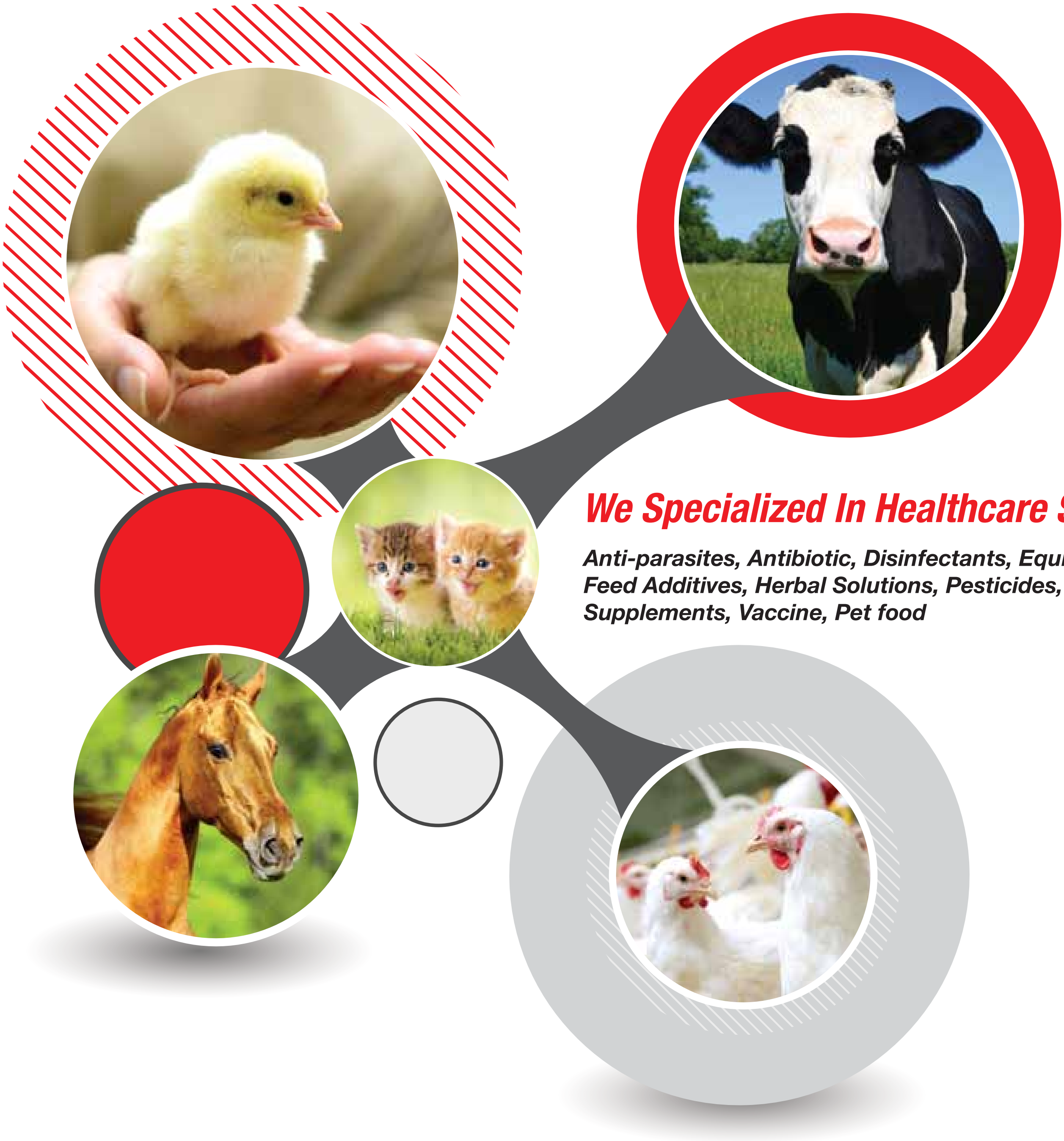
TEO SENG CAPITAL BERHAD

(Company No. 732762-T)

Hatching For The Future

Annual Report
2016



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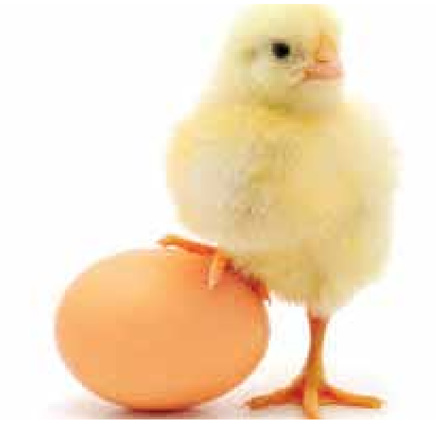


EVENTS HIGHLIGHT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Event : Pet Fiesta Ipoh
Date : 14 & 15 August 2016
Venue : PHL Convention Centre, Ipoh

Event :
Ritma Prestasi Sdn. Bhd. (“Ritma”) Kick Start Meeting

Date :
13 January 2016

Venue :
Four Point by Sheraton, Puchong

Event : Seminar by Elanco
Date : 29 March 2016
Venue : Beringgis Beach Resort, Kota Kinabalu

Event : My Pom Club sponsored by Ritma’s products – Natural Core
Date : 8 August 2015
Venue : Penang

Event :
Ritma Pet World

Date :
10 - 12 June 2016

Venue :
Mid Valley Exhibition Centre, KL

EVENTS HIGHLIGHT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Event : Annual New Year Dinner
Date : 21 January 2017
Venue : Grand Seaview Restaurant, Batu Pahat

Event :
Ritma Pet Fiesta (Ipoh)

Date :
14 & 15 August 2016

Venue :
PHL Convention Centre, Ipoh

Event : Tenth Annual General Meeting
Date : 24 May 2016
Venue : Riverview Hotel

Event :
Channel 8 Singapore TV Show Recording

Date :
17 December 2016

Venue :
Teo Seng Farm

Event : Blood Donation Campaign
Date : 23 June 2016
Venue : BP Mall

Event :
Salmonella In-House Seminar

Date :
11-13 March 2015

Venue :
Bangkok

EVENTS HIGHLIGHT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Event :
Ritma Pet Fiesta (Ipoh)

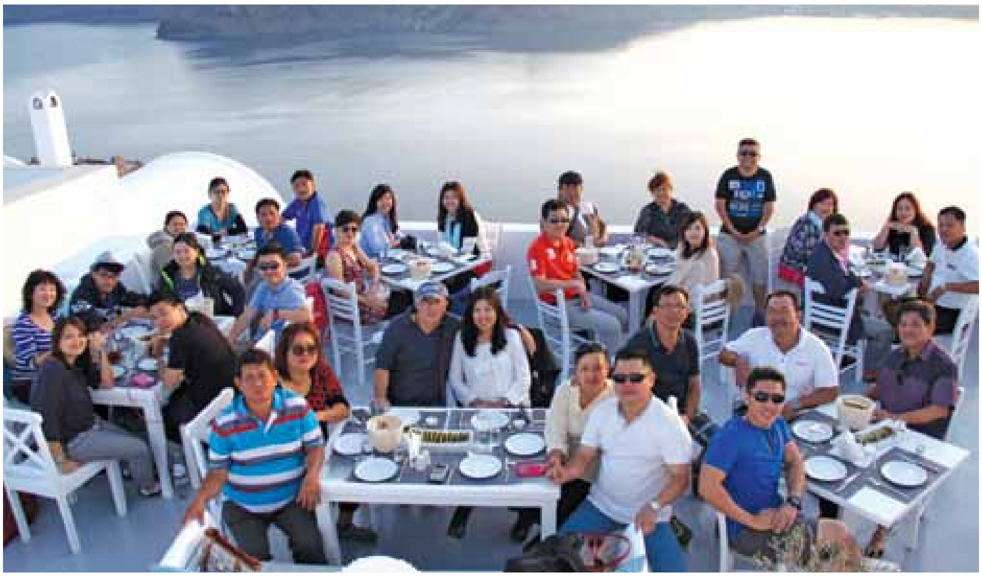
Date :
14 & 15 August 2016

Venue :
PHL Convention Centre, Ipoh

Event :
Corporate Social Responsibility Program

Date :
26 & 27 May 2016

Venue :
Rumah Sejahtera Batu Pahat



Event :
Ritma Teambuilding Trip

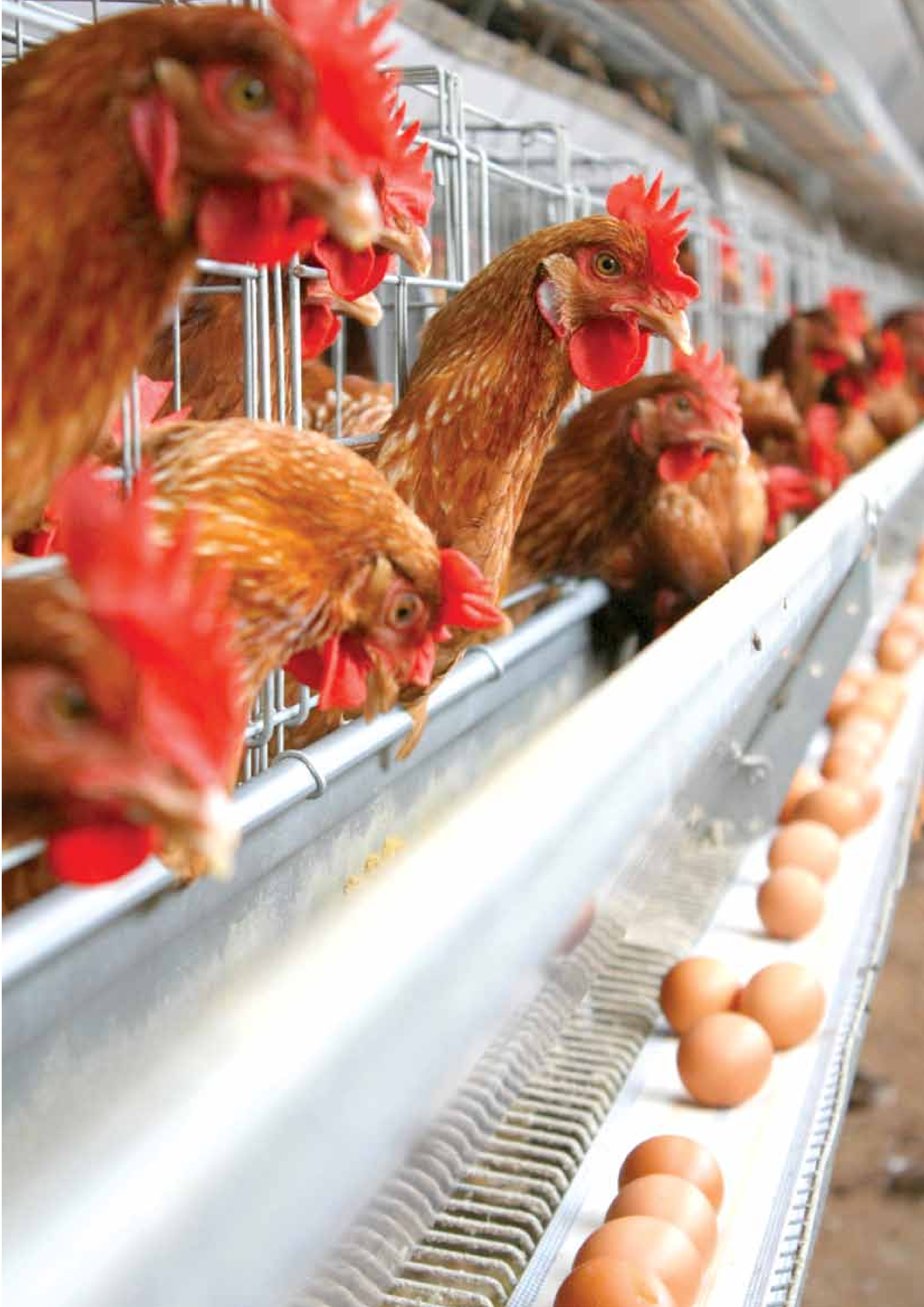
Date :
6-8 November 2015

Venue :
Greece

Event :
Ritma Pet Fiesta (Setia Alam)

Date :
8 - 10 April 2016

Venue :
Setia City Convention Centre, Selangor



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman
Lau Jui Peng

Managing Director
Nam Yok San

Executive Director
Lau Joo Han
Na Yok Chee

Non- Executive Director
Tan Sri Lau Tuang Nguang
Dato' Zainal Bin Hassan
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
Tan Sri Lau Tuang Nguang
Frederick Ng Yong Chiang
Dato' Koh Low @ Koh Kim Toon

NOMINATION COMMITTEE

Committee Chairman
Frederick Ng Yong Chiang

Committee Member
Choong Keen Shian
Loh Wee Ching

REMUNERATION COMMITTEE

Committee Chairman
Choong Keen Shian

Committee Member
Tan Sri Lau Tuang Nguang
Loh Wee Ching

KEY MANAGEMENT PERSONNEL

Nam Hiok Joo
Ng Eng Leng

SECRETARIES

Wong Wai Foong
(MAICSA 7001358)

Tan Bee Hwee
(MAICSA 7021024)

Lee Choon Seng
(MAICSA 7003453)

Lum Sow Wai
(MAICSA 7028519)

AUDITORS

Crowe Horwath
(AF 1018)
8, Jalan Pesta 1/1
Taman Tun Dr Ismail 1
Jalan Bakri
84000 Muar
Johor Darul Takzim

PRINCIPAL BANKERS

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

CORPORATE WEBSITE

www.teoseng.com.my

REGISTERED OFFICE

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

HEAD OFFICE

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

REGISTRAR

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

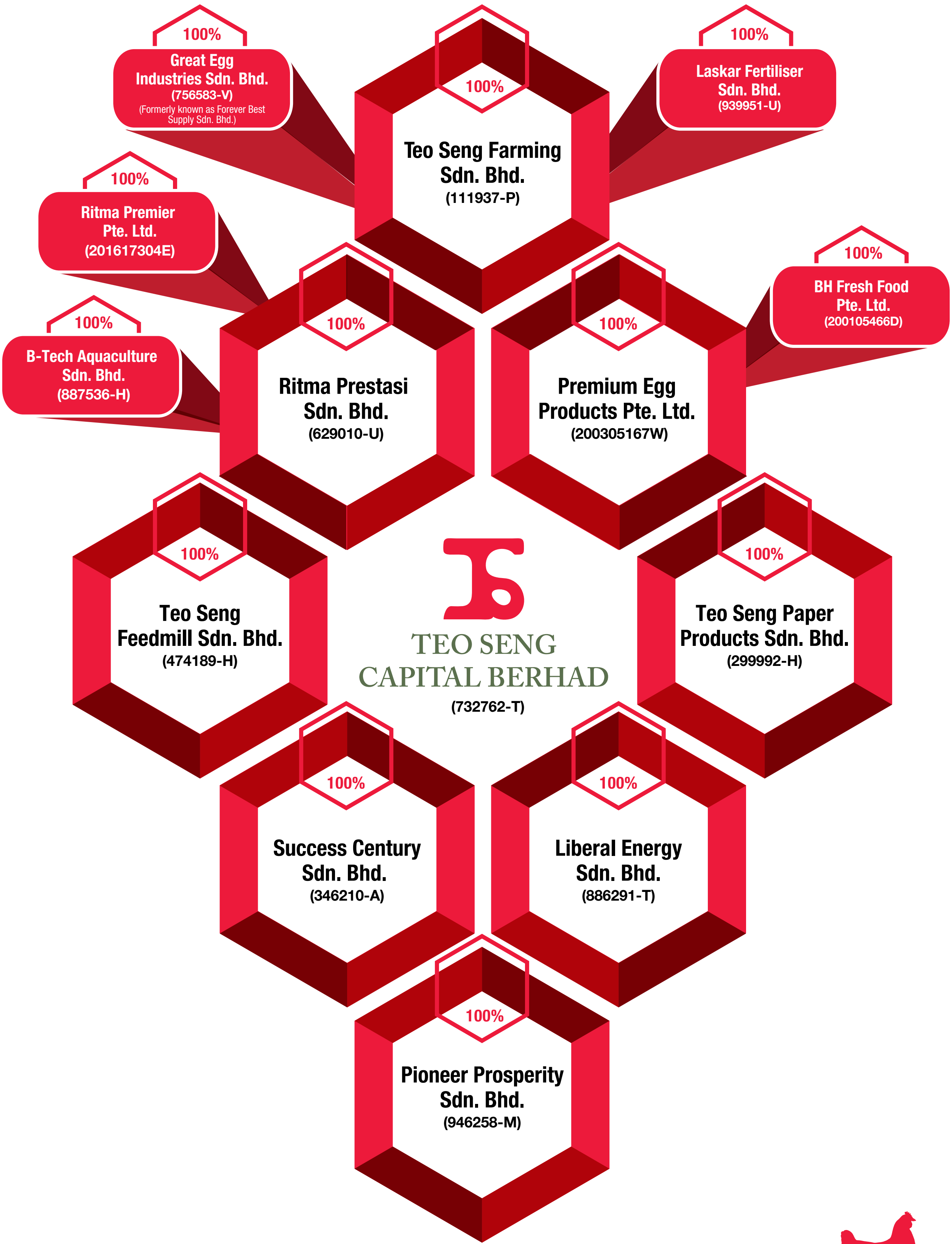
STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

DATE OF LISTING

29 October 2008

GROUP CORPORATE STRUCTURE



PROFILE OF THE BOARD OF DIRECTORS

MR. LAU JUI PENG
Executive Chairman

Mr. Lau Jui Peng, Malaysian, male, aged 46, was appointed as the Non-Executive Chairman of the Company on 19 June 2008 and redesignated to Executive Chairman on 27 August 2013. Mr. Lau Jui Peng now represents Leong Hup (Malaysia) Sdn Bhd to sit on the Board of Directors of the Company.

Mr. Lau obtained a Bachelor of Science in Business Administration majoring in marketing from Hawaii Pacific University, United States of America in 1996. Upon his graduation, Mr. Lau worked in a brief stint as an Assistant Manager in a supermarket before joining Leong Hup group of companies. Since then, Mr. Lau has been appointed as the Deputy Chief Executive Officer of Leong Hup Poultry Farm Sdn. Bhd. and subsequently being promoted as Chief Executive Officer, where he is in charge of the production processes and administration. Mr. Lau is also involved in the production processes and administration of Leong Hup (G.P.S) Farm Sdn. Bhd. Mr. Lau was invited to the Board of Leong Hup Poultry Farm Sdn. Bhd. on 24 December 2004 and subsequently to the Board of Leong Hup (G.P.S) Farm Sdn. Bhd. on 21 March 2007. Besides these two companies, he also sits on the Board of several other subsidiaries of the Company, Leong Hup (Malaysia) Sdn. Bhd. and Emivest Sdn. Bhd.

Mr. Lau's knowledge and experience in the production processes and management of poultry companies is further augmented by his attendance of several supervisory and management seminars on poultry farm operations and management conducted both locally and overseas. Mr. Lau was the Audit Committee during the year 2009 to 2012. He gains keen insight on getting accurate and deep intuitive understanding of internal control during four (4) years involvement in Audit Committee.

Mr. Lau is the nephew of Tan Sri Lau Tuang Nguang who is the Non-Executive Director of the Company. Except for certain related party transactions of revenue and trading nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there is no other business arrangements with the Company in which he has personal interest. Mr. Lau has no conviction of any offences within the past five (5) years. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016. Mr. Lau had attended five (5) of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

MR. NAM YOK SAN
Managing Director

Mr. Nam Yok San, Malaysian, male, aged 61, was appointed as the Managing Director of the Company on 19 June 2008. With nearly forty (40) years of experience in poultry farming, of which the past twenty five (25) years had been focused on the layer farming business. Mr. Nam in his capacity as the Managing Director of Teo Seng Farming Sdn. Bhd. ("TSF") is responsible in overseeing the overall operations and directions of the Group within the layer farming industry.

Mr. Nam was involved in the family business of rearing broiler chickens since it began in 1978, and was one of the founding partners of TSF when it was incorporated on 22 December 1983.

In 1992, under Mr. Nam's stewardship, the TSF Group undertook a strategic change in business direction by shifting its focus from rearing broiler chickens to layer farming. Since then, with his leadership and guidance, the TSF Group had become one of the largest egg producers in the country.

From 1994 to 2008, Mr. Nam served as the Managing Director of Teo Seng Paper Products Sdn. Bhd. ("TSPP") overseeing the overall operations and ensuring that TSPP performs its function as another integral limb of the integrated layer farming model which has been adopted for the TSF Group. He has also been appointed as Executive Director in Teo Seng Feedmill Sdn. Bhd. ("TSFM") since 2000. With his vast experience in the industry and his contribution to our Group, Mr. Nam is an invaluable asset of our Group. He also sits on the Board of several other private limited companies in Malaysia and Singapore. In term of human capital management, Mr. Nam oversees the organization's workforce planning, management and optimization.

Mr. Nam is a sibling of Mr. Na Yok Chee who is the Executive Director of the Company and Mr. Nam Hiok Joo who is the General Manager of TSFM and Managing Director of Ritma Prestasi Sdn. Bhd. Except for certain related party transactions of revenue and trading nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there is no other business arrangements with the Company in which he has personal interest. Mr. Nam has no conviction of any offences within the past five (5) years. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016. Mr. Nam attended all of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

PROFILE OF THE BOARD OF DIRECTORS

MR. LAU JOO HAN
Executive Director

Mr. Lau Joo Han, Malaysian, male, aged 42, was appointed as the Non-Executive Director of the Company on 19 June 2008 and redesignated to Executive Director on 27 August 2013. He was appointed as the Director and Chief Executive Officer of Leong Hup (Malaysia) Sdn. Bhd. Currently, Mr. Lau represents Leong Hup (Malaysia) Sdn. Bhd. to sit on the Board of Directors of the Company.

Mr. Lau obtained a Degree of International Trade from Victoria University, Melbourne, Australia in 1999. Throughout his career, he has managed numerous key subsidiaries within the Leong Hup Group and has gained exposure in different levels of poultry integration from upstream to downstream activities.

Besides managing the business of the Group, Mr. Lau has been constantly attending seminars and conferences conducted locally and overseas in order to keep abreast of the latest trends and technologies in the poultry industry. Mr. Lau believed that human capital was like any other type of capital; it could be invested in through education, training and enhanced benefits that lead to an improvement in the quality and level of production. He possess excellent marketing skills which enable him to contribute significantly to the Group's marketing strategies.

