM	Total RM
Group			
2021			
At 1 January 2021	**4,843,996**	**262,473**	**5,106,469**
ROU acquired during the year	**0**	**61,276**	**61,276**
Depreciation	**(119,962)**	**(177,813)**	**(297,775)**
Disposal	**(1,623,596)**	**0**	**(1,623,596)**
Currency translation difference	**48,249**	**3,261**	**51,510**
At 31 December 2021	**3,148,687**	**149,197**	**3,297,884**
Cost	**3,480,051**	**646,314**	**4,126,365**
Less: Accumulated depreciation	**(331,364)**	**(497,117)**	**(828,481)**
Net carrying amount	**3,148,687**	**149,197**	**3,297,884**
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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

13 GOODWILL ARISING ON CONSOLIDATION

	2021 RM	2020 RM
At beginning/end of financial year	**102,424**	102,424

The above goodwill arises from the acquisition of subsidiary, Professional Vet Enterprise Sdn. Bhd. 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.

14 INVESTMENT IN SUBSIDIARIES

	Company	
	2021 RM	2020 RM
At beginning of financial year	**72,532,216**	76,177,386
Additions	**24,300,000**	0
Disposal of a subsidiary	**0**	(3,000,000)
Capital repayment from a subsidiary	**(24,931)**	(645,170)
At end of financial year	**96,807,285**	72,532,216
Represented by:		
Unquoted shares, at cost		
- in Malaysia	**95,358,400**	71,215,850
- outside Malaysia	**1,448,885**	1,448,885
Less: Accumulated impairment loss	**0**	(132,519)
	96,807,285	72,532,216

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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
		2021 %	2020 %	
Subsidiaries of the Company				
Teo Seng Farming Sdn. Bhd. [N1]	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 - operations transferred to Teo Seng Farming Sdn. Bhd. on 15 January 2021 (Note 35)
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.				
Laskar Fertiliser Sdn. Bhd. [N2]	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. - operations transferred to Teo Seng Farming Sdn. Bhd. on 15 January 2021 (Note 35)

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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 2021 %	2020 %	Principal activities
Subsidiaries of Teo Seng Farming Sdn. Bhd.				
Teo Seng Integrated Farming Sdn. Bhd.	Malaysia	**100**	100	Poultry farming, manufacturing and marketing of animal feeds, fertiliser and related poultry products – yet to commence operations
Great Egg Industries Sdn. Bhd. N3	Malaysia	**100**	100	Dormant
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.

N1 During the financial year ended 31 December 2021, the Company invested additional RM20,000,000 in Teo Seng Farming Sdn. Bhd.

N2 During the financial year ended 31 December 2021, the Company invested additional RM4,300,000 in Laskar Fertilisers Sdn. Bhd. by way of setting off against amount owing to the Company.

N3 Great Egg Industries Sdn. Bhd. was placed under Member's Voluntary Liquidation on 30 December 2021.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

15 EQUITY INSTRUMENTS CLASSIFIED AS FVOCI

	Group	
	2021 RM	**2020 RM**
Quoted shares in Malaysia	**6,670**	6,740

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	
	2021 RM	**2020 RM**
At fair value less cost to sell		
Pullets and layers	**65,073,358**	55,691,491

The movement of biological assets can be analysed as follows:

	Group	
	2021 RM	**2020 RM**
At 1 January	**55,691,491**	56,854,079
Increase due to purchases	**9,178,842**	8,789,724
Livestock losses	**(3,576,230)**	(7,963,778)
Change in fair value	**35,569,429**	25,220,573
Depopulation	**(31,790,174)**	(27,209,107)
At 31 December	**65,073,358**	55,691,491

The biological assets comprise pullets and layers. During the financial year, the Group sold approximately 1.4 billion (2020: 1.4 billion) of table eggs. The number of pullets and layers as at 31 December 2021 included in the fair valuation of biological assets was 5.4 million (2020: 5.6 million). The increase in fair valuation of biological assets during the financial year is due to increase in number of layers at the higher value age profile group.

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

16 BIOLOGICAL ASSETS (CONTINUED)

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.

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

16 BIOLOGICAL ASSETS (CONTINUED)

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

	Group	
	2021	**2020**
Number of table eggs produced by each layer	**422**	422
Projected selling prices of the table eggs (RM per egg)	**0.283**	0.278
Feed and other variable costs (per MT)	**1,371**	1,221
Discount rate	**9.5%**	10%

Sensitivity analysis

If the estimated projected selling prices of the table eggs had been 1 sen lower per egg, the fair value of the biological assets would have decreased by RM7,213,496.

If the estimated feed costs had been 5% higher, the fair value of the biological assets would have decreased by RM6,780,631.

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	
	2021 RM	**2020 RM**
Raw materials	**23,772,238**	15,885,719
Trading merchandise	**25,461,766**	23,087,774
Poultry feeds	**2,373,043**	1,575,376
Medication	**591,772**	693,960
Consumables	**1,537,718**	1,870,045
Eggs	**2,048,429**	2,296,612
Egg trays	**1,473,723**	1,458,822
Fertiliser	**892,576**	340,071
Fertiliser work-in-progress	**414,250**	987,334
	58,565,515	48,195,713

Inventories recognised as an expense during the financial year ended 31 December 2021 amounted to RM397,269,911 (2020: RM330,395,434).

