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

Hatching For The
Future

2017
ANNUAL REPORT

Ritma

Quality Products | Customized Solutions | Excellent Services

Our Mission

At Ritma,

We aim to be regional trend leader in animal health care industry. Along with our business in animal healthcare products, we endeavor to promote animal well-being, as well as to ensure the safety and quality of our products, while contribuiting to our client's growth and set sail towards success!

BAYER

innovad
CREATE TRUST

Elanco

VP VETPHARM

Boehringer Ingelheim

IDEXX

Himalaya®
ANIMAL HEALTH

Natural Core
Balanced Nutrition Formula

力 馬 藥 業 有 限 公 司

Ritma Prestasi Sdn Bhd (629010-U)

Lot 21 & 23, Jalan TPP 5/13, Seksyen 5, Taman Perindustrian Puchong,
47100 Puchong, Selangor Darul Ehsan, Malaysia.
Tel: +603-8061 9330 / 8061 5332 Fax: +603-8061 9331
Email: ritma@ritmapres.com

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EVENTS HIGHLIGHT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Annual General Meeting 2017 @ Riverview Hotel, Muar (26 May 2017)

The BrandLaureate Best Brand Award 2016 -2017 @ Majestic Hotel, KL (23 May 2017)

Blood Donation Campaign @ Pacific Mall, Batu Pahat (08 Jun 2017)

Dogathon @ Bukit Ekspo, UPM Serdang (Feb 2017)

Idexx Poultry Technical In-house Seminar (Feb 2017)

Career Talk @ UPM Serdang (Mar 2017)

Pet Expo @ Singapore (Apr 2017)

VIV @ Bangkok (Mar 2017)

Pet World @ Mid Valley (Jun 2017)

Grooming Academic Talk @ JGA Grooming Academy KL (Aug 2017)

EVENTS HIGHLIGHT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

Bayer Swine Seminar (Aug 2017)

Bayer-Ritma Seminar @ Hilton Hotel, Petaling Jaya (Sep 2017)

Wild Run @ Likas Sport Complex, Kota Kinabalu (Oct 2017)

Breed & Breakfast Gathering @ Singapore (OCT 2017)

Lanxess Poultry Seminar @ Royale Chulan Hotel, Seremban(Nov 2017)

Pet Expo @ Johor Bahru (Nov 2017)

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

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

PRINCIPAL BANKERS

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

CORPORATE WEBSITE

www.teoseng.com.my

REGISTERED OFFICE

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

HEAD OFFICE

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

REGISTRAR

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities
Berhad
Main Market

DATE OF LISTING

29 October 2008

CORPORATE **STRUCTURE**

- **TEO SENG CAPITAL BERHAD** (732762-T)
  - 100% **TEO SENG FARMING SDN. BHD.** **(111937-P)**
    - 100% **GREAT EGG INDUSTRIES SDN. BHD.** (756583-V)
    - 100% **LASKAR FERTILISER SDN. BHD.** (939951-U)
  - 100% **SUCCESS CENTURY SDN.BHD.** (346210-A)
  - 100% **RITMA PRESTASI SDN. BHD.** (629010-U)
    - 100% **RITMA PREMIER PTE. LTD.** (201617304E)
    - 100% **B-TECH AQUACULTURE SDN.BHD.** (887536-H)
  - 100% **PREMIUM EGG PRODUCTS PTE. LTD.** (200305167W)
    - 100% **BH FRESH FOOD PTE. LTD.** (200105466D)
  - 100% **TEO SENG FEEDMILL SDN. BHD.** (474189-H)
  - 100% **TEO SENG PAPER PRODUCTS SDN. BHD.** (299992-H)
  - 100% **PIONEER PROSPERITY SDN.BHD.** (946258-M)
  - 100% **LIBERAL ENERGY SDN. BHD.** (886291-T)

PROFILE OF THE **BOARD OF DIRECTORS**

MR. LAU JUI PENG
Executive Chairman

Mr. Lau Jui Peng, Malaysian, male, aged 47, 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 represents Leong Hup (Malaysia) Sdn Bhd to sit on the Board of Directors of the Company.

Mr. Lau graduated from Hawaii Pacific University, United States of America in 1996, with Bachelor of Science in Business Administration majoring in marketing. Upon his graduation, Mr. Lau worked in a brief stint as an Assistant Manager in a supermarket before joining Leong Hup group of companies. Subsequently, Mr. Lau has been appointed as the Deputy Chief Executive Officer of Leong Hup Poultry Farm Sdn. Bhd., and then being promoted as Chief Executive Officer, where he is principally responsible for the production processes and administration. Mr. Lau is also involving in the production processes and administration of Leong Hup Farm Sdn. Bhd. Mr. Lau was invited to the Board of Leong Hup Poultry Farm Sdn. Bhd. (G.P.S.) 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 several other private limited companies.

Mr. Lau is an accomplished business person who possesses wide and various knowledge and experience in the production processes and management of poultry companies. Mr. Lau was the Audit Committee during the year 2009 to 2012. He gained keen insight on getting accurate and deep intuitive understanding of internal control during the four (4) years involvement in Audit Committee.

Mr. Lau is the nephew of Tan Sri Lau Tuang Nguang who is the Non-Executive Director of the Company. He is the cousin of Mr. Lau Joo Han who is the Executive Director of the Company. Mr. Lau is sibling of Mr. Lau Joo Hong and Mr. Lau Joo Heng who are the indirect major shareholders of the Company. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with the Company in which he has personal interest. Mr. Lau has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017. Mr. Lau had attended all of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

MR. NAM YOK SAN
Managing Director

Mr. Nam Yok San, Malaysian, male, aged 62, was appointed as the Managing Director of the Company on 19 June 2008. With nearly forty five (45) 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 to oversee the overall operations and directions of the Group in the layer farming industry.

Mr. Nam was involved in the family business of rearing broiler chickens since it begun 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 the Company 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

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

the Board of several other private limited companies in Malaysia and Singapore. In term of human capital management, Mr. Nam oversees the organisation's workforce acquisition, management and optimization.

Mr. Nam's siblings are Mr. Na Yok Chee who is the Executive Director and indirect major shareholder of the Company; Mr. Nam Hiok Joo, who is the General Manager of TSFM and Managing Director of Ritma Prestasi Sdn. Bhd. and Mr. Na Hap Cheng, an indirect major shareholder of the Company. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with the Company in which he has personal interest. Mr. Nam has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017. Mr. Nam had attended all of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

MR. LAU JOO HAN
Executive Director

Mr. Lau Joo Han, Malaysian, male, aged 43, 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 graduated from Victoria University, Melbourne, Australia in 1999, with a Degree of International Trade. 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, which covers the areas of production, business development and management.

Besides managing the business of the Group, Mr. Lau has been constantly and actively attending seminars and conferences conducted locally and overseas in order to keep abreast of the latest trends and technologies in the poultry industry. With extensive exposure and vast experience in poultry industry, 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. He is the cousin of Mr. Lau Jui Peng who is the Executive Chairman and indirect major shareholder of the Company. Mr. Lau is son of Dato' Lau Bong Wong who is the indirect major shareholder of the Company. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with the Company in which he has personal interest. Mr. Lau has no conviction of any offences within the past five (5) years. Mr. Lau was not being imposed with any sanctions and penalties by relevant regulatory bodies during the financial year ended 31 December 2017. Mr. Lau had attended five (5) of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

MR. NA YOK CHEE
Executive Director

Mr. Na Yok Chee, Malaysian, male, aged 61, was appointed as the Executive Director of the Company on 19 June 2008. Mr. Na has been involved in family poultry business since 1978 and participated actively in poultry industry. He has been instrumental in the successful transformation from being a broiler chicken business into one of the largest layer farming groups in the country.

Mr. Na has gained extensive experience and knowledge in the operations and management of our Group for nearly forty (40) years. He dedicates diligently to monitor the farm's operation and performance of the Group, as well as overseeing any investment and expansion initiatives, including the designing, construction

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

and supervision of all farm buildings. With the vast exposure in development of layer farm, Mr. Na dedicates on managing all the aspect of the construction and expansion project, for the purpose of maximizing the economic benefits of the Group by enhancing the efficiency of the investments.

Mr. Na is the 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 an Executive Director in Teo Seng Feedmill Sdn. Bhd. ("TSFM") and Success Century Sdn. Bhd., which he has held since 2000 and 2008 respectively. Besides, he also sits on the Board of several other private limited companies.

Mr. Na's siblings are Mr. Nam Yok San who is the Managing Director of the Company; Mr. Nam Hiok Joo, who is the General Manager of TSFM and Managing Director of Ritma Prestasi Sdn. Bhd. and Mr. Na Hap Cheng, an indirect major shareholder of the Company. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with the Company in which he has personal interest. Mr. Na has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017. Mr. Na attended all of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

TAN SRI LAU TUANG NGUANG
Non-Executive Director

Tan Sri Lau Tuang Nguang, Malaysian, male, aged 59, was appointed as Non-Executive Director of the Company on 19 November 2009. He is a member of Audit Committee and Remuneration Committee of the Company since 2013. Tan Sri Lau currently represents Leong Hup (Malaysia) Sdn Bhd to sit on the Board of Directors of the Company.

Tan Sri was appointed as the Executive Chairman of Leong Hup (Malaysia) Sdn Bhd on 26 November 2014 and has more than forty (40) years of experience in the livestock industry. Prior to his appointment to Leong Hup (Malaysia) Sdn Bhd, Tan Sri Lau served as the Executive Director of Leong Hup Holdings Berhad and was appointed on 15 August 1990, 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 and indirect major shareholders of the Company. Tan Sri Lau is sibling of Dato' Lau Bong Wong who is the indirect major shareholder of the Company. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which Tan Sri Lau is deemed to be interested, there are 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 during the financial year ended 31 December 2017. Tan Sri Lau had attended three (3) of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

DATO' ZAINAL BIN HASSAN
Non-Executive Director

Dato' Zainal Bin Hassan, Malaysian, male, aged 73, was appointed as the 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.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

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 played the role 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/major shareholder of the Company. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with the Company in which he has personal interest. Dato' Zainal has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017. Dato' Zainal had attended five (5) of the six (6) Board of Directors' Meetings held during the financial year ended 31 December 2017.

MR. LOH WEE CHING
Non-Executive Director

Mr. Loh Wee Ching, Malaysian, male, aged 49, 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 started his career in Teo Seng Farming Sdn. Bhd. ("TSF") in 1994 as Sales Manager and was subsequently promoted as the Senior Marketing Manager in 2003. Presently, he is the Marketing Director in layer farming division, providing and sharing his extensive experience to marketing team member. 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. During his tenure with the Group of more than twenty (20) years, he established a robust relationship with customers which enables him to contribute significantly to the Group's marketing strategies.

Mr. Loh does not have any family relationship with any Director/major shareholders 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. Mr. Loh has not any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017. Mr. Loh had attended all of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

MR. CHOONG KEEN SHIAN
Independent Non-Executive Director

Mr. Choong Keen Shian, Malaysian, male, aged 61, 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 and subsequently assumed the position of Chairman of the Remuneration Committee on 27 August 2013.

Mr. Choong graduated with a Bachelor of Science (Hon) degree from University of Malaya in 1981. He started his career 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 responsible in the credit and credit control management. In 1991, he joined a property development company, Arena Eksklusif Sdn. Bhd. and was involved in project administration. Currently, he is the finance manager of Atlas Edible Ice Sdn. Bhd., a member of The Atlas Ice Group of Company, which is engaged in a wide array of business activities such as oil palm and

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

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 Company Berhad Group and several other private limited companies which are involved in the retailing of lighting accessories and lamps. His in-depth experience includes 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/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Choong has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017. Mr. Choong had attended all of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

MR. FREDERICK NG YONG CHIANG
Independent Non-Executive Director

Mr. Frederick Ng Yong Chiang, Malaysian, male, aged 53, was appointed as the Independent Non-Executive Director of the Company on 19 June 2008. He is a member of the Audit Committee and was redesignated as Chairman of Nomination Committee of the Company on 27 August 2013.

Mr. Frederick Ng is an associate member of the Chartered Institute of Management Accountant, United Kingdom and also a member of the Malaysian Institute of Accountants since 1991 after completing the professional course in accountancy. He was accepted as a member of CPA Australia and Asean Chartered Professional Accountants ("ACPA") in 2017. Mr. Frederick Ng started his commercial experience in Hong Leong Industries Berhad as Project Executive in 1990. Later he joined Tan Chong Group of Companies in 1992 as the Administration and Accounting Manager of the Group's Papua New Guinea operations. In 1993, he joined The Atlas Ice Group of Companies. He is a Non-Executive Director of The Atlas Ice Company Berhad, the holding company and is in charge of the ice manufacturing companies of the Group in Penang, Kedah and Perlis. He also sits on the Board of several other private limited companies which are involved in the fast moving consumer goods business. 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/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Frederick Ng has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017. Mr. Frederick Ng had attended five (5) of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

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

Dato' Koh Low @ Koh Kim Toon, Malaysian, male, aged 65, 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 began his apprenticeship in the furniture manufacturing and trading industry. His involvement in the furniture manufacturing and trading industry for more than thirty (30) years has earned him the recognition and respect as a leading entrepreneur in the industry. He sits on board of several private limited companies which are involving in producing of plywoods, plantations and producing and trading of fertiliser. He is currently active in involving in local as well as overseas investments. Having more than thirty years (30) of experience and expertise in the furniture manufacturing and trading industry enables

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

him to accumulate invaluable exposure and 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/major shareholder of the Company. He does not have any conflict of interest with the Company. Dato' Koh has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017. Dato' Koh had attended all of the six (6) Board of Directors' meetings held during the financial year ended 31 December 2017.

PROFILE OF THE KEY MANAGEMENT PERSONNEL

MR. NAM HIOK JOO
Group General Manager

Mr. Nam Hiok Joo, Malaysian, male, aged 51, was appointed as General Manager of Teo Seng Feedmill Sdn. Bhd. in 2001. He is primarily responsible for the operation and production of chicken feeds. With his wide experience, 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 ("Ritma") and later promoted as Managing Director, where he plays a major role in the company's management and direction of Ritma. Subsequently, he was appointed as Group General Manager of the Company in 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 on participating in decision making and corporate planning for the Group.

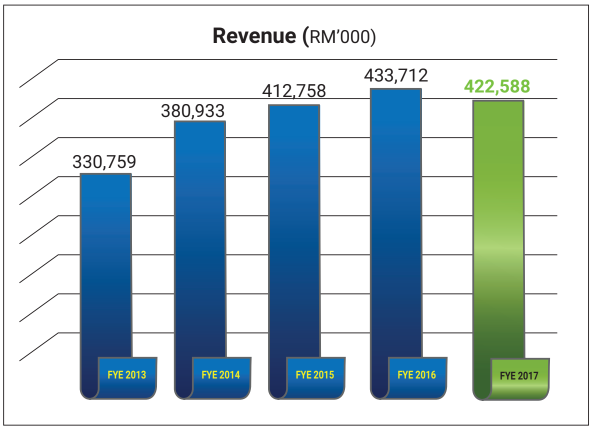
Mr. Nam is a sibling of the Managing Director, Mr. Nam Yok San and Executive Director, Mr. Na Yok Chee, of the Company and indirect major shareholder of the Company. Mr. Nam is also sibling of Mr. Na Hap Cheng who is the indirect major shareholder of the Company. Except for certain related party transactions of revenue nature which are necessary for day to day operation of the Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with the Company in which he has personal interest. Mr. Nam has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017.

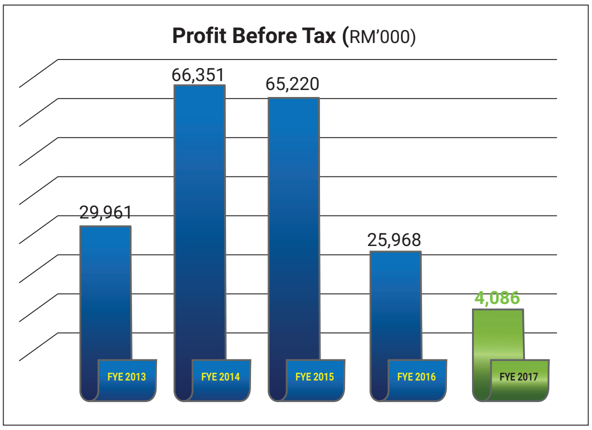
MR. NG ENG LENG
Group Financial Controller

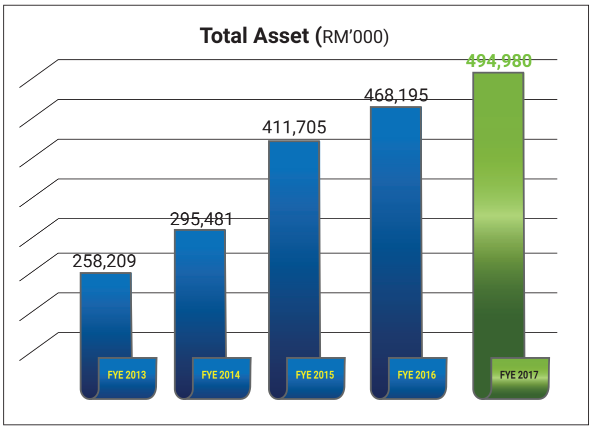
Mr. Ng Eng Leng, Malaysian, male, aged 47, was appointed as Director of Teo Seng Farming Sdn Bhd on March 2002 and designated as Group Financial Controller of Teo Seng group of companies since March 2010. He obtained the Master of Business Administration from Buckinghamshire New University (UK) in 2014 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 in the field of accounting, costing, taxation, internal control system and corporate finance, Mr. Ng gains great exposure and vast experience in those field and enables him to play a significant role in advising the Board and to participate in decision making and corporate planning for the Group. Besides, he also sits on the Board of several other subsidiaries of Teo Seng Capital Berhad.