Mr. Lau is the nephew of Tan Sri Lau Tuang Nguang who is the Non-Executive Director of the Company. Except for certain related party transactions of revenue and trading nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there is no other business arrangements with the Company in which he has personal interest. Mr. Lau has no conviction of any offences within the past five (5) years. Mr. Lau was not being imposed with any sanctions and penalties by relevant regulatory bodies in the financial year ended 31 December 2016. Mr. Lau had attended four (4) of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

MR. NA YOK CHEE
Executive Director

Mr. Na Yok Chee, Malaysian, male, aged 60, was appointed as the Executive Director of the Company on 19 June 2008. Like Mr. Nam Yok San, Mr. Na has been involved in family poultry business since 1978 and has played an instrumental role in its transformation from being a broiler chicken business into one of the largest layer farming groups in the country.

With the experience and knowledge that he has gained in the operations and management of our Group for nearly forty (40) years, Mr. Na is primarily responsible in monitoring the farm's operation and performance of our Group, as well as overseeing any investment and expansion initiatives, including the designing, construction and supervision of all farm buildings. Mr. Na dedicates on supervising all the aspect of the construction and expansion projects to achieve the effectiveness and efficiency of the investment and further maximize the economic benefits of the Group.

Mr. Na currently contributes his expertise to our Group through his capacity as an Executive Director of Teo Seng Farming Sdn. Bhd. ("TSF"), a position he has held since 1983, when he was one of the founding partners of the company. Apart from this, he is also the Executive Director in Teo Seng Feedmill Sdn. Bhd. ("TSFM") and Success Century Sdn. Bhd., which he has held since 2000 and 2008 respectively. Moreover, he also sits on the Board of several other private limited companies.

Mr. Na is a sibling of Mr. Nam Yok San who is the Managing Director of the Company and Mr. Nam Hiok Joo who is the General Manager of TSFM and Managing Director of Ritma Prestasi Sdn. Bhd. Except for certain related party transactions of revenue and trading nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there is no other business arrangements with the Company in which he has personal interest. Mr. Na has no conviction of any offences within the past five (5) years. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016. Mr. Na attended all of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

PROFILE OF THE BOARD OF DIRECTORS

TAN SRI LAU TUANG NGUANG
Non-Executive Director

Tan Sri Lau Tuang Nguang, Malaysian, male, aged 58, was appointed as Non-Executive Director of the Company on 19 November 2009. He was appointed as Audit Committee Member and Remuneration Committee Member of the Company on 27 August 2013. Tan Sri Lau now represents Leong Hup (Malaysia) Sdn Bhd to sit on the Board of Directors of the Company.

Tan Sri Lau has more than forty (40) years of experience in the livestock industry. He was appointed as the Executive Chairman of Leong Hup (Malaysia) Sdn Bhd on 26 November 2014. Prior to his appointment to Leong Hup (Malaysia) Sdn Bhd, Tan Sri Lau was appointed on 15 August 1990 as the Executive Director of Leong Hup Holdings Berhad, a company formerly listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board of PT Malindo Feedmill Tbk, a company listed on Jakarta Stock Exchange and also appointed to the Board of various private limited companies in Malaysia and overseas. In the year of 2004, he was one of the panel advisors of Ministry of Agriculture and Agro Based Industry, a project initiated by the Government for the development of the agriculture industry in the country.

Tan Sri Lau is the uncle to Mr. Lau Jui Peng and Mr. Lau Joo Han who are the Directors of the Company. Except for certain related party transactions of revenue and trading nature which are necessary for day to day operation of the Company and its subsidiaries and for which Tan Sri Lau is deemed to be interested, there is no other business arrangements with the Company in which he has personal interest. Tan Sri Lau has no conviction of any offences within the past five (5) years. Tan Sri Lau was not being imposed with any sanctions and penalties by relevant regulatory bodies in the financial year ended 31 December 2016. Tan Sri Lau had attended three (3) of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

DATO' ZAINAL BIN HASSAN
Non-Executive Director

Dato' Zainal Bin Hassan, Malaysian, male, aged 72, was appointed as the Non-Independent Non-Executive Director of the Company on 19 November 2009, is the representative of Koperasi Permodalan Felda Malaysia Berhad to sit on the Board of Directors of the Company.

Dato' Zainal is the Chairman of few cooperatives in district level, Deputy Chairman to Koperasi Serbausaha Makmur Berhad and member of the Board of Directors of Koperasi Permodalan Felda Malaysia Berhad ("KPF") at national level since the inception of the KPF in the year 1980. With his past experience as the Pahang State Assembly Member from the year 1982 to 1999, Dato' Zainal involved in various committees in Pahang State Level and was also the Committee Chairman of Jawatankuasa Kira-Kira Wang Kerajaan Negeri (PAC) prior to his appointment as the EXCO Kerajaan Negeri Pahang in the year 1999. He holds the position as Internal Auditor to Pertubuhan Peladang Kebangsaan (NAFAS).

Dato' Zainal does not have any family relationship with any Director or major shareholder of the Company. Except for certain related party transactions of revenue and trading nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there is no other business arrangements with the Company in which he has personal interest. Dato' Zainal has no conviction of any offences within the past five (5) years. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016. Dato' Zainal had attended four (4) of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

PROFILE OF THE BOARD OF DIRECTORS

MR. LOH WEE CHING
Non-Executive Director

Mr. Loh Wee Ching, Malaysian, male, aged 48, was appointed as the Non- Executive Director of the Company on 19 June 2008. He was appointed as member of both Remuneration Committee and Nomination Committee on 27 August 2013. Mr. Loh joined Teo Seng Farming Sdn. Bhd. ("TSF") in 1994 as Sales Manager and he was promoted as the Senior Marketing Manager in 2003. Presently, he is the Marketing Director in layer farming division. Prior to joining the Group, he was a Marketing Executive in Telic Corporation Sdn. Bhd., a diversified company which is also involved in the poultry business. His past experience of more than twenty five (25) years in marketing and good customer contacts enables him to contribute significantly to the Group's marketing strategies. With his assertive marketing skills and excellent customer relationship, he also plays a major role in providing on-the-job training to the marketing team of the subsidiaries of the Company.

Mr. Loh does not have any family relationship with any Director or major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Loh has no conviction of any offences within the past five (5) years. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016.Mr. Loh had attended all of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

MR. CHOONG KEEN SHIAN
Independent Non-Executive Director

Mr. Choong Keen Shian, Malaysian, male, aged 60, 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 of the Company. He was redesignated as Chairman of the Remuneration Committee on 27 August 2013.

He graduated with a Bachelor of Science (Hon) degree from University of Malaya in 1981. He worked for more than ten (10) years in the finance and banking industry initially with OCBC Finance Bhd. and later with The Pacific Bank Bhd. (now known as Malayan Banking Berhad) from 1981 to 1990. During his tenure in the financial industry, he was involved in the credit and credit control management. He joined a property development company, Arena Eksklusif Sdn. Bhd. in 1991 and was involved in project administration. Currently, he is the finance manager of Atlas Edible Ice Sdn. Bhd., a member of The Atlas Ice Group of Company, which is engaged in a wide array of business activities such as oil palm and rubber plantation, tube and block ice manufacturing and investment holdings in Malaysia, Singapore and Indonesia. He is also the director of several other private limited companies within The Atlas Ice Group and several other private limited companies which are involved in the retailing of lighting accessories and lamps. Mr. Choong possess the experience of credit control management in banking industry and consists of regulatory understanding to the credit control. He provides professional knowledge in the field of credit control to improve the efficiency of internal control of the Group. His rich experience in finance industry enables him to advice the Group to enhance finance operation.

Mr. Choong does not have any family relationship with any Director or major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Choong has no conviction of any offences within the past five (5) years. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016.Mr. Choong had attended all of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

PROFILE OF THE BOARD OF DIRECTORS

MR. FREDERICK NG YONG CHIANG
Independent Non-Executive Director

Mr. Frederick Ng Yong Chiang, Malaysian, male, aged 52, was appointed as the Independent Non-Executive Director of the Company on 19 June 2008. He is a member of the Audit Committee and was redesignated to Nomination Committee Chairman of the Company on 27 August 2013. He has completed the professional course in accountancy and thereafter being accepted as Associate member of the Chartered Institute of Management Accountants, United Kingdom and also a member of the Malaysian Institute of Accountants since 1991. Mr. Frederick Ng has previously worked for Hong Leong Industries Berhad as Project Executive in 1990. He joined Tan Chong Group of Companies in 1992 as the Administration and Accounting Manager of the Group's Papua New Guinea operations. In 1993, he joined The Atlas Ice Group of Companies. He is a Non-Executive Director of The Atlas Ice Company Berhad, the holding company and is in charge of the ice manufacturing companies of the Group in Penang, Kedah and Perlis. He also sits on the Board of several other private limited companies which are involving fast moving consumer goods business. As a chartered accountant, Mr. Frederick plays an advisory role to the Group in terms of providing guidance of internal control, advising the listing compliance as well as sharing tax incentive knowledge.

Mr. Frederick Ng does not have any family relationship with any Director or 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. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016. Mr. Frederick Ng had attended all of the six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

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

Dato' Koh Low @ Koh Kim Toon, Malaysian, male, aged 64, was appointed as the Independent Non-Executive Director of the Company on 19 November 2009. He was appointed as a member of Audit Committee of the Company on 13 April 2010.

Dato' Koh Low @ Koh Kim Toon has more than thirty (30) years of experience as entrepreneur in the furniture manufacturing and trading industry. He sits on board of several private limited companies which are involving in producing of plywoods, plantations and producing and trading of fertiliser. Presently, he is actively involves in local as well as overseas investments. Having more than thirty (30) years of experience and expertise in the furniture manufacturing and trading industry enables him to possess the competency in directing and governing enterprises with system of rules and good governance practices. He was the former Chairman of Muar Chung Hwa High School and President of Chinese Chamber of Commerce (Muar Division). With the extensive experience in strategic planning, Dato' Koh constantly contributes his opinions to the Board and provides constructive advices in terms of business direction to the Company.

Dato' Koh does not have any family relationship with any Director or major shareholder of the Company. He does not have any conflict of interest with the Company. Dato' Koh has no conviction of any offences within the past five (5) years. Dato' Koh does not have any sanctions and penalties being imposed by relevant regulatory bodies in the financial year ended 31 December 2016. Dato' Koh had attended five (5) out of six (6) Board of Directors' meetings held in the financial year ended 31 December 2016.

PROFILE OF THE KEY SENIOR MANAGEMENT

MR. NAM HIOK JOO
Group General Manager

Mr. Nam Hiok Joo, Malaysian, male, aged 50, was appointed as General Manager of Teo Seng Feedmill Sdn. Bhd. in 2001. He is responsible for the operation and production of chicken feeds. He oversees the quality control of the feed and ensures that they meet the nutritional requirement of chickens at the different growing stages. He also oversees the Group's administrative operations. In 2005, Mr. Nam was appointed as Executive Director of Ritma Prestasi Sdn. Bhd. and later promoted as its Managing Director, where he plays a major role in the company's management and business direction. Subsequently, he was appointed as Group General Manager of the Company in 1 March 2010. With the vast experiences in managing and overseeing Company's operation as well as governing Company's direction, he plays a significant role by participating in decision making and corporate planning of the Group.

Mr. Nam is a sibling of Mr. Nam Yok San and Mr. Na Yok Chee who is the Managing Director and Executive Director of the Company respectively. Except for certain related party transactions of revenue and trading nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there is no other business arrangements with the Company of which he has personal interest. Mr. Nam has no conviction of any offences within the past five (5) years. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016.

MR. NG ENG LENG
Group Financial Controller

Mr. Ng Eng Leng, Malaysian, male, aged 46, was appointed as Director of Teo Seng Farming Sdn Bhd on 1 March 2002 and designated as Group Financial Controller of Teo Seng Group since 1 March 2010. He obtained the Master of Business Administration from Buckinghamshire New University (UK) in 2014 and Executive Master in Business Management majoring in Finance from Asia e University in 2012. He is currently leading Teo Seng Group's finance, costing, accounting and administration functions. With more than 20 years working experiences in accounting, costing, taxation, internal control system and corporate finance, he plays a significant role in advising the Board and participates in decision making and corporate planning for the Group. Besides, he also sits on the Board of several other subsidiaries of Teo Seng Capital Berhad.

Mr. Ng does not have any family relationship with any Director or major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Ng has no conviction of any offences within the past five (5) years. There is no sanction or penalty imposed on him by relevant regulatory bodies in the financial year ended 31 December 2016.

Teo Seng Capital Berhad is in the path of pursuing innovation which creating value and sustaining competitive advantage for the future. We believe that the best way to predict the future is to create it.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS

Over the years, core business (egg), supporting business (animal feed, paper egg tray, animal health product) and by-product business (fertiliser) are major components of our corporate structure. A long term expansion project is planned to achieve targeted daily egg production of approximately 5 million by year 2020. Along with the growth of egg production capacity, new paper egg tray machine and fermentation machines are in place to meet the capacity growth. Expansion in paper egg tray production plant and replacement of usage of liquefied petroleum gas with natural gas, not only raise the supply for internal packing use, it also achieves cost saving and generates additional income source from sales of paper egg trays to external parties. In addition, the investment of new feedmill plant is under construction and anticipated to meet demand of our layer farming activities. Nevertheless, expansion of core business and supporting business division in different geographical location especially in Singapore, is to capture other market share and enhance earning source. In a period of three years, our foreign subsidiary, Premium Egg Products Pte. Ltd. has captured the market share of approximately 19% in Singapore's commercial egg industry. Teo Seng has taken additional move to have a foothold in animal health product, adding supporting division to business territory in Singapore.

In the light of above expansion, promoting cost effectiveness and boosting product market share in Singapore are the main priority for the Group. Moving forward, Teo Seng will continue to focus on raising the mind-set on the importance of cost-benefit at all level of the participants in company, including general workers, middle-management and top management to improve cost effectiveness. The education of cost effectiveness will be conducted internally during organisational meetings by interpreting regularly the periodic cost-benefit analysis and with collaboration with external professional industrial institutes that share robust knowledge on poultry industry.

A part of its business strategies, Teo Seng is continuously seeking ways to increase the market share of commercial egg in local and Singapore. In order to export the commercial egg to Singapore, the initial and most important step is obtaining "Accredited Export Farms" permit awarded by Agri-Food and Veterinary Authority of Singapore (AVA) where an export quota will be allocated. In view of this, farming division has formulated rigorous operation procedures which fulfil requirement of AVA and implementing the best and consistent farm management, improving hygiene of farm site and better disease control. Teo Seng constantly practices and gains experience to eliminate detrimental impact and is eventually attempting to be accredited by AVA.

FINANCIAL PERFORMANCE REVIEW

It was perfectly suitable to describe the economy in year 2016 as a fluid business environment fraught with uncertainties. Once again and undeniable, our Group' profitability in fiscal year 2016 was mainly affected by tough external factors such as lower average selling price of eggs and weakening of Ringgit Malaysia that give impact on raw material cost. Along with the increase of egg production through farm expansion, Teo Seng reported a revenue growth of 5.08% compared with preceding year performance. Despite the growth in turnover, the Group's profit before tax declined by 41.76% to RM29.5 million from RM50.7 million in the preceding year.

Comparing with fiscal year 2015, the Group reported a sustainable revenue with the increase in sales quantity of eggs which was mainly offset by a lower selling price of eggs. The result implied that it has a direct correlation between our core business and uncontrollable external threats especially weak egg price and weakening of Ringgit Malaysia.

The debt-to-equity ratio for current year rise considerably to 0.56 times. It is slightly higher as compared with 0.45 times debt-to-equity ratio recorded in fiscal year 2015 mainly due to the initiation of long term capital expenditure. The Group recorded an increase of net asset from RM0.64 per share to RM0.69 per share for the period under review while the return on equity at 11.32% caused by decline in current year's earnings. A robust current ratio of 1.09 times was reported despite multi-complex economic as compared with last term standing of 1.07 times satisfying short term debt obligation become due in the normal course of business.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

A mega sum planned for capital expenditure for the financial year ended 31 December 2016 amounting approximately RM56.1 million was utilised in setting up new farms, upgrading existing farm facilities, increasing production line for both paper egg tray and feedmill plants, green project development, developing by-product business, and facilitating hardware needed for cost saving purpose. The borrowings from financial institutions and internal funding are the main sources allocated for the capital expenditure. For that reason, Teo Seng's outstanding term loan and hire purchase were rose by 88% or equivalent to RM31.1 million with no additional funds raised from shareholders.

Expansion on farm to increase the production capacity occupied a major portion in the capital expenditure plan. Whilst, proposed investments for developing supporting facilities coupled with downstream businesses being properly carried out to ensure the alignment of pace to the farm expansion.

OPERATION REVIEW

We had launched the new range premium egg with the brand name "Multi-Grains" in year 2015 and it helps us to generate revenue from different business segment. In retrospect, Multi-Grain gradually penetrates the market of buyer who prefer higher degree of food nutrition. In the beginning of year 2017, we further developed a new brand of premium egg –"Omega Plus Lutein", which is nutritious and enhance better eyesight. Other than that, on customers' relationships, Teo Seng has always maintains a close relationships especially with the regular customers. With the cooperation between both parties, to a certain extent, we managed to achieve a revenue growth of 5.08% on corresponding period. Notwithstanding the cooperation between Teo Seng and customers is cohesive, the mutual beneficial relationship is always relied on the basis of excellent quality of products. In light of the contribution of new product launch and revenue growth, to date, our products dominate the market share of approximately 9% in Malaysia.

To support the layer farming expansion activity, a new paper egg tray machine imported from Netherland started the production in June 2016. The operation of this particular new and advanced-technology paper egg tray machine boosted up the daily production of paper egg tray by more than double of the usual capacity. It minimises the risk of supply shortage and eliminate the purchasing threat posed by suppliers. In addition, quality of paper egg tray produced by this new European technology machine is comparatively excellent than the others. On the other hand, natural gas station commenced operation since third quarter of 2015 which is to replace liquefied petroleum gas, the largest cost element in the production of paper egg tray. Eventually, the saving lead to improvement of competitive edge. In line with the continuous production growth of layer farming, a new feedmill plant was put into construction to prevent any future dilemma of shortage of feed supply.

The impact of foreign currency fluctuation on import of raw material cost is likely to have a direct effect on the aspect of financial condition and liquidity. Our performance is impaired by local currency depreciation. The currency plunged further to level unseen since year 1998 and has depreciated approximately 25% against US Dollar since year 2014. Cost of imported raw materials, such as maize and soya bean which denominated in US Dollar potentially impair our Group's performance as well as liquidity. In order to cushion the foreign currency impact, Teo Seng has teamed up with other related companies to buy forward the raw material at large quantity to enjoy economy of scale and better quality of products.

In line with the farm expansion and production growth, the increase of export sales enables Teo Seng group to respond to the increasing demand as well as to further capture market share in different geographical area.

From the management's point of view, the incorporation of subsidiary company in year 2011 to conduct research of converting chicken manure into pure organic fertilizer is not merely to generate new income source, but more importantly is a sustainable and comprehensive solution to mitigate the extremely large volume of daily by-product for productivity and environment issues.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite Teo Seng operation under amidst competitors challenge and national economic uncertainties, we are aware that the essential element to overcome difficulties is developing human capital. Teo Seng evolves and grows around the vision, skill and enthusiasm of the management team. The retirement of existing management will inevitably change the dynamics of company's operations, eventually the performance. Hence, talents recruitment and succession plan become one of the major programme concentrated by the Board of Directors. The Board is commencing succession plan and electing candidates that represent a diversity of background and experience.

BUSINESS SUSTAINABILITY AND PROSPECT

We are highly aware of the adverse industrial impacts and challenge towards the poultry industry, thus, we are well-equipped with developing human capital, further to establish succession plan by recruiting qualified candidates from diversified background and experience. Significant effort has been put to thoroughly executed cost saving practice, to strengthen management process and to improve operation effectiveness.

We concentrate on execution of development plan initiated and closely monitoring project progress of core business, supporting business and by-product business to achieve pre-set gantt chart and maximize performance. Heretofore, the initial investment on natural gas station and new paper egg tray machine produce good return.

In addition, brand promotion will be the next stage which we are going to focus on. The purpose of branding includes utilising the combination of commercial advertising and mass media, to raise customer awareness of our product and brand, eventually would improve sales performance.

Nevertheless, the Board of Directors continued to look for opportunities on investing related downstream and supporting business. In the context of sustainable development, we continue to contribute into green project by developing by-product business. More resources have been contributed to strengthen and accelerate the research and development stage, improving production efficiency in converting chicken manure into organic fertiliser, which further ameliorate negative effects on environment as well as operation's efficiency.

DIVIDEND

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

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

Despite the weakened financial performance in fiscal year 2016, an interim single tier dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting approximately RM4.5 million was fully paid on 30 November 2016. Teo Seng has been consistently to pay out dividend for every profit making financial year since its listing in 2008.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of Teo Seng Capital Berhad ("Teo Seng" or "Company") 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 full compliance of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or the "Code") in the best interest of the Company and the shareholders.

This corporate governance statement ("Statement") sets out how the Company has applied the principles set out in the Code ("Principles") to its particular circumstances, and observed the recommendations supporting the Principles under the Code ("Recommendations") to strengthen board structure and composition and enhance prospect. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1. Clear Functions of the Board and Management

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 matters reserved for the Board to consider are annual business plan, annual budget, dividend policy, merger and acquisition, capital expenditure and corporate exercise. The Board, in carrying out its stewardship responsibility, has delegated certain responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. All committees have clearly defined terms of reference. The Chairman of various committees will report to the Board the outcome of the committee meetings. The ultimate responsibility for the final decision on all matters, however, rest with the Board.

There is a clear segregation between the roles and responsibilities of the Chairman and Managing Director as set out in the Board Charter. The Chairman is responsible for the operations, leadership and governance of the Board, ensuring its effectiveness and assumes the formal role as the leader in chairing all Board meetings and shareholders' meetings.

Managing Director is responsible for the management of the Company's business, organizational effectiveness and implementation of Board strategies, policies and decisions. By virtue of his position as a Board member, he also acts as the intermediary between the Board and Management.

The Board's oversight on management by delegating day-to-day management of the Company to the Managing Director. This delegation structure is further cascaded by the Managing Director to the Senior Management Team. The Managing Director and Senior Management remain accountable to the Board for the authority being delegated. Structured and regular reporting is made to the Board in areas where the Board is accountable and on the Company's overall performance.