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
NON CURRENT				
Prepayment for purchase of property, plant and equipment	**807,028**	3,720,849	**85,932**	250,781
CURRENT				
Trade receivables				
Amounts due from related companies	**4,762,451**	4,547,103	**0**	0
Amounts due from related parties	**83,218**	2,047,059	**0**	0
Other trade receivables	**52,157,203**	44,791,905	**0**	0
	57,002,872	51,386,067	**0**	0
Less: Loss allowance for trade receivables	**(2,365,246)**	(1,343,513)	**0**	0
	54,637,626	50,042,554	**0**	0
Other receivables				
Amount due from related company	**15**	0	**0**	0
Amounts due from subsidiaries	**0**	0	**220,937**	6,010,644
Deposits	**2,667,194**	791,977	**0**	0
Prepayments	**2,124,833**	1,845,616	**96,093**	73,627
Goods and services tax recoverable	**63,134**	63,134	**0**	0
Contract assets	**486,563**	0	**0**	0
Sundry receivables	**7,019,044**	657,902	**0**	0
	12,360,783	3,358,629	**317,030**	6,084,271
Total current	**66,998,409**	53,401,183	**317,030**	6,084,271
Total	**67,805,437**	57,122,032	**402,962**	6,335,052

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group	
	2021 RM	2020 RM
At 1 January	**1,343,513**	2,398,610
Increase in loss allowance recognised in profit or loss during the year	**1,018,509**	137,280
Write off during the year	**0**	(1,192,251)
Foreign exchange differences	**3,224**	(126)
At 31 December	**2,365,246**	1,343,513

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

   (i) increase in revenue contracts from customer which has increased the gross carrying amount by 16%, resulting in increase in loss allowance of RM186,456;
   (ii) increase in receivables balance which aged more than 180 days past due resulted in the increase in loss allowance of RM832,053.

(b) The Group and the Company's normal credit terms range from cash term to 150 days (2020: 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. The advances to subsidiaries of RM6,010,218 which bore interest at 2% per annum in the prior year has been fully settled during the financial year.

(d) Included in sundry receivables is an amount of RM5,808,000 (2020: RM Nil) being remaining proceed receivable from disposal of property, plant and equipment and right-of-use assets of the Group.

19 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	**49,016,298**	44,918,529	**193,711**	403,429
Less: Bank overdrafts (Note 23)	**0**	(1,807,049)	**0**	0
Cash and cash equivalents	**49,016,298**	43,111,480	**193,711**	403,429

Bank balances are deposits held at call with the banks.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

20 SHARE CAPITAL

	Group and Company	
	2021 RM	**2020 RM**
Ordinary shares issued and fully paid, at no par value		
At 1 January 300,008,175 (2020: 300,008,175) ordinary shares	**60,011,036**	60,001,654
Issuance of share via exercise of warrants NIL (2020: 6,950) ordinary shares	**0**	9,382
At 31 December 300,008,175 (2020: 300,008,175) ordinary shares	**60,011,036**	60,011,036

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.

21 TREASURY SHARES

On 5 August 2021, at the deferred 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 resale of the treasury shares during the current financial year.

As at 31 December 2021, 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	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Non-distributable				
Fair value reserve				
- FVOCI	**4,459**	4,529	**0**	0
Capital contribution reserve	**516,584**	446,582	**72,007**	55,209
Currency translation reserve	**909,545**	582,982	**0**	0
Reverse acquisition reserve	**(26,078,000)**	(26,078,000)	**0**	0
	(24,647,412)	(25,043,907)	**72,007**	55,209

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

22 OTHER RESERVES (CONTINUED)

(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	
	2021 RM	2020 RM
CURRENT		
Secured		
Term loans	**2,569,964**	2,568,280
Unsecured		
Bankers' acceptances	**127,078,000**	100,092,000
Revolving credit	**15,000,000**	8,000,000
Bank overdrafts	**0**	1,807,049
Term loans	**11,430,191**	9,543,300
	156,078,155	122,010,629

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

23 BANK BORROWINGS (CONTINUED)

	Group 2021 RM	Group 2020 RM
NON-CURRENT		
Secured		
Term loans	**6,778,089**	9,258,471
Unsecured		
Term loans	**42,140,587**	42,919,571
	48,918,676	52,178,042
TOTAL		
Secured		
Term loans	**9,348,053**	11,826,751
Unsecured		
Bankers' acceptances	**127,078,000**	100,092,000
Revolving credit	**15,000,000**	8,000,000
Bank overdrafts	**0**	1,807,049
Term loans	**53,570,778**	52,462,871
	204,996,831	174,188,671

(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, commencing from September 2015 through to August 2029.

(d) One of the subsidiaries early settled its term loan with balance of RM6,773,096 as at 31 December 2021 subsequent to the financial year end.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

23 BANK BORROWINGS (CONTINUED)

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

	2021 % per annum	2020 % per annum
Bank overdrafts	**N/A**	6.6
Bankers' acceptances	**2.0**	2.7
Revolving credit	**3.1**	3.5
Term loans	**3.2**	3.8

24 HIRE PURCHASE PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Minimum lease payments under hire purchase liabilities are:				
Not later than one financial year	**4,899,858**	7,074,755	**35,640**	120,760
Later than one financial year and not later than five financial years	**5,334,673**	9,815,222	**32,650**	68,290
	10,234,531	16,889,977	**68,290**	189,050
Less: Future finance charges	**(661,100)**	(1,289,752)	**(2,859)**	(8,341)
Present value of the hire purchase liabilities	**9,573,431**	15,600,225	**65,431**	180,709
Present value of hire purchase liabilities:				
Current	**4,500,487**	6,354,451	**33,464**	115,278
Non-current	**5,072,944**	9,245,774	**31,967**	65,431
	9,573,431	15,600,225	**65,431**	180,709