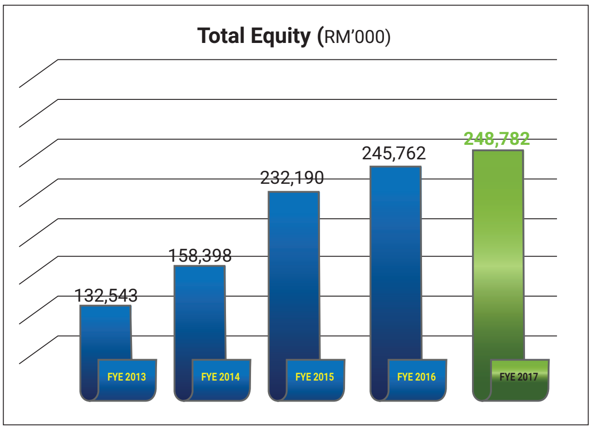
Mr. Ng does not have any family relationship with any Director/major shareholder of the Company. He does not have any conflict of interest with the Company. Mr. Ng has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2017.

FINANCIAL **HIGHLIGHTS**









MANAGEMENT DISCUSSION AND ANALYSIS

GROUP'S BUSINESS AND OPERATION

Teo Seng is one of the leading poultry companies in local layer industry which has successful and excellent management team with over 40 years of industry experience in Malaysia. The Group's businesses consist of two major segments, namely (i) poultry farming and (ii) investment and trading of related poultry products.

Poultry Farming

The key activities involved in the poultry farming segment include production of eggs, manufacturing and trading of paper egg trays for both internal use and external sale, production of animal feed mainly for own layer farming activities as well as production of organic fertiliser by using chicken manure. The layer farming business was commenced in year 1992 along with the first layer farm setup with daily production of 100,000 eggs. Over the years, the Group has expanded significantly and aggressively from a small farmer to become one of the largest integrated layer farmer in both Malaysia and Singapore with average daily production of 3.7 million eggs. Other than conventional commercial eggs, we also launched several brand of premium eggs to explore the market of buyer who requires higher degree of nutrition.

Generally, approximate 65% of daily egg production are sold in local market and the remaining 35% are exported to overseas, mainly to Singapore and Hong Kong. According to the market observation, the Group occupied about 8% of market share in Peninsular Malaysia's commercial egg industry and our customers can be grouped into four categories, who are wholesaler, hypermarket business, manufacturer and retailer. In order to expand business in different geographical location and enhancing earning source, the Group has established its foreign subsidiary, Premium Egg Products Pte. Ltd and BH Fresh Food Pte. Ltd. in Singapore years ago. In period of four years, the said subsidiaries have captured the market share of approximately 24% in Singapore's commercial egg industry.

In line with our layer farming expansion, a new feedmill plant was completed and commenced operation for the year under review. With the operation of new feedmill plant, the production of feed can be increasing double to cope with the expansion project.

Along with the growth of egg production capacity, additional new paper egg tray machine is also in placed to fulfil the capacity growth and the egg trays are to be used internally and sold to external parties both in Malaysia and Singapore.

Fertiliser business is also the supporting business to our layer farming activity which the original intention is to facilitate and improve the waste management. As one of the largest egg producer, the Group has also established a fertiliser plant and commenced production of organic fertiliser in year 2015. Currently, we have a fertiliser plant which is nearby our farms and second fertiliser plant is under construction and anticipated to be operated in first half year of 2018. Presently, the local fruit farmer is our main customer and the Group are continuously developing different specification of products for the purpose of exploring more market and attracting various customer base.

Investment and Trading of Related Poultry Products

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS OBJECTIVE AND STRATEGIES

In line with the Group's mission, we continuously to seek for adoption of automation to sustain competitive advantage, and mitigating the reliance on foreign worker supply. The investment on automated chicken manure belt in farm houses will be on-going and completed by year 2019. Concurrently, we are upgrading the farm's facilities for the purpose of improving biosecurity control and hygiene management, eventually to strengthen layer performance.

Promoting cost effectiveness is still the first priority. The mind-set of cost effectiveness is conducted in internal organizational meeting by interpreting regularly-periodic cost-benefit analysis and industrial information is always applied as reference for cost analysis.

One of Teo Seng's business strategies is seeking way to raise the market share of commercial egg in both Malaysia and Singapore. We aim to achieve daily production of 5 million eggs by year 2022. In order to export the commercial eggs to Singapore, poultry farming segment formulated rigorous operation procedure which fulfil requirement of Agri-Food & Veterinary Authority of Singapore ("AVA") and implementing best and consistent farm management, improving hygiene of farm site and better disease control. To enjoy better margin, we vigorously involve in the brand promotion to raise customer awareness of our premium product and brand through product introduction session event in school, to boosting up the sale of premium eggs. For the business of trading of related poultry products, our primary target is to obtain more distributorship in Malaysia and Singapore.
Looking forward, we plan to construct a new Central Packaging Station ("CPS") and second fertiliser plant. Due to the increasing egg production, existing grading station is not sufficient to support the huge volume of egg production. The estimated date of commencement of CPS operation is in first quarter of year 2019. Second fertiliser plant is under construction and estimated to be completed in second quarter of year 2018.

FINANCIAL PERFORMANCE REVIEW

It was an arduous journey to us during financial year 2017. Gratefully, together with dedication from everyone in the Group, we manage to achieve the positive result in this difficult year in a way of proper management planning and prudent operation procedure and process. Our Group's profitability in financial year 2017 was mainly affected by tough external factor such as lower average selling price of eggs which caused by oversupply situation during the first half of year 2017. Despite the increase in sales quantity of egg, the revenue in financial year 2017 decreased by RM11.1 million or 2.6% compared with preceding year's performance. As the result, the Group's profit before tax declined significantly to RM4.1 million from RM26.0 million in the preceding year.

A manageable gearing ratio of 0.71 times was recorded despite multi-complex economic and market position. This figure rise considerably as compared with last term standing of 0.61 times mainly due to higher capital expenditure on several expansion projects. Nevertheless, a healthy current ratio of 1.01 times was reported for the current year under review satisfying short term debt obligation become due in the normal course of business. Despite the significant impact from low egg price to our group sales, investment and trading segment posted improved performance in this financial year as compared to financial year 2016, primarily contributed by higher market demand and new distributorship obtained.

In view of early adoption of the Malaysian Financial Reporting Standards ("MFRS") framework for the preparation of the financial statements in 2017, the net assets per share stood at RM0.83 per share.

CAPITAL EXPENDITURE AND STRUCTURE

During the financial year 2017, the Group incurred capital expenditure amounting to approximately RM40 million on upgrading existing farm facilities and equipment, involving by-product business expansion on farm production as well as new warehouse for animal health products business. This was funded through a combination of internally generated funds and bank borrowings. The borrowings and internal funding are the main source of fund allocated to the capital expenditure. For that reason, Teo Seng's outstanding bank borrowing increased by 18% or equivalent to RM27million. Thus, no additional funds tapped from

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

shareholders. Expansion on farm to increase the production capacity and replacement of aging farms still occupy the major portion of planned capital expenditure.

We believe that an effective capital structure is crucial to the performance of the Group. In view of this, the management has adopted and maintained an appropriate debt-equity structure.

REVIEW OF THE OPERATING ACTIVITIES

Poultry Farming - Operation

The construction of new feedmill plant was completed and commenced operation in the fourth quarter of financial year 2017. The doubled production capacity mainly caters for significant expansion on layer farms in year 2016 and 2017 and it ensures that there will be sufficient feed supply for the following few years' layer farming expansion plan. Following the upgrading and expanding of pullet and layer houses, the average daily egg production of the Group increased to 3.7million in 2017.

Besides, in order to further enhance farm's biosecurity enforcement and hygiene management, new and advanced shower room is designed and being constructed and renovated since last quarter of financial year 2017. We aim to fully accomplish this shower room project by second quarter of year 2018. In addition, the management is installing the automated chicken manure belt to clean the chicken manure. This is a part of the Group's strategies to promote automation, which also align with our mission by absorbing advanced technology to sustain competitive advantage.

The impact of foreign currency fluctuation on raw material cost is likely to have a direct effect on the aspect of profitability. Cost of imported raw material, such as maize and soya bean which denominated in US Dollar potentially impair our group's performance in case the adverse fluctuation happened.
We had launched two new paper egg trays name "Multi-K Plus" and "Compact" in year 2017. Due to the increasing production volume, we are currently expanding our old newspaper warehouse and finished goods warehouse.

On the other hand, our new fertiliser plant is expected to be completed in second quarter of year 2018, with the daily capacity of handling 50tonnes of chicken manure and converting it into organic fertiliser. Upon the completion of new fertiliser plant, both fertiliser plants may process 150tonnes of chicken manure daily. This business is not merely to generate new income source, but more importantly is a sustainable and comprehensive solution to mitigate the extremely large volume of daily by-product for productivity and environment issues.

Poultry Farming - Marketing & Financial Highlight

The Malaysia's layer industry was facing severe oversupply of egg situation in first half year of 2017. Accordingly, our poultry farming segment recorded cumulative segmental Loss Before Tax ("LBT") of RM4.4 million in year 2017, representing a decrease of 151% compared with preceding year's performance. The lower average egg selling price caused the operating loss in the first half year resulting from the egg oversupply in domestic market. Subsequently, the domestic market has rebound in the second half of the year because of the layer industry players implemented early depopulation of old hen to reduce the egg supply.

In the beginning of year 2017, we developed a new brand of premium egg – Omega Plus Lutein, which is nutritious and enhance eyesight for buyer who requires higher degree of nutrition. Rely on the cooperation between Teo Seng and our business partners, this newly-launched premium products contributes 2% of our sales volume. 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. The export sales to Hong Kong increased from average 2.5% in year 2016 to 5.5% in year 2017 and it is one of the way we cushion the deficit derived from the oversupply in local market.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Investment and Trading of Related Poultry Products

The improved revenue by 15% in this segment had resulted an improved pre-tax profit by 25% mainly due to the increasing demand of existing and new animal health products. Coupled with the robust growth, the Group has invested in a new and larger factory cum warehouse in Puchong area, Selangor, to cope with the insufficient operation space.

RISKS AND MITIGATION MEASURES

Risk of Diseases

The risk of diseases is the main identifying risk which may affect the layer industry and afflicts our livestock. Recognising the importance of this risk, the management team carries out preventive action to mitigate the risk. In the event of any diseases afflict our livestock, it may have an adverse effect on the revenue and profitability of our Group resulting from high mortality and low production. The management team carries out two main types of preventive action to mitigate the risk, namely implementation of Closed House System and enforcement of rigorous farm's biosecurity programmes. All of the layer farms are built under Closed House System and rearing in All-In-All-Out ("AIAO") system to avoid contact between our livestock and second animals, as well as mitigating diseases. The management has also established a rigorous biosecurity programmes to ensure all visitors or vehicles are properly disinfected before entering into farm area. The operation audit team will perform regular review of the internal control to assess the effectiveness of the programmes.

Waste Management

Chicken manure is always a vital issue to layer farmer. Without the proper disposal or treatment of the manure, it will lead to environmental pollution and harmful influence to the community. We are alerted to the environmental case reported in year 2017 and execute thoroughly our standard operation procedures on waste management to avoid any environmental pollution and disruption. All of the chicken manure must be stored properly and management team of fertiliser plant arranges the delivery of chicken manure to plant for producing organic fertiliser.

Labour Supply Constraint

By foreseeing the further downtrend on foreign workers supply in the near future, the management is taking steps to restructure the duties and working mode of frontline operation staffs for the purposes of enhancing multi-tasking. Additionally, the Group is now on the path of promoting and implementing technology, using automation, such as automated chicken manure belt, to solve the impending labour shortage as well as sustaining competitive advantages in line with achieving Group's vision. The automation not only resolve the issue of labour shortage, it also improve the efficiency of operation.

Succession Planning

We are aware of the essential 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 program concentrated by the Board of Directors. The Board is commencing succession plan and electing candidates that represent a diversity of background and experience. Also, the Group Human Resource Department continues to plan yearly structured training calendar to address the training and developmental needs for all level of staff. The emphasis is on developing our talent pool for future leadership positions in line with our succession planning.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

PROSPECTS

Overall, the economic outlook is still challenging. We are highly aware of the adverse industrial impacts and challenge towards the poultry industry. Thus, we are well-equipped with developing human capital, recruiting qualified candidates from diversified background and experience, and continuously adopting advanced technology. Significant effort has been put to thoroughly executed cost effectiveness practice, to strengthen management process and to improve operational efficiency.

Apart from population growth and egg consumption growth, our expansion plan of the daily targeted egg production of 5 million eggs by year 2022 will be supported by our aggressive market strategies to capture more market share in domestic and overseas market as well as expand our product range to meet the customers' demand.

Organically, we are on track with our planned expansion to increase production capacity. Nevertheless, the Board of Directors is constantly in discussion for opportunities on investing related downstream and diversification business. In the context of sustainable development, we continue to contribute efforts on enhancing our waste management. We emphasize on regulatory compliance to avoid negative effects on environment and sustainability of the Group.

DIVIDEND

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

Notwithstanding the above, all the foregoing statements are merely statements of present intention and no inference should or can be made from any of the foregoing statements as to the actual future profitability or the ability to pay dividends in the future. Actual dividends proposed and declared may vary depending on the financial performance, cash flow and funding requirements of the Group, and may be waived if the payment of the dividends would adversely affect the cash flow and operations of the Group and it is also subject to the fulfilment of solvency test regulated by Companies Act 2016. As a result of net profit declined, the directors do not recommend any dividend payment in respect of the financial year ended 31 December 2017.

Teo Seng Capital Berhad is aiming to achieve not only the market competitive. We are determined to ensure sustainability is being preserve at all time to protect our stakeholders, the community, the environment and the social economy.

SUSTAINABILITY STATEMENT

INTRODUCTION

This Sustainability Statement ("Statement"), which is prepared in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), sets out what the Board considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters, that impact the way the Group's operations are carried out as well as how such Material Sustainability Matters are managed. In preparing this Statement, the Board has considered the Sustainability Reporting Guide and its accompanying Toolkits, issued by Bursa.

In line with Teo Seng Group's tagline "Hatching For The Future", our corporate sustainability philosophy involves formulating strategies to grow our business in a sustainable manner. Sustainability initiatives run deep into our core values, our day-to-day operations and business plans. We focus strongly on delivering value to our shareholders, practicing good governance, maximising contributions to stakeholders and minimising our environmental footprint.

SUSTAINABILITY GOVERNANCE STRUCTURE AND POLICIES

Our sustainability management is dealt with by the risk management team in the Group. The risk management personnel help in consolidating the risk assessment and risk register as well as developing and updating sustainability management framework based on corporate business objectives and report to Risk Manager. The management team is responsible for implementing the strategy, culture, people, processes, technology and structures which constitute the risk and sustainability management framework. Whilst the Board is primarily responsible for the sustainability performance of the Group, provides oversight and review of sustainability reporting.

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

The Group's policy is to identify, analyse and respond appropriately to relevant risks. The risk responses selected are determined by the appetites and tolerances for risks. These will vary over time according to the specific business objectives, for example strategic, operational or asset protection. The effectiveness of risk management and control measures will be regularly reported to and acted upon by the Board.