CORPORATE GOVERNANCE STATEMENT

2. Board Duties and Responsibilities

To ensure effective discharge of the Board's roles and responsibilities, the Limit of Authority (LOA), based on prescribed financial limits, was formulated and subject to be reviewed from time to time. The LOA serves to optimize operational efficiency and outlines high level duties and responsibilities of the Board and the delegated day-to-day management of the Company to the Managing Director. Structured and regular reporting is made to the Board in areas where the Board is accountable and on the Company's overall performance. The Chairman of the Board helms the Board and provides leadership and guidance for the Board to meet its goals, and manages the Board's processes in ensuring the Board discharges of its duties.

To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following specific areas:

2.1 Reviewing and adopting a strategic business plan for the Group;

The Board plays an important and active role in the development of the Company's strategy. Management presents to the Board its recommended strategy and proposed business and regulatory plans for the following 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.

2.2 Overseeing the conduct of the Group's businesses to evaluate whether the businesses are being properly managed;

The Board is monitoring 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.

2.3 Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

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

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

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

2.4 Succession planning, including appointing, training, fixing of compensation and, where appropriate, replacing senior management;

The Board delegates the planning on succession of key personnel to the Nomination Committee. The Nomination Committee ("NC") is responsible for reviewing candidates for key management positions. It is also responsible for formulating nomination, selection and succession policies for members of the Board and Board Committees and key management personnel. The Remuneration Committee ("RC") is responsible to determine the remuneration for these appointments.

CORPORATE GOVERNANCE STATEMENT

2.5 Developing and implementing an investor relations programme and shareholders communications policy for the Group;

The Board developed the Investors Relations Policy and shareholders communications policies. The Company had conducted several briefings with potential investors within the guidelines of the policy.

Investor Relations policy is available online at **www.teoseng.com.my**

2.6 Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and its effectiveness are available in the Statement of Risk Management and Internal Control of this Annual Report.

3. Code of Ethics

The Board has formalised a Directors' Code of Ethics, setting out the standards of conduct expected from Directors. The Code of Ethics for Directors includes principles relating to Directors' duties, conflicts of interest and dealings in securities. To inculcate good ethical conduct, the Group has established a Code of Conduct for employees. The Code of Conduct serves as a guideline for employees that promotes 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 behavior and sexual harassment.

Moreover, employees of the Company may confidently and anonymously voice their grievances and raise their concerns of any unlawful or unethical situation or any suspected violation of the Code of Conduct in accordance with the Whistle-Blowing policy administered by the Board of Audit Committee.

The Board emphasizes good faith in reporting, with assurance to the employees that they will not be at risk of any form of victimization, retribution or retaliation. Any attempt to retaliate, victimize or intimidate against any whistle-blower is a serious violation and shall be dealt with serious disciplinary action and procedures.

The dedicated Whistle-Blowing email address is: **bs@teoseng.com.my**

The Directors' Code of Ethics is available online at **www.teoseng.com.my**

4. Sustainability of Business

The Board is mindful/aware of the importance of business sustainability and in conducting the Group business, the impact on the environment, social and governance aspect is taken in consideration. The Group also embraces sustainability in its operations.

The Group's activities on corporate social responsibilities for the financial period under review are disclosed under Additional Compliance Information section of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

5. Access to Information and Advice

The Board has unrestricted access to all information within the Company and the advices and services of the Company Secretaries. The Directors may obtain independent professional advice in furtherance of their duties whenever necessary at the Company's expense.

In additional to the quarterly Board reports, the Board makes public release through Bursa Malaysia Securities Berhad and kept informed of various requirements and updates issued by various regulatory authorities.

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 7 days before the board meetings whilst highly sensitive corporate proposals are circulated during the meeting.

The Board may seek independent professional advice at the Company's expense in discharging its various duties for the Company. Individual Directors may also obtain independent professional or other advice in fulfilling their duties, subject to approval by the Chairman or the Board, and depending on the quantum of the fees involved.

6. Qualified and Competent Company Secretaries

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

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries through the Board ensure that the Company complies with regulatory requirements, adherence to board policies and procedures, rules, relevant laws and best practices on corporate governance. The Company Secretaries ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. The Company Secretaries also keep abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training and update the Board timeously.

7. Board Charter

The Board Charter is the primary document setting out the roles and responsibilities of the Board. The Board Charter takes into consideration of all of the applicable laws, rules and regulations as well as best practices. The Company's Board Charter covers inter-alia, the objectives of the Board, duties and responsibilities, powers, roles of the Chairman and Managing Director. 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 by the Board and will be reviewed from time to time to ensure that it remains consistent with the Board's objectives and current laws and practices.

The Company's Board Charter is available online at **www.teoseng.com.my**

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD

During the financial period under review, the Board consisted of ten (10) members comprising of one (1) Executive Chairman, One (1) Managing Director and two (2) Executive Directors, three (3) Non-Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfills the requirements as set in the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad which require that one third ($^1/_3$) of the Board members are Independent Non-Executive Directors. The profile of each Director is presented on page 8 to page 12 of this Annual Report. The Directors, with their divest backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in relevant fields such as poultry farming, financing, business administration, corporate planning, development and marketing which are vital for the strategies success of the Group. The Board Mix and Skill sets Matrix are set out as below:

Directors	Gender	Age	Strategy and entrepreneurship	Legal and regulatory requirements	Corporate governance, risk management and internal controls	Audit, accounting, financial reporting and taxation	Human capital	Sales and marketing	Production and quality assurance
Lau Jui Peng	M	46	√	√		√			√
Nam Yok San	M	61	√	√		√	√	√	
Na Yok Chee	M	60	√	√					√
Lau Joo Han	M	42	√	√			√		
Tan Sri Lau Tuang Nguang	M	58	√	√		√			
Dato' Zainal Bin Hassan	M	72	√	√	√				
Loh Wee Ching	M	48	√	√			√	√	
Choong Keen Shian	M	60	√	√	√		√		
Frederick Ng Yong Chiang	M	52	√	√	√	√	√		
Dato' Koh Low @ Koh Kim Toon	M	64	√	√	√			√	

1. Nomination Committee - Selection and Assessment of Directors

The Nomination Committee ("NC") is primarily responsible for the proposing of new nominees for the Board and for assessing the performance of the members of the Board on an on-going basis. The Nomination Committee is governed by its own Terms of Reference approved by the Board and it is also made available on the Company's website.

The following are the members of the Nomination Committee:

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

CORPORATE GOVERNANCE STATEMENT

The function of the NC, amongst others, is to recommend to the Board, candidates for directorships or Board Committee members. In addition, the Committee reviews the profile of the skills and experience of each individual director of the Board of Directors and various Committees and to assess the effectiveness of the Board as a whole.

NC's other function includes reviewing the Board's succession plans. NC is mindful of the importance of succession planning for the members of the Board and key personnel management and NC is always keep in view of suitable candidates for those roles.

Annually, the NC reviews the overall composition of the Board in terms of appropriate size, required mix of knowledge, skills, experiences and 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 fulfill the responsibilities of a director. The NC will also consider a mix of Board members that represent a diversity of background and experience.

The NC also evaluated the effectiveness of the Board as a whole, the various Committees and assessing the contribution of each individual director annually by using peer assessment and self-assessment methods. Good and effective communications were established among Board members and Board Committee members on official and unofficial basis and major policies and corporate proposals are discussed and scrutinized before putting to a vote. All members of the Board and Committees have been diligent and exercised due reasonable care in discharging their duties and responsibilities.

In order to achieve the above, NC also reviews and recommends the suitable training programmes to the members of the Board. For the financial year ended 31 December 2016, the Committee held one (1) meeting and will conduct more meetings if necessary.

1.1 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, 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.

2. Re-election of Directors

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

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

At this forthcoming AGM, the three directors who will be retiring by rotation are Loh Wee Ching, Choong Keen Shian and Frederick Ng Yong Chiang. All of them, being eligible, offer themselves for re-election. There is no age limit to act as directors in public company pursuant to Companies Act 2016, which came in force on 31 January 2017. In this Dato' Zainal Bin Hassan, aged above 70 who was re-appointed pursuant to Section 129 of the Companies Act 1965 at the last Annual General Meeting of the Company, his term of office will end at the conclusion of the forthcoming AGM.

Dato' Zainal Bin Hassan, has offered himself for re-appointment to continue to act as a director of the Company.

CORPORATE GOVERNANCE STATEMENT

3. Remuneration Committee

The Remuneration Committee is primarily responsible for the development and review of the remuneration policy and packages for the Board members. The remuneration policy aims to attract and retain Directors necessary for proper governance and the smooth running of the Company.

The following are the members of the Remuneration Committee:

Choong Keen Shian	Chairman
Tan Sri Lau Tuang Nguang	Member
Loh Wee Ching	Member

The duties and responsibilities of the Committee are as follows:

i. recommend to the Board of Directors, the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary and the Executive Directors shall play no part in decisions on their own remuneration.

ii. determine of remuneration packages 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.

The details of Directors' Remuneration payable to the Directors of the Board for the financial year ended 31 December 2016 are as follows:

Received from Listed Issuer

Category	Fee (RM)	Salaries, Bonus & Other Emoluments (RM)	Total (RM)
Executive Director ("ED")	–	594,940	594,940
Non-Executive Director ("Non ED")	120,000	10,000	130,000
Total	**120,000**	**604,940**	**724,940**

Received on Group Basis

Categoty	Fee (RM)	Salaries, Bonus & Other Emoluments (RM)	Total (RM)
Executive Director ("ED")	–	4,362,513	4,362,513
Non-Executive Director ("Non ED")	120,000	976,854	1,096,854
Total	**120,000**	**5,339,367**	**5,459,367**

Received from Listed issuers

Bands	No. of ED	No. of Non ED
RM50,000 & below	2	6
RM250,001-RM300,000	2	–

CORPORATE GOVERNANCE STATEMENT

Received on Group Basis

Bands	No. of ED	No. of Non ED
RM50,000 & below	–	4
RM200,001 - RM250,000	–	1
RM700,001 - RM750,000	1	–
RM750,001 - RM800,000	–	1
RM850,001 - RM900,000	1	–
RM1,200,001 - RM1,250,000	1	–
RM1,550,001 - RM1,600,000	1	–

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

The Board adopted the concept of independence in tandem with the definition of Independent Director of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board carries out annual assessment to ensure the effectiveness of the independence of its Independent Directors. The Board is satisfied with the level of independence demonstrated by all of the Non-Executive Directors, and their ability to act in the best interest of the Company. One third of the total number of members of the Board are Non-Executive Independent Directors.

The Board acknowledges of the Code's recommendation that the tenure of an Independent Director should not exceed a cumulative of nine years. None of the Company's Non-Executive Director will reach the nine-year term limit stipulated under the Malaysia Code on Corporate Governance 2012 ("MCCG 2012") until 2017. The Board would deliberate on the policy on the tenure of an Independent Director in due course.

The position of Chairman and Managing Director are held by two different individuals. The Chairman, who is a non-independent executive director, is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board members dominate discussion. As for the Managing Director, supported by fellow Executive Directors and an Executive Management team, he implements the Group's strategies, policies and decisions adopted by the Board and oversees the operations and business development of the Group.

The Board is aware of the MCCG 2012, which recommends the appointment of an Independent Non-Executive Director as Board Chairman. The Board thus far is satisfied with appointment of Executive Chairman in view of his vast experience and knowledge in livestock industry which is beneficial to the Group and the amount of time he has spent in fulfilling his responsibilities. Although the independent directors do not form a majority in the Board, their presence is sufficient to provide the necessary checks and balances on the decision-making process of the Board. The significant contributions of the independent directors in the decision-making process are evidenced in their participation as members of the Board's various committees. The Executive Chairman will ensure that procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

1. Time Commitment

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

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. Details of the Board members' attendance at Board meeting for the financial year ended 31 December 2016 were as follows:

Directors	Board of Directors Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Lau Jui Peng	5/6	–	–	–
Nam Yok San	6/6	–	–	–
Na Yok Chee	6/6	–	–	–
Lau Joo Han	4/6	–	–	–
Tan Sri Lau Tuang Nguang	3/6	3/6	–	1/1
Dato' Zainal Bin Hassan	4/6	–	–	–
Loh Wee Ching	6/6	–	1/1	1/1
Choong Keen Shian	6/6	6/6	1/1	1/1
Frederick Ng Yong Chiang	6/6	6/6	1/1	–
Dato' Koh Low @ Koh Kim Toon	5/6	5/6	–	–

2. Directors' Training

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

During the financial year ended 31 December 2016, the Directors attended internal briefings by the Company Secretary on amendments to the Listing Requirements, rules and regulations of relevant authorities and updates on Financial Reporting Standard by the Group Accountant. Respective Directors have participated in certain seminars, training programmes during the financial year ended 31 December 2016 which include:

CORPORATE GOVERNANCE STATEMENT

Director	List of Training/ Conference/ Seminar/Workshop Attended/ Participated	Date
Lau Jui Peng	Company Law 2016 - Total Revamp with Huge Tax Planning Opportunities	28 September 2016
	2017 Budget Seminar: Comprehensive Updates for Corporate Accountants	10 November 2016
Nam Yok San	GST for Land and Property Development	20 June 2016
	Transfer Pricing in Malaysia	21 September 2016
	Training Seminar on Bursa Listing Requirements and Latest Amendments 2016	21 October 2016
Na Yok Chee	GST for Land and Property Development	20 June 2016
	Transfer Pricing in Malaysia	21 September 2016
	Training Seminar on Bursa Listing Requirements and Latest Amendments 2016	21 October 2016
Lau Joo Han	Transfer Pricing in Malaysia	21 September 2016
	Company Law 2016 - Total Revamp with Huge Tax Planning Opportunities	28 September 2016
Tan Sri Lau Tuang Nguang	Tax Issues for Land Traders, Investors and Property Developers	14 January 2016
	2017 Budget Seminar: Comprehensive Updates for Corporate Accountants	10 November 2016
Dato' Zainal Bin Hassan	Latest Amendments in 2016 Regarding Disclosures in Annual Report and RRPT Disclosure Obligations, Financial Assistance and Penalties for Non-compliance of Listing Requirements	16 October 2016
Loh Wee Ching	Company Law 2016 - Total Revamp with Huge Tax Planning Opportunities	28 September 2016
	Training Seminar on Bursa Listing Requirements and Latest Amendments 2016	21 October 2016
Choong Keen Shian	Company Law 2016 - Total Revamp with Huge Tax Planning Opportunities	28 September 2016
Frederick Ng Yong Chiang	Company Law 2016	21 July 2016
	Detecting Red Flag in Creative Accounting	25 July 2016
	Training Seminar on Bursa Listing Requirements and Latest Amendments 2016	21 October 2016
	MIA International Accountants Conference 2016	15 & 16 November 2016
	2017 Budget Seminar: Comprehensive Updates for Corporate Accountants	10 November 2016
Dato' Koh Low @ Koh Kim Toon	Tax Issues for Land Traders, Investors and Property Developers	14 January 2016
	Training Seminar on Bursa Listing Requirements and Latest Amendments 2016	21 October 2016
	2017 Budget Seminar: Comprehensive Updates for Corporate Accountants	10 November 2016

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board is responsible for ensuring that financial statements prepared for each financial year 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. Quarterly financial statements were reviewed by Audit Committee and approved by the Board of Directors prior to their release to Bursa Malaysia Securities Berhad.

The Audit Committee ("AC") considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of external auditors and the level of non-audit services to the Company for the financial year 2016. The Audit Committee undertakes an annual assessment of suitability and independence of the external auditors. In assuring the independence of the external auditors, the AC requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independent criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants. Having assessed their performance, the Audit Committee will recommend their re-appointment decision to the Board, upon which the shareholders' approval will be sought at the Annual General Meeting.

The Group applies the Auditor Independence Policy which requires the audit partner be subject to a five-year rotation.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISK

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 Audit Committee 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:

1. regular and comprehensive information provided to AC and the Board covering financial and cash flow performance.
2. regular visits to operating units by members of the Board and senior management.
3. regular internal audit visits, which monitor compliance with procedures and assess the integrity of financial information.
4. 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 having 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 33 to page 35 of the Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

To ensure timely and high quality disclosure, the Company has established a corporate disclosure policy to ensure accurate, clear, timely disclosure of material information. To augment the process of disclosure, the Board has earmarked a section on the Company's website, where information on the Company's announcements to the regulators, the salient features of the Board Charter and the Company's Annual Report may be accessed.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

1. Shareholders Participation At General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders. At the AGM, the Board provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. The Chairman and where appropriate, the Executive Director and External Auditors are available to provide explanations on queries raised during the meetings as well as to discuss with Shareholders, invited attendees and members of the press. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. The Notice of AGM is circulated at least twenty-one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. In line with the latest amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements, the summary of key matters discussed on annual general meeting will be published on the Company's website.

2. Poll Voting

The Board noted the Recommendation 8.2 of the MCCG 2012 states that the board should encourage poll voting. According to latest amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements, it is also required that any resolution set out in the notice of any general meeting or notice of resolution to be voted by poll and to appoint of at least one scrutineer. In line with these amendment, the forthcoming AGM, all resolutions shall be voted by poll.

3. Communication and Engagement with Shareholders and Prospective Investors

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

CORPORATE GOVERNANCE STATEMENT

ADDITIONAL COMPLIANCE INFORMATION

Compliance With The Code

The Board considers that the Group has complied substantially with the principles and recommendations as stipulated in the MCCG 2012 throughout the financial year 2016. The Board will endeavour to improve and enhance the procedures from time to time.

Corporate Social Responsibility

Our Group is taking initiatives to promote and make improvement in the conditions surrounding our stakeholders, employees, society and the environment as it is vital to create the lasting growth of the Group for the present and future generation. Our corporate social responsibility covers the following keys areas:-

1. Employee welfare and development

Employees are the most valuable asset to the Company. Some ongoing efforts are made to develop and foster culture of growth and learning. It helps to improve the quality of professional service rendered as well as equip employees themselves for handling daily work. For the financial year ended 31 December 2016, there were:-

- Seminar by Elanco at Putra Jaya Marriott Hotel on 01 April 2016
- Ritma Baytril Seminar held at The Gardens St. Giles Hotel on 21 November 2016
- Microsoft Office Excel-Intermediate at Teo Seng Training Room on 19 August 2016 to 20 August 2016 and 22 September 2016 to 23 September 2016
- Good Manufacturing Practice (GMP) For the Food Industry at Teo Seng Training Room on 25 October 2016
- Introduction to ISO 22000 Food Safety Management Systems at Teo Seng Training Room on 26 October 2016
- ISO Process based Internal Auditing at Teo Seng Training Room on 8 November 2016 to 9 November 2016
- Interpersonal Communication & Logical Thinking Strategies at Teo Seng Training Room on 20 October 2016 to 21 October 2016 and 17 November 2016 to 18 November 2016

On top of that, Company also provided comprehensive health benefits and insurance plan for the purpose of providing greater security to support the employees. Employees are provided with the compensation programmes which commensurate with their rank and level of employments. Further, for the sake of nurturing balanced lifestyle and boosting the employee engagement morale, continuous efforts were taken in. Various initiatives, such as annual dinner and social events were organized by our major subsidiary throughout the year.

2. Occupational Safety and Health

Employee's safety is always in Company's top priority and concern. Company shifts the main concern into immediate action whereby Safety and Health Committee was set up and Health, Safety and Environment Officer was appointed to ensure a systematic safety and health plan and practices are being carried out. It helps to raise the awareness and instill the importancy of safety and health in the workplace from the initiative action taken by the Company.

3. Providing Opportunities for Re-employment of Retirees

Company provides re-employment opportunities for employees or people who have passed their retirement age and who wish to continue working.

4. Papers Recycle

We fully recognize the preservation of nature and the global ecosystem is vital for the happiness and survival of the humanity into the future. We collected waste papers such as old magazines, old newspapers and used carton boxes for Teo Seng Paper Products Sdn. Bhd., a wholly owned subsidiary of Teo Seng Capital Berhad to manufacture and market the environmental-friendly paper egg trays.

CORPORATE GOVERNANCE STATEMENT

5. **Community**

During the financial year, we continued to demonstrate the commitment to local communities through active participation in social activities which aims to remain company trustworthy in whatever way we find possible by providing the financial aid and material assistance to both non-government organization and old folk home.

As we are deeply rooted in the community we served, we recognized that our Corporate Social Responsibility Programme engagement should be evolved. This initiative has been achieved by organizing a voluntary work in old folk home named Rumah Sejahtera Batu Pahat on 26 May 2016 and 27 May 2016 with the sake of hope to maintain and improve the living environment of the old folk home. Company aim of adding value to the old folk home by donating some material assistance for instance their daily necessities. Also, a blood donation drive organized in collaboration with Hospital Sultanah Nora Ismail Batu Pahat on 23 June 2016 in Batu Pahat Shopping Mall.

On top of that, continuous effort are taken by providing cash sponsorship to Pertubuhan Perkhidmatan Intervensi Awal, Batu Pahat, Johor on 7 May 2016 in conjunction with their Charity Dinner. Additionally, we purchased the handicrafts make by students of Pertubuhan Perkhidmatan Intervensi Awal, Batu Pahat on 7 December 2016 as a method of cash-sponsoring to its daily operation.

DIRECTORS' REPONSIBILITIES STATEMENT

The Directors are responsible to ensure that financial statements are drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia.

In preparation of financial statement for the year ended 31 December 2016, the Directors are also responsible for the adoption of suitable accounting policies and their consistent use in the financial statements supported where necessary by reasonable and prudent judgments.

OTHER INFORMATION

Audit and Non-Audit Fees

The fees incurred for services rendered to the Company and its subsidiaries by the Company's external auditors, or a firm affiliated to the external auditors for the financial year ended 31 December 2016 were as follows:-

	Group (RM)	Company (RM)
Audit Fees	222,915	30,000
Non-Audit Fees	6,500	6,500

Variation in Results

No variances of more than 10% between the audited results for the financial year ended 31 December 2016 and the unaudited results previously announced.

CORPORATE GOVERNANCE STATEMENT

Material Contracts

There were no material contracts entered into or subsisting between the Company and its subsidiaries involving directors' and major shareholders' interest during the financial year ended 31 December 2016 other than those disclosed below:-

Great Egg Industries Sdn Bhd (Formerly known as Forever Best Supply Sdn Bhd), a wholly-owned subsidiary of Teo Seng Farming Sdn Bhd, which in turn is a wholly owned subsidiary of the Company had on 5 August 2016 entered into a Sale and Purchase Agreement with the following persons to acquire a piece of vacant freehold industrial land held under HS(D) 62610 PTD 29422, Mukim Tanjung Sembrong, Daerah Batu Pahat, Negeri Johor measuring in area approximately 65,749.46 square feet (0.6108 hectares) ("the Land") at the purchase price of RM1,643,736.50 (Ringgit Malaysia One Million Six Hundred Forty Three Thousand Seven Hundred Thirty Six and Sen Fifty only):-

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

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

Recurrent Related Party Transactions of a Revenue Nature

The details of the recurrent related party transactions of revenue or trading in nature undertaken by the Company during the financial year are disclosed in Note 31 to the financial statements.