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

	Group		Company	
	2021 % per annum	2020 % per annum	2021 % per annum	2020 % per annum
Hire purchase payables	**1.9 – 6.7**	1.9 – 6.7	**4.4**	4.4 – 6.1

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

25 LEASE LIABILITIES

	Group	
	2021	**2020**
	RM	**RM**
Amount due for settlement within 12 months - current	**184,560**	232,150
Amount due for settlement after 12 months - non-current	**3,260,450**	3,341,633
At 31 December	**3,445,010**	3,573,783
Maturity analysis		
Not more than 1 year	**306,898**	356,255
Later than 1 year and not later than 2 years	**208,369**	281,983
Later than 2 years and not later than 5 years	**572,906**	552,004
Later than 5 years	**4,342,359**	4,462,042
At 31 December	**5,430,532**	5,652,284

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	
	2021	**2020**
	RM	**RM**
Lease payment within financing activities	**369,542**	357,072
Cash flows relating to short-term leases included in administrative expenses	**169,242**	124,322
Cash flows relating to low-value assets included in administrative expenses)	**97,723**	32,382
Total cash outflow for leases	**636,507**	513,776

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

26 DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax assets				
- subject to income tax	**(309,199)**	(448,699)	**0**	0
Deferred tax liabilities				
- subject to income tax	**25,531,077**	30,051,818	**190,000**	228,000
- subject to real property gains tax	**3,392,250**	3,392,250	**0**	0
	28,923,327	33,444,068	**190,000**	228,000
	28,614,128	32,995,369	**190,000**	228,000
The movements during the financial year are as follows:				
At beginning of the financial year	**32,995,369**	32,981,407	**228,000**	61,000
Charged/(credited) to profit or loss (Note 10)				
- property, plant and equipment	**(1,038,731)**	(623,272)	**(38,000)**	64,000
- biological assets	**524,000**	256,000	**0**	0
- receivables	**(94,508)**	280,335	**0**	0
- unutilised tax losses	**(3,828,000)**	103,000	**0**	103,000
	(4,437,239)	16,063	**(38,000)**	167,000
- foreign exchange differences	**55,998**	(2,101)	**0**	0
At end of the financial year	**28,614,128**	32,995,369	**190,000**	228,000
<u>Subject to income tax</u>				
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	**26,450,077**	27,408,151	**190,000**	228,000
- biological assets	**3,669,000**	3,145,000	**0**	0
	30,119,077	30,553,151	**190,000**	228,000
Offsetting	**(4,588,000)**	(501,333)	**0**	0
Deferred tax liabilities (after offsetting)	**25,531,077**	30,051,818	**190,000**	228,000
Deferred tax assets (before offsetting)				
- property, plant and equipment	**(809,042)**	(595,367)	**0**	0
- receivables	**(58,157)**	(152,665)	**0**	0
- unutilised tax losses	**(4,030,000)**	(202,000)	**0**	0
	(4,897,199)	(950,032)	**0**	0
Offsetting	**4,588,000**	501,333	**0**	0
Deferred tax assets (after offsetting)	**(309,199)**	(448,699)	**0**	0

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

26 DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
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 reinvestment allowance for which no deferred tax asset is recognised in the Group financial statements were RM8,158,000 (2020: RM8,708,000) and RM9,233,974 (2020: RM9,233,974) 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.

Following the proposal of Budget 2022 announced on 29 October 2021, Section 44(5F) of the Income Tax Act, 1967 has been amended whereby the existing time limit to carry forward unutilised tax losses has been extended to 10 consecutive years of assessment ("YAs").

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

Unutilised tax losses:

	RM
Year	
2028	6,430,000
2029	1,728,000
	8,158,000

Unutilised reinvestment allowances:

	RM
Year	
2027	9,233,974

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables				
Amounts due to related companies	**2,522,733**	2,843,951	**0**	0
Amounts due to related parties	**737,919**	771,932	**0**	0
Other trade payables	**36,553,472**	26,680,839	**0**	0
	39,814,124	30,296,722	**0**	0
Other payables				
Amounts due to related companies	**10,265**	12,990	**8,257**	5,505
Amount due to a subsidiary	**0**	0	**131,228**	705,473
Accruals	**10,690,490**	10,211,978	**655,218**	418,486
Sales and services tax payables	**200,039**	170,978	**0**	0
Sundry payables	**11,580,452**	13,740,920	**255,433**	202,800
Deferred government grant	**0**	133,220	**0**	0
Derivative financial liabilities	**6,336**	10,976	**0**	0
Contract liabilities	**616,000**	0	**0**	0
	23,103,582	24,281,062	**1,050,136**	1,332,264
	62,917,706	54,577,784	**1,050,136**	1,332,264

(a) The normal trade terms granted to the Group range from cash term to 90 days (2020: 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 NIL % (2020: 2.0%) per annum at the end of the reporting period.

(d) Included in sundry payables of the Group and Company is an amount of RM3,501,025 (2020: RM7,123,169) and RM135,988 (2020: RM44,798) 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	
	2021	**2020**
Profit attributable to ordinary equity holders of the Company (RM)	**3,043,255**	4,188,413
Weighted average number of ordinary shares in issue (units)	**293,851,475**	293,851,475
Basic earnings per ordinary share (sen)	**1.04**	1.43

(b) Diluted earnings per share

Diluted earnings per share of the Group is the same as the basic earnings per share as there were no potential diluted ordinary shares.