IDENTIFYING MATERIAL SUSTAINABILITY MATTERS

In cooperation with the internal and selected external stakeholders, we determine sustainability risks and opportunities with particular focus given to factors in terms of economic and market place, human resource and workplace as well as social and community. Each of the stakeholder has different requirements and concerns, therefore we engaged our stakeholders in various ways to further understand their concerns, interests, and obstacles. Thereafter, we take necessary actions to address these issues which are summarised in the following table:

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Aspect	Material Sustainability Matters	Stakeholder Group	Engagement Channel
Economic and Market Place	Biosecurity and Diseases Control in Farms	- Major Shareholder - Regulatory Authorities	- Internal meeting - On-going interaction
	Shortage of Labour Supply	- Board of Directors - Major Shareholder	- Internal meeting
Environmental	Waste Management on Farming Activities	- Regulatory Authorities - Local Community	- Press release - Media release - Formal and informal meeting - On-going Interaction
Human Resource and Workplace	Occupational Safety and Health (PPE)	- Employee - Regulatory Authorities	- Interview and Observation
	Employee Welfare (hostel)	- Employee - Regulatory Authorities	- Interview and Observation - Media Release
	Succession Planning	- Board of Directors - Major Shareholder	- Internal Meeting
	Career Development	- Employee	- Interview and Observation - Induction Training - Employee Performance Appraisal
Social and Community	Pest Control on Farming Activities	- Local community - Regulatory Authorities	- Press release - Media release - Formal and informal meeting - On-going Interaction
	Corporate Social Responsibilities ("CSR")	- Community	- Formal and informal meeting

It is first started from identifying all possible threats and risks by several sources of information and through daily operational works. It then followed by assessing and evaluating of the identified risk. Risk assessment criteria is developed as a mechanism and guidance to evaluate risk. The main purposes on risk assessment is to prioritise the risks that requires immediate risk treatment and risk respond. The prioritised risk will then be discussed and planned for actions and controls, that needed to be implemented and enforced, aiming to manage the risk to an appropriate level. Risk management is a never-ending process which constantly monitoring on risk's behaviours and the effectiveness of existing control. The whole risk management process is to be executed along with risk reporting structure. This helps to ensure the risks is always being monitored and proper alert is being reported to appropriate key person.

SUSTAINABILITY STATEMENT (CONT'D)

(A) Economic and Market Place Sustainability

- **Biosecurity and Diseases Control in Farms**

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

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

For the daily operation, the management has also established a rigorous biosecurity programmes. Biosecurity programmes that will prevent the introduction and establishment of pathogens in the poultry flocks are also in place. The operation audit team will perform regular review of the internal control to assess the effectiveness of the programmes. In year 2018, we plan to build additional 14 new shower rooms in our farms, and renovate 24 existing shower rooms. Result from excellent biosecurity and diseases control policies, we didn't experience any material case of disease outbreak from day one of layer farming business commencement.

- **Shortage of Labour Supply**

Generally, we need sufficient labour supply to operate our farms and most of them are foreign workers. It is well known that the foreign worker supply in Malaysia is reducing in recent years and which may affect daily operation of our farming activities. By foreseeing the further decreasing of foreign workers supply in the near future, the management has taken measures to promote the adoption of advanced technology to overcome the adverse impacts brought by the insufficient labour supply. The Group is now on the path of promoting and implementing technology, using automation system to solve the impending labour shortage as well as sustaining competitive advantages in line with the Group's mission. We have invested the automated chicken manure belt system in farms to reduce dependence on labour. This investment is estimated to be completed by year 2019.

(B) Environmental Sustainability

- **Waste Management on Farming Activities**

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

For the purpose of reducing the negative impact towards the environment which is derived from our farming activities, an effective waste management is implementing and will be continuously improved and developed to minimize the adverse impacts to environment and communities. A fertiliser plant was established and commenced production of organic fertiliser in year 2015. The components of an effective waste management of our Group include adequate site selection, efficient fertiliser production and waste collection from farms to fertiliser plant, chicken manure storage, handling, and treatment, transfer and application; and utilization. Along with the establishment of fertiliser plant, we can process 100 tonnes of chicken manure a day and convert the manure into organic fertiliser. In year 2018, our second fertiliser plant currently under construction will be completed and targeted to process additional 50 tonnes of chicken manure a day. With the implementation of rigorous waste management and organic fertiliser production, the potential environmental impact is significantly mitigated.

(C) Human Resource and Workplace Sustainability

- **Career Development**

Employee is always viewed as valuable assets to our Group. Therefore, with the rapid changes in terms of environmental and technology of the new era, efforts which putting in by the Group to ensure employee's competitiveness become key element to assure sustainability of the Group in long-run. There are few approach taken by the Group to help employees acquire the skills and experience needed to perform current and future jobs.

Employee training is one of the method which used extensively for the purpose of career development. The Group believes that employee training is essential for an organization's success. It helps to improve employee's performance, gain necessary level of knowledge and skill to productively, effectively, and profitably perform his or her job. The opportunity for employees to continue to grow and develop job and career-enhancing skills is integral to an employee's happiness and satisfaction with their job. This opportunity for employees to grow and develop through training is one of the most important factors in employee motivation, engagement, and positive morale. In order to ensure that employee is at the right track and right path, training needs analysis take place to identify targeting the correct competencies, and correct employee. Basically, apart from external seminars or trainings participated by our employees, there will be at least 5 in-house training modules conducted yearly to enhance employee development and long term's growth. In recent years, the Group put more focus on cognitive and behavioural program for instance interpersonal communication and logical thinking, leadership skills, lean production and etc. The details of the training conducted as below:

Training Course	Date	Venue
Understanding and Applying the MFRS - A Practical Approach	14 – 15 February 2017	Renaissance Hotel, Johor Bahru
Latest on Employers' Statutory Requirements in 2017 - Including Tax Implications of Employee Related Payments	02 March 2017	Hotel Jen Puteri Harbour, Johor Bahru
Firefighting & First Aid Training	11-13 March 2017	Teo Seng HQ
Business Sustainability and Reporting - Key to Business Success Today	13 March 2017	Connexion Conference and Events Centre @ The Vertical, Petaling Jaya
Reinvestment Allowance and Industrial Building Allowance	27 March 2017	Renaissance Hotel, Johor Bahru
Tax Deductible Expenses - Principles & Latest Developments	28 March 2017	Renaissance Hotel, Johor Bahru
Employment Income Principles & Latest Developments	10 April 2017	Mutiara Hotel, Johor Bahru
Effects of Companies Act 2016 on Accountants and Auditors	17 April 2017	Mutiara Hotel, Johor Bahru

Training Course	Date	Venue
Key Account Management Training 2017	03 – 04 May 2017	Mtree Hotel, Puchong
Corporate Tax Issues 2017	23 May 2017	Renaissance Hotel, Johor Bahru
40th Seminar on Recent Advances in Animal Health & Production	19 June 2017	Universiti Putra Malaysia, Serdang
Interpersonal Communication and Logical Thinking	20 - 21 July 2017 & 24 - 25 August 2017	Teo Seng HQ
Companies Act 2016 Unlocked	28 July 2017	Mutiara Hotel, Johor Bahru
Latihan Hands-On e-SWIS (Electronic Scheduled Waste Information System)	08 August 2017	Pusat Latihan Pengajar & Kemahiran Lanjut (CIAST), Shah Alam
Practical Assignment of New & Revised GST Tax Code	08 August 2017	Hotel Holiday Villa, Johor Bahru
Exabytes Internet Marketing Summit 2017	09 August 2017	MaGIC, Cyberjaya
The Leadership Edge Workshop	14 - 15 August 2017	Pinetree Hotel, BatuPahat
Building Successful Human Capital-Empowering talent in a Challenging Economy	17 August 2017	Ruby Ballroom One World Hotel, Petaling Jaya
Microsoft Excel-Intermediate	17 - 18 August 2017	Teo Seng HQ
27th AGM MSAVA - Improving Standards of Animal Welfare & Care for Our Patients	19 - 20 August 2017	Connexion @ Nexus Bangsar South, Kuala Lumpur
33rd World Veterinary Congress Korea 2017	27 - 31 August 2017	Incheon, Korea
Lean Production Strategies in Action	27 - 28 September 2017	Teo Seng HQ
Training on Quest 3+ Online System & Briefing on Variation Guidelines for Veterinary Products	02 November 2017	Hotel Holiday Villa, Subang
12th Advent MS Tax & Business Management Seminar	10 November 2017	Connexion @ Nexus Bangsar South, Kuala Lumpur
Microsoft Excel-Advanced Level	15 - 16 November 2017	Teo Seng HQ

On top of that, performance appraisal which conducted twice in a year provide the opportunity for a discussion of career development goals and employee work performance assessment.The linkage take place as career development plans are being implemented, with performance appraisal used as an opportunity to evaluate progress toward goals. Additionally, performance appraisal result could serve as good metrics to discover whether the employee has the desire but lacks the requisite knowledge and skills to attain one or more goals.

- **Succession Planning**

  Our Group is rolling a series of the effort to address the importance of succession planning to encounter any inevitable changes that might occur. Succession planning is crucial as it helps to strengthen the Board and staff's leadership to become 'transition ready'.

SUSTAINABILITY STATEMENT (CONT'D)

Succession planning policy is one of the essential framework to assure Group's continuity and sustainability when the key positions vacant. Succession planning policy served as useful guideline for identifying candidates for key roles throughout the organiszation and prepare them for defined leadership roles. The Group has reviewed the policy annually and revised as appropriate just to assure the effectiveness of the policy and well-prepared to train and groom the potential talent.

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

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

- **Occupational Safety and Health**

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 importance of safety and health in the workplace from the initiative action taken by the Company.

- **Safety and Health Policy**

Teo Seng Group is striving to provide a safe and healthy working environment to all employees. Safety and health policy has been established and target is set in order to promote safe work culture. Target and goal is instituted under this policy and the scope of this policy includes safe system of work, safety information on chemical, rules and regulations and continuous improvement.

- **Safety and Health Training**

We consistently provide educational training in terms of occupational safety and health. The purpose of training program is to cultivate safety awareness and enhance the ability of staffs, especially front-line workers, to apply the knowledge gained in practical, especially when they are encountering any emergency case.

Furthermore, the essential knowledge capability could promote safe work practice and good working behavior at premise. In year 2017, we have organiszed first aid training to our employees. Besides, fire drill is conducted annually, while firefighting training is conducted every two years. The purpose is to raise the awareness of fire hazards in the workplace and educate people on how to react in the event of any emergency, which including escape route, assembly point and selection of firefighting equipment.

- **Incident and Accident Investigation**

Incident investigation is to identify the root cause of accident or incident, then provide systematic control on such root causes to prevent the reoccurrence. We encourage and educate employees to immediately report any accident happened to respective person-in-charge. Safety and health officer will arrange incident investigation, accompany with safety and health committee member to determine the root cause and recommend control measure to minimize occupational hazards. The incident investigation reports will be submitted to management team and to be discussed periodically for the purpose of continuous improvement.

SUSTAINABILITY STATEMENT (CONT'D)

Incident/Accident Cases Reported	
Year	**Cases**
2016	12 cases
2017	10 cases

- **Employee Welfare**

  The Group provided comprehensive health benefits and insurance plan for the purpose of providing greater security to support the employees. Meanwhile, we aim to enhance the benefit provided to foreign workers to sustain the manpower for our layer farming operation. In view of this, we focus on improving their living condition by upgrading accommodation provided to foreign workers.

  In year 2017, we conducted a comprehensive accommodation audit in our farms, mainly focus on examining the adequacy, cleanliness and safety of hostel. Other than our own policy, the audit was also conducted in accordance with relevant rules and regulation governed by the regulatory authorities. Along with the issuance of audit report, we made improvements in terms of upgrading facilities providing them equipment such as new mattress and other necessary living facilities. In poultry industry, labour supply is always a issue to be raised. We believe that good living condition will reduce the turnover, retain employees and further to attract new foreign workers. In addition, a good personal and environment hygienic play an important role in increasing productivity, improving performance and reducing sickness to employees.

(D) Social and Community Sustainability

- **Pest Control on Farming Activities**

  As a layer farmer, pest is an unavoidable, but unwanted factor because it spreads disease, reduces productivity of the layer, destroys the building, is a nuisance to communities. Teo Seng is committed in minimising the impact of the pest from our farms. Over the years, we have been putting efforts to minimize the nuisance to local communities by implementing rigorous and effective pest control. The goal of pest control is to reduce pests to an acceptable level. Integrated pest control was developed to manage pests to achieve an acceptable level of pest activit, with the least disruption to the environment and communities.

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

- **Corporate Social Responsibilities ("CSR")**

  During the financial year, we strive to remain company trustworthy and reliable in implementing social activities that are closely linked to local communities in whatever way we find possible by providing material assistance to those in need. As we are deeply rooted in the community we served, we recognized that our CSR Programme engagement should be evolved. This initiative has been achieved by organizing a blood donation in collaboration with Hospital Sultanah Nora Ismail Batu Pahat on 08 June 2017 in Batu Pahat Mall.

CORPORATE **GOVERNANCE OVERVIEW 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 the principles and practices of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") prescribed in the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") towards achieving corporate excellence.

Teo Seng has established numerous governance documents such as Board Charter, Term of Reference of Committees, Enterprise Risk Management Framework as part of its corporate governance framework to identify all the key participants and the ways which are related to each other and to contribute to the application of the effective governance policies and processes.

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

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

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

There are clear segregation of the roles and responsibilities between the Chairman and Managing Director as set out in the Board Charter:

i. The Chairman is responsible for the 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.

ii. The 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.

iii. 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 on the Company's overall performance.

Roles and Responsibilities of the Board

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

The principal responsibilities of the Board include the following:

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

b. Overseeing the conduct of the Group's businesses to evaluate whether the businesses are being properly managed

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

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

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

The Board developed the Investor Relations Policy where several briefings with potential investors were conducted within the guidelines of the policy.

Investor Relations policy is available online at www.teoseng.com.my/investor-relations/

f. Review of the adequacy and integrity of the Group 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 Group internal control system and its effectiveness are available in the Statement of Risk Management and Internal Control of this Annual Report.

Qualified and Competent Company Secretaries

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

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

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

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 behaviour 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 AC.

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

Sustainability of Business

The Board is mindful and aware of the importance of business sustainability in conducting the Group business, the impact on the environment, social and governance aspect is taken into the 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.

Access to Information and Advice

The Board has unrestricted access to all information within the Group from the respective Managements at all time. The Board may seek advice from the Management concerned as it may require. The Board may obtain independent professional advice in furtherance of their duties whenever necessary at the Company's expense.

Board members are provided with updates on operational, financial and corporate issues as well as minutes of meetings of the various Board Committees prior to the meetings to enable Directors to obtain further explanations/clarifications if necessary, in order to ensure the effectiveness of the proceeding of the meetings. The Board members received the board papers at least 5 days before the board meetings whilst highly sensitive corporate proposals are circulated during the meeting.

Board makes public release through Bursa Malaysia via Bursa Link and kept informed of various requirements and updates issued by various regulatory authorities.

Additionally, the Directors may obtain independent professional advice in fulfilling their duties at the Group's expense through an agreed procedure.

Board Charter

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

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

The Company's Board Charter is available online at www.teoseng.com.my/investor-relations/

Pursuant to the issuance of the MCCG 2017, the Board had on 4 April 2018 reviewed and approved specific provisions to the Board Charter of Teo Seng Group to ensure the documents remain relevant and consistent with the recommended best practices and applicable rules and regulations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Composition

During the financial period under review, the Board consist 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 fulfils the requirements as set in the Main Market Listing Requirements of the Bursa Malaysia which require that one third (1/3) of the Board members are Independent Non-Executive Directors. The profile of each Director is presented on page 7 to page 12 of this Annual Report. The Directors, with the divest backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in relevant fields such as poultry farming, finance, business administration, corporate planning, development and marketing which are vital for the strategies success of the Group.

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.

Nomination Committee ("NC")

Selection and Assessment of Directors

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

The members of the NC:

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

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 each Individual Director of the Board on the aspect of skills, knowledge and experience, where various Committees to assess the effectiveness of the Board as a whole.

The NC is mindful of the importance of succession planning for the members of the Board and key management personnel. NC is always keep in view of suitable candidates for meeting the roles.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

NC reviews and recommends the suitable training programmes to the members of the Board in order to carrying out its functions. There was one NC meeting for the financial year ended 31 December 2017. The Committee meets in a need basis.

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

1. Reviewed the mix of skill and experience and other qualities of the Board.
2. Assessed the effectiveness of the Board as a whole, the Board committees and the Directors.
3. Reviewed the independence of the Directors.
4. Discussed the Company's Directors' retirement by rotation.
5. Conducted the assessment on the AC and each of its members.

Re-election of Directors

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

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

The Directors who will be retiring by rotation are Lau Jui Peng, Nam Yok San and Na Yok Chee in the forthcoming AGM. All of them, being eligible, offer themselves for re-election.

Key Management Personnel ("KMP")

Nam Hiok Joo and Ng Eng Leng are the KMPs of the Group during the financial year ended 31 December 2017.

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

Remuneration Committee ("RC")

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

The members of the RC:

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

CORPORATE
GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The duties and responsibilities of the Committee are as follows:

i. Recommendation to the Board of Directors on the remuneration package of the Executive Directors in all forms, drawing from external advice as necessary and the Executive Directors shall play no part in decisions on their own remuneration;

ii. Determination of remuneration package of Non-Executive Directors, would be carried out by the Board of Directors as a whole and the individual concerned would abstain from discussing their own remuneration; and

iii. Assessing the remuneration package of Directors and KMP is commensurate with their individual performance and responsibilities.