Revaluation Policy

The Group's revaluation policy on landed properties are stated in Note 5.1 (i) to the financial statements.

Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2016.

This Statement on Corporate Governance is made in accordance with the Board of Directors' meeting on 24 February 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is pleased to provide the Group's Statement on Risk Management and Internal Control for the financial year ended 31 December 2016, which has been prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and in accordance with the "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. The statement below outlines the nature and scope of risk management and internal control of the Company during the financial year under review.

BOARD'S RESPONSIBILITIES

The Board of Directors affirms that it is responsible for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Board also affirms that it is responsible for ensuring the adequacy and integrity of those systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives.

Therefore, it should be noted that any system can provide only a reasonable and not absolute assurance against material misstatement, fraud or loss.

The Board has received assurance from the Managing Director and the Group Financial Controller 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 Framework

The Board recognises that risk represents an integral part of its business activities. The Board has established an on-going process for identifying, evaluating and managing significant risks faced by the Group and this is integrated into the Group's risk management and internal control system. The process has been in place throughout the financial year and up to the date of approval of this statement.

The responsibility to manage the risks resides at all levels within the Group. 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 and etc are managed at the top management level.

The Group's current risk governance structure consists of the followings:-

The Board of Directors

- Assume the overall responsibility for the Group's risk management and internal control system;
- Review and approve the various internal control procedures and improvement plans recommended by the senior management and heads of operating units;
- Ensure the adequacy and integrity of the Group's internal control systems in order to accommodate to the business environment or regulatory requirement.

Audit Committee

- Assist the Board in evaluating the adequacy risk management and internal control framework;
- Review and approve yearly audit plan submitted by the Group Internal Auditor ("GIA");
- Review and approve the internal audit reports presented by the GIA.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Senior Management and Head of Operating Units

- Establish, formulate and recommend sound internal control procedures to be adopted at individual operating unit;
- Oversees the effective implementation of risk policies and guidelines;
- Monitor the status of the Group's principal risks and the required mitigation actions and update the Board accordingly;
- Ensure the implementation of corrective and preventive action plan ("CPAP") pursuant to internal audit finding, if any and meeting of the agreed deadlines.

(b) System of Internal Controls

Key elements of the Group's system of internal controls include the following:

Organisation structure with clearly defined lines of responsibility and delegated authority which includes defined delegation of responsibilities to the committees of the Board, the Management and the operating units.

The Audit Committee comprises Independent Non-Executive Directors of the Board and has full access to both Internal Auditors and External Auditors. Where necessary, the Audit Committee will also review and discuss with key management on actions taken on issues brought up by the Internal Auditors and the External Auditors. Internal Audit report, quarterly and annual financial results are reviewed by the Audit Committee.

A yearly review of the high risk area of business processes by the Group's Internal Auditors, which report directly to the Audit Committee to assess the effectiveness of internal controls and to highlight any significant risks that may adversely affect the Group. The Audit Committee will monitor the status of the implementation of corrective actions to address internal control weaknesses, if there is.

A management reporting system is in place to facilitate timely generation and monitoring of financial information for management review and decision making.

The Group's Management meets regularly to review the reports, monitors the business development and resolves key operational and management issues.

INTERNAL AUDIT FUNCTION

- Assist the Board to monitor the adequacy and effectiveness of the risk management process and internal control systems that are in place within the Group;
- Play an active role in evaluating whether the existing controls and procedures have been properly implemented and adhered to within the Group;
- A detailed yearly audit plan which entails the scope of audit, audit timeline and the human resources allocation for each of audit will be prepared and presented to the Audit Committee for approval;
- The internal audit are carried out at a risk-based approach where the risks identified are included in the internal audit programme;
- For the financial year ended 31 December 2016, the Audit Committee had reviewed and approved the internal audit plan according to which the GIA conducted four (4) scheduled internal audits across various subsidiaries, department and operating units;
- Observation arising from the internal audit are presented together with Management's response and proposed action plans to the Audit Committee for its review and approval;
- Although a number of internal control weaknesses were identified during the process, none of the weaknesses has resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report;
- The Group internal audit function, which is under the preview of the Audit Committee, is outsourced at RM48,800 for the financial year ended 31 December 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW OF EFFECTIVENESS

The Board has received assurance from the Managing Director and Group Financial Controller that the Group's risk management and internal control system is operating adequately and effectively in all material aspect based on the risk management and internal control system of the Company.

As required by Paragraph 15.23 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the external auditors reviewed this statement for the inclusion in the annual report for the financial year ended 31 December 2016 and reported that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of internal controls of the Group.

CONCLUSIONS

There was no material losses incurred during the financial year under review as a result of weaknesses in internal control. The Group will continue to review and implement measures to improve the risk management and internal control environment of the Group.

The statement is issued in accordance with a resolution of the Directors dated 24 February 2017.

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 2016 in compliance with Paragraph 15.15 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

COMPOSITION

The Audit Committee currently comprises the following members:

Chairman

Choong Keen Shian	Independent Non-Executive Director

Members

Frederick Ng Yong Chiang	Independent Non-Executive Director
Dato' Koh Low @ Koh Kim Toon	Independent Non-Executive Director
Tan Sri Lau Tuang Nguang	Non-Executive Director

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

TERMS OF REFERENCE

The terms of reference of the Audit Committee is made available on the Company website at **www.teoseng,com.my**.

MEETINGS

There were six (6) meetings of the Audit Committee held during the financial year ended 31 December 2016, which were attended by the Audit Committee members as follows:

Name of member	Number of meetings attended
Choong Keen Shian	6/6
Tan Sri Lau Tuang Nguang	3/6
Frederick Ng Yong Chiang	6/6
Dato' Koh Low @ Koh Kim Toon	5/6

AUDIT COMMITTEE'S REPORT

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

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

1. Financial Reporting

1.1 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 2015, first quarter ended 31 March 2016, second quarter ended 30 June 2016 and third quarter ended 30 September 2016 were table at the AC meetings held on 22 February 2016, 24 May 2016, 22 August 2016 and 8 November 2016 respectively.

The unaudited quarterly financial results were prepared in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

1.2 Audited Financial Statements

On 5 April 2016, the AC reviewed the Audited Financial Statements for the year ended 31 December 2015.

The Audited Financial Statements were prepared in compliance with the Financial Reporting Standard and the requirements of the Companies Act 1965 in Malaysia.

2. External Audit

On 22 February 2016, the AC reviewed the Audit Review Memorandum from the external auditors 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 2015.

The External Auditors had declared and confirmed that they were independent and would be independent through their audit engagement.

On 22 February 2016 and 8 November 2016, the AC met with the external auditors in the absence of the Executive Board Members to discuss on any significant audit findings and audit issues which may have arisen in the course of their audit of the Group.

The AC was satisfied with the work performed by Crowe Horwath 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 Management.

On 8 November 2016, the AC reviewed and discussed the external auditors plan outlining the audit scope, audit process and areas of emphasis of the Group for the financial year ended 31 December 2016.

AUDIT COMMITTEE'S REPORT

3. **Internal Audit**

On 8 November 2016, the AC received, reviewed and discussed the Internal Audit Reports conducted by internal auditors containing the audit findings and recommendations made by the Group Internal Audit ("GIA") on weaknesses in the systems of internal control and the Management responses on those issues. The AC monitored the progress on the corrective actions taken by the Management on a quarterly basis until it is satisfied that the weaknesses identified had been adequately addressed.

The internal audit plan for the year 2017 presented by GIA was reviewed, discussed and approved by the AC on 8 November 2016.

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 ("RRPT") that may arise within the Company and its Group including any transactions, procedure or course of conduct that raises questions of management integrity.

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

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

The AC had on 5 August 2016 reviewed, approved and recommended a related party transaction to the Board by way of written resolution for acquisition of property as disclosed in page 32 - Material Contracts under other information of Coporate Governance Statement of this Annual Report.

5. **Other Matters**

On 5 April 2016, the AC reviewed the Circular to Shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature.

On 5 April 2016, the AC reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to the submission of the same to the Board for their consideration and inclusion in the Annual Report 2015 of the Company.

INTERNAL AUDIT FUNCTION

The internal audit function is under the purview of GIA and who is independent and reports functionally to the AC. GIA function provides independent and objective assurance to the Board and senior management on the quality and effectiveness of the Group's internal control, risk management and governance systems and processes. GIA function has key features essential for its effective operation. These are: (i) independence; (ii) professional competence and due professional care; and (iii) integrity.

GIA consists of activity designed to add value and improve the Group's operations. It helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The scope of GIA encompasses the examination and evaluation of the design, adequacy and effectiveness of the Group's governance, risk management and compliance functions, compliance with relevant external regulations, system of internal control structure, processes, and the quality of performance in carrying out assigned responsibilities to achieve the Group's stated goals and objectives.

In addition, international standards and best practices are adopted to further enhance the relevancy and effectiveness of the internal audit activities.

AUDIT COMMITTEE'S REPORT

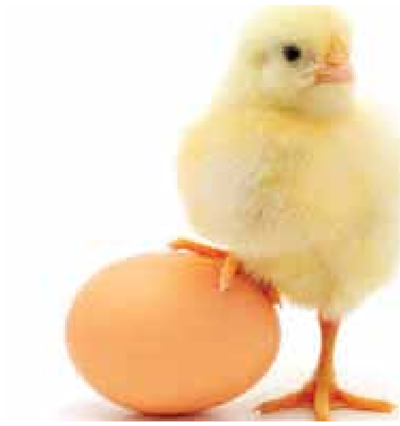
A total of four internal audit assignments were completed during the year. The areas of coverage included finance, sales and collection, marketing, procurement, fixed assets management, related parties transaction and review and follow up of previous quarter's internal audit findings. The audit reports of these assignments provide independence and objective assessment of the followings:

- Adequacy, effectiveness and efficiency of the internal control systems to manage operations and safeguard the Group's assets and shareholders' value;
- Adequacy and effectiveness of the risk management operations, governance and compliance functions to identify, manage and address potential risks facing the facing the Group; and
- The processes and controls supporting strategic and operational decision making and the adequacy and fairness of representations made to the Board and Executive Management.

The internal audit reports were issued to management for their comments and to agree on action plans with deadlines to complete the necessary preventive and corrective actions. The reports were tabled at each AC meetings and the summary of the key findings to the AC for due deliberation to ensure that the management undertakes to carry out the agreed remedial actions.

The total cost incurred by GIA in 2016 was RM 48,800.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



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 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit after tax for the financial year	23,549,392	12,921,796

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2015 are as follows :

(a) A final single tier dividend of 5.0% equivalent to 1.0 sen per ordinary share amounting to RM 2,997,922 in respect of the financial year ended 31 December 2015 was approved by the shareholders at the Annual General Meeting held on 24 May 2016 and paid on 22 July 2016.

(b) An interim single tier dividend of 7.5% equivalent to 1.5 sen per ordinary share amounting to RM 4,496,884 in respect of the financial year ended 31 December 2016 was paid on 30 November 2016.

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the statements of changes in equity and Note 25 to the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year :

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

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

DIRECTORS' REPORT

TREASURY SHARES

As at 31 December 2016, the Company held as treasury shares a total of 209,000 out of its 300,001,225 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM 376,237. Relevant details on the treasury shares are disclosed in Note 15 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

WARRANTS

The salient features of the Warrants are set out in Note 14 to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person ; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company 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 substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows :

Tan Sri Lau Tuang Nguang
Lau Jui Peng
Lau Joo Han
Nam Yok San
Na Yok Chee
Loh Wee Ching
Choong Keen Shian
Frederick Ng Yong Chiang
Dato' Koh Low @ Koh Kim Toon
Dato' Zainal Bin Hassan

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and warrants of the Company and its related corporations during the financial year are as follows :

The Company

		Number of Ordinary Shares of RM 0.20 Each			
		At 01.01.2016	**Bought**	**Sold**	**At 31.12.2016**
Tan Sri Lau Tuang Nguang	- Direct	20,000	–	–	20,000
Lau Jui Peng	- Indirect	156,216,258	–	–	156,216,258
Nam Yok San	- Indirect	153,594,003	–	–	153,594,003
Na Yok Chee	- Direct	2,852,175	–	–	2,852,175
	- Indirect	154,108,503	600,000	–	154,708,503

		Number of Warrants				
		At 01.01.2016	**Entitled**	**Exercised**	**Disposed**	**At 31.12.2016**
Lau Jui Peng	- Indirect	26,015,716	–	–	–	26,015,716
Nam Yok San	- Indirect	25,586,507	–	–	–	25,586,507
Na Yok Chee	- Indirect	25,582,257	–	–	–	25,582,257

Immediate Holding Company – Advantage Valuations Sdn. Bhd.

		Number of Ordinary Shares of RM 1.00 Each			
		At 01.01.2016	**Bought**	**Sold**	**At 31.12.2016**
Tan Sri Lau Tuang Nguang	- Direct	1	–	–	1
Lau Jui Peng	- Indirect	5,097	–	–	5,097
Nam Yok San	- Indirect	4,900	–	–	4,900
Na Yok Chee	- Indirect	4,900	–	–	4,900

Intermediate Holding Company – Leong Hup (Malaysia) Sdn. Bhd.

		Number of Ordinary Shares of RM 1.00 Each			
		At 01.01.2016	**Bought**	**Sold**	**At 31.12.2016**
Lau Jui Peng	- Indirect	313,089	–	–	313,089

Penultimate Holding Company – Leong Hup International Sdn. Bhd.

		Number of Ordinary Shares of RM 1.00 Each			
		At 01.01.2016	**Bought**	**Sold**	**At 31.12.2016**
Lau Jui Peng	- Indirect	735,635	–	–	735,635

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

Ultimate Holding Company – Emerging Glory Sdn. Bhd.

	Number of Ordinary Shares of RM 1.00 Each			
	At 01.01.2016	Bought	Sold	At 31.12.2016
Tan Sri Lau Tuang Nguang - Direct	14,999	–	–	14,999
Lau Jui Peng - Indirect	20,002	–	–	20,002
Lau Joo Han - Direct	10,001	–	–	10,001

The other directors holding office at the end of the financial year had no interest in shares and warrants of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest 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 31 to the financial statements.

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

HOLDING COMPANIES

The Company is a subsidiary of Advantage Valuations Sdn. Bhd.. The directors regard Leong Hup (Malaysia) Sdn. Bhd. as its intermediate holding company, Leong Hup International Sdn. Bhd. as its penultimate holding company and Emerging Glory Sdn. Bhd. as its ultimate holding company. These holding companies are incorporated in Malaysia.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 7 April 2017

Lau Jui Peng

Nam Yok San

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Lau Jui Peng and Nam Yok San, being two of the directors of Teo Seng Capital Berhad, state that, in the opinion of the directors, the financial statements set out on pages 51 to 128 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 34, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 7 April 2017

Lau Jui Peng **Nam Yok San**

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, Nam Yok San, being the director primarily responsible for the financial management of Teo Seng Capital Berhad, do solemnly and sincerely declare that the financial statements and supplementary information set out on pages 51 to 129 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.

Subscribed and solemnly declared by Nam Yok San at Muar in Johor Darul Takzim on this 7 April 2017

Before me **Nam Yok San**
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TEO SENG CAPITAL BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Teo Seng Capital Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other 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 51 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

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 of these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment assessment of biological assets Refer to Note 11 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
At 31 December 2016, the value of pullets and layers held as biological assets of the Group was approximately RM 9 million and RM 30 million respectively. The net realisable value of the biological assets may be lower than their carrying amount.	The following audit procedures have been undertaken : (i) Comparing the net realisable value to the carrying amount of biological assets to determine whether there is any impairment loss. (ii) Reviewing the computation of net realisable value of the biological assets prepared by the management, which is the estimated future revenue less rearing costs over the remaining lifespan of biological assets. (iii) Assessing the reasonableness of key estimates and assumptions used in arriving at the estimated future revenue and future rearing costs.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TEO SENG CAPITAL BERHAD

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 information included in the annual report, but 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, 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 Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determines 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 a 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 skepticism throughout the audit. We also :

- 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.

- 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 the Company's internal control.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TEO SENG CAPITAL BERHAD

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

As a 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 skepticism throughout the audit. We also : (Cont'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 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.

- 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.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 ("the Act") in Malaysia, we also report the following :

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TEO SENG CAPITAL BERHAD

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 129 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No.: AF 1018
Chartered Accountants

Ng Kim Kiat
Approval No.: 02074/10/2018 J
Chartered Accountant

Muar, Johor Darul Takzim
Date : 7 April 2017

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	262,264,713	221,621,147	1,088,966	1,047,047
Investment property	7	912,453	931,106	–	–
Investments in subsidiaries	8	–	–	73,383,485	71,383,485
Other investment	9	17,560	15,665	–	–
Long term receivable	10	–	–	2,352,699	3,912,699
		263,194,726	222,567,918	76,825,150	76,343,231
CURRENT ASSETS					
Biological assets	11	39,323,714	34,643,161	–	–
Inventories	12	28,784,602	19,821,453	–	–
Trade and other receivables	10	60,484,852	58,616,864	1,673,406	2,622,522
Derivative assets	13	977	102,193	–	–
Cash and bank balances		34,264,068	30,239,488	777,313	291,264
		162,858,213	143,423,159	2,450,719	2,913,786
TOTAL ASSETS		426,052,939	365,991,077	79,275,869	79,257,017
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	60,000,245	60,000,245	60,000,245	60,000,245
Treasury shares	15	(376,237)	(376,237)	(376,237)	(376,237)
Reserves	16	148,438,741	132,037,766	18,736,186	13,309,196
TOTAL EQUITY		208,062,749	191,661,774	78,360,194	72,933,204
NON-CURRENT LIABILITIES					
Bank borrowings	17	42,421,250	11,528,167	–	–
Hire purchase payables	18	8,999,053	12,034,386	–	7,872
Deferred tax liabilities	19	16,684,564	16,225,870	–	–
		68,104,867	39,788,423	–	7,872
CURRENT LIABILITIES					
Trade and other payables	20	49,371,128	41,249,664	907,803	6,223,976
Bank borrowings	17	92,320,020	84,986,342	–	–
Hire purchase payables	18	6,722,199	7,187,893	7,872	91,965
Tax payable		1,471,976	1,030,908	–	–
Derivative liabilities	13	–	86,073	–	–
		149,885,323	134,540,880	915,675	6,315,941
TOTAL LIABILITIES		217,990,190	174,329,303	915,675	6,323,813
TOTAL EQUITY AND LIABILITIES		426,052,939	365,991,077	79,275,869	79,257,017

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
REVENUE	21	433,712,372	412,758,475	14,660,000	8,460,000
INVESTMENT REVENUE	22	229,229	292,708	104,358	80,812
OTHER INCOME		4,895,129	7,691,022	–	–
NET CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS		4,680,553	6,104,993	–	–
CHANGES IN INVENTORIES		8,950,327	755,128	–	–
PURCHASE OF TRADING MERCHANDISE, RAW MATERIALS, LIVESTOCKS AND POULTRY FEEDS		(308,858,150)	(272,228,916)	–	–
DEPRECIATION		(15,838,339)	(13,235,647)	(190,319)	(177,145)
STAFF COSTS		(47,303,583)	(47,434,941)	(1,038,461)	(1,177,796)
FINANCE COSTS	24	(6,675,849)	(4,808,488)	(84,699)	(114,175)
OTHER EXPENSES		(44,252,453)	(39,174,072)	(529,083)	(685,866)
PROFIT BEFORE TAX	25	29,539,236	50,720,262	12,921,796	6,385,830
TAX EXPENSE	26	(5,989,844)	(9,618,557)	–	–
PROFIT AFTER TAX		23,549,392	41,101,705	12,921,796	6,385,830
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss					
- Fair value changes of available-for-sale financial assets		1,895	4,810	–	–
- Foreign currency translation differences		344,494	577,672	–	–
TOTAL OTHER COMPREHENSIVE INCOME		346,389	582,482	–	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		23,895,781	41,684,187	12,921,796	6,385,830

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
PROFIT AFTER TAX ATTRIBUTABLE TO :					
Owners of the Company		23,549,392	40,996,264	12,921,796	6,385,830
Non-controlling interests		–	105,441	–	–
		23,549,392	41,101,705	12,921,796	6,385,830
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :					
Owners of the Company		23,895,781	41,578,746	12,921,796	6,385,830
Non-controlling interests		–	105,441	–	–
		23,895,781	41,684,187	12,921,796	6,385,830
EARNINGS PER ORDINARY SHARE (SEN)					
Basic	27	7.86	13.67		
Diluted	27	7.86	13.31		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

				←		Non-distributable		→	Distributable			
Group	Note	Share capital RM	Treasury shares RM	Share premium RM	Reverse acquisition reserve RM	Foreign exchange translation reserve RM	Revaluation reserve RM	Fair value reserve RM	Retained profits RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance at 1 January 2015		40,000,000	–	8,010,827	(26,078,000)	(61,793)	4,031,856	7,831	132,385,394	158,296,115	101,849	158,397,964
Profit after tax for the financial year		–	–	–	–	–	–	–	40,996,264	40,996,264	105,441	41,101,705
Other comprehensive income for the financial year :												
- Fair value changes of available-for-sale financial assets		–	–	–	–	–	–	4,810	–	4,810	–	4,810
- Foreign currency translation differences		–	–	–	–	577,672	–	–	–	577,672	–	577,672
Total comprehensive income for the financial year		–	–	–	–	577,672	–	4,810	40,996,264	41,578,746	105,441	41,684,187
Contributions by and distributions to owners of the Company :												
- Purchase of treasury shares		–	(376,237)	–	–	–	–	–	–	(376,237)	–	(376,237)
- Bonus issue		20,000,000	–	(8,010,827)	–	–	–	–	(11,989,173)	–	–	–
- Exercise of warrants		245	–	1,409	–	–	–	–	–	1,654	–	1,654
- Dividends by the Company	28	–	–	–	–	–	–	–	(7,494,806)	(7,494,806)	–	(7,494,806)
		20,000,245	(376,237)	(8,009,418)	–	–	–	–	(19,483,979)	(7,869,389)	–	(7,869,389)
Changes in subsidiary's ownership interests that do not result in a loss of control		–	–	–	–	–	–	–	(343,698)	(343,698)	(207,290)	(550,988)
Total transactions with owners		20,000,245	(376,237)	(8,009,418)	–	–	–	–	(19,827,677)	(8,213,087)	(207,290)	(8,420,377)
Balance at 31 December 2015		60,000,245	(376,237)	1,409	(26,078,000)	515,879	4,031,856	12,641	153,553,981	191,661,774	–	191,661,774