29 DIVIDENDS

	2021 RM	2020 RM
In respect of financial year ended 31 December 2020:		
A third interim single tier dividend of NIL sen (2020: 1 sen) on 293,851,475 ordinary shares	**0**	2,938,515

The Board of Directors do not recommend any dividend for the financial year ended 31 December 2021.

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

Fellow subsidiary is the indirect subsidiary of Emerging Glory Sdn Bhd.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	
	2021 RM	2020 RM
With fellow subsidiaries		
- sale of goods	**(17,842,628)**	(23,041,049)
- purchase of goods	**14,357,717**	17,103,326
With related parties:		
- companies where Lau family# are Directors/shareholders		
- sale of goods	**(890,276)**	(2,259,139)
- purchase of goods	**0**	2,190,167
- company where spouse of Mr. Nam Yok San, the Director of the Company, is a director		
- transport charges	**8,623,210**	8,461,591

\# 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, Tan Sri Dato' Lau Eng Guang, Lau Hai Nguan and Tan Sri Lau Tuang Nguang collectively.

	Company	
	2021 RM	2020 RM
With subsidiaries		
- dividend income	**(12,400,000)**	(13,000,000)
- interest income	**(70,917)**	(110,668)
- interest expense	**1,815**	24,030
- management fee income	**(1,739,232)**	(757,680)

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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	
	2021 RM	2020 RM	2021 RM	2020 RM
Executive Directors' Remuneration of the Company (Note 7)	**1,403,478**	1,456,657	**579,070**	511,344
Executive Directors' Remuneration of the subsidiaries	**3,067,899**	1,811,845	**0**	0
<u>Other key management personnel</u>				
Salaries, bonuses and other benefits	**1,311,340**	2,224,026	**863,090**	0
Defined contribution benefits	**171,315**	284,607	**101,095**	0
Share based payment	**9,779**	28,694	**8,188**	0
Benefits-in-kind	**20,068**	22,700	**14,768**	0
	1,512,502	2,560,027	**987,141**	0
	5,983,879	5,828,529	**1,566,211**	511,344

31 OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Operating Committee 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.

The Group is organised 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 Committee 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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
2021				
REVENUE				
- external revenue	445,847,994	84,292,102	0	530,140,096
- inter-segment revenue	0	37,856,501	(37,856,501)	0
CONSOLIDATED REVENUE	445,847,994	122,148,603	(37,856,501)	530,140,096
RESULTS				
Segment profit before interest and tax	(3,011,906)	23,460,122	(9,604,073)	10,844,143
Finance income				292,465
Finance costs				(6,331,977)
CONSOLIDATED PROFIT BEFORE TAX				4,804,631
Tax				(1,761,376)
CONSOLIDATED PROFIT AFTER TAX				3,043,255
ASSETS				
Segment assets	544,994,483	81,415,856	(9,106,491)	617,303,848
Unallocated assets:				
Deferred tax assets				309,199
Equity instrument classified at FVOCI				6,670
Tax recoverable				4,751,608
CONSOLIDATED TOTAL ASSETS				622,371,325

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

31 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Poultry RM	Trading & Others RM	Intersegment elimination RM	Group RM
2021				
LIABILITIES				
Segment liabilities	**57,146,810**	**18,192,514**	**(8,976,608)**	**66,362,716**
Unallocated liabilities:				
Borrowings				**214,570,262**
Tax payable and deferred tax liabilities				**29,964,417**
CONSOLIDATED TOTAL LIABILITIES				**310,897,395**
OTHER SEGMENT ITEMS				
Capital expenditure	**25,122,488**	**955,822**	**0**	**26,078,310**
Depreciation	**22,682,323**	**1,279,173**	**0**	**23,961,496**
Non-cash item (other than depreciation)				
- impairment loss on trade trade receivables	**856,453**	**162,056**	**0**	**1,018,509**
- gain on disposal of property, plant and equipment and right-of-use assets	**(694,324)**	**(4,271,292)**	**0**	**(4,965,616)**
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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

31 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Poultry RM	Trading & Others RM	Intersegment elimination RM	Group RM
2020				
ASSETS				
Segment assets	490,065,196	118,058,690	(23,382,074)	584,741,812
Unallocated assets:				
Deferred tax assets				448,699
Equity instrument classified as FVOCI				6,740
Tax recoverable				5,761,800
CONSOLIDATED TOTAL ASSETS				590,959,051
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)				
- impairment loss on trade receivables	(83,370)	220,650	0	137,280
- property, plant and equipment written off	520,963	9,197	0	530,160
- inventories written off	0	162,775	0	162,775

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	
	2021 RM	2020 RM	2021 RM	2020 RM
Group				
Malaysia	**317,172,027**	290,540,117	**353,113,971**	357,259,330
Singapore	**160,861,154**	150,485,371	**24,536,297**	25,275,566
Others	**52,106,915**	37,254,929	**0**	0
	530,140,096	478,280,417	**377,650,268**	382,534,896

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.

In addition, the Group is exposed to risks arising from environmental and climatic changes and fluctuation in commodity prices for biological assets, in particular the egg selling prices.

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 selling price of eggs is highly dependent on the supply and demand in the market. To mitigate the exposure to fluctuation of egg selling prices in Malaysia, the Group export eggs to overseas market. The Group also promotes premium eggs in both domestic and overseas market as the prices for premium eggs are more stable.