The Remuneration payable to the Board of Directors for the financial year ended 31 December 2017 is as follows:

	Company RM					
	Fee	**Salaries**	**Bonus**	**Benefit-in-kind**	**Other Emoluments**	**TOTAL**
Executive Director						
Lau Jui Peng	–	–	–	–	–	-
Lau Joo Han	–	–	–	–	–	–
Nam Yok San	–	169,073	42,120	–	40,140	251,333
Na Yok Chee	–	169,210	42,120	–	40,140	251,470
Sub-Total	**-**	**338,283**	**84,240**	**-**	**80,280**	**502,803**
Non-Executive Director						
Tan Sri Lau Tuang Nguang	24,000[1]	–	–	–	2,000	26,000
Loh Wee Ching	–	–	–	–	–	-
Choong Keen Shian	24,000[1]	–	–	–	2,000	26,000
Frederick Ng Yong Chiang	24,000[1]	–	–	–	2,000	26,000
Dato' Koh Low @ Koh Kim Toon	24,000[1]	–	–	–	2,000	26,000
Dato' Zainal Bin Hassan	24,000[1]	–	–	–	2,000	26,000
Sub-Total	**120,000[1]**	**-**	**-**	**-**	**10,000**	**130,000**
Total	**120,000**	**338,283**	**84,240**	**-**	**90,280**	**632,803**

	Group RM					
	Fee	**Salaries**	**Bonus**	**Benefit-in-kind**	**Other Emoluments**	**TOTAL**
Executive Director						
Lau Jui Peng	–	180,000	22,500	–	39,304	241,804
Lau Joo Han	–	208,426	14,760	–	15,589	238,775
Nam Yok San	–	554,993	112,606	4,000	71,194	742,793
Na Yok Chee	–	420,684	105,170	3,000	101,506	630,360
Sub-Total	**-**	**1,364,103**	**255,036**	**7,000**	**227,593**	**1,853,732**
Non-Executive Director						
Tan Sri Lau Tuang Nguang	24,000[1]	138,600	–	–	29,277	191,877
Loh Wee Ching	–	369,640	103,340	23,950	80,928	577,858
Choong Keen Shian	24,000[1]	–	–	–	2,000	26,000
Frederick Ng Yong Chiang	24,000[1]	–	–	–	2,000	26,000
Dato' Koh Low @ Koh Kim Toon	24,000[1]	–	–	–	2,000	26,000
Dato' Zainal Bin Hassan	24,000[1]	–	–	–	2,000	26,000
Sub-Total	**120,000[1]**	**508,240**	**103,340**	**23,950**	**118,205**	**873,735**
Total	**120,000**	**1,872,343**	**358,377**	**30,950**	**345,798**	**2,727,467**

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

The Remuneration paid to the two (2) Key Management Personnel who are not Directors of the Company for the financial year ended 31 December 2017 in the bands of RM50,000 are as follows-

Range of Remuneration	Nam Hiok Joo	Ng Eng Leng
RM 450,001 to RM500,000	–	√
RM550,001 to RM600,000	√	–

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

Independence of The Board

The Board adopted the concept of independence in tandem with the definition of Independent Non-Executive Director under the Paragraph 1.01 and Practice Note 13 of the Bursa Malaysia Listing Requirements. The Board carries out annual assessment to ensure the effectiveness of the independence of the Independent Non-Executive Directors. The Board is satisfied with the level of independence demonstrated by all of the Independent Non-Executive Directors ("INED") and their ability to act in the best interest of the Company. One third (1/3) of the total number of members of the Board are Independent Non-Executive Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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

Foster Commitment of Directors

Time Commitment

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

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. Board members' meeting attendance for the financial year ended 31 December 2017 were as follows:

Director	Board of Directors Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Lau Jui Peng	6/6	–	–	–
Nam Yok San	6/6	–	–	–
Na Yok Chee	6/6	–	–	–
Lau Joo Han	5/6	–	–	–
Tan Sri Lau Tuang Nguang	3/6	4/7	–	1/1
Dato' Zainal Bin Hassan	5/6	–	–	–
Loh Wee Ching	6/6	–	1/1	1/1
Choong Keen Shian	6/6	7/7	1/1	1/1
Frederick Ng Yong Chiang	5/6	6/7	1/1	–
Dato' Koh Low @ Koh Kim Toon	6/6	7/7	–	–

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Training and Development of Directors

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

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

Directors	List of Training Programmes/Seminars attended/participated	Date
Lau Jui Peng	Latest on Employers' Statutory Requirements in 2017 – including tax implication of Employee Related Payments	2 March 2017
Nam Yok San	Business Sustainability and Report – Key to Business Success Today	13 March 2017
	Companies Act 2016 Unlocked	28 July 2017
	In-house Training 2017: Overview of Listing Requirements	20 October 2017
Na Yok Chee	Effects of Companies Act 2016 on Accountants and Auditors	17 April 2017
	Companies Act 2016 Unlocked	28 July 2017
	In-house Training 2017: Overview of Listing Requirements	20 October 2017
Lau Joo Han	12th Advent MS Tax & Business Management Seminar	10 November 2017
Tan Sri Lau Tuang Nguang	Effects of Companies Act 2016 on Accountants and Auditors	17 April 2017
Dato' Zainal Bin Hassan	In-house Training 2017: The Leadership Edge Workshop	14-15 August 2017
Loh Wee Ching	Reinvestment Allowance and Industrial Building Allowance	17 April 2017
	In-house Training 2017: Overview of Listing Requirements	20 October 2017
Choong Keen Shian	In-house Training 2017: The Leadership Edge Workshop	14 - 15 August 2017

CORPORATE
GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Directors	**List of Training Programmes/Seminars attended/ participated**	**Date**
Frederick Ng Yong Chiang	2017 CPA Congress Kuala Lumpur	12 September 2017
	CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Ambiguous (VUCA) World	13 October 2017
	In-house Training 2017: Overview of Listing Requirements	20 October 2017
	MIA International Accountants Conference 2017	7-8 November 2017
	12th Advent MS Tax & Business Management Seminar	10 November 2017
Dato' Koh Low@ Koh Kim Toon	Reinvestment Allowance and Industrial Building Allowance	17 April 2017
	In-house Training 2017: Overview of Listing Requirements	20 October 2017
	12th Advent MS Tax & Business Management Seminar	10 November 2017

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee ("AC")

The Board is responsible for the financial statements and quarterly announcement of financial results that were prepared give a true and fair view of the Group's state of affairs. The Directors took the due care and reasonable steps to ensure that the requirements of accounting standards were fully met. The Board is assisted by the AC to oversee the Group`s financial reporting process and the quality of its financial reporting. The AC also review the aptness of the Group's accounting policies and the Changes thereto as well as the implementation of these policies.

The AC considered the adequacy of experience and resources of the audit firm and the professional staff assigned to the audit, independence of Messrs. PricewaterhouseCoopers and the level of non-audit services rendered to the Group for the financial year 2017.

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

The external auditors met the AC twice in the financial year under review. These were related to the assessment for the appointment of auditor with its proposed fee quotation and subsequently to present external audit plan memorandum for the financial year 2017.

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

Fees paid/payable to Messrs. PricewaterhouseCoopers as follows:

Work-done	Group	Company
Statutory Audit	278,927	44,000
Non-audit fee	43,000	–

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

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

Risk Management and Internal Control Framework

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

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

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

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

Further details relating to the review on internal control system are set out in the Statement on Risk Management and Internal Control on page 44 to page 47 of the Annual Report.

Timely and Quality Disclosure

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Communication with stakeholders

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

Conduct of General Meeting

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

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

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

This CG Overview Statement was approved by the Board of the Company on 4 April 2018.

Corporate Social Responsibility ("CSR")

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. The detail of CSR is presented on page 27 of Annual Report.

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 setting up and Health, Safety and Environment Officer was appointed to ensure a systematic safety and health plan and practices are carrying 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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.

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 to manufacture and market the environmental-friendly paper egg trays.

ADDITIONAL **COMPLIANCE INFORMATION**

In compliance with the Listing Requirement, the following additional information is provided:-

Material Contracts

There were no material contracts entered into or subsisting between the Company and its subsidiaries involving directors' and major shareholders' interest during the financial year ended 31 December 2017

Recurrent Related Party Transactions of a Revenue Nature

Save as disclosed in Note 29 of the Financial Statements in this Annual Report and the circular to shareholders (Recurrent Related Party Transactions) dated 27 April 2018, there was no other transaction conducted pursuant to the shareholders mandate during the financial year ended 31 December 2017.

Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2017.

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

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

In preparation of financial statement for the year ended 31 December 2017, the Directors are also responsible for the adoption of applicable accounting policies and their consistent use in the financial statements supported where necessary by reasonable and prudent judgments.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

The Board is pleased to provide the Group's Statement on Risk Management and Internal Control for the financial year ended 31 December 2017, which has been prepared pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and in accordance to 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 as well as the Malaysian Code on Corporate Governance 2017. 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 Director acknowledges the responsibilities for the overall risk associated within the Group. The roles of the Board including creation of a risk-awareness culture within the Group i.e. identifying, approving the key risks and ensuring the adequate implementation of appropriate internal control system to manage the identified risks with continuous effective reviews on the controls.

The Board recognises the review of Group's system of risk management and internal control is a process 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 to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects.

The system of internal control incorporated inter alia, risk management, financial, operational and compliance controls as well as the governance process.

RISK MANAGEMENT AND INTERNAL CONTROL

(a) Risk Management 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 & etc are managed at the top management level.

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

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 head of operating units ("HOU")
- 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

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 findings, if any and meeting of the agreed deadlines.

(b) Internal Control System

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

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

Organisational Structure Control

The responsibilities and authorisations are clearly defined and delegated to the Board, members of the Board, senior management and each head of operating units.

Elements of Organisation Control:

i. Management

Management has introduced a set of policies and procedures in various aspects of each operating units i.e. production, human capital, accounting & finance, sales & marketing and health & safety and etc. The procedures are reviewed regularly to the changes of risks and processes for improvements.

Changes and updates of the processes are communicated to all level of operating units by authorised Management.

A 2-way top-down communication channel is maintained for delegation from top management to lower level management and vice versa, feedback is brought back to top management in relation to business performance and staff affairs.

ii. Internal Audit ("IA")

The Group has an outsourced Group Internal Audit function ("GIAF") to provide assurance to the Audit Committee on the adequacy and integrity of the internal control system. The GIA function is led by the experienced Head of Internal Audit, whom is Associate Member of Institute of Internal Auditors Malaysia with more than 20 years of audit experience in various field of business industry, with his 2 audit staffs with equivalent knowledge in auditing.

The Group internal audit function, which is under the purview of the Audit Committee, is outsourced at RM51,850 for the financial year ended 31 December 2017.

The internal audit findings with management recommendations are reported to AC upon completion of each audit.

The internal auditor is independent from the business activities of the Group and carries out the GIA function according the Annual Audit Plan set and approved by Audit Committees ("AC").

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

iii. Audit Committees ("AC")

The Audit Committees comprise of Independent non-executive Directors and has full access to both Internal Auditor and External Auditors.

The AC reviews the Annual Audit Plan set by both Internal Auditor and External Auditor, Internal and External audit findings and recommendations to ensure the implementation of the control systems is adequate and effective.

AC also reviews the related party transactions, quarterly financial results and annual financial results and discuss with the Management.

The AC Report is set out on the page 48 to page 50 of this Annual Report contains further details on the activities undertaken by AC in 2017.

iv. Board

The Board holds periodic meetings and discussions with the AC and Management to consider the detailed reports on matters relating to the internal controls and deliberates on their recommendations for implementation.

<u>Waste Management Control</u>

The fertiliser division was established to facilitate the chicken waste management. Procedures to deal with waste management are in place and the respective Head of Department and Manager with vast experience report regularly to the Management to address any areas of concern.The Management and related personnel communicate regularly to monitor operational performance and obtain timely information on any issues in relation to environmental and regulatory compliance.

<u>Biosecurity and Disease Control</u>

Several risk management measures have been implemented actively and the measurement results are reviewed at all time to ensure any risk of diseases are remedied immediately. The management has also established a rigorous biosecurity programmes to effectively manage operational risks. The operation audit team performs regular review of the operational internal control to assess the effectiveness of those controls and reports any significant deviation immediately to Management.

<u>Raw Material Cost Control</u>

The management has taken several steps to mitigate the impact of raw material price fluctuation risk on our operation by bulk purchase with the related companies and buying forward to cushion the pricing impact.

<u>Human Resource Management Control</u>

Training and development programmes are established to ensure that the employees are constantly kept up-to-date with the constant technological changing environment and knowledge in order to be competent in the industry in line with achieving the Group's business objectives. Guidelines on human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequately competent employees who possess the necessary knowledge, skill and experience in carrying out their duties and responsibilities effectively and efficiently.

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

Reporting

The Managing Directors and the Senior Management discuss various aspects of the business, financial and operational performance of the Group.

Key matters that would be affecting the Group are brought to the attention of the AC by the Managing Director, Group Financial Controller, Head of Internal Audit and are reported to the Board on timely basis.

The Management also ensures that the knowledge of key market information in respect of the Group's products is always available in order to take appropriate pro-active measure safe-guarding the best interests of the Group.

Monitoring and Review

These are processes of on-going follow-up system of internal control within the Group and reports of any failings or weaknesses with details of rectifications and corrective measures.

The Board monitors by identifying and evaluating the weaknesses of the operational and financial environment within the operating units, review and implement internal control system to ensure its effectiveness in the Group.

The Board reviews the Management reporting system to ensure timely generation financial information for decision making.

The Management meets regularly to review reports, exchange market information, monitor business developments and resolve operational and management encountered issues.

REVIEW OF ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

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 aspects based on the risk management and internal control system of the Company.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this statement for the inclusion in the Annual Report for the financial year ended 31 December 2017 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 were no material losses incurred during the financial year under review as a result of weaknesses in the internal control system. 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 4 April 2018.

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 2017 in compliance with Paragraph 15.15 of the Main Listing Requirement of Bursa Malaysia.

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 Listing Requirements 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 seven (7) meetings of the Audit Committee held during the financial year ended 31 December 2017, which were attended by the Audit Committee members as follows:

Name of member	Number of meetings attended
Choong Keen Shian	7/7
Tan Sri Lau Tuang Nguang	4/7
Frederick Ng Yong Chiang	6/7
Dato' Koh Low @ Koh Kim Toon	7/7

AUDIT COMMITTEE'S REPORT (CONT'D)

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

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

1. Financial Reporting

a) Review of Quarterly Reports

The AC reviewed the respective unaudited quarterly financial results prior to submission to the Board for consideration and approval. The unaudited quarterly financial results for the fourth quarter ended 31 December 2016, first quarter ended 31 March 2017, second quarter ended 30 June 2017 and third quarter ended 30 September 2017 were tabled at the AC meetings held on 24 February 2017, 26 May 2017, 29 August 2017 and 17 November 2017 respectively.

The Group has early adopted the Malaysian Financial Reporting Standards for the financial year ended 31 December 2017.

b) Audited Financial Statements

On 7 April 2017, the AC reviewed the Audited Financial Statements for the year ended 31 December, 2016.

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 24 February 2017, the AC reviewed the Audit Review Memorandum from the external auditors, Messrs Crowe Horwath ("Crowe Horwath") 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 2016.

Crowe Horwath had declared and confirmed that they were independent and would be independent through their audit engagement.

The AC had on 26 April 2017 met with Messrs PricewaterhouseCoopers ("PwC"), the proposed new External Auditors of the Company nominated by Advantage Valuations Sdn Bhd, a substantial shareholder of the Company for the financial year ending 31 December 2017 in place of the outgoing Auditors, Crowe Horwath. The Proposed Change of Auditors is to be in line with the ultimate holding company's policy to streamline the auditors for the Group. The AC was satisfied with the presentation by PwC based on the quality of services, sufficiency of resources, performance, independence and professionalism, and their ability to conduct the external audit within an agreeable timeline fixed by the Management, Accordingly, it was recommended to the Board to seek shareholders' approval to appoint PwC as the Auditors of the Company for the financial year ending 31 December 2017 in place of the outgoing Auditors, Crowe Horwath at the 11th Annual General Meeting.

On 11 September 2017, the AC reviewed audit plan of external auditor, PwC for financial year ending 31 December 2017.

3. Internal Audit

On 29 August 2017 and 17 November 2017, the AC received, reviewed and discussed the Internal Audit Reports 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.