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital RM	Treasury shares RM	Share premium RM	Reverse acquisition reserve RM	Foreign exchange translation reserve RM	Revaluation reserve RM	Fair value reserve RM	Retained profits RM	Total equity RM
				← Non-distributable				→	Distributable	
Balance at 1 January 2016		60,000,245	(376,237)	1,409	(26,078,000)	515,879	4,031,856	12,641	153,553,981	191,661,774
Profit after tax for the financial year		–	–	–	–	–	–	–	23,549,392	23,549,392
Other comprehensive income for the financial year :										
- Fair value changes of available-for-sale financial assets		–	–	–	–	–	–	1,895	–	1,895
- Foreign currency translation differences		–	–	–	–	344,494	–	–	–	344,494
Total comprehensive income for the financial year		–	–	–	–	344,494	–	1,895	23,549,392	23,895,781
Contributions by and distributions to owners of the Company :										
- Dividends by the Company	28	–	–	–	–	–	–	–	(7,494,806)	(7,494,806)
Total transactions with owners		–	–	–	–	–	–	–	(7,494,806)	(7,494,806)
Balance at 31 December 2016		60,000,245	(376,237)	1,409	(26,078,000)	860,373	4,031,856	14,536	169,608,567	208,062,749

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Note	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Distributable Retained profits RM	Total equity RM
Balance at 1 January 2015		40,000,000	–	8,010,827	26,405,936	74,416,763
Profit after tax/Total comprehensive income for the financial year		–	–	–	6,385,830	6,385,830
Contributions by and distributions to owners of the Company :						
- Purchase of treasury shares		–	(376,237)	–	–	(376,237)
- Bonus issue		20,000,000	–	(8,010,827)	(11,989,173)	–
- Exercise of warrants		245	–	1,409	–	1,654
- Dividends	28	–	–	–	(7,494,806)	(7,494,806)
Total transactions with owners		20,000,245	(376,237)	(8,009,418)	(19,483,979)	(7,869,389)
Balance at 31 December 2015/ 1 January 2016		60,000,245	(376,237)	1,409	13,307,787	72,933,204
Profit after tax/Total comprehensive income for the financial year		–	–	–	12,921,796	12,921,796
Contributions by and distributions to owners of the Company :						
- Dividends	28	–	–	–	(7,494,806)	(7,494,806)
Total transactions with owners		–	–	–	(7,494,806)	(7,494,806)
Balance at 31 December 2016		60,000,245	(376,237)	1,409	18,734,777	78,360,194

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before tax	29,539,236	50,720,262	12,921,796	6,385,830
Adjustments for :				
Allowance for impairment losses on trade receivables	1,360,555	141,342	–	–
Bad debts written off	69,264	8,764	–	–
Deposit written off	100,000	–	–	–
Depreciation - investment property	18,653	1,554	–	–
Depreciation - property, plant and equipment	15,819,686	13,234,093	190,319	177,145
Dividends income	(220)	(175)	(13,700,000)	(7,500,000)
Fair value loss on derivatives	15,143	80,339	–	–
Gain on disposal of property, plant and equipment	(85,767)	(495,287)	–	–
Impairment loss on property, plant and equipment	38,565	–	–	–
Inventories written down	21,925	11,709	–	–
Inventories written off	13,717	7,643	–	–
Property, plant and equipment written off	46,261	1,354,892	–	–
Reversal of allowance for impairment losses on trade receivables	(163,845)	(109,840)	–	–
Reversal of inventories written down	(13,002)	(39,508)	–	–
Unrealised loss/(gain) on foreign exchange	351,726	(106,927)	–	–
Interest expenses	6,675,849	4,808,488	84,699	114,175
Interest income	(229,229)	(292,708)	(104,358)	(80,812)
Operating profit/(loss) before working capital changes	53,578,517	69,324,641	(607,544)	(903,662)
Biological assets	(4,680,553)	(6,104,993)	–	–
Inventories	(8,970,127)	(734,972)	–	–
Trade and other receivables	3,070,716	(2,544,520)	514,778	(2,127,979)
Trade and other payables	8,615,763	(4,962,190)	(5,316,173)	5,250,684
CASH FROM/(FOR) OPERATIONS	51,614,316	54,977,966	(5,408,939)	2,219,043
Interest paid	(6,675,849)	(4,808,488)	(84,699)	(114,175)
Interest received	229,229	292,708	104,358	80,812
Tax paid	(12,014,000)	(14,023,329)	(18,326)	(14,501)
Tax refund	223,111	319,123	12,664	–
NET CASH FROM/(FOR) OPERATING ACTIVITIES	33,376,807	36,757,980	(5,394,942)	2,171,179

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Dividends received		220	175	13,700,000	7,500,000
Subscription of additional shares in subsidiaries		–	–	–	(2,208,878)
Acquisition of subsidiary, net of cash and cash equivalents		–	(26,449,060)	–	–
Acquisition of non–controlling interests		–	(550,988)	–	–
Proceeds from disposal of property, plant and equipment		214,248	506,877	–	–
Purchase of property, plant and equipment	6(f)	(52,214,141)	(27,818,962)	(232,238)	(240,066)
Purchase of investment property		–	(932,660)	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(51,999,673)	(55,244,618)	13,467,762	5,051,056
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Exercise of warrants		–	1,654	–	1,654
Purchase of treasury shares		–	(376,237)	–	(376,237)
Net decrease in fixed deposits pledged		–	473,929	–	–
Net movements in bankers' acceptances		3,633,000	16,625,000	–	–
Drawdown of term loans		39,506,317	12,948,931	–	–
Repayment of term loans		(5,393,762)	(1,937,101)	–	–
Repayment of hire purchase payables		(7,820,607)	(6,378,665)	(91,965)	(80,163)
Dividends paid		(7,494,806)	(7,494,806)	(7,494,806)	(7,494,806)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		22,430,142	13,862,705	(7,586,771)	(7,949,552)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,807,276	(4,623,933)	486,049	(727,317)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		217,304	(4,312,924)	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		30,239,488	39,176,345	291,264	1,018,581
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	29	34,264,068	30,239,488	777,313	291,264

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows :

Registered office	:	201-203, Jalan Abdullah 84000 Muar Johor Darul Takzim
Principal place of business	:	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 dated 7 April 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 8. There have been no significant changes in the nature of these principal activities during the financial year.

3. HOLDING COMPANIES

The Company is a subsidiary of Advantage Valuations Sdn. Bhd.. The directors regard Leong Hup (Malaysia) Sdn. Bhd. as its intermediate holding company, Leong Hup International Sdn. Bhd. as its penultimate holding company and Emerging Glory Sdn. Bhd. as its ultimate holding company. These holding companies are incorporated in Malaysia.

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

4.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any) :

FRSs and/or IC Interpretations (including the Consequential Amendments)

FRS 14 Regulatory Deferral Accounts

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to FRS 101: Disclosure Initiative

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 127: Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. BASIS OF PREPARATION (CONT'D)

4.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year :

FRSs and/or IC Interpretations (including the Consequential Amendments)	Effective date
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018*
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 140 - Transfers of Investment Property	1 January 2018
Annual Improvements to FRS Standards 2014 – 2016 Cycles : • Amendments to FRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to FRS Standards 2014 – 2016 Cycles : • Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

* Entities that meet the specific criteria in FRS 4.20B may choose to defer the application of FRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. BASIS OF PREPARATION (CONT'D)

4.3 MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "transitioning entities").

As further announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group may consider the early adoption of MFRSs in year 2017 and is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 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 :

(a) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Biological assets

The cost of layers is amortised to write off such cost to their net realisable values over their economic egg-laying lives. Management estimates the economic useful lives of these livestocks is 80 weeks. This is common life expectancies applied in the layer industry. Changes in the expected mortality rates of layers could impact the economic useful lives and future amortisation charges could be revised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Critical accounting estimates and judgements (cont'd)

(e) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(f) Classification between investment properties and owner-occupied properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(g) Impairment of trade and other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(h) Fair value estimates for certain financial assets and financial liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(i) Revaluation of properties

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Critical accounting estimates and judgements (cont'd)

(j) Impairment of available-for-sale financial assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

5.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. 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 over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between :

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary ; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 Basis of consolidation (cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

<u>Business combinations from 1 April 2011 onwards</u>

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

<u>Business combinations before 1 April 2011</u>

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

5.3 Investments in subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 Property, plant and equipment

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

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

Freehold land, farm and poultry buildings are stated at cost or revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses.

For freehold land and factory buildings, revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Freehold land is not depreciated whilst capital work-in-progress are not depreciated as these assets are not yet available for use. Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are :

Leasehold land	Over the lease period of 93 years
Farm and poultry buildings	2% - 20%
Factory buildings	1% - 3%
Plant and machinery	5% - 50%
Fish pond and equipment	5% - 10%
Egg layer conveyor and cages system	5%
Motor vehicles, electrical installation, furniture, fittings, equipment, renovation and hostel	2% - 33%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

5.6 Leased assets

(a) Finance assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 Impairment

(a) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of non-financial assets

The carrying values of assets, other than those to which FRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 Impairment (cont'd)

(b) Impairment of non-financial assets (cont'd)

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

5.8 Biological assets

Biological assets comprise pullets and layers which are stated at the lower of amortised cost and net realisable value.

Cost of pullets and layers include cost of purchase of day-old-chick plus all attributable costs in growing them to the point of commercial laying. The total cost, after deducting estimated residual value, is amortised over the layer's estimated economic lives.

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

5.9 Inventories

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

Costs of eggs include costs of materials, direct labour and appropriate farm overheads. 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 (determined on "first-in-first-out" method), consumables and medication (determined on "weighted average" method), 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.

5.10 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 Financial instruments (cont'd)

(a) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) Held-to-maturity investments

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and receivables financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial liabilities

(i) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(ii) Other financial liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, as shorter period.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 Financial instruments (cont'd)

(c) Equity instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary shares

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

(d) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is categorised as at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the host contract.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be measured at fair value, with gains or losses recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 Financial instruments (cont'd)

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

5.11 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows :

Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date ;

Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly ; and

Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

5.13 Income taxes

(a) Current tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred tax

Deferred tax are recognised using the liability method for all taxable temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

5.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

5.16 Revenue and other income

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

(a) Sale of goods

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

(b) Services

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

(c) Management fee income

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

(d) Interest income

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

(e) Dividend income

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

(f) Rental income

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.16 Revenue and other income (cont'd)

(g) Government grant

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

5.17 Employee benefits

(a) Short-term benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined contribution plans

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

5.18 Related parties

A party is related to an entity (referred to as the "reporting entity") if :

(a) A person or a close member of that person's family is related to a reporting entity if that person :

(i) has control or joint control over the reporting entity ;

(ii) has significant influence over the reporting entity ; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.18 Related parties (cont'd)

(b) An entity is related to a reporting entity if any of the following conditions applies :

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

5.19 Functional and foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

(b) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 Functional and foreign currencies (cont'd)

(c) Foreign operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

5.20 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.

6. PROPERTY, PLANT AND EQUIPMENT

Group

	* Freehold land, farm and poultry buildings RM	* Leasehold land, freehold land and factory buildings RM	Plant and machinery RM	Fish pond and equipment RM	Egg layer conveyor and cages system RM	Motor vehicles, electrical installation, furniture, fittings, equipment, renovation and hostel RM	Capital work-in-progress RM	Total RM
At cost / valuation								
At 1 January 2016	103,600,258	47,828,753	57,022,717	889,988	56,868,674	41,397,705	14,601,610	322,209,705
Additions	2,578,496	2,522,686	17,021,858	5,162	9,685,891	4,669,214	19,595,329	56,078,636
Disposals	–	–	(95,560)	–	–	(761,196)	–	(856,756)
Write off	(127,220)	–	–	–	(1,917,137)	(615,782)	–	(2,660,139)
Reclassification	8,343,883	850,304	1,432,584	–	1,938,078	421,130	(12,985,979)	–
Foreign exchange differences	–	592,191	71,707	–	–	69,489	–	733,387
At 31 December 2016	114,395,417	51,793,934	75,453,306	895,150	66,575,506	45,180,560	21,210,960	375,504,833
Representing :								
At valuation	–	10,512,166	–	–	–	–	–	10,512,166
At cost	114,395,417	41,281,768	75,453,306	895,150	66,575,506	45,180,560	21,210,960	364,992,667
	114,395,417	51,793,934	75,453,306	895,150	66,575,506	45,180,560	21,210,960	375,504,833
Less : Accumulated depreciation								
At 1 January 2016	27,116,130	2,885,954	31,179,226	232,618	13,540,616	25,634,014	–	100,588,558
Charge for the financial year	3,065,473	992,713	3,884,892	66,720	3,181,569	4,628,319	–	15,819,686
Disposals	–	–	(95,560)	–	–	(632,715)	–	(728,275)
Write off	(127,119)	–	–	–	(1,887,511)	(599,248)	–	(2,613,878)
Foreign exchange differences	–	59,076	50,201	–	–	26,187	–	135,464
At 31 December 2016	30,054,484	3,937,743	35,018,759	299,338	14,834,674	29,056,557	–	113,201,555
Representing :								
At valuation	–	781,242	–	–	–	–	–	781,242
At cost	30,054,484	3,156,501	35,018,759	299,338	14,834,674	29,056,557	–	112,420,313
	30,054,484	3,937,743	35,018,759	299,338	14,834,674	29,056,557	–	113,201,555

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)

	* Freehold land, farm and poultry buildings RM	* Leasehold land, freehold land and factory buildings RM	Plant and machinery RM	Fish pond and equipment RM	Egg layer conveyor and cages system RM	Motor vehicles, electrical installation, furniture, fittings, equipment, renovation and hostel RM	Capital work-in-progress RM	Total RM
Less : Accumulated impairment loss								
At 1 January 2016	–	–	–	–	–	–	–	–
Charge for the financial year	–	–	–	–	–	–	38,565	38,565
At 31 December 2016	–	–	–	–	–	–	38,565	38,565
Representing :								
At valuation	–	–	–	–	–	–	–	–
At cost	–	–	–	–	–	–	38,565	38,565
	–	–	–	–	–	–	38,565	38,565
Carrying amount								
At 31 December 2016	84,340,933	47,856,191	40,434,547	595,812	51,740,832	16,124,003	21,172,395	262,264,713
Representing :								
At valuation	–	9,730,924	–	–	–	–	–	9,730,924
At cost	84,340,933	38,125,267	40,434,547	595,812	51,740,832	16,124,003	21,172,395	252,533,789
	84,340,933	47,856,191	40,434,547	595,812	51,740,832	16,124,003	21,172,395	262,264,713

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	Freehold land, farm and poultry buildings			Leasehold land, freehold land and factory buildings			
	Freehold land RM	Farm and poultry buildings RM	Total RM	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
At cost / valuation							
At 1 January 2016	33,719,429	69,880,829	103,600,258	8,425,529	1,878,243	37,524,981	47,828,753
Additions	1,443,619	1,134,877	2,578,496	1,723,211	–	799,475	2,522,686
Write off	–	(127,220)	(127,220)	–	–	–	–
Reclassification	–	8,343,883	8,343,883	–	–	850,304	850,304
Foreign exchange differences	–	–	–	–	–	592,191	592,191
At 31 December 2016	35,163,048	79,232,369	114,395,417	10,148,740	1,878,243	39,766,951	51,793,934
Representing :							
At valuation	–	–	–	4,343,530	–	6,168,636	10,512,166
At cost	35,163,048	79,232,369	114,395,417	5,805,210	1,878,243	33,598,315	41,281,768
	35,163,048	79,232,369	114,395,417	10,148,740	1,878,243	39,766,951	51,793,934
Less : Accumulated depreciation							
At 1 January 2016	–	27,116,130	27,116,130	–	143,561	2,742,393	2,885,954
Charge for the financial year	–	3,065,473	3,065,473	–	20,508	972,205	992,713
Write off	–	(127,119)	(127,119)	–	–	–	–
Foreign exchange differences	–	–	–	–	–	59,076	59,076
At 31 December 2016	–	30,054,484	30,054,484	–	164,069	3,773,674	3,937,743

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land, farm and poultry buildings			Leasehold land, freehold land and factory buildings			
	Freehold land RM	Farm and poultry buildings RM	Total RM	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
Representing :							
At valuation	–	–	–	–	–	781,242	781,242
At cost	–	30,054,484	30,054,484	–	164,069	2,992,432	3,156,501
	–	30,054,484	30,054,484	–	164,069	3,773,674	3,937,743
Carrying **amount**							
At 31 December 2016	35,163,048	49,177,885	84,340,933	10,148,740	1,714,174	35,993,277	47,856,191
Representing :							
At valuation	–	–	–	4,343,530	–	5,387,394	9,730,924
At cost	35,163,048	49,177,885	84,340,933	5,805,210	1,714,174	30,605,883	38,125,267
	35,163,048	49,177,885	84,340,933	10,148,740	1,714,174	35,993,277	47,856,191

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group

	* Freehold land, farm and poultry buildings RM	* Leasehold land, freehold land and factory buildings RM	Plant and machinery RM	Fish pond and equipment RM	Egg layer conveyor and cages system RM	Motor vehicles, electrical installation, furniture, fittings, equipment, renovation and hostel RM	Capital work-in-progress RM	Total RM
At cost / valuation								
At 1 January 2015	94,237,670	19,379,051	48,832,697	889,988	46,702,497	36,621,149	5,096,793	251,759,845
Additions	5,449,506	75,496	3,602,264	–	9,650,520	6,500,841	22,042,169	47,320,796
Acquisition of subsidiary	–	25,104,361	3,238,122	–	–	–	–	28,342,483
Disposals	–	–	(10,000)	–	–	(1,984,434)	–	(1,994,434)
Write off	(2,147,729)	–	(1,738,427)	–	(2,701,666)	(549,832)	–	(7,137,654)
Reclassification	6,060,811	–	2,686,798	–	3,217,323	572,420	(12,537,352)	–
Foreign exchange differences	–	3,269,845	411,263	–	–	237,561	–	3,918,669
At 31 December 2015	103,600,258	47,828,753	57,022,717	889,988	56,868,674	41,397,705	14,601,610	322,209,705
Representing :								
At valuation	–	10,512,166	–	–	–	–	–	10,512,166
At cost	103,600,258	37,316,587	57,022,717	889,988	56,868,674	41,397,705	14,601,610	311,697,539
	103,600,258	47,828,753	57,022,717	889,988	56,868,674	41,397,705	14,601,610	322,209,705

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)

	* Freehold land, farm and poultry buildings RM	* Leasehold land, freehold land and factory buildings RM	Plant and machinery RM	Fish pond and equipment RM	Egg layer conveyor and cages system RM	Motor vehicles, electrical installation, furniture, fittings, equipment, renovation and hostel RM	Capital work-in-progress RM	Total RM
Less : Accumulated depreciation								
At 1 January 2015	26,240,452	1,006,444	26,830,148	166,069	13,520,884	23,587,572	–	91,351,569
Charge for the financial year	2,694,317	364,880	3,134,809	66,549	2,616,066	4,357,472	–	13,234,093
Acquisition of subsidiary	–	1,335,660	1,887,092	–	–	–	–	3,222,752
Disposals	–	–	(9,999)	–	–	(1,972,845)	–	(1,982,844)
Write off	(1,818,639)	–	(912,155)	–	(2,596,334)	(455,634)	–	(5,782,762)
Foreign exchange differences	–	178,970	249,331	–	–	117,449	–	545,750
At 31 December 2015	27,116,130	2,885,954	31,179,226	232,618	13,540,616	25,634,014	–	100,588,558
Representing :								
At valuation	–	687,190	–	–	–	–	–	687,190
At cost	27,116,130	2,198,764	31,179,226	232,618	13,540,616	25,634,014	–	99,901,368
	27,116,130	2,885,954	31,179,226	232,618	13,540,616	25,634,014	-	100,588,558
Carrying amount								
At 31 December 2015	76,484,128	44,942,799	25,843,491	657,370	43,328,058	15,763,691	14,601,610	221,621,147
Representing :								
At valuation	–	9,824,976	–	–	–	–	–	9,824,976
At cost	76,484,128	35,117,823	25,843,491	657,370	43,328,058	15,763,691	14,601,610	211,796,171
	76,484,128	44,942,799	25,843,491	657,370	43,328,058	15,763,691	14,601,610	221,621,147

6. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

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

	Freehold land, farm and poultry buildings			Leasehold land, freehold land and factory buildings			
	Freehold land RM	Farm and poultry buildings RM	Total RM	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
At cost / valuation							
At 1 January 2015	29,749,513	64,488,157	94,237,670	8,425,529	1,878,243	9,075,279	19,379,051
Additions	3,969,916	1,479,590	5,449,506	–	–	75,496	75,496
Acquisition of subsidiary	–	–	–	–	–	25,104,361	25,104,361
Write off	–	(2,147,729)	(2,147,729)	–	–	–	–
Reclassification	–	6,060,811	6,060,811	–	–	–	–
Foreign exchange differences	–	–	–	–	–	3,269,845	3,269,845
At 31 December 2015	33,719,429	69,880,829	103,600,258	8,425,529	1,878,243	37,524,981	47,828,753
Representing :							
At valuation	–	–	–	4,343,530	–	6,168,636	10,512,166
At cost	33,719,429	69,880,829	103,600,258	4,081,999	1,878,243	31,356,345	37,316,587
	33,719,429	69,880,829	103,600,258	8,425,529	1,878,243	37,524,981	47,828,753
Less : Accumulated depreciation							
At 1 January 2015	–	26,240,452	26,240,452	–	123,052	883,392	1,006,444
Charge for the financial year	–	2,694,317	2,694,317	–	20,509	344,371	364,880
Acquisition of subsidiary	–	–	–	–	–	1,335,660	1,335,660
Write off	–	(1,818,639)	(1,818,639)	–	–	–	–
Foreign exchange differences	–	–	–	–	–	178,970	178,970
At 31 December 2015	–	27,116,130	27,116,130	–	143,561	2,742,393	2,885,954

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land, farm and poultry buildings			Leasehold land, freehold land and factory buildings			
	Freehold land RM	Farm and poultry buildings RM	Total RM	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
Representing :							
At valuation	–	–	–	–	–	687,190	687,190
At cost	–	27,116,130	27,116,130	–	143,561	2,055,203	2,198,764
	–	27,116,130	27,116,130	–	143,561	2,742,393	2,885,954
Carrying amount							
At 31 December 2015	33,719,429	42,764,699	76,484,128	8,425,529	1,734,682	34,782,588	44,942,799
Representing :							
At valuation	–	–	–	4,343,530	–	5,481,446	9,824,976
At cost	33,719,429	42,764,699	76,484,128	4,081,999	1,734,682	29,301,142	35,117,823
	33,719,429	42,764,699	76,484,128	8,425,529	1,734,682	34,782,588	44,942,799

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company

	Motor vehicles and office equipment RM	Total RM
At cost		
At 1 January 2016	1,567,603	1,567,603
Additions	232,238	232,238
At 31 December 2016	1,799,841	1,799,841
Less : Accumulated depreciation		
At 1 January 2016	520,556	520,556
Charge for the financial year	190,319	190,319
At 31 December 2016	710,875	710,875
Carrying amount		
At 31 December 2016	1,088,966	1,088,966

	Motor vehicles and office equipment RM	Total RM
At cost		
At 1 January 2015	1,147,537	1,147,537
Additions	420,066	420,066
At 31 December 2015	1,567,603	1,567,603
Less : Accumulated depreciation		
At 1 January 2015	343,411	343,411
Charge for the financial year	177,145	177,145
At 31 December 2015	520,556	520,556
Carrying amount		
At 31 December 2015	1,047,047	1,047,047

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The freehold land and factory buildings of certain subsidiaries were last revalued by the directors in March 2014 based on professional appraisals by an independent valuer using the open market value basis.