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:

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk

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

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

Group	Currency exposure as at 31.12.2021 SGD RM	USD RM	HKD RM	Others RM	Total RM
FINANCIAL ASSETS					
Trade and other receivables	**22,172,042**	**0**	**621,939**	**56,719**	**22,850,700**
Cash and bank balances	**17,993,408**	**0**	**733**	**11,162**	**18,005,303**
	40,165,450	**0**	**622,672**	**67,881**	**40,856,003**
FINANCIAL LIABILITIES					
Trade and other payables	**(20,817,218)**	**(6,273,559)**	**0**	**318,942**	**(26,771,835)**
Bank borrowings	**(6,773,097)**	**0**	**0**	**0**	**(6,773,097)**
Hire purchase payables	**(118,229)**	**0**	**0**	**0**	**(118,229)**
	(27,708,544)	**(6,273,559)**	**0**	**318,942**	**(33,663,161)**
Less: Forward foreign currency contracts (contracted notional principal)	**0**	**2,086,044**	**0**	**0**	**2,086,044**
CURRENCY EXPOSURE	**12,456,906**	**(4,187,515)**	**622,672**	**386,823**	**9,278,886**

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	
	2021 RM	**2020 RM**
Effects on profit after tax and equity		
HKD/RM		
- strengthened by10% (2020: 10%)	**47,323**	163,808
- weakened by 10% (2020: 10%)	**(47,323)**	(163,808)
SGD/RM		
- strengthened by 5% (2020: 5%)	**473,362**	405,124
- weakened by 5% (2020: 5%)	**(473,362)**	(405,124)
USD/RM		
- strengthened by 5% (2020: 5%)	**(159,126)**	(120,158)
- weakened by 5% (2020: 5%)	**159,126**	120,158

The Company is not exposed to foreign currency risk as at 31 December 2021 and 31 December 2020.

(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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	
	2021 RM	2020 RM	2021 RM	2020 RM
FIXED RATE INSTRUMENTS				
Financial liabilities				
Hire purchase payable	**9,573,431**	15,600,225	**65,431**	180,709
FLOATING RATE INSTRUMENTS				
Financial liabilities				
Bank overdrafts	**0**	1,807,049	**0**	0
Term loans	**62,918,831**	64,289,622	**0**	0
Bankers' acceptances	**127,078,000**	100,092,000	**0**	0
Revolving credits	**15,000,000**	8,000,000	**0**	0
	204,996,831	174,188,671	**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	
	2021 RM	2020 RM
+ 50 bp	**778,988**	661,917
- 50 bp	**(778,988)**	(661,917)

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

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

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.

<u>Credit risk concentration profile</u>

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.

<u>Maximum exposure to credit risk</u>

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the statement of financial position. The Group's major classes of financial assets are trade and other receivables and cash and bank balances.

<u>Impairment of financial assets</u>

(i) Trade receivables using simplified approach

The Group applies the simplified approach to provide for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

Historically, the Group's loss arising from credit risk is low. To measure the expected credit loss, receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of debtors over a period of 36 months and the corresponding credit losses experienced within this period.The historical loss rates are then adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables. Given that the customers of Group's customers are largely based in Malaysia, management has identified GDP and inflationary rate in Malaysia to be the most relevant factors which may impact the ability of customers to meet their debt obligations. The historical loss rates have been adjusted based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

The Group considers a financial assets to be in default if the counterparty fails to make contractual payments within 90 days when they fall due. Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group when a debtor fails to make contractual payments on debts greater than 365 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of financial assets (continued)

(i) Trade receivables using simplified approach (continued)

The reconciliation of allowance for impairment is disclosed in Note 18.

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 2021					
Gross carrying amount (RM):					
- external trade receivables	**41,727,686**	**6,056,773**	**879,798**	**3,492,946**	**52,157,203**
Individual impairment – credit impaired	**0**	**0**	**0**	**(570,668)**	**(570,668)**
	41,727,686	**6,056,773**	**879,798**	**2,922,278**	**51,586,535**
Expected loss rate (%)	**0.3**	**2**	**11**	**50**	**3.5**
Less: Loss allowance	**(112,665)**	**(121,727)**	**(94,795)**	**(1,465,391)**	**(1,794,578)**
Carrying amount (net of loss allowance)	**41,615,021**	**5,935,046**	**785,003**	**1,456,887**	**49,791,957**
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	1.8
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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of financial assets (continued)

(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 more than 90 days past due.	Lifetime ECL
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

As at the end of the reporting year, the Group's sundry receivables amounted to RM7,019,044 (2020: RM657,902). The Group consider other receivables to have a low risk of default and can be fully recoverable and thus the loss allowance recognised during financial year was limited to 12 months expected loss. No loss allowance is recorded as at 31 December 2021 and 2020.

(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.

The Company 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, no loss allowance is to be recorded.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Impairment of financial assets (continued)

(iv) Financial guarantee contracts using 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 subsidiaries have not defaulted in any borrowings and with the stringent monitoring over the treasury process, hence the financial guarantee contracts are unlikely to be called by the subsidiaries' lenders. The Company does not expect significant credit losses arising from these guarantees.