AUDIT COMMITTEE'S REPORT (CONT'D)

4. Related Party Transactions

At each quarterly meeting, the AC reviewed and noted all the Related Party Transactions ("RPT") including the Recurrent Related Party Transactions ("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 1 August 2017 reviewed, approved and recommended a RPT to the Board by way of written resolution for acquisition of 1 set of Staalkat Farm Packer SFP 100 ("equipment') (contain 2 packers) by Teo Seng Farming Sdn Bhd, a wholly owned subsidiary of the Company from a related party, KPF Farming Sdn Bhd ("KPF") for a total purchase consideration of RM240,000-00. Tan Sri Lau Tuang Nguang, a Director of KPF owns 10% equity interest in KPF, is a Director and shareholder of Teo Seng. As the value of the consideration of the transaction is less than RM500,000-00, no announcement to Bursa Malaysia Securities Berhad is required for the said RPT.

5. Other Matters

On 24 February 2017, the AC summarised the works and findings to the Board for preparing the Audit Committee Report and reviewed Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report 2016 of the Company.

On 7 April 2017, the AC reviewed the Circular to Shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature.

FINANCIAL **STATEMENTS**

DIRECTORS' **REPORT**

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

DIRECTORS

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

Directors of the Company
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 of subsidiaries
Dato' Lau Bong Wong
Na Hap Cheng
Nam Hiok Yong
Nam Hiok Joo
Ng Eng Leng
Lim Meng Bin
Sim Kim Hwa
Lee Choon Seng
Na Eluen
Dato' Dr. Ma'amor bin Osman
Dr Aidawani binti Abd Latif

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group RM	**Company RM**
Net profit/(loss) for the financial year attributable to:		
- owners of the Company	3,460,026	(1,207,003)

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year:

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

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

TREASURY SHARES

As at 31 December 2017, the Company held as treasury shares a total of 209,000 out of its 300,001,225 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM376,237. Relevant details on the treasury shares are disclosed in Note 19 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

WARRANTS

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration as disclosed in Note 7 to the financial statements) 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 29 to the financial statements.

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its related corporations during the financial year except as follows:

		Number of ordinary shares			
		At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
The Company					
Tan Sri Lau Tuang Nguang	- Direct	20,000	0	0	20,000
Nam Yok San	- Direct	0	7,121,733	0	7,121,733
Na Yok Chee	- Direct	2,852,175	653,000	(2,927,289)	577,886

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

		Number of warrants			
		At 1.1.2017	**Exercised**	**Disposed**	**At 31.12.2017**
The Company					
Lau Jui Peng	- Indirect	26,015,716	0	0	26,015,716
Nam Yok San	- Indirect	25,586,507	0	(25,561,507)	25,000
Na Yok Chee	- Indirect	25,582,257	25,561,507	(25,561,507)	25,582,257

		Number of ordinary shares			
		At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Immediate holding company – Advantage Valuations Sdn. Bhd.					
Tan Sri Lau Tuang Nguang	- Direct	1	0	0	1
Lau Jui Peng	- Indirect	5,097	0	0	5,097
Nam Yok San	- Indirect	4,900	0	(4,900)	0
Na Yok Chee	- Indirect	4,900	4,900	(4,900)	4,900
Ultimate holding company – Emerging Glory Sdn. Bhd.					
Tan Sri Lau Tuang Nguang	- Direct	14,999	0	0	14,999
Lau Jui Peng	- Indirect	20,002	0	0	20,002 #
Lau Joo Han	- Direct	10,001	0	0	10,001

\# Deemed interest by virtue of shares held by children.

By virtue of his interest in the shares of the immediate holding company and ultimate holding company, Lau Jui Peng and Nam Yok San are also deemed to have interest in the shares of the Company and all of its related companies to extent that the ultimate and immediate holding company have interest.

DIVIDENDS

No dividends has been paid or declared since the end of the previous financial year. The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2017.

DIRECTORS' REMUNERATION

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

HOLDING COMPANIES

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

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

(c) At the date of this report:

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

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

(d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

SUBSIDIARIES

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

AUDITORS' REMUNERATION

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

AUDITORS

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 4 April 2018. Signed on behalf of the Board of Directors:

LAU JUI PENG
DIRECTOR

NA YOK CHEE
DIRECTOR

Melaka

STATEMENT BY **DIRECTORS**

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

We, Lau Jui Peng and Na Yok Chee, being two of the Directors of Teo Seng Capital Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 63 to 148 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial year ended 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 4 April 2018.

LAU JUI PENG
DIRECTOR

NA YOK CHEE
DIRECTOR

Melaka

STATUTORY **DECLARATION**

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

I, Na Yok Chee, the Director primarily responsible for the financial management of Teo Seng Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 63 to 148 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.

NA YOK CHEE

Subscribed and solemnly declared by the abovenamed

At: Melaka
in the State of Melaka, Malaysia

On: 4 April 2018

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF TEO SENG CAPITAL BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Teo Seng Capital Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 148.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TEO SENG CAPITAL BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter

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

Key audit matter	How our audit addressed the key audit matters
Valuation of biological assets Upon early adoption of the MFRS framework, the Group changed its measurement basis of biological assets from cost method to fair value method as required by MFRS 141, Agriculture. The biological assets of the Group comprise pullets and layers. In determining the fair value of the biological assets, the Group uses the discounted cash flows model and significant judgement is involved in determining the key assumptions which will impact the amount of fair value of biological assets recognised. We focused on this area because there is key judgement involved in determining the expected number of table eggs produced by each layer, the expected selling price of the table eggs, mortality rate, feed consumption rate and feed costs over the remaining life of the layers, as well as the discount rates. The accounting policy for biological assets has been disclosed in Note 3.8 to the financial statements. The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 14 to the financial statements.	We evaluated the appropriateness of the methodology and key assumptions used by management in valuation of the biological assets. We have checked the mathematical accuracy of the valuation model prepared by management. We involved our valuation experts to check the discount rate used in computing the discounted cash flows of the biological assets to arrive at the fair value. We have corroborated the weekly number of table eggs produced and weekly feed consumption volume to the historical data provided to us by management. In respect of the projected selling prices and feed costs, we have back-tested by comparing the projected prices against historical prices and checked the reasonableness of the adjustments made for abnormal market movements. We have test checked the mortality rate assumption against historical actual mortality rate and found them to be in agreement. We assessed the appropriateness of the range used to test the sensitivity analysis performed by management as disclosed in Note 14. Based on the above procedures performed, we did not note material exceptions to the management's assessment on the valuation of biological assets as at 31 December 2017.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TEO SENG CAPITAL BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report, which we obtained prior to the date of this auditors' report, and the 2017 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TEO SENG CAPITAL BERHAD (CONT'D)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

1. As stated in Note 2 to the financial statements, Teo Seng Capital Berhad adopted Malaysian Financial Reporting Standards on 1 January 2017 with a transition date of 1 January 2016. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2016 and 1 January 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year ended 31 December 2016 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2017, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2017 do not contain misstatements that materially affect the financial position as at 31 December 2017 and financial performance and cash flows for the financial year then ended.

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF1146
Chartered Accountants

SHIRLEY GOH
01778/08/2018 J
Chartered Accountant

Melaka

4 April 2018

CONSOLIDATED STATEMENT **OF COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
Revenue	4	422,588,147	433,712,152
Other income	5	5,902,222	4,895,349
Purchase of trading merchandise, raw materials, livestocks and poultry feeds		(310,658,472)	(308,858,150)
Changes in closing inventories		9,470,913	8,963,149
Changes in biological assets		(5,221,844)	1,109,602
Staff costs	6	(44,973,995)	(47,303,583)
Depreciation of property, plant and equipment	11	(17,268,120)	(15,838,339)
Utilities expense		(17,062,491)	(15,223,451)
Other expenses		(31,540,084)	(29,041,826)
Operating profit		11,236,276	32,414,903
Finance income			
- interest income		181,374	229,229
Finance costs	8	(7,331,981)	(6,675,849)
Finance costs - net		(7,150,607)	(6,446,620)
Profit before tax	9	4,085,669	25,968,283
Tax	10	(625,643)	(5,247,730)
Profit after tax		3,460,026	20,720,553
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
- fair value changes of available-for-sale financial assets		1,030	1,895
- foreign currency translation differences		(440,605)	344,494
Total other comprehensive income		(439,575)	346,389
Total comprehensive income for the financial year		3,020,451	21,066,942

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Note	2017 RM	2016 RM
Profit after tax attributable to:			
Owners of the Company		3,460,026	20,720,553
Total comprehensive income attributable to:			
Owners of the Company		3,020,451	21,066,942
Earnings per ordinary share (sen):			
Basic	25(a)	1.15	6.91
Diluted	25(b)	1.15	6.91

COMPANY STATEMENT **OF COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	**2017 RM**	**2016 RM**
Revenue	4	960,000	14,660,000
Staff costs	6	(1,175,048)	(1,038,461)
Depreciation of property, plant and equipment	11	(241,691)	(190,319)
Other expenses		(746,914)	(529,083)
Operating (loss)/profit		(1,203,653)	12,902,137
Finance income		36,093	104,358
Finance costs		(39,443)	(84,699)
Finance (cost)/income - net		(3,350)	19,659
(Loss)/profit before tax	9	(1,207,003)	12,921,796
Tax	10	0	0
Net (loss)/profit and total comprehensive (loss)/income for the financial year		(1,207,003)	12,921,796

CONSOLIDATED STATEMENT **OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

	Note	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11	316,059,887	294,390,685	253,765,772
Other investment	13	13,590	17,560	15,665
		316,073,477	294,408,245	253,781,437
CURRENT ASSETS				
Biological assets	14	45,030,808	50,252,652	49,143,050
Inventories	15	38,255,515	28,784,602	19,821,453
Trade and other receivables	16	64,422,992	51,561,544	56,391,566
Tax recoverable		11,829,056	8,924,285	2,327,491
Cash and bank balances	17	19,368,332	34,264,068	30,239,488
		178,906,703	173,787,151	157,923,048
TOTAL ASSETS		494,980,180	468,195,396	411,704,485
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	18	60,001,654	60,000,245	60,000,245
Treasury shares	19	(376,237)	(376,237)	(376,237)
Other reserves	20	(25,642,666)	(25,201,682)	(25,548,071)
Retained earnings		214,799,370	211,339,344	198,113,597
TOTAL EQUITY		248,782,121	245,761,670	232,189,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONT'D)

	Note	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
LIABILITIES				
NON-CURRENT LIABILITIES				
Bank borrowings	21	39,410,322	42,421,250	11,528,167
Hire purchase payables	22	11,642,736	8,999,053	12,034,386
Deferred tax liabilities	23	17,696,995	21,128,100	21,411,518
		68,750,053	72,548,403	44,974,071
CURRENT LIABILITIES				
Trade and other payables	24	49,460,427	49,371,128	41,335,737
Bank borrowings	21	118,183,539	92,320,020	84,986,342
Hire purchase payables	22	8,532,327	6,722,199	7,187,893
Tax payable		1,271,713	1,471,976	1,030,908
		177,448,006	149,885,323	134,540,880
TOTAL LIABILITIES		246,198,059	222,433,726	179,514,951
TOTAL EQUITY AND LIABILITIES		494,980,180	468,195,396	411,704,485

COMPANY STATEMENT **OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

	Note	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11	1,471,657	1,088,966	1,047,047
Investments in subsidiaries	12	75,783,485	73,383,485	71,383,485
Non-current receivable	16	0	2,352,699	3,912,699
		77,255,142	76,825,150	76,343,231
CURRENT ASSETS				
Trade and other receivables	16	1,552,100	1,132,477	2,087,255
Tax recoverable		549,683	540,929	535,267
Cash and bank balances	17	145,514	777,313	291,264
		2,247,297	2,450,719	2,913,786
TOTAL ASSETS		79,502,439	79,275,869	79,257,017
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	18	60,001,654	60,000,245	60,000,245
Treasury shares	19	(376,237)	(376,237)	(376,237)
Other reserves	20	0	1,409	1,409
Retained earnings		17,527,774	18,734,777	13,307,787
TOTAL EQUITY		77,153,191	78,360,194	72,933,204
LIABILITIES				
NON-CURRENT LIABILITIES				
Hire purchase payables	22	35,899	0	7,872
		35,899	0	7,872
CURRENT LIABILITIES				
Trade and other payables	24	2,279,248	907,803	6,223,976
Hire purchase payables	22	34,101	7,872	91,965
		2,313,349	915,675	6,315,941
TOTAL LIABILITIES		2,349,248	915,675	6,323,813
TOTAL EQUITY AND LIABILITIES		79,502,439	79,275,869	79,257,017

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	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 earnings RM	Total equity RM
2016										
At 1 January 2016										
- as stated under FRS		60,000,245	(376,237)	1,409	(26,078,000)	515,879	4,031,856	12,641	153,553,981	191,661,774
- effects of transition to MFRS	33	0	0	0	0	0	(4,031,856)	0	44,559,616	40,527,760
- as restated		60,000,245	(376,237)	1,409	(26,078,000)	515,879	0	12,641	198,113,597	232,189,534
Comprehensive income										
Net profit for the financial year		0	0	0	0	0	0	0	20,720,553	20,720,553
Other comprehensive income										
- Fair value changes of available-for-sale financial assets		0	0	0	0	0	0	1,895	0	1,895
- Foreign currency translation differences		0	0	0	0	344,494	0	0	0	344,494
Total comprehensive income for the financial year		0	0	0	0	344,494	0	1,895	20,720,553	21,066,942
Transactions with owners										
Dividends	26	0	0	0	0	0	0	0	(7,494,806)	(7,494,806)
Total transactions with owners		0	0	0	0	0	0	0	(7,494,806)	(7,494,806)
At 31 December 2016		60,000,245	(376,237)	1,409	(26,078,000)	860,373	0	14,536	211,339,344	245,761,670

COMPANY STATEMENT **OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital RM	Treasury shares RM	Share premium RM	Retained earnings RM	Total equity RM
2017						
At 1 January 2017		60,000,245	(376,237)	1,409	18,734,777	78,360,194
<u>Comprehensive loss</u>						
Net loss and total comprehensive loss for the financial year		0	0	0	(1,207,003)	(1,207,003)
Effect of transition to no par value regime		1,409	0	(1,409)	0	0
At 31 December 2017		60,001,654	(376,237)	0	17,527,774	77,153,191
2016						
At 1 January 2016		60,000,245	(376,237)	1,409	13,307,787	72,933,204
<u>Comprehensive income</u>						
Net profit and total comprehensive income for the financial year		0	0	0	12,921,796	12,921,796
<u>Transactions with owners of the Company</u>						
Dividends	26	0	0	0	(7,494,806)	(7,494,806)
Total transactions with Owners of the Company		0	0	0	(7,494,806)	(7,494,806)
At 31 December 2016		60,000,245	(376,237)	1,409	18,734,777	78,360,194

CONSOLIDATED STATEMENT **OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		3,460,026	20,720,553
Adjustments for:			
Property, plant and equipment			
- depreciation		17,268,120	15,838,339
- gain on disposal		(439,320)	(85,767)
- written off		268,396	46,261
- impairment loss		0	38,565
Inventories			
- written off		22,528	13,717
- written down		28,815	21,925
Reversal of inventories written down		(9,618)	(13,002)
Bad debts written off		4,568	69,264
Deposits written off		0	100,000
Allowance for impairment losses on trade receivables		144,091	1,360,555
Reversal of allowance for impairment losses on trade receivables		(277,325)	(163,845)
Fair value loss on derivatives		977	15,143
Unrealised loss/(gain) on foreign exchange		(109,886)	351,726
Dividend income		(140)	(220)
Interest expenses		7,331,981	6,675,849
Interest income		(181,374)	(229,229)
Tax expense		625,643	5,247,730
		28,137,482	50,007,564
Changes in working capital:			
Biological assets		5,221,844	(1,109,602)
Inventories		(9,536,194)	(8,970,127)
Receivables		(11,142,404)	3,070,716
Payables		525,199	8,615,765
Cash generated from operations		13,205,927	51,614,316
Interest received		181,374	229,229
Tax paid		(7,555,955)	(12,014,000)
Tax refund		506,599	223,111
Net cash flow (used in)/generated from operating activities		6,337,945	40,052,656

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Note	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		140	220
Proceeds from disposal of other investment		5,000	0
Proceeds from disposal of property, plant and equipment		610,284	214,248
Purchase of property, plant and equipment	11(d)	(29,029,049)	(52,214,141)
Net cash flow used in investing activities		(28,413,625)	(51,999,673)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movements in bankers' acceptances		25,134,000	3,633,000
Proceeds from drawdown of term loans		6,300,000	39,506,317
Repayment of term loans		(8,295,332)	(5,393,762)
Repayment of hire purchase payables		(8,714,375)	(7,820,607)
Dividends paid		0	(7,494,806)
Interest paid		(7,331,981)	(6,675,849)
Net cash flow generated from financing activities	27	7,092,312	15,754,293
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(14,983,368)	3,807,276
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		87,632	217,304
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		34,264,068	30,239,488
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	17	19,368,332	34,264,068

COMPANY STATEMENT
OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)/profit for the financial year		(1,207,003)	12,921,796
Adjustments for:			
Property, plant and equipment			
- depreciation		241,691	190,319
Dividend income		0	(13,700,000)
Interest expenses		39,443	84,699
Interest income		(36,093)	(104,358)
		(961,962)	(607,544)
Changes in working capital:			
Receivables		(453,924)	514,778
Payables		(13,862)	67,395
Cash used in operations		(1,429,748)	(25,371)
Tax paid		(8,754)	(18,326)
Tax refund		0	12,664
Net cash flow used in operating activities		(1,438,502)	(31,033)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		0	13,700,000
Subscription of additional shares in subsidiaries	12	(13,000)	0
Purchase of property, plant and equipment	11(d)	(537,051)	(232,238)
Interest received		36,093	104,358
Net cash flow (used in)/generated from investing activities		(513,958)	13,572,120
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from a subsidiary		1,623,392	4,257,488
Repayment to a subsidiary		(255,416)	(9,641,056)
Repayment of hire purchase payables		(7,872)	(91,965)
Dividends paid		0	(7,494,806)
Interest paid		(39,443)	(84,699)
Net cash flow generated from/(used in) financing activities	27	1,320,661	(13,055,038)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(631,799)	486,049
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		777,313	291,264
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	17	145,514	777,313

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed on 4 April 2018.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

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

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

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.1.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.2 First time adoption of MFRS

As the Group falls within the scope of MFRS 141 'Agriculture', it is a transitional entity and hence it is only required to adopt the MFRS reporting framework for financial statements beginning on 1 January 2018. However, the Group has decided to early adopt the MFRS framework for the preparation of the financial statements of the Group and of the Company for the financial year ended 31 December 2017.