(b) If the Group's revalued property, plant and equipment were measured using the cost model, the carrying amounts would be as follows :

	Group	
	2016 RM	2015 RM
Carrying amount		
Freehold land	1,326,102	1,326,102
Factory buildings	4,024,931	4,101,183
	5,351,033	5,427,285

(c) Certain property, plant and equipment of certain subsidiaries with carrying amount of RM 41,101,621 (2015: RM 2,609,854) have been pledged to licensed banks as security for banking facilities granted to the Group (Note 17(a)).

(d) The following property, plant and equipment were acquired under hire purchase instalment plans (Note 18(a)) :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Carrying amount				
Plant and machinery	5,347,837	4,365,318	–	–
Egg layer conveyor and cages system	16,478,938	14,849,563	–	–
Motor vehicles	4,878,523	5,600,913	151,786	202,381
Capital work-in-progress	–	2,262,190	–	–
	26,705,298	27,077,984	151,786	202,381

These leased assets have been pledged as security for the related finance lease liabilities of the Group and of the Company.

(e) Motor vehicles with carrying amount of RM 13,200 (2015 : RM 28,933) are held in trust and registered under third party's name.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cost of property, plant and equipment purchased	56,078,636	47,320,796	232,238	420,066
Amount financed through hire purchase	(4,313,088)	(16,689,445)	–	(180,000)
Unpaid balance included under sundry payables (Note 20(d))	(4,720,817)	(5,172,410)	–	–
Cash disbursed in respect of purchase in previous financial year	5,169,410	2,360,021	–	–
Cash disbursed for purchase of property, plant and equipment	52,214,141	27,818,962	232,238	240,066

7. INVESTMENT PROPERTY

	Group	
	2016 RM	2015 RM
At cost		
At 1 January	932,660	–
Additions	–	932,660
At 31 December	932,660	932,660
Less : Accumulated depreciation		
At 1 January	1,554	–
Charge for the financial year	18,653	1,554
At 31 December	20,207	1,554
Net carrying amount	912,453	931,106
Represented by :		
Leasehold shophouses	912,453	931,106

The carrying amount of the investment property approximate its fair value.

NOTES TO THE FINANCIAL STATEMENTS
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8. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM	2015 RM
Unquoted shares, at cost		
- in Malaysia	71,934,600	69,934,600
- outside Malaysia	1,448,885	1,448,885
	73,383,485	71,383,485

The details of the subsidiaries are as follows :

Name of subsidiary	Principal place of business	Effective equity interest 2016 %	Effective equity interest 2015 %	Principal activities
Subsidiaries of the Company				
Teo Seng Farming Sdn. Bhd.	Malaysia	100	100	Investment holding and poultry farming.
Teo Seng Feedmill Sdn. Bhd.	Malaysia	100	100	Manufacturing and marketing of animal feeds.
Success Century Sdn. Bhd.	Malaysia	100	100	Poultry farming.
Ritma Prestasi Sdn. Bhd.	Malaysia	100	100	Distribution of pet food, medicine and other animal health related products.
Teo Seng Paper Products Sdn. Bhd.	Malaysia	100	100	Manufacturing and marketing of egg trays.
Liberal Energy Sdn. Bhd.	Malaysia	100	100	General trading and generation of energy by establishment of bio gas plants.
Pioneer Prosperity Sdn. Bhd.	Malaysia	100	100	Dormant.
* Premium Egg Products Pte. Ltd.	Singapore	100	100	Wholesaler, importers, exporters of eggs products.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal place of business	Effective equity interest 2016 %	2015 %	Principal activities
Subsidiaries of Teo Seng Farming Sdn. Bhd.				
Great Egg Industries Sdn. Bhd. (Formerly known as Forever Best Supply Sdn. Bhd.)	Malaysia	100	100	Manufacturing and marketing of eggs related products. (2015 : ceased business of producing organic fertiliser, allied products of fertiliser, products of fertiliser of chemical processing and transportation.)
Laskar Fertiliser Sdn. Bhd.	Malaysia	100	100	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produces.
Subsidiaries of Ritma Prestasi Sdn. Bhd.				
B-Tech Aquaculture Sdn. Bhd.	Malaysia	100	100	General trading and aquaculture, livestock and poultry activities. However, the Company has ceased its business operations.
* Ritma Premier Pte. Ltd.	Singapore	100	–	Distribution of pet food, medicine and other animal health related products.
Subsidiary of Premium Egg Products Pte. Ltd.				
* BH Fresh Food Pte. Ltd.	Singapore	100	100	To carry on business of provide cool room services, production, processing, preserving and wholesaling of meat and meat related products.

(a) During the financial year, Ritma Prestasi Sdn. Bhd. ("Ritma"), a wholly-owned subsidiary of the Company, acquired the entire equity interest of Ritma Premier Pte. Ltd. ("Ritma Premier"), comprising 100,000 new ordinary shares of SGD 1.00 each for cash consideration of SGD 100,000 (equivalent to RM 298,500).

(b) On 8 December 2016, Teo Seng Farming Sdn. Bhd. ("TSF"), a wholly-owned subsidiary of the Company, subscribed 3,000,000 new ordinary shares of RM 1.00 each in Laskar Fertiliser Sdn. Bhd. ("Laskar") an indirect wholly-owned subsidiary of the Company, at par by way of off-setting part of the outstanding amount owed by Laskar to TSF.

(c) On 8 December 2016, the Company subscribed 2,000,000 new ordinary shares of RM 1.00 each in Teo Seng Paper Products Sdn. Bhd. ("TSPP") at par by way of off-setting part of outstanding amount owed by TSPP to the Company.

9. OTHER INVESTMENT

	Group 2016 RM	Group 2015 RM
At fair value		
Quoted shares in Malaysia	17,560	15,665
Market value of quoted shares	17,560	15,665

10. TRADE AND OTHER RECEIVABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-current				
Long term receivable				
Amount due from subsidiaries	–	–	2,352,699	3,912,699
Current				
Trade receivables				
Amount due from related companies	3,550,057	3,995,540	–	–
Amount due from related parties	1,669,963	232,592	–	–
Other trade receivables	36,837,881	37,948,623	–	–
	42,057,901	42,176,755	–	–
Allowance for impairment losses	(1,727,936)	(603,285)	–	–
	40,329,965	41,573,470	–	–
Other receivables				
Amount due from subsidiaries	–	–	1,113,558	2,019,396
Deposits	1,235,093	7,636,875	6,000	53,663
Prepayments	1,680,267	1,757,820	12,919	14,196
Goods and services tax recoverable	7,856,478	4,634,281	–	–
Tax recoverable	8,924,285	2,327,491	540,929	535,267
Sundry receivables	458,764	686,927	–	–
	20,154,887	17,043,394	1,673,406	2,622,522
	60,484,852	58,616,864	1,673,406	2,622,522

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Allowance for impairment losses				
At 1 January	603,285	734,228	–	–
Addition	1,360,555	141,342	–	–
Reversal	(163,845)	(109,840)	–	–
Write off	(74,251)	(177,021)	–	–
Foreign exchange differences	2,192	14,576	–	–
At 31 December	1,727,936	603,285	–	–

(a) The Group's normal trade terms range from cash term to 150 days (2015 : cash term to 150 days).

(b) The non-trade amount due from subsidiaries (current) are unsecured, interest free, repayable on demand and to be settled in cash except for the advances to subsidiaries of RM 1,092,358 (2015 : RM 1,998,196) which bear interest at 3.5% (2015 : 3.7%) per annum.

11. BIOLOGICAL ASSETS

	Group	
	2016 RM	2015 RM
At cost less accumulated amortisation		
Pullets	9,172,360	6,503,335
Layers	30,151,354	28,139,826
	39,323,714	34,643,161

12. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost		
Raw materials	9,206,256	6,517,645
Trading merchandise	13,569,782	8,708,274
Poultry feeds	1,446,448	1,220,699
Egg trays	1,044,090	476,538
Eggs	1,334,338	1,090,073
Medication	573,980	624,299
Fertiliser	118,890	291,253
Fertiliser work-in-progress	449,014	227,101
Consumables	1,041,804	665,571
	28,784,602	19,821,453

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. DERIVATIVE ASSETS/(LIABILITIES)

	Group			
	2016		2015	
	Contract/ Notional amount RM	Derivative assets/ (Derivative liabilities) RM	Contract/ Notional amount RM	Derivative assets/ (Derivative liabilities) RM
Derivative assets				
Forward currency contracts	229,640	977	3,851,757	102,193
Derivative liabilities				
Forward currency contracts	–	–	6,970,840	(86,073)

(a) The Group uses forward foreign exchange contracts to manage some of its transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency translation exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The settlement dates on forward foreign exchange contracts is 1 month (2015 : 1 to 3 months) after the end of the reporting period.

(b) The Group has recognised a loss of RM 15,143 (2015 : RM 80,339) arising from fair value changes of derivatives during the financial year as disclosed in Note 25. The fair value changes were attributed to changes in the foreign exchange spot and forward rates. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 33.4.

14. SHARE CAPITAL

	Group And Company			
	2016		2015	
	Number of shares	RM	Number of shares	RM
Ordinary shares of RM 0.20 each				
Authorised				
At 1 January / 31 December	500,000,000	100,000,000	500,000,000	100,000,000
Issued and fully paid-up				
At 1 January	300,001,225	60,000,245	200,000,000	40,000,000
Bonus issue	–	–	100,000,000	20,000,000
Exercise of warrants	–	–	1,225	245
At 31 December	300,001,225	60,000,245	300,001,225	60,000,245

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.

14. SHARE CAPITAL (CONT'D)

Warrants 2015/2020

A total of 50,000,000 warrants were issued by the Company on 30 January 2015 on the basis of one (1) warrant for every four (4) existing ordinary shares held. Each warrant entitles the holder the right to subscribe for one (1) new ordinary share of RM 0.20 each in the Company ("Share") at an exercise price of RM 1.35 per new ordinary share. At the end of the reporting period, the number of outstanding warrants was 49,998,775. The warrants will expire on 29 January 2020.

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

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

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

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

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

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

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

15. TREASURY SHARES

Of the total 300,001,225 (2015 : 300,001,225) issued and fully paid-up ordinary shares at the end of the reporting period, 209,000 (2015 : 209,000) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold or cancelled during the financial year.

16. RESERVES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-distributable				
Fair value reserve	14,536	12,641	–	–
Foreign exchange translation reserve	860,373	515,879	–	–
Revaluation reserve	4,031,856	4,031,856	–	–
Reverse acquisition reserve	(26,078,000)	(26,078,000)	–	–
Share premium	1,409	1,409	1,409	1,409
	(21,169,826)	(21,516,215)	1,409	1,409
Distributable				
Retained profits	169,608,567	153,553,981	18,734,777	13,307,787
	148,438,741	132,037,766	18,736,186	13,309,196

(a) Fair value reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

(b) Foreign exchange translation reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries.

(c) Revaluation reserve

The revaluation reserve represents the surpluses arising from the revaluation of certain property, plant and equipment, net of deferred tax effect.

(d) Share premium

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

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17. BANK BORROWINGS

		Group 2016 RM	2015 RM
Current			
Secured	- Bankers' acceptances	3,100,000	5,315,000
	- Term loans	2,619,596	1,104,838
Unsecured	- Bankers' acceptances	75,958,000	70,110,000
	- Revolving credit	5,000,000	5,000,000
	- Term loans	5,642,424	3,456,504
		92,320,020	84,986,342
Non-current			
Secured	- Term loans	19,547,406	474,069
Unsecured	- Term loans	22,873,844	11,054,098
		42,421,250	11,528,167
		134,741,270	96,514,509
Total bank borrowings			
Secured	- Bankers' acceptances	3,100,000	5,315,000
	- Term loans	22,167,002	1,578,907
Unsecured	- Bankers' acceptances	75,958,000	70,110,000
	- Revolving credit	5,000,000	5,000,000
	- Term loans	28,516,268	14,510,602
		134,741,270	96,514,509

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

(i) Certain property, plant and equipment of certain subsidiaries (Note 6(c)) ; and

(ii) Corporate guarantee by the Company.

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

(i) Corporate guarantee by the Company ; and

(ii) Negative pledge on subsidiaries' assets.

17. BANK BORROWINGS (CONT'D)

(c) The average effective interest rate (% per annum) at the end of the reporting period for bank borrowings were as follows :

	Group	
	2016	**2015**
	%	**%**
Bankers' acceptances	4.3	4.7
Revolving credit	5.0	5.3
Term loans	4.6	5.1

(d) At the end of the reporting period, the term loans of the Group are repayable as follows :

	Group	
	2016	**2015**
	RM	**RM**
Current		
Not later than one year	8,262,020	4,561,342
Non-current		
Later than one year and not later than two years	8,114,679	4,930,773
Later than two years and not later than five years	21,127,529	6,367,498
Later than five years	13,179,042	229,896
	42,421,250	11,528,167
	50,683,270	16,089,509

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. HIRE PURCHASE PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Minimum hire purchase payments				
Not later than one year	7,528,537	8,269,443	7,905	94,908
Later than one year and not later than five years	9,609,213	13,096,807	–	7,905
	17,137,750	21,366,250	7,905	102,813
Less : Future finance charges	(1,416,498)	(2,143,971)	(33)	(2,976)
Present value of hire purchase payables	15,721,252	19,222,279	7,872	99,837
Current				
Not later than one year	6,722,199	7,187,893	7,872	91,965
Non-current				
Later than one year and not later than five years	8,999,053	12,034,386	–	7,872
	15,721,252	19,222,279	7,872	99,837

(a) The hire purchase payables of the Group and of the Company are secured against certain plant and equipment under hire purchase (Note 6(d)).

(b) The hire purchase payables of the Group of RM 14,045,702 (2015 : RM 16,627,940) are guaranteed by the Company.

(c) The hire purchase payables of the Group and of the Company at the end of the reporting period bear effective interest rates at 3.7% - 7.1% and 5.1% - 5.2% (2015 : 3.9% - 7.1% and 5.1% - 5.2%) per annum respectively. The interest rates are fixed at the inception of the hire purchase arrangements.

19. DEFERRED TAX LIABILITIES

		Group	
		2016	**2015**
		RM	**RM**
(a)	**Movements of deferred tax liabilities**		
	At 1 January	16,225,870	10,459,000
	Recognised in profit or loss (Note 26)	374,761	1,684,000
	Acquisition of subsidiary	–	3,623,492
	Exchange difference	83,933	459,378
	At 31 December	16,684,564	16,225,870
(b)	**Components of deferred tax liabilities**		
	Revaluation surplus of properties	4,806,916	4,914,870
	Excess of capital allowances over corresponding book depreciation	13,707,648	12,095,000
	Unasorbed capital allowances	(1,228,000)	(724,000)
	Unused tax losses	(206,000)	–
	Other temporary differences	(396,000)	(60,000)
		16,684,564	16,225,870

At the end of the reporting period, the Group has unused tax losses and unabsorbed capital allowances (stated at gross) of approximately RM 663,000 (2015 : RM 1,204,000) and RM 431,000 (2015 : RM 559,000) respectively that are available for offset against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets are recognised in respect of this item as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unused tax losses and unabsorbed capital allowances do not expire under current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

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20. TRADE AND OTHER PAYABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade payables				
Amount due to related companies	4,283,326	2,532,892	–	–
Amount due to related parties	584,442	428,890	–	–
Other trade payables	23,364,134	19,758,256	–	–
	28,231,902	22,720,038	–	–
Other payables				
Amount due to subsidiary	–	–	520,816	5,904,384
Amount due to related companies	55,661	107,641	–	111
Accruals	11,934,906	8,860,303	353,930	286,963
Deposit payables	354,857	274,415	–	–
Goods and services tax payables	334,380	187,568	5,064	4,533
Sundry payables	8,459,422	9,099,699	27,993	27,985
	21,139,226	18,529,626	907,803	6,223,976
	49,371,128	41,249,664	907,803	6,223,976

(a) The normal trade terms granted to the Group range from cash term to 90 days (2015 : cash term to 90 days).

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

(c) The amount due to subsidiary is unsecured, repayable on demand and to be settled in cash with interest bearing at 3.5% (2015 : 3.7%) per annum at the end of the reporting period.

(d) Included in sundry payables of the Group is an amount of RM 4,720,817 (2015 : RM 5,172,410) payable for the purchase of property, plant and equipment (Note 6(f)).

21. REVENUE

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Net invoiced value of goods sold	433,712,152	412,758,300	–	–
Dividend income from :				
- Subsidiaries	–	–	13,700,000	7,500,000
- Other investment	220	175	–	–
Management fee	–	–	960,000	960,000
	433,712,372	412,758,475	14,660,000	8,460,000

22. INVESTMENT REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income from :				
- Fixed deposits with licensed banks	–	32,932	–	–
- Advance to subsidiaries	–	–	84,136	60,850
- Others	229,229	259,776	20,222	19,962
	229,229	292,708	104,358	80,812

23. 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		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors of the Company				
Salaries, bonuses and other benefits	4,035,220	6,436,950	500,022	600,264
Defined contribution benefits	320,293	346,680	94,918	120,939
	4,355,513	6,783,630	594,940	721,203
Benefits-in-kind	7,000	7,000	–	–
	4,362,513	6,790,630	594,940	721,203
Non-executive directors of the Company				
Fees	120,000	120,000	120,000	120,000
Salaries, bonuses and other benefits	840,439	614,944	10,000	–
Defined contribution benefits	114,342	115,058	–	–
	1,074,781	850,002	130,000	120,000
Benefits-in-kind	22,073	17,400	–	–
	1,096,854	867,402	130,000	120,000
	5,459,367	7,658,032	724,940	841,203

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors of the subsidiaries				
Salaries, bonuses and other benefits	4,537,499	6,777,522	–	–
Defined contribution benefits	523,906	715,179	–	–
	5,061,405	7,492,701	–	–
Benefits-in-kind	69,850	69,850	–	–
	5,131,255	7,562,551	–	–
Non-executive directors of the subsidiaries				
Fees	72,000	72,000	–	–
Other benefits	24,000	104,000	–	–
	96,000	176,000	–	–
	5,227,255	7,738,551	–	–
Total directors' remuneration	10,686,622	15,396,583	724,940	841,203

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Analysed excluding benefits-in-kind :				
Total executive directors' remuneration	9,416,918	14,276,331	594,940	721,203
Total non-executive directors' remuneration	1,170,781	1,026,002	130,000	120,000
	10,587,699	15,302,333	724,940	841,203

23. DIRECTORS' REMUNERATION (CONT'D)

(b) The number of the Company's directors with total remuneration falling in bands of RM 150,000 are as follows :

	Company	
	2016	2015
	Number of directors	
Executive directors :		
RM 600,001 - RM 750,000	1	–
RM 750,001 - RM 900,000	1	–
RM 1,200,001 - RM 1,350,000	1	–
RM 1,500,001 - RM 1,650,000	1	3
RM 2,000,001 - RM 2,150,000	–	1
Non-executive directors :		
RM 1 - RM 150,000	4	4
RM 150,001 - RM 300,000	1	1
RM 450,001 - RM 600,000	–	1
RM 750,001 - RM 900,000	1	–

24. FINANCE COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest expenses on financial liabilities not at fair value through profit or loss :				
Bank overdrafts	15,072	11,686	–	–
Bankers' acceptances	3,463,565	3,132,816	–	–
Hire purchase	1,185,097	849,620	2,944	6,835
Revolving credit	254,664	243,730	–	–
Term loans	1,757,268	570,636	–	–
Advance from subsidiary	–	–	81,755	107,340
Others	183	–	–	–
	6,675,849	4,808,488	84,699	114,175

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. PROFIT BEFORE TAX

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
This is arrived at after charging :				
Allowance for impairment losses on trade receivables	1,360,555	141,342	–	–
Audit fee	222,915	188,617	30,000	26,000
Bad debts written off	69,264	8,764	–	–
Deposit written off	100,000	–	–	–
Depreciation				
- Investment property	18,653	1,554	–	–
- Property, plant and equipment	15,819,686	13,234,093	190,319	177,145
Fair value loss on derivatives	15,143	80,339	–	–
Impairment loss on property, plant and equipment	38,565	–	–	–
Inventories written down	21,925	11,709	–	–
Inventories written off	13,717	7,643	–	–
Lease rental	217,291	127,112	–	–
Property, plant and equipment written off	46,261	1,354,892	–	–
Rental expenses	372,772	368,808	–	–
Staff costs (including key management personnel as disclosed in Note 31(c))	47,303,583	47,434,941	1,038,461	1,177,796
Unrealised loss on foreign exchange	351,726	–	–	–
And crediting :				
Bad debts recovered	(1,257)	(800)	–	–
Gain on disposal of property, plant and equipment	(85,767)	(495,287)	–	–
Government grants	(117,169)	(128,997)	–	–
Insurance compensation	(85,366)	(9,509)	–	–
Rental income	(374,040)	(69,597)	–	–
Reversal of allowance for impairment losses on trade receivables	(163,845)	(109,840)	–	–
Reversal of inventories written down	(13,002)	(39,508)	–	–
Realised gain on foreign exchange	(1,946,206)	(4,503,876)	–	–
Service income	(1,186,796)	(938,610)	–	–
Unrealised gain on foreign exchange	–	(106,927)	–	–

26. TAX EXPENSE

(a) Components of tax expense

	Group 2016 RM	Group 2015 RM
Current tax expense		
- Malaysian tax	5,263,587	10,857,709
- Foreign tax	856,000	622,589
- (Over)provision in prior years	(232,936)	(3,583,208)
	5,886,651	7,897,090
Deferred tax expense		
- Relating to origination of temporary differences	646,761	1,684,000
- Effect of changes in corporate income tax rate	(475,000)	–
- Underprovision in prior years	203,000	–
	374,761	1,684,000
- Tax loss carryforwards used in group tax relief	(322,568)	–
	52,193	1,684,000
Real property gain tax	51,000	37,467
	5,989,844	9,618,557

NOTES TO THE FINANCIAL STATEMENTS

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26. TAX EXPENSE (CONT'D)

(b) A reconciliation of tax expense applicable to the profit before tax at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company is as follows :

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Profit before tax	29,539,236	50,720,262	12,921,796	6,385,830
Tax at Malaysian statutory income tax rate	7,089,000	12,680,000	3,101,000	1,596,000
Effects of differential in tax rates of subsidiaries	(380,000)	(309,000)	–	–
Effect of non-taxable income	(280,000)	(369,000)	(3,288,000)	(1,875,000)
Effect of non-deductible expense	276,780	1,250,298	187,000	279,000
Effect of tax incentive	(221,000)	(185,000)	–	–
Deferred tax assets not recognised during the financial year	66,000	233,000	–	–
Utilisation of deferred tax assets previously not recognised	(107,000)	(136,000)	–	–
Effect of changes in corporate income tax rate	(475,000)	–	–	–
Real property gain tax	51,000	37,467	–	–
(Over)/Underprovision in prior years :				
- current tax expense	(232,936)	(3,583,208)	–	–
- deferred tax expense	203,000	–	–	–
	5,989,844	9,618,557	–	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 : 25%) of the estimated assessable profit for the financial year.