(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 31.12.2021					
Trade and other payables	**62,095,331**	**0**	**0**	**62,095,331**	**62,095,331**
Derivative financial liabilities	**2,086,044**	**0**	**0**	**2,086,044**	**6,336**
Bank borrowings					
- bankers' acceptances	**127,078,000**	**0**	**0**	**127,078,000**	**127,078,000**
- revolving credit	**15,054,572**	**0**	**0**	**15,054,572**	**15,000,000**
- term loans	**15,936,093**	**40,675,679**	**12,567,321**	**69,179,093**	**62,918,831**
Hire purchase payables	**4,899,858**	**5,334,673**	**0**	**10,234,531**	**9,573,431**
Lease liabilities	**306,898**	**781,275**	**4,342,359**	**5,430,532**	**3,445,010**
	227,456,796	**46,791,627**	**16,909,680**	**291,158,103**	**280,116,939**

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Group	On demand or within 1 year RM	Between 1 - 5 years RM	Over 5 years RM	Total contractual cashflow RM	Total carrying amount RM
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

Company	On demand or within 1 year RM	Between 1 - 5 years RM	Total contractual cashflow RM	Total carrying amount RM
As at 31.12.2021				
Trade and other payables	**1,050,136**	**0**	**1,050,136**	**1,050,136**
Hire purchase payables	**35,640**	**32,650**	**68,290**	**65,431**
	1,085,776	**32,650**	**1,118,426**	**1,115,567**
Financial guarantee contracts (*)	**206,574,521**	**0**	**206,574,521**	**0**
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

* 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.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values

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

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

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

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

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

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

(i) Financial instruments measured at fair value

The following table represent the Group's financial assets that are measured at fair value into three different level as per below:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2021				
Financial assets				
Equity instruments classified as FVOCI				
- quoted shares	**6,670**	**0**	**0**	**6,670**
Financial liabilities				
Derivative financial liabilities	**0**	**6,336**	**0**	**6,336**
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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

(i) Financial instruments measured at fair value (continued)

The Company does not have any financial assets and liabilities at fair values as at 31 December 2021 and 2020.

The fair values above have been determined using the following basis:

- The fair values of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.
- The fair values of forward currency contracts are determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.

There was no transfer between all 3 levels of the fair value hierarchy during the financial year.

(ii) Financial instruments measured at amortised costs

The carrying amounts and fair values of long-term financial assets and liabilities measured at amortised cost of the Group and Company as at 31 December are as follows:

	2021		2020	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial liabilities				
Hire purchase payables	**9,573,431**	9,188,142	**15,600,225**	14,766,741
Company				
Financial liabilities				
Hire purchase payables	**65,431**	64,098	**180,709**	176,677

The fair values of the Group's and Company'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 and Company does not have non-financial assets and liabilities measured at fair value at the reporting date.

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Classification of financial instruments

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Financial assets classified as FVOCL:				
Equity instruments	**6,670**	6,740	**0**	0
Financial assets classified as amortised cost:				
Trade and other receivables	**64,810,442**	51,492,433	**220,937**	6,010,644
Cash and bank balances	**49,016,298**	44,918,529	**193,711**	403,429
	113,826,740	96,410,962	**414,648**	6,414,073
Total financial assets	**113,833,410**	96,417,702	**414,648**	6,414,073
Financial liabilities classified as amortised cost:				
Trade and other payables	**62,095,331**	54,262,610	**1,050,136**	1,332,264
Bank borrowings	**204,996,831**	174,188,671	**0**	0
Hire purchase payables	**9,573,431**	15,600,225	**65,431**	180,709
Lease liabilities	**3,445,010**	3,573,783	**0**	0
	280,110,603	247,625,289	**1,115,567**	1,512,973
Financial liabilities classified as FVTPL:				
Derivative financial liabilities	**6,336**	10,976	**0**	0
Total financial liabilities	**280,116,939**	247,636,265	**1,115,567**	1,512,973

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

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	
	2021 RM	**2020 RM**
Bank borrowings	**204,996,831**	174,188,671
Hire purchase payables	**9,573,431**	15,600,225
Lease Liabilities	**3,445,010**	3,573,783
	218,015,272	193,362,679
Less: Cash and bank balances	**(49,016,298)**	(44,918,529)
Net debt	**168,998,974**	148,444,150
Total equity	**311,473,930**	308,034,180
Debt-to-equity ratio	**0.54**	0.48

Externally imposed capital requirements

As at reporting date, the Group is in compliance with the externally imposed capital requirements on material borrowings.

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

Notes to the Financial Statements (Continued)

For the Financial Year ended 31 December 2021

34 CAPITAL COMMITMENTS

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

	Group	
	2021 RM	2020 RM
Contracted but not provided for - purchase of property, plant and equipment	**9,927,000**	12,400,000
Approved but not contracted for - purchase of property, plant and equipment	**10,824,000**	9,011,000

35 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

As part of the Group's restructuring and reconstruction exercise to rationalise and streamline the business operations of the Group, the operations of Success Century Sdn. Bhd. ("SC") and Laskar Fertilisers Sdn. Bhd. ("LF") had been transferred to Teo Seng Farming Sdn Bhd ("TSF") with effect from 15 January 2021. SC, TSF and LF are wholly-owned direct and indirect subsidiaries of the Company. There is no impact on the Group's financial statements.

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 72 to 159 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 2021 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 12 April 2022.

LAU JUI PENG
DIRECTOR

NAM HIOK JOO
DIRECTOR

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 72 to 159 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: 12 April 2022

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 2021, 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 2021 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 72 to 159.

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.

Independent Auditors' Report (Continued)

To the Members of Teo Seng Capital Berhad
(Incorporated in Malaysia) (Registration No.200601013011 (732762-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

Key audit matter	How our audit addressed the key audit matter
Valuation of biological assets Refer to Note 3.7 for the accounting policies and Note 3.1 and Note 16 to the financial statements. As at 31 December 2021, the Group has biological assets balance of RM65,073,358. 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 are key judgements involved in determining the expected number of table eggs produced by each layer, the expected selling price of the table eggs, 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.	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 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 management's assessment on the valuation of biological assets as at 31 December 2021.

We have determined that there are no key audit matters to report for the Company.