The financial statements of the Group and the Company for the financial year ended 31 December 2017 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of Malaysian Financial Reporting Standards'. Subject to certain transition elections disclosed in Note 2.3, the Group and Company have consistently applied the same accounting policies in their opening MFRS statements of financial position as at 1 January 2016 (transition date) and throughout all periods presented, as if these policies had always been in effect. Comparative figures for 2016 in these financial statements have been restated to give effect to these changes. Note 33 discloses the impact of the transition to MFRS on the Group's and the Company's reported financial position, financial performance and cash flows.

2.3 MFRS 1 exemption options

As provided in MFRS 1, first-time adopters of MFRS can elect optional exemptions from full retrospective application of MFRSs. The Group has adopted the following optional exemptions:

(a) Exemption for business combinations

MFRS 1 provides the option to apply MFRS 3 'Business Combinations' prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2016. Business combinations that occurred prior to 1 January 2016 have not been restated. In addition, the Group has also applied MFRS 127 'Consolidated and Separate Financial Statements' from the same date.

(b) Exemption for fair value as deemed cost – property, plant and equipment

In accordance with the exemptions in MFRS 1, the Group has elected to measure freehold land at fair value as at transition date as their deemed cost as at that date. The aggregate fair value and adjustments to the carrying amount reported under FRS at transition date are as follows:

	Aggregate fair value RM	Aggregate adjustments to the carrying amount reported under FRS RM
Property, plant and equipment	61,166,000	31,213,520

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 MFRS 1 exemption options (continued)

(c) Exemption for previous revaluation as deemed cost – property, plant and equipment

In accordance with the exemptions in MFRS 1, the Group has elected to measure certain land and buildings at the previous revaluation amounts as deemed cost as at the date of the last revaluation. Accordingly the carrying amount of these land and buildings have not been restated.

(d) Exemption for all assets and liabilities of subsidiaries whose transition dates are earlier than parent.

The Company, in its consolidated financial statements, measured the assets and liabilities of subsidiaries at the same carrying amounts as in the financial statements of those subsidiaries that have adopted the MFRS framework earlier than the Company, after adjusting for consolidation adjustments.

2.4 Standards and amendments that have been issued but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

  - For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139.The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The financial assets held by the Group include:
- equity instruments currently classified as available-for-sale for which a FVOCI election is available.
- debt instruments measured at amortised cost which meet the conditions for classification at amortised cost under MFRS 9.

The Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects a small increase in the loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

• MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  a) Identify contracts with customers;
  b) Identify the separate performance obligations;
  c) Determine the transaction price of the contract;
  d) Allocate the transaction price to each of the separate performance obligations; and
  e) Recognise the revenue as each performance obligation is satisfied.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Key provisions of the new standard are as follows:

a) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
b) If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
c) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice.
d) There are new specific rules on licenses, warranties, non-refundable fees, and consignment arrangements, to name a few.
e) As with any new standard, there are also increased disclosures.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has not identified areas that will be affected by the new standard.

Revenue from sale of eggs, animal feeds animal health products and other related products is recognised when control of the goods has been transferred to the customers, i.e. either upon delivery of goods to a location specified by the customers or acceptance of the goods by the customers. There is no bundle contracts, hence no separate performance obligations. There is also no element of financing present as the Group's sales of goods are either on cash term or on credit terms of up to 120 days.

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

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

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

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

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

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

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

  IC Interpretation 23 will be applied retrospectively.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

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

  The effects of the above new standards, amendments and improvements to standard are currently being assessed by the Directors.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Critical accounting estimates and judgements

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

(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) Biological assets

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

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

The Group recorded a fair value for its biological assets of RM45,030,808 as at 31 December 2017 (2016: RM50,252,652). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 14 to the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Consolidation

3.2.1 Subsidiaries

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

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable asset acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Consolidation (continued)

3.2.2 Disposal of subsidiaries

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

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

3.3 Investments in subsidiaries

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

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

3.4 Property, plant and equipment

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

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

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

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

Depreciation on assets under construction commences when the assets are ready for their intended use.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3.6 on impairment of non-financial assets.

3.5 Investment properties

Investment properties, comprising principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are measured initially at their cost, including related transaction costs.

After initial recognition, investment properties are stated at cost less any accumulated depreciation and impairment losses. Freehold land is not depreciated as it has an infinite life. Buildings are depreciated on a straight line basis to allocate the cost to its residual value over its estimated useful lives of 50 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in profit or loss.

3.6 Impairment of non-financial assets

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

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases

(i) Accounting by lessee

Finance leases

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

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

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

Operating leases

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

3.8 Biological assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

3.10 Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

(ii) Recognition and initial measurement

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

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

(iii) Subsequent measurement – gains and losses

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

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

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

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

(iv) Subsequent measurement - Impairment of financial assets

Assets carried at amortised cost

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

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

<u>Assets carried at amortised cost</u> (continued)

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

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

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

<u>Assets classified as available-for-sale</u>

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (continued)

(v) De-recognition

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

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

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

3.11 Financial liabilities

A financial liability is recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The Group's financial liabilities comprise trade payables and other financial liabilities.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.12 Offsetting financial instruments

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Derivative financial instruments

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 3.10(i).

3.14 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

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

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

3.15 Current and deferred income taxes

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

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

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Current and deferred income taxes (continued)

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

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

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

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

3.16 Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

(iii) Dividend distribution

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

(iv) Purchase of own shares

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Cash and cash equivalents

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

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

3.18 Borrowings and borrowing costs

(i) Borrowings

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

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

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

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

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

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 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 ownerships of the goods have been transferred to the buyer.

(b) Services

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

(c) Management fee income

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

(d) Interest income

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

(e) Dividend income

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

(f) Rental income

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

3.20 Employee benefits

(i) Short term employee benefits

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

(ii) Post-employment benefits

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Functional currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Group companies

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Operating segments

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

4 REVENUE

	2017 RM	2016 RM
Group		
Net invoiced value of goods sold	422,588,147	433,712,152
Company		
Dividend income from:		
- subsidiaries	0	13,700,000
Management fee	960,000	960,000
	960,000	14,660,000

5 OTHER INCOME

	2017 RM	2016 RM
Group		
Service income	1,232,431	1,186,796
Insurance compensation	495,833	102,959
Rental income	459,803	374,040
Gain on disposal of property, plant and equipment	439,320	85,767
Government grants	74,760	117,169
Foreign exchange gain		
- realised	1,859,323	1,946,206
- unrealised	205,615	0
Reversal of allowance for impairment losses on trade receivables	277,325	163,845
Sale of scrap	559,651	519,133
Others	298,161	399,434
	5,902,222	4,895,349

6 STAFF COST

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and bonus	38,570,829	37,061,860	922,963	939,743
Defined contribution plan	3,005,838	2,815,587	53,422	42,570
Other emoluments	3,397,328	7,426,136	198,663	56,148
	44,973,995	47,303,583	1,175,048	1,038,461

7 DIRECTORS' REMUNERATION

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

Group	2017 RM	2016 RM
Executive Directors of the Company		
Salaries, bonuses and other benefits	1,629,139	4,035,220
Defined contribution benefits	227,593	320,293
Benefits-in-kind	7,000	7,000
	1,863,732	4,362,513
Non-Executive Directors of the Company		
Fees	120,000	120,000
Salaries, bonuses and other benefits	611,580	840,439
Defined contribution benefits	108,205	114,342
Benefits-in-kind	23,950	22,073
	863,735	1,096,854
Executive Directors of the subsidiaries		
Salaries, bonuses and other benefits	2,883,041	4,537,499
Defined contribution benefits	451,933	523,906
Benefits-in-kind	56,892	69,850
	3,391,866	5,131,255
Non-Executive Directors of the subsidiaries		
Fees	72,000	72,000
Other benefits	0	24,000
	72,000	96,000
TOTAL DIRECTORS' REMUNERATION	6,191,333	10,686,622

7 DIRECTORS' REMUNERATION (CONTINUED)

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

Company	**2017 RM**	**2016 RM**
Executive Directors of the Company		
Salaries, bonuses and other benefits	432,523	500,022
Defined contribution benefits	80,280	94,918
	512,803	594,940
Non-Executive Directors of the Company		
Fees	120,000	120,000
Salaries, bonuses and other benefits	0	10,000
	120,000	130,000
TOTAL DIRECTORS' REMUNERATION	632,803	724,940

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

	Company Number of Directors	
	2017	**2016**
Executive Directors:		
RM 600,001 - RM 750,000	3	1
RM 750,001 - RM 900,000	1	1
RM 1,200,001 - RM 1,350,000	0	1
RM 1,500,001 - RM 1,650,000	0	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	0
RM 750,001 - RM 900,000	0	1

8 FINANCE COST

	2017 RM	2016 RM
Group		
Interest expenses on financial liabilities not at fair value through profit or loss:		
Bank overdrafts	54,722	15,072
Bankers' acceptances	3,857,391	3,463,565
Hire purchase	1,154,002	1,185,097
Revolving credit	256,457	254,664
Term loan	2,008,902	1,757,268
Others	507	183
	7,331,981	6,675,849
Company		
Interest expenses on financial liabilities not at fair value through profit or loss:		
Hire purchase	33	2,944
Advance from subsidiary	39,410	81,755
	39,443	84,699

9 (LOSS)/PROFIT BEFORE TAX

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

	2017 RM	2016 RM
Group		
Allowance for impairment losses on trade receivables	144,091	1,360,555
Auditors' remuneration	278,927	222,915
Bad debts written off	4,568	69,264
Deposit written off	0	100,000
Fair value loss on derivatives	977	15,143
Property, plant and equipment		
- impairment loss	0	38,565
- written off	268,396	46,261
Inventories		
- written off	22,528	13,717
- written down	28,815	21,925
Reversal of inventories written down	9,618	(13,002)
Rental expenses	308,990	590,063
Company		
Auditors' remuneration	44,000	30,000

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

10 TAX

(a) The tax expense comprise:

	Group 2017 RM	Group 2016 RM
Current tax		
- Malaysian tax	3,046,456	5,264,753
- Foreign tax	586,217	533,432
- Under/(over)accrual in prior financial year	323,593	(234,102)
	3,956,266	5,564,083
Deferred tax (Note 23)	(3,330,623)	(367,353)
Real property gains tax	0	51,000
	625,643	5,247,730

There is no tax charge for the Company as there is no chargeable income.

(b) Numerical reconciliation of tax expense

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

	2017 RM	2016 RM
Group		
Profit before tax	4,085,669	25,968,283
Tax calculated at the Malaysian tax rate of 24% (2016: 24%)	981,000	6,232,000
Tax effects of:		
- differential in tax rates of subsidiaries	(199,000)	(380,000)
- income not subject to tax	(495,000)	(621,000)
- expenses not deductible for tax purposes	791,050	811,000
- utilisation of tax incentive	(1,068,000)	(221,000)
- deferred tax not recognised	292,000	84,832
- effect of changes in corporate income tax rate	0	(475,000)
- real property gains tax	0	51,000
Under/(over) accrual in prior financial year	323,593	(234,102)
Tax expense	625,643	5,247,730
Company		
(Loss)/profit before tax	(1,207,003)	12,921,796
Tax calculated at the Malaysian tax rate of 24% (2016: 24%)	(290,000)	3,101,000
Tax effects of:		
- income not subject to tax	0	(3,288,000)
- expenses not deductible for tax purposes	290,000	187,000
Tax expense	0	0

11 PROPERTY, PLANT AND EQUIPMENT

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

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Motor vehicles RM	Furniture, fittings and equipment RM	Renovation and hostel RM	Capital work-in-progress RM	Total RM
At cost					
As at 1 January 2017	24,349,670	8,977,903	998,610	21,210,960	407,651,013
Additions	3,416,264	2,466,329	7,200	9,104,495	40,053,083
Disposals	(1,925,464)	0	0	0	(2,269,482)
Write off	(95,000)	(49,525)	0	0	(2,114,377)
Reclassification	0	388,904	0	(26,662,576)	0
Foreign exchange difference	(52,061)	(9,904)	(3,506)	0	(854,713)
As at 31 December 2017	25,693,409	11,773,707	1,002,304	3,652,879	442,465,524
Less: Accumulated depreciation/impairment					
As at 1 January 2017	16,830,684	5,063,364	647,797	38,565	113,260,328
Charge for the financial year	2,981,575	978,712	59,876	0	17,268,120
Disposals	(1,892,788)	0	0	0	(2,098,517)
Write off	(42,750)	(42,044)	0	0	(1,845,981)
Foreign exchange difference	(30,279)	(5,627)	(799)	0	(178,313)
As at 31 December 2017	17,846,442	5,944,405	706,874	38,565	126,405,637
Net carrying amount as at 31 December 2017	7,846,967	5,779,302	295,430	3,614,314	316,059,887

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land, farm and poultry buildings RM	Leasehold land, freehold land and factory buildings RM	Plant and machinery and electrical installation RM	Fish pond and equipment RM	Egg layer conveyor and cages system RM
At cost					
As at 1 January 2016					
- as previously stated	103,600,258	47,828,753	67,146,715	889,988	56,868,674
- effects of transition to MFRS (Note 33)	31,213,520	932,660	0	0	0
- as restated	134,813,778	48,761,413	67,146,715	889,988	56,868,674
Additions	2,578,496	2,522,686	18,014,060	5,162	9,685,891
Disposals	0	0	(95,560)	0	0
Write off	(127,220)	0	(580,948)	0	(1,917,137)
Reclassification	8,343,883	850,304	1,751,437	0	1,938,078
Foreign exchange differences	0	592,191	71,979	0	0
As at 31 December 2016	145,608,937	52,726,594	86,307,683	895,150	66,575,506

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Motor vehicles RM	Furniture, fittings and equipment RM	Renovation and hostel RM	Capital work-in-progress RM	Total RM
At cost					
As at 1 January 2016					
- as previously stated	22,932,076	7,634,484	707,147	14,601,610	322,209,705
- effects of transition to MFRS (Note 33)	0	0	0	0	32,146,180
- as restated	22,932,076	7,634,484	707,147	14,601,610	354,355,885
Additions	(2,126,293)	1,271,322	279,397	19,595,329	56,078,636
Disposals	(761,196)	0	0	0	(856,756)
Write off	0	(16,732)	(18,102)	0	(2,660,139)
Reclassification	0	77,055	25,222	(12,985,979)	0
Foreign exchange differences	(52,497)	11,774	4,946	0	733,387
As at 31 December 2016	24,349,670	8,977,903	998,610	21,210,960	407,651,013

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land, farm and poultry buildings RM	Leasehold land, freehold land and factory buildings RM	Plant and machinery and electrical installation RM	Fish pond and equipment RM	Egg layer conveyor and cages system RM
Less: Accumulated depreciation/impairment					
As at 1 January 2016					
- as previously	27,116,130	2,885,954	37,525,545	232,618	13,540,616
- effects of transaction to MFRS (Note 33)	0	1,554	0	0	0
- as restated	27,116,130	2,887,508	37,525,545	232,618	13,540,616
Charge for the financial year	3,065,473	1,011,360	4,632,451	66,720	3,181,569
Disposals	0	0	(95,560)	0	0
Impairment charge	0	0	0	0	0
Write off	(127,119)	0	(579,186)	0	(1,887,511)
Foreign exchange differences	0	59,076	50,228	0	0
As at 31 December 2016	30,054,484	3,957,944	41,533,478	299,338	14,834,674
Net carrying amount as at 31 December 2016	115,554,453	48,768,650	44,774,205	595,812	51,740,832