(c) Subject to the agreement of the Inland Revenue Board, at the end of the reporting period, the Group has unutilised reinvestment allowances of approximately RM 2,100,000 (2015 : RM 2,100,000) that are available for offsetting against future taxable profits.

27. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

	Group	
	2016 RM	2015 RM
Profit attributable to owners of the Company	23,549,392	40,996,264

	2016 Units	2015 Units
Weighted average number of ordinary shares in issue :		
Ordinary shares at 1 January	299,792,225	200,000,000
Effect of bonus issue	–	100,000,000
Effect of exercise of warrants	–	836
Effect of treasury shares purchased	–	(121,917)
Weighted average number of ordinary shares at 31 December	299,792,225	299,878,919
Basic earnings per ordinary share (sen)	7.86	13.67

(b) Diluted earnings per ordinary share

	Group	
	2016 RM	2015 RM
Profit attributable to owners of the Company	23,549,392	40,996,264

	2016 Units	2015 Units
Weighted average number of ordinary shares for computation of basic earnings per share	299,792,225	299,878,919
Shares deemed to be issued for no consideration :		
- Warrants *	–	8,247,221
Weighted average number of ordinary shares for computation of diluted earnings per share	299,792,225	308,126,140
Diluted earnings per ordinary share (sen)	7.86 *	13.31

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

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28. DIVIDENDS

	Group And Company 2016 RM	2015 RM
In respect of the financial year ended 31 December 2015		
An interim single tier dividend of 12.5% on 299,792,225 ordinary shares of RM 0.20 each	–	7,494,806
A final single tier dividend of 5.0% on 299,792,225 ordinary shares of RM 0.20 each	2,997,922	–
In respect of the financial year ended 31 December 2016		
An interim single tier dividend of 7.5% on 299,792,225 ordinary shares of RM 0.20 each	4,496,884	–
	7,494,806	7,494,806

29. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following :

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash and bank balances	34,264,068	30,239,488	777,313	291,264

30. COMMITMENTS

30.1 Capital commitments

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Contracted but not provided for				
Purchase of property, plant and equipment	5,068,000	27,976,000	486,000	–

30. COMMITMENTS (CONT'D)

30.2 Operating lease commitments

Leases as lessee

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

	Group	
	2016 RM	2015 RM
Not later than one year	232,534	242,812
Later than one year and not later than five years	1,065,251	1,112,387
Later than five years	19,815,803	22,986,499
	21,113,588	24,341,698

31. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

NOTES TO THE FINANCIAL STATEMENTS
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31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions and balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Subsidiaries				
- Advances to	–	–	–	2,298,196
- Advances from	–	–	–	(5,701,422)
- Dividend income received/receivable	–	–	(13,700,000)	(7,500,000)
- Interest income	–	–	(84,136)	(60,850)
- Interest expense	–	–	81,755	107,340
- Management fee income	–	–	(960,000)	(960,000)
Other related companies				
- Sale of goods	(12,024,997)	(11,459,870)	–	–
- Purchase of goods	23,219,757	16,127,248	–	–
Related parties				
- with companies where Lau Brothers # are directors/ shareholders				
- Sale of goods	(13,031,182)	(11,456,578)	–	–
- Purchase of goods	11,925,602	13,959,510	–	–
- with company where spouse of Mr. Nam Yok San is a director				
- Transport charges	5,247,422	5,235,813	–	–

31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions and balances (cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Related parties				
- with Mr. Ng Eng Leng, director of subsidiaries				
- Purchase of property, plant and equipment	821,868	–	–	–
- with Mr. Lim Meng Bin, director of subsidiary				
- Purchase of property, plant and equipment	821,868	–	–	–

\# Lau Brothers are Dato' Lau Bong Wong, Lau Chia Nguang, Datuk Lau Chir Nguan, Dato' Lau Eng Guang, Lau Hai Nguan and Tan Sri Lau Tuang Nguang collectively.

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

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

(c) Key management personnel compensation

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors' remuneration excluding benefits-in-kind (Note 23)	9,416,918	14,276,331	594,940	721,203
Other key management personnel				
Salaries, bonuses and other benefits	141,114	–	–	–
Defined contribution benefits	26,733	–	–	–
	167,847	–	–	–
	9,584,765	14,276,331	594,940	721,203

NOTES TO THE FINANCIAL STATEMENTS
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32. OPERATING SEGMENTS

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

The Group is organised into three main reportable segments as follows :

- Investment holding.
- Trading of pet food, medicine and other related products.
- Poultry farming.

(a) The Operating Committees assesses the performance of the reportable segments based on their profit before interest expense and tax. The accounting policies of the reportable 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 reportable segments.

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

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

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

Transactions between reportable segments are carried out on agreed terms between both parties. Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

32. OPERATING SEGMENTS (CONT'D)

Business Segments

	Investment holding RM	Trading of pet food, medicine and other related products RM	Poultry farming RM	Others RM	Consolidation adjustments RM	Group RM
2016						
Revenue						
- External revenue	–	170,706,557	263,005,815	–	–	433,712,372
- Inter-segment revenue	14,660,000	22,334,694	112,905,629	–	(149,900,323)	–
Consolidated revenue	14,660,000	193,041,251	375,911,444	–	(149,900,323)	433,712,372
Results						
Segment profit before interest and tax	12,902,137	13,523,572	21,520,658	(216,819)	(11,743,692)	35,985,856
Investment revenue						229,229
Finance costs						(6,675,849)
Consolidated profit before tax						29,539,236
Tax expense						(5,989,844)
Consolidated profit after tax						23,549,392
Assets						
Segment assets	78,734,940	120,226,528	426,869,725	5,103,838	(213,823,937)	417,111,094
Unallocated assets :						
Income producing assets						17,560
Tax recoverable						8,924,285
Consolidated total assets						426,052,939
Liabilities						
Segment liabilities	907,803	38,816,802	124,977,291	2,489,537	(101,135,741)	66,055,692
Unallocated liabilities :						
Borrowings						150,462,522
Tax payable						1,471,976
Consolidated total liabilities						217,990,190
Other segment items						
Capital expenditure	232,238	1,870,705	55,569,468	106,225	(1,700,000)	56,078,636
Depreciation	190,319	1,689,988	13,848,937	66,720	42,375	15,838,339
Non-cash items (other than depreciation)	–	126,948	1,527,594	168,408	(68,408)	1,754,542

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32. OPERATING SEGMENTS (CONT'D)

Business Segments (cont'd)

	Investment holding RM	Trading of pet food, medicine and other related products RM	Poultry farming RM	Others RM	Consolidation adjustments RM	Group RM
2015						
Revenue						
- External revenue	–	148,576,898	264,181,577	–	–	412,758,475
- Inter-segment revenue	8,460,000	18,152,415	98,775,032	–	(125,387,447)	–
Consolidated revenue	8,460,000	166,729,313	362,956,609	–	(125,387,447)	412,758,475
Results						
Segment profit before interest and tax	6,419,193	10,304,644	46,689,628	41,886	(8,219,309)	55,236,042
Investment revenue						292,708
Finance costs						(4,808,488)
Consolidated profit before tax						50,720,262
Tax expense						(9,618,557)
Consolidated profit after tax						41,101,705
Assets						
Segment assets	78,721,750	111,307,193	418,798,075	7,802,510	(252,981,607)	363,647,921
Unallocated assets :						
Income producing assets						15,665
Tax recoverable						2,327,491
Consolidated total assets						365,991,077
Liabilities						
Segment liabilities	6,223,976	51,247,608	138,807,083	4,918,544	(143,635,604)	57,561,607
Unallocated liabilities :						
Borrowings						115,736,788
Tax payable						1,030,908
Consolidated total liabilities						174,329,303
Other segment items						
Capital expenditure	420,066	1,095,020	47,291,089	1,657,125	(3,142,504)	47,320,796
Depreciation	177,145	1,057,006	11,934,947	66,549	–	13,235,647
Non-cash items (other than depreciation)	–	39,246	172,495	(84,210)	725,596	853,127

32. OPERATING SEGMENTS (CONT'D)

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Group				
Malaysia	289,092,663	293,705,047	233,083,576	193,509,864
Singapore	127,898,223	109,985,628	30,093,590	29,042,389
Others	16,721,486	9,067,800	–	–
	433,712,372	412,758,475	263,177,166	222,552,253

Major Customers

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

33. FINANCIAL INSTRUMENTS

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.

33.1 Financial risk management policies

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

(a) Market risk

(i) 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 Euro ("EUR"), 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 :

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure

	EUR RM	HKD RM	SGD RM	USD RM	Others RM	RM RM	Total RM
Group							
2016							
Financial assets							
Other investment	–	–	–	–	–	17,560	17,560
Trade and other receivables (N1)	–	95,853	7,472,120	115,059	–	33,105,697	40,788,729
Derivative assets	–	–	–	977	–	–	977
Cash and bank balances	4,353	1,842	10,980,721	5,485	27,534	23,244,133	34,264,068
	4,353	97,695	18,452,841	121,521	27,534	56,367,390	75,071,334
Financial liabilities							
Trade and other payables (N2)	(102,695)	–	(1,858,635)	(3,628,943)	–	(43,091,618)	(48,681,891)
Bank borrowings	–	–	(14,223,633)	–	–	(120,517,637)	(134,741,270)
Hire purchase payables	–	–	(307,563)	–	–	(15,413,689)	(15,721,252)
	(102,695)	–	(16,389,831)	(3,628,943)	–	(179,022,944)	(199,144,413)
Net financial (liabilities)/assets	(98,342)	97,695	2,063,010	(3,507,422)	27,534	(122,655,554)	(124,073,079)
Less : Net financial (assets)/liabilities denominated in the respective entities' functional currencies	–	–	(2,578,837)	–	–	122,655,554	120,076,717
Less : Forward currency contracts (contracted notional principal)	–	–	–	229,640	–	–	229,640
Currency exposure	(98,342)	97,695	(515,827)	(3,277,782)	27,534	–	(3,766,722)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure (cont'd)

	EUR RM	HKD RM	SGD RM	USD RM	Others RM	RM RM	Total RM
Group							
2015							
Financial assets							
Other investment	–	–	–	–	–	15,665	15,665
Trade and other receivables (N1)	–	844,573	9,721,251	–	–	31,694,573	42,260,397
Derivative assets	–	–	–	102,193	–	–	102,193
Cash and bank balances	4,339	2,828	8,511,376	7,610	23,042	21,690,293	30,239,488
	4,339	847,401	18,232,627	109,803	23,042	53,400,531	72,617,743
Financial liabilities							
Trade and other payables (N2)	–	–	(1,996,411)	(3,974,706)	(23,862)	(34,792,702)	(40,787,681)
Bank borrowings	–	–	–	–	–	(96,514,509)	(96,514,509)
Hire purchase payables	–	–	(262,551)	–	–	(18,959,728)	(19,222,279)
Derivative liabilities	(86,073)	–	–	–	–	–	(86,073)
	(86,073)	–	(2,258,962)	(3,974,706)	(23,862)	(150,266,939)	(156,610,542)
Net financial (liabilities)/assets	(81,734)	847,401	15,973,665	(3,864,903)	(820)	(96,866,408)	(83,992,799)
Less : Net financial (assets)/liabilities denominated in the respective entities' functional currencies	–	–	(16,157,914)	–	–	96,866,408	80,708,494
Less : Forward currency contracts (contracted notional principal)	6,970,840	–	–	3,851,757	–	–	10,822,597
Currency exposure	6,889,106	847,401	(184,249)	(13,146)	(820)	–	7,538,292

N1 - Excluding deposits, prepayments and certain receivables
N2 - Excluding certain payables

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency risk sensitivity analysis

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	
	2016	**2015**
	RM	**RM**
Effects on profit after tax		
EUR/RM		
- strengthened by 5%	(3,737)	258,341
- weakened by 5%	3,737	(258,341)
HKD/RM		
- strengthened by 5%	3,712	31,778
- weakened by 5%	(3,712)	(31,778)
SGD/RM		
- strengthened by 5%	(19,601)	(6,909)
- weakened by 5%	19,601	6,909
USD/RM		
- strengthened by 5%	(124,556)	(493)
- weakened by 5%	124,556	493

(ii) 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's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined FRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 17.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after tax of the Group and hence, no sensitivity analysis is presented.

(iii) Equity price risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity price risk sensitivity analysis

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have material impact on the profit after tax of the Group and hence, no sensitivity analysis is presented.

(b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 150 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(b) Credit risk (cont'd)

(i) Credit risk concentration profile

At the end of the reporting period, there were no significant concentrations of credit risk other than the trade amounts due from related companies and related parties of RM 5,220,020 (2015 : RM 4,228,132).

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows :

	Group	
	2016 RM	**2015 RM**
Malaysia	32,677,481	31,007,646
Singapore	7,441,572	9,721,251
Hong Kong	210,912	844,573
	40,329,965	41,573,470

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(b) Credit risk (cont'd)

(iii) Ageing analysis

The ageing analysis of trade receivables is as follows :

	Gross amount RM	Individual impairment RM	Carrying amount RM
Group			
2016			
Not past due	35,948,907	–	35,948,907
Past due :			
- less than 3 months	3,072,923	(551,745)	2,521,178
- 3 to 6 months	1,275,570	(816,223)	459,347
- more than 6 months	1,760,501	(359,968)	1,400,533
	42,057,901	(1,727,936)	40,329,965
2015			
Not past due	38,758,583	–	38,758,583
Past due :			
- less than 3 months	2,388,534	(127,463)	2,261,071
- 3 to 6 months	464,869	(24,425)	440,444
- more than 6 months	564,769	(451,397)	113,372
	42,176,755	(603,285)	41,573,470

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(c) Liquidity risk

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

Maturity analysis

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) :

	Interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
Group						
2016						
Non-derivative financial liabilities						
Trade and other payables (N1)	–	48,681,891	48,681,891	48,681,891	–	–
Bank borrowings						
- Bankers' acceptances	4.3	79,058,000	79,058,000	79,058,000	–	–
- Revolving credit	5.0	5,000,000	5,000,000	5,000,000	–	–
- Term loans	4.6	50,683,270	50,683,270	8,262,020	29,242,208	13,179,042
Hire purchase payables	3.7 - 7.1	15,721,252	17,137,750	7,528,537	9,609,213	–
		199,144,413	200,560,911	148,530,448	38,851,421	13,179,042
2015						
Non-derivative financial liabilities						
Trade and other payables (N1)	–	40,787,681	40,787,681	40,787,681	–	–
Bank borrowings						
- Bankers' acceptances	4.7	75,425,000	75,425,000	75,425,000	–	–
- Revolving credit	5.3	5,000,000	5,000,000	5,000,000	–	–
- Term loans	5.1	16,089,509	16,089,509	4,561,342	11,298,271	229,896
Hire purchase payables	3.9 - 7.1	19,222,279	21,366,250	8,269,443	13,096,807	–
Derivative financial liabilities						
Forward curency contracts (gross settled)	–	86,073				
- gross payments	–		6,970,840	6,970,840	–	–
		156,610,542	165,639,280	141,014,306	24,395,078	229,896

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(c) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM
Company					
2016					
Non-derivative financial liabilities					
Trade and other payables (N1)	–	902,739	902,739	902,739	–
Hire purchase payables	5.1 – 5.2	7,872	7,905	7,905	–
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries *	–	–	134,563,340	134,563,340	–
		910,611	135,473,984	135,473,984	–
2015					
Non-derivative financial liabilities					
Trade and other payables (N1)	–	6,219,443	6,219,443	6,219,443	–
Hire purchase payables	5.1 – 5.2	99,837	102,813	94,908	7,905
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries *	–	–	113,228,522	113,228,522	–
		6,319,280	119,550,778	119,542,873	7,905

N1 - Excluding certain payables

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in since their fair value on initial recognition was not material.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. The debt-to-equity ratio of the Group at the end of the reporting period was as follows :

	Group	
	2016 RM	**2015 RM**
Bank borrowings	134,741,270	96,514,509
Hire purchase payables	15,721,252	19,222,279
	150,462,522	115,736,788
Less : Cash and bank balances	(34,264,068)	(30,239,488)
Net debt	116,198,454	85,497,300
Total equity	208,062,749	191,661,774
Debt-to-equity ratio	0.56	0.45

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

33. FINANCIAL INSTRUMENTS (CONT'D)

33.3 Classification of financial instruments

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial assets				
Available-for-sale financial assets				
Other investment	17,560	15,665	–	–
Loans and receivables financial assets				
Trade and other receivables (N1)	40,788,729	42,260,397	1,113,558	2,019,396
Cash and bank balances	34,264,068	30,239,488	777,313	291,264
	75,052,797	72,499,885	1,890,871	2,310,660
Fair value through profit or loss : Held-for-trading				
Derivative assets	977	102,193	–	–
Financial liabilities				
Other financial liabilities				
Trade and other payables (N2)	48,681,891	40,787,681	902,739	6,219,443
Bank borrowings	134,741,270	96,514,509	–	–
Hire purchase payables	15,721,252	19,222,279	7,872	99,837
	199,144,413	156,524,469	910,611	6,319,280
Fair value through profit or loss : Held-for-trading				
Derivative liabilities	–	86,073	–	–

N1 - Excluding deposits, prepayments and certain receivables
N2 - Excluding certain payables

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Fair value information

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 following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period :

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
Group								
2016								
Financial assets								
Other investment - quoted shares	17,560	–	–	–	–	–	17,560	17,560
Derivative assets : - forward currency contracts	–	977	–	–	–	–	977	977
Financial liabilities								
Hire purchase payables	–	–	–	–	15,790,556	–	15,790,556	15,721,252

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
Group								
2015								
Financial assets								
Other investment - quoted shares	15,665	–	–	–	–	–	15,665	15,665
Derivative assets :								
- forward currency contracts	–	102,193	–	–	–	–	102,193	102,193
Financial liabilities								
Hire purchase payables	–	–	–	–	19,133,380	–	19,133,380	19,222,279
Derivative liabilities :								
- forward currency contracts	–	86,073	–	–	–	–	86,073	86,073
Company								
2016								
Financial liabilities								
Hire purchase payables	–	–	–	–	7,876	–	7,876	7,872
2015								
Financial liabilities								
Hire purchase payables	–	–	–	–	99,659	–	99,659	99,837

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Fair value information (Cont'd)

(a) Fair value of financial instruments carried at fair value

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

(aa) The fair values of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.

(bb) 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.

(ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair value of financial instruments not carried at fair value

The fair values of hire purchase payables, which are for disclosure purposes are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates (per annum) used to discount the estimated cash flows are as follows :

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Hire purchase payables	3.9 - 6.8	3.9 - 7.2	5.0	5.4

34. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, as follows :

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained profits of the Company and its subsidiaries				
- realised	214,987,157	200,036,727	18,734,777	13,307,787
- unrealised	(17,051,433)	(16,199,282)	–	–
	197,935,724	183,837,445	18,734,777	13,307,787
Less : Consolidation adjustments	(28,327,157)	(30,283,464)	–	–
At 31 December	169,608,567	153,553,981	18,734,777	13,307,787

TOP 10 PROPERTIES OWNED

BY TEO SENG CAPITAL BERHAD AND ITS SUBSIDIARIES (PURSUANT TO APPENDIX 9C PART A (25) OF MAIN MARKET LISTING REQUIREMENTS)

LIST OF PROPERTY, PLANT AND EQUIPMENT

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition / Revaluation
1	6 Chin Bee Crescent Singapore 619892	2-Storey JTC Detached Factory	Leasehold expiring on 31st March 2050	26.58 sq ft	5	27,837	May-15
2	GM 561 Lot 1862 GM 564 Lot 1287 GM 650 Lot 1288 GM 666 Lot 462 Mukim Chaah Bahru Baru 4, 1/2, Jalan Paloh Daerah Batu Pahat, Johor.	Layer Farm 13	Freehold	18.70A	4	6,917	Jun-13 Apr-13 Jun-13 Jul-13
3	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 ½, Jalan Labis Daerah Batu Pahat, Johor.	Layer Farm 14	Freehold	1.33A 5.37A 4.86A 4.89A 5.02A	3 3 3 3 3	6.323	Aug-14
4	HS (D) 62613 PTD 29431 Mukim Tanjong Sembrong Batu 4, Jalan Air Hitam Johor.	Central Packing Station 1	Freehold	4.2387A	5	5,605	Nov-12
5	HS (M) 16560 PTD 30302 Mukim Tanjong Sembrong Tempat Yong Peng - Air Hitam Road Daerah Batu Pahat, Johor.	Feedmill Plant	Freehold	5.74A	16	4,792	*Mar-09
6	HS (M) 9807 PTD 25740 Mukim Tanjong Sembrong Tempat Yong Peng - Air Hitam Road Daerah Batu Pahat, Johor.	Central Packing Station 2 and Corporate Office Building	Freehold	4.19A	10 9	4,728	*Mar-09 Sep-94

TOP 10 PROPERTIES OWNED

BY TEO SENG CAPITAL BERHAD AND ITS SUBSIDIARIES
(PURSUANT TO APPENDIX 9C PART A (25) OF MAIN MARKET LISTING REQUIREMENTS)

LIST OF PROPERTY, PLANT AND EQUIPMENT (CONT'D)

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition / Revaluation
7	Lot 83, 89, 90 PTD 2513-2517 Jalan Kg Kangkar Baru Daerah Batu Pahat, Johor.	Layer Farm 9	Freehold	48.05A	11	4,675	*Mar-08
8	GM 455 Lot 4163 GM 456 Lot 4164 GM 1242 Lot 834 HS (D) 20359 Lot PTD 3547 All in Mukim Chaah Bahru Daerah Batu Pahat, Johor.	Layer Farm 1 Layer Farm 1B	Freehold Freehold	15.78A 13A	8 8	4,623	*Oct-07 *Oct-07 *Oct-07 Oct-09
9	GM 5684 Lot 7416 GM 6528 Lot 7417 GM 172 Lot 160 GM 6529 Lot 7418 All in Mukim Tanjong Sembrong Daerah Batu Pahat, Johor.	Layer Farm 2	Freehold	15.86A 8.51A 5.46A	24 9 4	4,453	Nov-93 Jan-10 Nov-14
10	Lot 3893 (678) Mukim Chaah Bahru Daerah Batu Pahat, Johor.	Layer Farm 12	Freehold	9A	5	3,830	Sep-12

**Date of Revaluation*

ANALYSIS OF SHAREHOLDINGS
AS AT 30TH MARCH 2017

Share Capital and Number of Issued Shares	:	RM60,000,245 comprising 300,001,225 ordinary shares (inclusive of 209,000 Treasury shares)
Class of Shares	:	Ordinary share
Voting Shares	:	One vote per ordinary share

ANALYSIS BY SIZE SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	% #
Less than 100	46	1.17	1,899	0.00
100 to 1,000	823	20.99	354,364	0.12
1,001 to 10,000	2034	51.89	10,809,061	3.60
10,001 to 100,000	862	21.99	26,268,045	8.76
100,001 to 14,989,610	154	3.93	108,989,853	36.36
14,989,611 and above	1	0.03	153,369,003	51.16
Total	**3,920**	**100.00**	**299,792,225**	**100.00**

Note: # Excluding 209,000 Treasury Shares

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Advantage Valuations Sdn Bhd	153,369,003	51.16
2	Koperasi Permodalan Felda Malaysia Berhad	10,202,100	3.40
3	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	7,563,200	2.52
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Pheim)	4,941,000	1.65
5	Lau Joo Keat	4,150,500	1.38
6	Na Hap Cheng	3,493,789	1.17
7	Citigroup Nominees (Asing) Sdn Bhd CEP for Pheim Sicav-Sif	3,371,000	1.12
8	Na Yok Chee	2,852,175	0.95
9	Nam Hiok Yong	2,584,873	0.86
10	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Kim Chui (Margin)	2,413,500	0.81
11	Lau Joo Kiang	2,137,949	0.71
12	Wong Ah Tai	1,942,000	0.65
13	Leong Hup Holdings Sdn Bhd	1,927,255	0.64
14	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Pheim Asean Equity Fund (TSCB)	1,890,000	0.63
15	Lee Kim Piew	1,880,000	0.63

ANALYSIS OF SHAREHOLDINGS
AS AT 30TH MARCH 2017

THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares	%
16	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	1,704,100	0.57
17	Amanahraya Trustees Berhad Public Islamic Growth & Income Fund	1,632,000	0.54
18	Maybank Nominees (Tempatan) Sdn Bhd Bank Kerjasama Rakyat (M) Berhad (412803)	1,540,100	0.51
19	Wong Lee Peng	1,513,780	0.50
20	Ng Lee Ping	1,500,000	0.50
21	Tong Seh Industries Supply Sdn Berhad	1,500,000	0.50
22	Goh Cha Boh @ Goh Hui Siang	1,397,800	0.47
23	Leong Ai Hsia	1,221,000	0.41
24	Lai Chong Koo	1,112,000	0.38
25	Soh Kian	1,104,000	0.38
26	Amnah Binti Ibrahim	1,049,300	0.35
27	Khoo Liong Hoo	1,025,000	0.34
28	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon for SLG International Opportunities, L.P.	990,300	0.33
29	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Siok Wan (Margin)	974,000	0.32
30	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Berhad for Allianz Life Insurance Malaysia Berhad (DGF)	959,900	0.32
	Total	**223,941,624**	**74.70**

SUBSTANTIAL SHAREHOLDERS
As per Register of Substantial Shareholdings

Shareholders	No of Shares Held			
	Direct	%	Indirect	%
Advantage Valuations Sdn. Bhd.	153,369,003	51.16	–	–
Leong Hup (Malaysia) Sdn. Bhd.	–	–	153,989,003[1]	51.37
Unigold Capital Sdn. Bhd.	–	–	153,369,003[1]	51.16
Leong Hup International Sdn Bhd	–	–	153,989,003[2]	51.37
Clarinden Investments Pte Ltd	–	–	153,989,003[3]	51.37
Emerging Glory Sdn Bhd	–	–	156,216,258[3]	52.11
Dato' Lau Bong Wong	–	–	156,216,258[4]	52.11
CW Lau & Sons Sdn Bhd	–	–	156,216,258[4]	52.11
Lau Joo Hong	–	–	156,216,258[5]	52.11
Lau Jui Peng	–	–	156,216,258[5]	52.11
Lau Joo Heng	–	–	156,216,258[5]	52.11
Na Hap Cheng	3,890,389	1.30	153,381,003[6&7]	51.16

ANALYSIS OF SHAREHOLDINGS

AS AT 30TH MARCH 2017

DIRECTORS' INTEREST

As per Register of Directors' Shareholdings

	No of Shares Held			
Directors	**Direct**	**%**	**Indirect**	**%**
Lau Jui Peng	–	–	156,216,258[5]	52.11
Nam Yok San	–	–	225,000[7]	0.08
Na Yok Chee	2,852,175	0.95	1,339,500[7]	0.45
Tan Sri Lau Tuang Nguang	20,000	0.01		
Dato' Zainal Bin Hassan			–	–
Dato' Koh Low @ Koh Kim Toon			–	–
Lau Joo Han	–	–	–	–
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 subsidiaries pursuant to Section 8(4) of the Companies Act 2016 (" the Act.").*
2. *Deemed interested by virtue of its interest in Leong Hup (Malaysia) Sdn. Bhd. and/or subsidiaries pursuant to Section 8(4) of the Act.*
3. *Deemed interested by virtue of their interest in Leong Hup International Sdn. Bhd. and/or subsidiaries 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.*

ANALYSIS OF WARRANT HOLDINGS
AS AT 30TH MARCH 2017

No of Warrans Issued	:	50,000,000
No of Warrant Exercised	:	1,225
No of Warrant Unexercised	:	49,998,775
Exercise Price Per Warrants	:	RM1.35
Exercise Period of Warrants		30/01/2015 to 29/01/2020

ANALYSIS BY SIZE WARRANT HOLDERS

Size of Warrants Holdings	No. of Warrants holders	%	No. of Warrants	0%
Less than 100	620	41.69	18,775	0.04
100 to 1,000	190	12.78	92,543	0.18
1,001 to 10,000	335	22.53	1,713,325	3.43
10,001 to 100,000	288	19.37	9,518,504	19.04
100,001 to 12,499,937	53	3.56	13,094,121	26.19
2,499,938 and above	1	0.07	25,561,507	51.12
Total	**1,487**	**100.00**	**49,998,775**	**100.00**

THIRTY LARGEST WARRANTS HOLDERS

No.	Name	No. of Warrants	%
1	Advantage Valuations Sdn Bhd	25,561,507	51.12
2	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Twee Yong	1,030,500	2.06
3	Lau Joo Keat	666,750	1.33
4	Maybank Nominees (Tempatan) Sdn Bhd Chua Chin Chyang	490,000	0.98
5	Lau Joo Pern	471,750	0.94
6	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Mei Chen (TJJ/Ken)	460,600	0.92
7	Sim Keng Chor	450,000	0.90
8	Lai Chong Koo	386,000	0.77
9	Chen Yoke Faa	370,000	0.74
10	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ronie Tan Choo Seng (Margin)	358,900	0.72
11	Mohana Krishnan A/L Ramachandran	350,000	0.70
12	Leong Hup Holdings Sdn Bhd	321,209	0.64
13	Choong Wai Kee	300,000	0.60
14	Maybank Nominees (Tempatan) Sdn Bhd Sia Lum Wah	300,000	0.60
15	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Bee Geok (Tjj/Ken)	299,300	0.60

ANALYSIS OF WARRANT HOLDINGS
AS AT 30TH MARCH 2017

THIRTY LARGEST WARRANTS HOLDERS (CONT'D)

No.	Name	No. of Warrants	%
16	Ng Lee Ping	250,000	0.50
17	Tong Seh Industries Supply Sdn Berhad	250,000	0.50
18	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	242,100	0.48
19	Jenna Lau Sai Cheng	240,000	0.48
20	Lenny Mahdalena Johan	225,000	0.45
21	Johstar The Plastic Man (M) Sdn Bhd	213,000	0.43
22	Low Eng Guan	212,125	0.43
23	Nam Hiok Yong	203,562	0.42
24	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Beng Hong	200,000	0.40
25	Lau Joo Kiang	200,000	0.40
26	Leong Ai Hsia	200,000	0.40
27	Lim Sze Hock	200,000	0.40
28	Ong Sze Yen	200,000	0.40
29	Teo Sek Ching	198,100	0.40
30	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Chong Choo (E-Tai)	196,600	0.39
	Total	**35,047,003**	**70.10**

DIRECTORS' INTEREST
As per Register of Directors' Warrants Holdings

Directors	No of Warrants Held Direct	%	Indirect	%
Lau Jui Peng	–	–	26,015,716[1]	52.03
Nam Yok San	–	–	25,000[2]	0.05
Na Yok Chee	–	–	20,750[2]	0.04
Tan Sri Lau Tuang Nguang	–	–	–	–
Dato' Zainal Bin Hassan	–	–	–	–
Dato' Koh Low @ Koh Kim Toon	–	–	–	–
Lau Joo Han	–	–	–	–
Loh Wee Ching	–	–	–	–
Choong Keen Shian	–	–	–	–
Frederick Ng Yong Chiang	–	–	–	–

Notes :

1. *Deemed interested by virtue of their interest in CW Lau & Sons Sdn. Bhd. pursuant to Section 8(4) of the Act.*
2. *Deemed interested by virtue of his indirect equity interest in Teo Seng Capital Berhad via his spouse and/or children.*

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be held at Jasmine A & B Conference Room, Fourth Floor, Riverview Hotel, 29 Jalan Bentayan, 84000 Muar, Johor on Friday, 26 May 2017 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 2016. ***(Please refer to Explanatory Note 1)***

2. To approve the payment of Directors' fee of RM120,000 in respect of the financial year ended 31 December 2016. ***[Resolution 1]***

3. To approve the payment of festival token to the Non-Executive Directors up to an amount of RM30,000 in respect of the financial year ending 31 December 2017. ***[Resolution 2]***

4. To re-elect the following Directors who retire pursuant to Article 103 of the Constitution of the Company: ***(Please refer to Explanatory Note 2)***

   4.1 Mr Loh Wee Ching ***[Resolution 3]***

   4.2 Mr Choong Keen Shian ***[Resolution 4]***

   4.3 Mr Frederick Ng Yong Chiang ***[Resolution 5]***

5. To re-appoint Dato' Zainal Bin Hassan as a Director of Company. ***[Resolution 6] (Please refer Explanatory Note 3)***

6. To consider and if thought fit, to pass the following resolution: ***[Resolution 7]***

   "THAT Messrs PricewaterhouseCoopers, having consented to act, be and are hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs Crowe Horwath, and to hold office until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be determined by the Board of Directors"

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

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

"THAT subject to Sections 75 and 76 of the Companies Act 2016, Constitution of the Company and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; ***[Resolution 8] (Please refer to Explanatory Note 4)***

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company, or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier."

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

"THAT subject to Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 2 of Part B of the Circular to Shareholders of the Company dated 27 April 2017 ("the Circular") provided that such transactions are: ***[Resolution 9] (Please refer to Explanatory Note 5)***

(a) necessary for the day-to-day operations;

(b) in the ordinary course of business and are on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public; and

(c) not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate")

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

NOTICE OF ELEVENTH ANNUAL 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."

9. **PROPOSED RENEWAL OF AUTHORISATION TO ENABLE TEO SENG CAPITAL BERHAD TO PURCHASE UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY**

"THAT, subject always to the compliance with all applicable laws, guidelines, rules and regulations and the approval of all relevant authorities, the Company be and is hereby authorised 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 Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: ***[Resolution 10] (Please refer to Explanatory Note 4)***

(i) the aggregate number of shares purchased or held as treasury shares does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Malaysia Securities Berhad as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or to deal with the treasury shares in the manner allowed by the Act.

THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company 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 of Malaysia, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter in accordance with the requirements and/or guidelines of Main Market Listing Requirements of Bursa Malaysia Securities Berhad and all other relevant governmental and/or regulatory authorities."

10. To transact any other business of which due notice shall have been given.

By order of the Board

LEE CHOON SENG (MAICSA 7003453)
LUM SOW WAI (MAICSA 7028519)
WONG WAI FOONG (MAICSA 7001358)
TAN BEE HWEE (MAICSA 7021024)
Secretaries

Yong Peng
27 April 2017

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

Notes:

(i) For the purpose of determining a member who shall be entitled to attend and vote at the Eleventh Annual General Meeting, the Company shall be requesting the Record of Depositors as at 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

(ii) A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in its stead.

(iii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(vi) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at 201-203, Jalan Abdullah, 84000 Muar, Johor, not less than forty-eight (48) hours before 11.30 a.m. on Wednesday, 24 May 2017.

(vii) If the appointer is a corporation, this form shall be executed under its common seal or under the hand of its officer or attorney duly authorised.

(viii) If this Proxy Form is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Proxy Form.

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

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 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 4 of the Agenda
The Nominating Committee ("NC") of the Company has assessed the criteria of independent directors (namely Mr Choong Keen Shian and Mr Frederick Ng Yong Chiang) as defined under Paragraph 1.01 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company; and the contribution of Mr Loh Wee Ching, Mr Choong Keen Shian and Mr Frederick Ng Yong Chiang and recommended for their re-election. The Board endorsed the NC's recommendation that Mr Loh Wee Ching, Mr Choong Keen Shian and Mr Frederick Ng Yong Chiang be re-appointed as Directors of the Company.

3. Item 5 of the Agenda
There is no age limit to act as directors in a public company pursuant to Companies Act 2016, which came in force on 31 January 2017. In this respect, Dato' Zainal Bin Hassan, aged above 70 who was re-appointed pursuant to Section 129 of the Companies Act 1965 at the last Annual General Meeting of the Company, his term of office will end at the conclusion of the forthcoming 11th Annual General Meeting of the Company to be held on 26 May 2017.

   The proposed resolution 6, if passed, will enable Dato' Zainal Bin Hassan, who has offered himself for re-appointment to continue to act as a director of the Company and he shall subject to retirement by rotation at a later date.

4. Item 7 of the Agenda
The proposed resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting and if passed, will give the Directors authority to issue new ordinary shares up to such number not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors would consider to be in the best interest of the Company (hereinafter referred to as the "General Mandate"). This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. The new General Mandate will commence from the date of this Annual General Meeting and, unless earlier revoked or varied by the shareholders of the Company at a subsequent general meeting, expire at the next annual general meeting.

   The General Mandate granted by the shareholders at the Tenth Annual General Meeting of the Company held on 24 May 2016 had not been utilized and hence, no proceeds were raised therefrom.

   The purpose of the new General Mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

5. Item 8 of the Agenda
The proposed resolution 9, if passed, will allow the Group to continue to enter into recurrent related party transactions made 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 B of the Circular to Shareholders dated 27 April 2017 for further information.

6. Item 9 of the Agenda
The proposed resolution 10, if passed, will allow the Company to purchase its own shares up to 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 A of the Circular to Shareholders dated 27 April 2017 for further information.

PROXY FORM

TEO SENG CAPITAL BERHAD (732762-T)

CDS Account No. of Authorised Nominee#

#applicable to shares held through nominee account

I/We .... NRIC No. ....

of ....

being a member(s) of **TEO SENG CAPITAL BERHAD** (732762-T) hereby appoint ....

....NRIC No. ....

of ....

or failing him/her .... NRIC No. ....

of ....

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Jasmine A & B Conference Room, Fourth Floor, Riverview Hotel, 29 Jalan Bentayan, 84000 Muar, Johor on Friday, 26 May 2017 at 11.30 a.m. and at any adjournment thereof. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Item	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of Directors and Auditors thereon.			
	Ordinary Resolutions	**Resolution**	**FOR**	**AGAINST**
2.	To approve the payment of Directors' fees of RM120,000 for the financial year ended 31 December 2016.	1		
3.	To approve the payment of festival token to the Non-Executive Directors up to an amount of RM30,000 in respect of the financial year ending 31 December 2017.	2		
4.1	To re-elect Mr Loh Wee Ching who retires as a Director of the Company pursuant to Article 103 of the Constitution of the Company.	3		
4.2	To re-elect Mr Choong Keen Shian who retires as a Director of the Company pursuant to Article 103 of the Constitution of the Company.	4		
4.3	To re-elect Mr Frederick Ng Yong Chiang who retires as a Director of the Company pursuant to Article 103 of the Constitution of the Company.	5		
5.	To re-appoint Dato' Zainal Bin Hassan as a Director of Company.	6		
6.	To appoint Messrs PricewaterhouseCoopers as auditors of the Company in place of the outgoing auditors, Messrs Crowe Horwath and to authorise the Directors to fix their remuneration.	7		
7.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	8		
8.	Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	9		
9.	Proposed renewal of authorisation to enable Teo Seng Capital Berhad to purchase up to 10% of the total number of issued shares of the Company	10		

Signed this .... day of 2017

For appointment of two proxies, percentage of shareholdings to be represented by the proxies :

	No of shares	Percentage	
Proxy 1			%
Proxy 2			%
		100	%

____

Signature of Member/Common Seal

Number of shares held :

Date :

Notes:

(i) For the purpose of determining a member who shall be entitled to attend and vote at the Eleventh Annual General Meeting, the Company shall be requesting the Record of Depositors as at 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

(ii) A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in its stead.

(iii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(vi) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at 201-203, Jalan Abdullah, 84000 Muar, Johor, not less than forty-eight (48) hours before 11.30 a.m. on Wednesday, 24 May 2017.

(vii) If the appointer is a corporation, this form shall be executed under its common seal or under the hand of its officer or attorney duly authorised.

(viii) If this Proxy Form is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Proxy Form.

Fold this flap for sealing

Then fold here

Postage

The Company Secretary
TEO SENG CAPITAL BERHAD
(Company No. 732762-T) (Incorporated in Malaysia)

201-203, Jalan Abdullah
84000 Muar, Johor,
Malaysia.

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Omega Plus Lutein

Best Eye Supplement To Enhance Eyesight

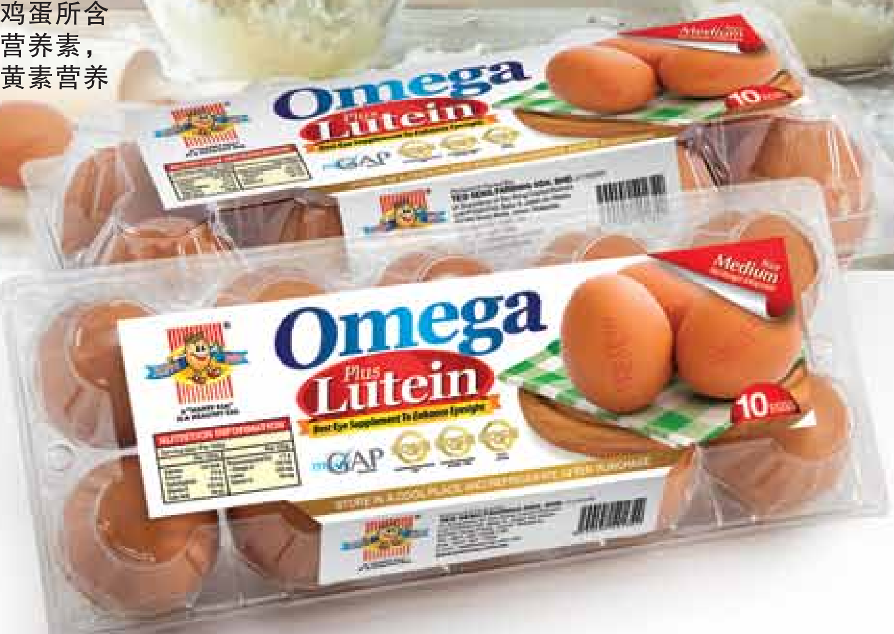
Omega Plus Lutein Benefits

- *Protecting Eyes From Blue Light*
- *Good For Breast Milk*
- *Reduce Risk Of Heart Attack*
- *Improve Skin Condition*

Product Description :
Packing Size : 10 eggs/pack
Egg Size : Medium
Net weight : 550 gram per pack

Omega Plus Lutein Egg contains at least 100% more of Omega 3 fatty acid and Lutein compared with normal egg's contents, the egg is laid by our hens fed on exclusively special formulated diet. Lutein is a fat-soluble nutrient and the fat content in egg can boost the absorption of lutein. In addition, its absorption rate is approximately four times higher than the vegetable's.

“OmegaPlusLutein” 优质鸡蛋所拥有的ω–3脂肪酸与叶黄素的分量至少多于普通鸡蛋所含有分量的一倍。叶黄素属于脂溶性营养素，而鸡蛋本身的油脂可帮助人体对叶黄素营养的吸收，其吸收率是蔬菜的4倍。



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TEO SENG FARMING SDN. BHD. (111937P)
(A Subsidiary of Teo Seng Capital Berhad)
Lot PTD25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor, Malaysia.
Tel : **607-467 2289 / 90** Fax : **607-467 1366** Email : **ts@teoseng.com.my**

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TEO SENG CAPITAL BERHAD
(Company No. 732762-T)

Lot PTD 25740, Batu 4, Jalan Air Hitam
83700 Yong Peng, Johor Darul Takzim, Malaysia
Tel : +607-467 2289 Fax : +607-467 2923 Email : tscb@teoseng.com.my