Independent Auditors' Report (Continued)

To the Members of Teo Seng Capital Berhad
(Incorporated in Malaysia) (Registration No.200601013011 (732762-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report , which we obtained prior to the date of this auditors' report, and 2021 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Independent Auditors' Report (Continued)

To the Members of Teo Seng Capital Berhad
(Incorporated in Malaysia) (Registration No.200601013011 (732762-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

(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.

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.

Independent Auditors' Report (Continued)

To the Members of Teo Seng Capital Berhad
(Incorporated in Malaysia) (Registration No.200601013011 (732762-T))

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
12 April 2022

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 2021

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	10	22,041	*Dec-21
2	GRN560956 Lot 31730 GRN560957 Lot 31732 Mukim Tanjong Sembrong Batu 4, Jalan Air Hitam Daerah Batu Pahat, Johor.	Central Packing Station 3	Freehold	4.34A	2	13,523	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	21	12,667	*Mar-09
4	GM 14408 Lot 19641 (formerly Lot PTD 25740) Mukim Tanjong Sembrong Tempat Yong Peng - Air Hitam Road Daerah Batu Pahat, Johor.	Central Packing Station 2 & Corporate Office Building	Freehold	4.19A	15 14	8,898	*May-17
5	HS (D) 62613 PTD 29431 Mukim Tanjong Sembrong Batu 4, Jalan Air Hitam Johor.	Central Packing Station 1	Freehold	4.24A	10	8,541	*May-17
6	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	5	8,326	Jul-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	8 8 8 8 8	7,295	*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 2021 (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	16	7,136	*May-17
9	GM 503 Lot 3660 GRN 81499 Lot 3667	Layer Farm 5	Freehold	20.97A	26	6,252	*Sep-17
	HS (M) 12 MLO 201	Layer Farm 5B	Freehold	3.45A	12		
	GM 873 Lot 3830 All in Mukim Chaah Bahru Daerah Batu Pahat, Johor.			5.69A	12		
10	GM 5684 Lot 7416 GM 6528 Lot 7417	Layer Farm 2	Freehold	15.86A	29	5,973	*Sep-17
	GM 172 Lot 160	Layer Farm 2B	Freehold	8.51A	12		
	GM 6529 Lot 7418 Both in Mukim Tanjong Sembrong Batu 5, Jalan Air Hitam Tempat Kangkar Serom Daerah Batu Pahat, Johor.			5.46A	7		

* Date of Revaluation

Analysis of Shareholdings

As at 31 March 2022

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	68	1.43	2,752	0.00
100 to 1,000	941	19.73	433,179	0.15
1,001 to 10,000	2,351	49.30	12,486,142	4.25
10,001 to 100,000	1,202	25.20	38,026,595	12.94
100,001 to 14,692,572	206	4.32	89,533,804	30.47
14,692,573 and above	1	0.02	153,369,003	52.19
Total	**4,769**	**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	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	4,427,200	1.51
4	Teo Sik Ghood	4,327,400	1.47
5	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Bank Juliues Baer & Co. Ltd. (Singapore Bch)	3,222,000	1.10
6	Leong Hup Holdings Sdn. Bhd.	1,927,255	0.66
7	Nam Yok San	1,805,733	0.61
8	Lau Joo Kiang	1,754,399	0.60
9	Wong Ah Tai	1,711,000	0.58
10	Nam Hiok Yong	1,606,818	0.55
11	Na Yok Chee	1,548,886	0.53
12	Tong Seh Industries Supply Sdn. Berhad	1,500,000	0.51
13	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Ban Ltd. (SFS)	1,420,000	0.48
14	Goh Cha Boh @ Goh Hui Siang	1,397,800	0.48
15	Amnah Binti Ibrahim	1,332,800	0.45
16	Lai Chong Koo	1,112,000	0.38
17	Soh Kian	1,104,000	0.38

Analysis of Shareholdings (Continued)

As at 31 March 2022

THIRTY LARGEST SHAREHOLDERS (CONTINUED)

No.	Name	No. of Shares	%
18	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lau Eng Guang	1,091,000	0.37
19	Nam Hiok Yok	1,058,500	0.36
20	Yeo Koon Lian	1,000,000	0.34
21	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Bank of Singapore Limited (Foreign)	999,600	0.34
22	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chooi Ho	948,200	0.32
23	Ng Lee Ping	944,300	0.32
24	Wong Lee Peng	878,058	0.30
25	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Kah Wui	781,000	0.27
26	Lim Eng Hee	750,000	0.25
27	Leong Ai Hsia	721,000	0.24
28	Chia Seong Pow	707,000	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	**201,679,952**	**68.63**

SUBSTANTIAL SHAREHOLDERS

As per Register of Substantial Shareholdings

Shareholders	No. of Shares Held			
	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	541,600	0.18	153,881,003[6&7]	52.37
Na Yok Chee	1,548,886	0.53	154,708,503[6&7]	52.65

Analysis of Shareholdings (Continued)

As at 31 March 2022

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	566,602	0.19	-	-
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 Sixteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company ("16th AGM") 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 Thursday, 26 May 2022 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 2021. **(Please refer to Explanatory Note 1)**

2. To approve the payment of Directors' fees and benefits up to RM243,200.00 for the period with effect from 27 May 2022 until the next Annual General Meeting of the Company to be held in 2023. **(Ordinary Resolution 1) (Please refer to Explanatory Note 2)**

3. To re-elect Nam Hiok Joo who retires pursuant to Clause 76(3) of the Constitution of the Company. **(Ordinary Resolution 2) (Please refer to Explanatory Note 3)**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 3) (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. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

   "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"). **(Ordinary Resolution 4) (Please refer to Explanatory Note 5)**

Notice of Sixteenth Annual General Meeting (Continued)

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2022.