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Motor vehicles RM	Furniture, fittings and equipment RM	Renovation and hostel RM	Capital work-in-progress RM	Total RM
Less: Accumulated depreciation/impairment					
As at 1 January 2016					
- as previously	14,458,896	4,265,142	563,657	0	100,588,558
- effects of transaction to MFRS (Note 33)	0	0	0	0	1,554
- as restated	14,458,896	4,265,142	563,657	0	100,590,112
Charge for the financial year	2,982,239	807,329	91,198	0	15,838,339
Disposals	(632,715)	0	0	0	(728,275)
Impairment charge	0	0	0	38,565	38,565
Write off	0	(12,971)	(7,091)	0	(2,613,878)
Foreign exchange differences	22,264	3,864	33	0	135,465
As at 31 December 2016	16,830,684	5,063,364	647,797	38,565	113,260,328
Net carrying amount as at 31 December 2016	7,518,986	3,914,539	350,813	21,172,395	294,390,685

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Freehold land, farm and poultry buildings			Leasehold land, freehold land and factory buildings			
	Freehold land RM	Farm poultry buildings RM	Total RM	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
At cost							
As at 1 January 2016							
- as previously stated	33,719,429	69,880,829	103,600,258	8,425,529	1,878,243	37,524,981	47,828,753
- effects of transition to MFRS (Note 33)	31,213,520	0	31,213,520	0	0	932,660	932,660
- as restated	64,932,949	69,880,829	134,813,778	8,425,529	1,878,243	38,457,641	48,761,413
Additions	1,443,619	1,134,877	2,578,496	1,723,211	0	799,475	2,522,686
Write off	0	(127,220)	(127,220)	0	0	0	0
Reclassification	0	8,343,883	8,343,883	0	0	850,304	850,304
Foreign exchange differences	0	0	0	0	0	592,191	592,191
As at 31 December 2016	66,376,568	79,232,369	145,608,937	10,148,740	1,878,243	40,699,611	52,726,594

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land, farm and poultry buildings			Leasehold land, freehold land and factory buildings			
	Freehold land RM	Farm poultry buildings RM	Total RM	Freehold land RM	Leasehold land RM	Factory buildings RM	Total RM
Less: Accumulated depreciation							
As at 1 January 2016	0	27,116,130	27,116,130	0	143,561	2,742,393	2,885,954
- as previously stated							
- effects of transition to MFRS (Note 33)	0	0	0	0	0	1,554	1,554
- as restated	0	27,116,130	27,116,130	0	143,561	2,743,947	2,887,508
Charge for the financial year	0	3,065,473	3,065,473	0	20,508	990,852	1,011,360
Write off	0	(127,119)	(127,119)	0	0	0	0
Foreign exchange differences	0	0	0	0	0	59,076	59,076
As at 31 December 2016	0	30,054,484	30,054,484	0	164,069	3,793,875	3,957,944
Net carrying amount as at 31 December 2016	66,376,568	49,177,885	115,554,453	10,148,740	1,714,174	36,875,736	48,768,650

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Office equipment RM**	**Motor vehicles RM**	**Total RM**
At cost			
As at 1 January 2017	1,546,864	252,977	1,799,841
Additions	547,936	76,446	624,382
As at 31 December 2017	2,094,800	329,423	2,424,223
Less: Accumulated depreciation			
As at 1 January 2017	609,684	101,191	710,875
Charge for the financial year	189,822	51,869	241,691
As at 31 December 2017	799,506	153,060	952,566
Net carrying amount as at 31 December 2017	1,295,294	176,363	1,471,657
At cost			
As at 1 January 2016	1,314,626	252,977	1,567,603
Additions	232,238	0	232,238
As at 31 December 2016	1,546,864	252,977	1,799,841
Less: Accumulated depreciation			
As at 1 January 2016	469,960	50,596	520,556
Charge for the financial year	139,724	50,595	190,319
As at 31 December 2016	609,684	101,191	710,875
Net carrying amount as at 31 December 2016	937,180	151,786	1,088,966

(a) Certain property, plant and equipment of certain subsidiaries with carrying amount of RM37,063,071 (31.12.2016: RM41,101,621; 1.1.2016: RM2,609,854) have been pledged to banks as security for banking facilities granted to the Group (Note 21).

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Group			
Carrying amount			
Plant and machinery	6,974,387	5,347,837	4,365,318
Egg layer conveyor and cages system	22,082,855	16,478,938	14,849,563
Motor vehicles	4,943,362	4,878,523	5,600,913
Capital work-in-progress	0	0	2,262,190
	34,000,604	26,705,298	27,077,984
Company			
Carrying amount			
Motor vehicles	75,172	151,786	202,381

(c) Motor vehicles with carrying amount of RM13,200 (31.12.2016: RM13,200; 1.1.2016: RM28,933) are held in trust and registered under third party's name.

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

	2017 RM	2016 RM
Group		
Cost of property, plant and equipment purchased	40,053,083	56,078,636
Amount financed through hire purchase	(13,171,000)	(4,313,088)
Unpaid balance included under sundry payables (Note 24(d))	(2,555,602)	(4,720,817)
Cash disbursed in respect of purchases made in previous financial year	4,717,817	5,169,410
Cash disbursed for purchase of property, plant and equipment	29,044,298	52,214,141
Company		
Cost of property, plant and equipment purchased	624,382	232,238
Amount financed through hire purchase	(70,000)	0
Unpaid balance included under sundry payables (Note 24(d))	(17,331)	0
Cash disbursed for purchase of property, plant and equipment	537,051	232,238

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

12 INVESTMENT IN SUBSIDIARIES

	Company 31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Unquoted shares, at cost			
- in Malaysia	74,334,600	71,934,600	69,934,600
- outside Malaysia	1,448,885	1,448,885	1,448,885
	75,783,485	73,383,485	71,383,485

The details of the subsidiaries, are as follows:

Name of subsidiary	Principal place of business/ country of incorporation	Percentage of issued share capital held by 2017 %	2016 %	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. - Dormant
Pioneer Prosperity Sdn. Bhd.	Malaysia	100	100	Dormant
* Premium Egg Products Pte. Ltd.	Singapore	100	100	Wholesaler, importers, exporters of eggs products.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal place of business/ country of incorporation	Percentage of issued share capital held by 2017 %	2016 %	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	Dormant
Laskar Fertiliser Sdn. Bhd.	Malaysia	100	100	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produces.
Subsidiaries of Ritma Prestasi Sdn. Bhd.				
B-Tech Aquaculture Sdn. Bhd.	Malaysia	100	100	Dormant
* Ritma Premier Pte. Ltd.	Singapore	100	100	Distribution of pet food, medicine and other animal health related products.
Subsidiary of Premium Egg Products Pte. Ltd.				
* BH Fresh Food Pte. Ltd.	Singapore	100	100	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income.

During the financial year, the Company subscribed 2,000,000 new ordinary shares in Liberal Energy Sdn Bhd and 400,000 new ordinary shares in Pioneer Prosperity Sdn Bhd for a total consideration of RM2,000,000 and RM400,000 respectively by way of offsetting part of the outstanding amount owed by the respective company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

13 OTHER INVESTMENT

Group	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
At fair value			
Quoted shares in Malaysia	13,590	17,560	15,665
Market value of quoted shares	13,590	17,560	15,665

14 BIOLOGICAL ASSETS

Group	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
At fair value less cost to sell			
Pullets and layers	45,030,808	50,252,652	49,143,050

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

	2017 RM	2016 RM
At 1 January	50,252,652	49,143,050
Increase due to purchases	8,403,480	9,783,960
Livestock losses	(3,917,081)	(5,633,675)
Change in fair value	20,918,399	27,828,555
Depopulation	(30,626,642)	(30,869,238)
At 31 December	45,030,808	50,252,652

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

14 BIOLOGICAL ASSETSS (CONTINUED)

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

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

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

	2017	**2016**
Projected selling prices of the table eggs (RM)	0.285	0.284
Feed and other variable costs (per MT)	1,272	1,272
Discount rate	10%	10%

Sensitivity analysis

If the estimated projected selling prices of the table eggs had been 1 sen lower than management estimates, the fair value of the biological assets would have decreased by RM3,713,000.

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

15 INVENTORIES

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Group			
Raw materials	9,927,201	9,206,256	6,517,645
Trading merchandise	17,891,967	13,569,782	8,708,274
Poultry feeds	1,239,421	1,446,448	1,220,699
Medication	2,339,610	573,980	624,299
Consumables	1,341,847	1,041,804	665,571
Eggs	3,372,382	1,334,338	1,090,073
Egg trays	1,056,052	1,044,090	476,538
Fertiliser	429,702	118,890	291,253
Fertiliser work-in-progress	657,333	449,014	227,101
	38,255,515	28,784,602	19,821,453

Inventories recognised as an expense during the financial year ended 31 December 2017 amounted to RM301,187,559 (2016: RM299,895,001).

16 TRADE AND OTHER RECEIVABLES

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Group			
CURRENT			
Trade receivables			
Amounts due from related companies	3,774,711	3,550,057	3,995,540
Amounts due from related parties	4,090,211	1,669,963	232,592
Other trade receivables	44,543,035	36,837,881	37,948,623
	52,407,957	42,057,901	42,176,755
Less: Provision for impairment of receivables	(1,592,110)	(1,727,936)	(603,285)
	50,815,847	40,329,965	41,573,470
Other receivables			
Amount due from related company	114,690	0	0
Deposits	1,562,651	1,235,093	7,636,875
Prepayments	1,961,932	1,680,267	1,757,820
Goods and services tax recoverable	7,686,464	7,856,478	4,634,281
Sundry receivables	2,281,408	458,764	686,927
Derivative assets	0	977	102,193
	13,607,145	11,231,579	14,818,096
	64,422,992	51,561,544	56,391,566

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Group			
Allowance for impairment losses			
At 1 January	1,727,936	603,285	734,228
Addition	144,091	1,360,555	141,342
Reversal	(277,325)	(163,845)	(109,840)
Write off	0	(74,251)	(177,021)
Foreign exchange differences	(2,592)	2,192	14,576
At 31 December	1,592,110	1,727,936	603,285
Company			
NON-CURRENT			
Long term receivables			
Amount due from subsidiary	0	2,352,699	3,912,699
CURRENT			
Other receivables			
Amounts due from subsidiaries	963,126	1,113,558	2,019,396
Deposits	309,200	6,000	53,663
Prepayments	279,774	12,919	14,196
	1,552,100	1,132,477	2,087,255

(a) The Group and the Company's normal credit terms range from cash term to 150 days (2016: 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 941,926 (31.12.2016: RM1,092,358; 1.1.2016: RM1,998,196) which bear interest at 3.5% (2016: 3.5%) per annum.

17 CASH AND CASH EQUIVALENTS

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Group			
Cash and bank balances	19,368,332	34,264,068	30,239,488
Company			
Cash and bank balances	145,514	777,313	291,264

Bank balances are deposits held at call with the banks.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

18 SHARE CAPITAL

	Group and Company 2017 RM	2016 RM
Ordinary shares issued and fully paid:		
At 1 January – ordinary shares of RM1.00 each	60,000,245	60,000,245
Transition to no par value regime under the new Companies Act 2016	1,409	0
At 31 December – ordinary share with no par value (2016: par value of RM1.00 each)	60,001,654	60,000,245

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

Warrants 2015/2020

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

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

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

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

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

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

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

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

19 TREASURY SHARES

Of the total 300,001,225 (31.12.2016: 300,001,225; 1.1.2016: 300,001,225) issued and fully paid-up ordinary shares at the end of the reporting period, 209,000 (31.12.2016: 209,000; 1.1.2016: 209,000) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold or cancelled during the financial year.

20 OTHER RESERVES

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Group			
Non-distributable			
Fair value reserve	15,566	14,536	12,641
Foreign exchange translation reserve	419,768	860,373	515,879
Reverse acquisition reserve	(26,078,000)	(26,078,000)	(26,078,000)
Share premium	0	1,409	1,409
	(25,642,666)	(25,201,682)	(25,548,071)
Company			
Non-distributable			
Share premium	0	1,409	1,409

(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) Share premium

The share premium reserve represents the premium paid on subscription of ordinary shares in the Group and the Company over and above the par value of the shares issued, net of transaction costs (if any). The new Companies Act 2016 abolished the concept of par value of share capital. Consequently, the share premium reserve had been transferred to share capital during the financial year.

21 BANK BORROWINGS

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Group			
CURRENT			
Secured			
Bankers' acceptances	0	3,100,000	5,315,000
Term loans	3,349,115	2,619,596	1,104,838
Unsecured			
Bankers' acceptances	104,192,000	75,958,000	70,110,000
Revolving credit	5,000,000	5,000,000	5,000,000
Term loans	5,642,424	5,642,424	3,456,504
	118,183,539	92,320,020	84,986,342
NON-CURRENT			
Secured			
Term loans	22,178,902	19,547,406	474,069
Unsecured			
Term loans	17,231,420	22,873,844	11,054,098
	39,410,322	42,421,250	11,528,167
Total bank borrowings	157,593,861	134,741,270	96,514,509
TOTAL			
Secured			
Bankers' acceptances	0	3,100,000	5,315,000
Term loans	25,528,017	22,167,002	1,578,907
Unsecured			
Bankers' acceptances	104,192,000	75,958,000	70,110,000
Revolving credit	5,000,000	5,000,000	5,000,000
Term loans	22,873,844	28,516,268	14,510,602
	157,593,861	134,741,270	96,514,509

21 BANK BORROWINGS (CONTINUED)

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

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

(b) The 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.

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

	31.12.2017 %	**31.12.2016 %**
Bankers' acceptances	4.2	4.3
Revolving credit	5.0	5.0
Term loans	4.7	4.6

22 HIRE PURCHASE PAYABLES

	31.12.2017 RM	**31.12.2016 RM**	**1.1.2016 RM**
Group			
Minimum lease payments under hire purchase liabilities are:			
Not later than one financial year	9,567,019	7,528,537	8,269,443
Later than one financial year and not later than five financial years	12,421,131	9,609,213	13,096,807
	21,988,150	17,137,750	21,366,250
Less: Future finance charges	(1,813,087)	(1,416,498)	(2,143,971)
Present value of the hire purchase liabilities	20,175,063	15,721,252	19,222,279
Present value of hire purchase liabilities:			
Current	8,532,327	6,722,199	7,187,893
Non-current	11,642,736	8,999,053	12,034,386
	20,175,063	15,721,252	19,222,279

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

22 HIRE PURCHASE PAYABLES (CONTINUED)

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Company			
Minimum lease payments under hire purchase liabilities are:			
Not later than one financial year	36,888	7,905	94,908
Later than one financial year and not later than five financial years	36,878	0	7,905
	73,766	7,905	102,813
Less: Future finance charges	(3,766)	(33)	(2,976)
Present value of the hire purchase liabilities	70,000	7,872	99,837
Present value of hire purchase liabilities:			
Current	34,101	7,872	91,965
Non-current	35,899	0	7,872
	70,000	7,872	99,837

The weighted average effective interest rate (%) per annum at the end of the reporting period for hire purchase payable were as follows:

	2017 %	2016 %
Group	3.8 - 6.8	3.7 - 7.1
Company	5.1	5.1 - 5.2

23 DEFERRED TAX LIABILITIES

	Group		
	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Deferred tax liabilities			
- subject to income tax	16,136,319	19,567,424	19,850,842
- subject to real property gains tax	1,560,676	1,560,676	1,560,676
	17,696,995	21,128,100	21,411,518

23 DEFERRED TAX LIABILITIES (CONTINUED)

	2017 RM	2016 RM
The movements during the financial year are as follows:		
At beginning of the financial year		
- as previously stated	21,128,100	16,225,870
- effects of transition to MFRS (Note 33)	0	5,185,648
- as restated	21,128,100	21,411,518
Charged/(credited) to profit or loss (Note 10)		
- property, plant and equipment	(844,623)	1,031,676
- biological assets	(899,000)	(857,029)
- receivables	106,000	(336,000)
- unutilised tax losses	(1,693,000)	(206,000)
	(3,330,623)	(367,353)
- foreign exchange differences	(100,482)	83,935
At end of the financial year	17,696,995	21,128,100
Subject to income tax		
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	18,016,995	18,962,100
- biological assets	1,869,000	2,768,000
	19,885,995	21,730,100
Offsetting	(2,189,000)	(602,000)
Deferred tax liabilities (after offsetting)	17,696,995	21,128,100
Deferred tax assets (before offsetting)		
- receivables	290,000	396,000
- unutilised tax losses	1,899,000	206,000
	2,189,000	602,000
Offsetting	(2,189,000)	(602,000)
Deferred tax assets (after offsetting)	0	0
Subject to real property gains tax		
Deferred tax liabilities		
- property, plant and equipment	1,560,676	1,560,676

23 DEFERRED TAX LIABILITIES (CONTINUED)

The amounts of deductible temporary differences and unused tax losses (which have no expiry date) for which no deferred tax asset is recognised are as follows:

	Group	
	2017 RM	**2016 RM**
Deductible temporary differences		
- property, plant and equipment	1,487,000	431,000
Unutilised tax losses	823,000	663,000
	2,310,000	1,094,000

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

24 TRADE AND OTHER PAYABLES

	31.12.2017 RM	**31.12.2016 RM**	**1.1.2016 RM**
Group			
Trade payables			
Amounts due to related companies	3,373,896	4,283,326	2,532,892
Amounts due to related parties	953,916	584,442	428,890
Other trade payables	26,975,098	23,364,134	19,758,256
	31,302,910	28,231,902	22,720,038
Other payables			
Amounts due to related companies	38,391	55,661	107,641
Accruals	7,463,495	11,934,906	8,860,303
Deposit payables	0	354,857	274,415
Goods and services tax payables	23,293	334,380	187,568
Sundry payables	10,632,338	8,459,422	9,099,699
Derivative liabilities	0	0	86,073
	18,157,517	21,139,226	18,615,699
	49,460,427	49,371,128	41,335,737
Company			
Other payables			
Amount due to a subsidiary	1,888,792	520,816	5,904,384
Amounts due to related companies	0	0	111
Accruals	239,083	353,930	286,963
Goods and services tax payables	0	5,064	4,533
Sundry payables	151,373	27,993	27,985
	2,279,248	907,803	6,223,976

24 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The normal trade terms granted to the Group range from cash term to 90 days (2016: cash term to 90 days).