THAT with effect from 1 January 2023, 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."

Notice of Sixteenth Annual General Meeting (Continued)

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

(Ordinary Resolution 5)
(Please refer to Explanatory Note 6)

"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 28 April 2022 ("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 detrimental 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."

Notice of Sixteenth Annual General Meeting (Continued)

7. **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 6) (Please refer to Explanatory Note 7)

"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.

Notice of Sixteenth Annual General Meeting (Continued)

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 charged with the responsibility for companies 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."

8. 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
28 April 2022

Notice of Sixteenth Annual General Meeting (Continued)

Notes:

(i) For the purpose of determining a member who shall be entitled to attend and vote at the Sixteenth Annual General Meeting ("16th AGM"), the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 19 May 2022. Only a member whose name appears on the Record of Depositors as at 19 May 2022 shall be entitled to attend this AGM or appoint a proxy to attend, speak and vote on his/her/its stead.

(ii) A member entitled to attend and vote at the 16th 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 16th 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) 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.

(v) 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.

(vi) 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.

(vii) 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 16th AGM, i.e. by 11.30 a.m. on Tuesday, 24 May 2022 or adjourned 16th 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 Electronic Means
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 16th AGM).

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

(ix) Last date and time for lodging the proxy form is 11.30 a.m., on Tuesday, 24 May 2022.

Notice of Sixteenth Annual General Meeting (Continued)

(x) 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).

(xi) For a corporate member who has appointed a representative instead of a proxy to attend the 16th 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.

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:

	27 May 2022 until the next Annual General Meeting ("AGM") in 2023	
	Directors' fees (RM)	Other Emoluments/ (Festival Token) (RM)
Non-Executive Director	192,000	51,200

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

Pursuant to Practice 5.7 of the Malaysian Code on Corporate Governance 2021, the profile of the Director who is standing for re-election as per Agenda item 3 is set out in the Board of Directors' profile of the Annual Report 2021. Based on the recommendation of Nominating Committee, the Board supports the re-election of Mr Nam Hiok Joo as Managing Director of the Company based on the following justifications:-

Mr Nam Hiok Joo has vast experience in operational matters of the Group. He is primarily responsible for managing day-to-day business operations. This may include driving profitability, managing company organisational structure, strategy, and communicating with the Board. He is familiar with the Group's business operation which allows him to provide valuable input to boost the Group's performance.

Dato' Koh Low @ Koh Kim Toon who retires pursuant to Clause 76(3) of the Constitution of the Company, has indicated to the Company that he will not seek re-election at the Sixteen ("16th") Annual General Meeting ("AGM"). Therefore, Dato' Koh Low @ Koh Kim Toon shall cease to be a Director of the Company at the conclusion of the 16th AGM.

Notice of Sixteenth 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. Item 5 of the Agenda

   Bursa Malaysia Securities Berhad ("Bursa Securities") had, among others, on 23 December 2021, announced the extension of 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 2022.

   The proposed Ordinary Resolution 4 is intended to renew the authority granted to the Directors of the Company at the Deferred Fifteen ("15th") AGM of the Company held on 5 August 2021, 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 2022. 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 Board of Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges brought by the COVID-19 pandemic, this Proposed 20% General Mandate is the most appropriate avenue of fund raising at this juncture. This 20% General Mandate will enable the Company to raise funds expeditiously without having to incur interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow. The funds raised will be used to finance the day-to-day operational expenses, working capital for the on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

   The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the Proposed 20% General Mandate is in the best interest of the Company and its shareholders.

   (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 Deferred 15th AGM of the Company held on 5 August 2021 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.

Notice of Sixteenth Annual General Meeting (Continued)

6. Item 6 of the Agenda

   The proposed Ordinary Resolution 5, 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 28 April 2022 for further information.

7. Item 7 of the Agenda

   The proposed Ordinary Resolution 6, 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 28 April 2022 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.

CDS Account No. of Authorised Nominee#

No. of shares held

#applicable to shares held through nominee account

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 Sixteenth 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 Thursday, 26 May 2022, 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 2021.			
	Ordinary Resolutions	**Resolution**	**FOR**	**AGAINST**
2.	To approve the payment of Directors' fees and benefits up to RM243,200.00 for the period with effect from 27 May 2022 until the next Annual General Meeting of the Company to be held in 2023.	1		
3	To re-elect Mr Nam Hiok Joo who is retiring pursuant to Clause 76(3) of the Constitution of the Company.	2		
4.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration.	3		
5.	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.	4		
6.	Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	5		
7.	Proposed renewal of authorisation to enable the Company to purchase up to 10% of the total number of issued shares of the Company.	6		

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:

(i) For the purpose of determining who shall be entitled to participate in the 16th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 19 May 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM.

(ii) A member who is entitled to participate and vote in this 16th AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate, speak and vote in his/her place. A proxy may but need not be a member of the Company.

(iii) A member of the Company who is entitled to participate and vote at the 16th AGM of the Company may appoint not more than two (2) proxies to participate 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 16th AGM, i.e. by 11.30 a.m. on Tuesday, 24th May 2022 or adjourned 16th 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 Electronic Means
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 16th AGM).

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

(xiii) Last date and time for lodging the proxy form is 11.30 a.m., on Tuesday, 24 May 2022.

*(xiv) 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).

*For a corporate member who has appointed a representative instead of a proxy to attend the 16th 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.*

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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,
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