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

(c) The amount due to subsidiary is unsecured, repayable on demand and to be settled in cash with interest bearing at 3.5% (2016: 3.5%; 2015: 3.7%) per annum at the end of the reporting period.

(d) Included in sundry payables of the Group and of the Company is an amount of RM2,555,602 (31.12.2016: RM4,720,817; 1.1.2016: RM5,172,410) and RM17,331 (31.12.2016: RM Nil; 1.1.2016: RM Nil) respectively payable for the purchase of property, plant and equipment (Note 11(d)).

25 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2017	**2016**
Profit attributable to ordinary equity holders of the Company (RM)	3,460,026	20,720,553
Weighted average ordinary shares in issue (units)	299,792,225	299,792,225
Basic earnings per share (sen)	1.15	6.91

(b) Diluted earnings per ordinary share

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

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

25 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per ordinary share (continued)

	Group 2017	2016
Profit attributable to owners of the Company (RM)	3,460,026	20,720,553
Weighted average number of ordinary shares in issue (units)	299,792,225	299,792,225
Assumed shares issued from exercise of warrants* (units)	0	0
Weighted average number of ordinary shares for computation of diluted earnings per share	299,792,225	299,792,225
Diluted earnings per ordinary share (sen)	1.15	6.91

* 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.

26 DIVIDENDS

	2017 RM	2016 RM
In respect of financial year ended 31 December 2016/2015:		
A final single tier dividend of Nil (2016: 1.0 sen) on 299,792,225 ordinary shares	0	2,997,922
In respect of financial year ended 31 December 2017/2016:		
An interim single tier dividend of Nil (2016: 1.5 sen) on 299,792,225 ordinary shares	0	4,496,884
	0	7,494,806

The Directors do not recommend the payment of a final dividend for the financial year ended 31 December 2017.

27 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1.1.2017 RM	Cash inflows RM	Cash outflows RM	Interest accretion RM	Non-cash changes: Foreign exchange movement RM	Non-cash changes: New leases RM	At 31.12.2017 RM
Group							
Bankers' acceptances	79,058,000	314,293,086	(293,016,477)	3,857,391	0	0	104,192,000
Term loans	50,683,270	6,300,000	(10,304,234)	2,008,902	(286,077)	0	48,401,861
Revolving credit	5,000,000	0	(256,457)	256,457	0	0	5,000,000
Hire purchase	15,721,252	0	(9,868,377)	1,154,002	(2,814)	13,171,000	20,175,063
	150,462,522	320,593,086	(313,445,545)	7,276,752	(288,891)	13,171,000	177,768,924
Cash and cash equivalents	34,264,068	0	(15,038,090)	54,722	87,632	0	19,368,332
Company							
Amount due to subsidiary	520,816	1,623,392	(294,826)	39,410	0	0	1,888,792
Hire purchase	7,872	0	(11,671)	33	0	73,766	70,000
	528,688	1,623,392	(306,497)	39,443	0	73,766	1,958,792
Cash and cash equivalents	777,313	0	(631,799)	0	0	0	145,514

27 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	1.1.2016 RM	Cash inflows RM	Cash outflows RM	Interest accretion RM	Non-cash changes: Foreign exchange movement RM	Non-cash changes: New leases RM	At 31.12.2016 RM
Group							
Bankers' acceptances	75,425,000	255,893,000	(255,723,565)	3,463,565	0	0	79,058,000
Term loans	16,089,509	39,506,317	(7,151,030)	1,757,268	481,206	0	50,683,270
Revolving credit	5,000,000	0	(254,664)	254,664	0	0	5,000,000
Hire purchase	19,222,279	0	(9,005,704)	1,185,097	6,492	4,313,088	15,721,252
	115,736,788	295,399,317	(272,134,963)	6,660,594	487,698	4,313,088	150,462,522
Cash and cash equivalents	30,239,488	3,792,204	0	15,072	217,304	0	34,264,068
Company							
Amount due to subsidiary	5,904,384	4,257,488	(9,722,811)	81,755	0	0	520,816
Hire purchase	99,837	0	(94,909)	2,944	0	0	7,872
	6,004,221	4,257,488	(9,817,720)	84,699	0	0	528,688
Cash and cash equivalents	291,264	486,049	0	0	0	0	777,313

28 OPERATING LEASE COMMITMENTS

Operating lease payments are for rentals payable for land in Singapore. The land lease period is for 39 years from 1 April 2011. The rentals are subject to an 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:

	2017 RM	2016 RM
Group		
Not later than one year	682,028	232,534
Later than one year and not later than five years	1,314,418	1,065,251
Later than five years	19,064,502	19,815,803
	21,060,948	21,113,588

29 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Significant related party relationship

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

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

(b) Significant related party transactions and balances

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

	Group	
	2017 RM	2016 RM
With fellow subsidiaries		
- sale of goods	(12,137,644)	(12,024,997)
- purchase of goods	19,835,862	23,219,757
With related parties:		
- companies where Lau Brothers# are Directors/shareholders		
- sale of goods	(11,687,338)	(13,031,182)
- purchase of goods	9,490,377	11,925,602

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29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group	
	2017 RM	**2016 RM**
- company where spouse of Mr. Nam Yok San, the Director of the Company, is a Director		
- transport charges	8,071,659	5,247,422
- Mr. Ng Eng Leng, Director of certain subsidiaries		
- purchase of property, plant and equipment	0	821,868
- Mr. Lim Meng Bin, Director of a subsidiary		
- purchase of property, plant and equipment	0	821,868

	Company	
	2017 RM	**2016 RM**
With subsidiaries		
- dividend income received	0	(13,700,000)
- interest income	(36,093)	(84,136)
- interest expense	39,410	81,755
- management fee income	(960,000)	(960,000)

\# 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. Tan Sri Lau Tuang Nguang is a Director of the Company.

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.

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors' remuneration (Note 7)	5,255,598	9,493,768	512,803	594,940
Non-Executive Directors' remuneration (Note 7)	935,735	1,192,854	120,000	130,000
Other key management personnel				
Salaries, bonuses and other benefits	219,900	141,114	0	0
Defined contribution benefits	40,710	26,733	0	0
	260,610	167,847	0	0
	6,451,943	10,854,469	632,803	724,940

30 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 two main operating segments as follows:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

30 OPERATING SEGMENTS (CONTINUED)

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

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

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

Business segments

	Poultry RM	Trading RM	Others RM	Intersegment elimination RM	Group RM
2017					
REVENUE					
- external revenue	264,523,377	158,064,770	0	0	422,588,147
- inter-segment revenue	93,795,285	22,673,203	0	(116,468,488)	0
CONSOLIDATED REVENUE	358,318,662	180,737,973	0	(116,468,488)	422,588,147
RESULTS					
Segment profit before interest and tax	(2,461,300)	13,392,135	(1,371,302)	1,676,743	11,236,276
Finance income					181,374
Finance costs					(7,331,981)
CONSOLIDATED PROFIT BEFORE TAX					4,085,669
Tax expense					(625,643)
CONSOLIDATED PROFIT AFTER TAX					3,460,026

30 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Poultry RM	Trading RM	Others RM	Intersegment elimination RM	Group RM
2017					
ASSETS					
Segment assets	403,906,727	99,342,269	8,325,389	(28,436,851)	483,137,534
Unallocated assets:					
Income producing assets					13,590
Tax recoverable					11,829,056
CONSOLIDATED TOTAL ASSETS					494,980,180
LIABILITIES					
Segment liabilities	57,348,919	29,305,313	2,330,505	(21,827,315)	67,157,422
Unallocated liabilities:					
Borrowings					177,768,924
Tax payable					1,271,713
CONSOLIDATED TOTAL LIABILITIES					246,198,059
OTHER SEGMENT ITEMS					
Capital expenditure	31,298,361	8,115,091	624,382	0	40,037,834
Depreciation	15,191,746	1,777,108	299,266	0	17,268,120
Non-cash item (other than depreciation)	(557,364)	14,905	175,686	0	(366,773)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

30 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Poultry RM	Trading RM	Others RM	Intersegment elimination RM	Group RM
2016 (restated)					
REVENUE					
- external revenue	263,005,595	170,706,557	0	0	433,712,152
- inter-segment revenue	112,905,629	22,334,694	0	(135,240,323)	0
CONSOLIDATED REVENUE	375,911,224	193,041,251	0	(135,240,323)	433,712,152
RESULTS					
Segment profit before interest and tax	17,949,705	13,523,572	12,685,318	(11,743,692)	32,414,903
Investment revenue					229,229
Finance costs					(6,675,849)
CONSOLIDATED PROFIT BEFORE TAX					25,968,283
Tax expense					(5,247,730)
CONSOLIDATED PROFIT AFTER TAX					20,720,553
ASSETS					
Segment assets	393,824,967	88,709,905	10,737,793	(34,019,114)	459,253,551
Unallocated assets:					
Income producing assets					17,560
Tax recoverable					8,924,285
CONSOLIDATED TOTAL ASSETS					468,195,396

30 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Poultry RM	Trading RM	Others RM	Intersegment elimination RM	Group RM
2016					
LIABILITIES					
Segment liabilities	61,149,902	31,051,181	3,411,465	(22,220,738)	73,391,810
Unallocated liabilities:					
Borrowings					150,462,522
Tax payable					1,471,976
CONSOLIDATED TOTAL LIABILITIES					225,326,308
OTHER SEGMENT ITEMS					
Capital expenditure	55,569,468	1,870,705	338,463	(1,700,000)	56,078,636
Depreciation	13,891,312	1,689,988	257,039	0	15,838,339
Non-cash item (other than depreciation)	1,527,594	126,948	168,408	(68,408)	1,754,542

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 2017 RM	Revenue 2016 RM	Non-current assets 2017 RM	Non-current assets 2016 RM
Group				
Malaysia	286,853,326	289,092,443	287,519,465	264,297,095
Singapore	109,592,911	127,898,223	28,540,422	30,093,590
Others	26,141,910	16,721,486	0	0
	422,588,147	433,712,152	316,059,887	294,390,685

Major customers

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

31 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

(a) Foreign currency risk

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

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

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

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

	Currency exposure as at 31.12.2016				
	HKD RM	**SGD RM**	**USD RM**	**Others RM**	**Total RM**
Group					
FINANCIAL ASSETS					
Trade and other receivables	95,853	7,472,120	115,059	0	7,683,032
Derivative assets	0	0	977	0	977
Cash and bank balances	1,842	10,980,721	5,485	31,887	11,019,935
	97,695	18,452,841	121,521	31,887	18,703,944
FINANCIAL LIABILITIES					
Trade and other payables	0	(1,858,635)	(3,628,943)	(102,695)	(5,590,273)
Bank borrowings	0	(14,223,633)	0	0	(14,223,663)
Hire purchase payables	0	(307,563)	0	0	(307,563)
	0	(16,389,831)	(3,628,943)	(102,695)	(20,121,499)
Less: Forward currency contracts (contracted notional principal)	0	0	229,640	0	229,640
CURRENCY EXPOSURE	97,695	2,063,010	(3,277,782)	(70,808)	(87,885)

Sensitivity analysis for foreign currency risk

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

	Group	
	2017 RM	**2016 RM**
Effects on profit after tax and equity		
HKD/RM		
- strengthened by 5%	76,029	3,712
- weakened by 5%	(76,029)	(3,712)
SGD/RM		
- strengthened by 5%	(51,774)	(19,601)
- weakened by 5%	51,774	19,601
USD/RM		
- strengthened by 5%	(138,785)	(124,556)
- weakened by 5%	138,785	124,556

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk

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

The Group's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 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 Notes 21 and 22.

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 and equity of the Group and hence, no sensitivity analysis is presented.

(c) 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 repayments made by the subsidiaries regularly.

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 RM7,864,922 (2016: RM5,220,020).

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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	
	2017 **RM**	**2016** **RM**
Malaysia	39,658,456	32,677,481
Singapore	8,889,762	7,441,572
Hong Kong	2,156,947	210,912
Others	110,682	0
	50,815,847	40,329,965

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Ageing analysis

The ageing analysis of trade receivables is as follows:

	Gross amount RM	Individual impairment RM	Carrying amount RM
Group			
2017			
Not past due	44,174,263	0	44,174,263
Past due:			
- less than 3 months	5,760,368	(117,621)	5,642,747
- 3 to 6 months	400,106	(13,190)	386,916
- more than 6 months	2,073,220	(1,461,299)	611,921
	52,407,957	(1,592,110)	50,815,847
2016			
Not past due	35,948,907	0	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

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.

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

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

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

	Within 1 year RM	1 - 5 years RM	Over 5 years RM	Total RM
Group				
As at 31.12.2017				
Non-derivative financial liabilities				
Trade and other payables	49,437,137	0	0	49,437,137
Bank borrowings				
- bankers' acceptances	104,192,000	0	0	104,192,000
- revolving credit	5,000,000	0	0	5,000,000
- term loans	10,693,781	34,348,915	9,165,978	54,208,674
Hire purchase payables	9,567,019	12,421,131	0	21,988,150
	178,889,937	46,770,046	9,165,978	234,825,961
As at 31.12.2016				
Non-derivative financial liabilities				
Trade and other payables	48,681,891	0	0	48,681,891
Bank borrowings				
- bankers' acceptances	79,058,000	0	0	79,058,000
- revolving credit	5,000,000	0	0	5,000,000
- term loans	10,113,932	33,837,573	13,798,876	57,750,381
Hire purchase payables	7,528,537	9,609,213	0	17,137,750
	150,382,360	43,446,786	13,798,876	207,628,022

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

	Within 1 year RM	1 - 5 years RM	Total RM
Company			
As at 31.12.2017			
Non-derivative financial liabilities			
Trade and other payables	2,345,356	0	2,345,356
Amount due to a subsidiary			
Hire purchase payables	36,888	36,878	73,766
Financial guarantee contracts (*)	160,527,229	0	160,527,229
	162,909,473	36,878	162,946,351
As at 31.12.2016			
Non-derivative financial liabilities			
Trade and other payables	920,967	0	920,967
Hire purchase payables	7,905	0	7,905
Financial guarantee contracts (*)	134,563,340	0	134,563,340
	135,492,212	0	135,492,212

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

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values

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.

(i) Financial instruments measured at fair value

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
2017				
Financial assets				
Other investment				
- quoted shares	13,590	0	0	13,590
2016				
Financial assets				
Other investment				
- quoted shares	17,560	0	0	17,560
Derivative assets				
- forward currency contracts	0	977	0	977
	17,560	977	0	18,537

The Company does not have any financial assets and liabilities at fair values as at 31 December 2017 (2016: Nil).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

(ii) Financial instruments measured at amortised costs

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

	2017		2016	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Group				
Financial liabilities				
Hire purchase payables	20,175,063	19,910,076	15,721,252	15,790,556
Company				
Financial assets				
Amount due from subsidiary	0	0	2,352,699	2,352,699
Financial liabilities				
Hire purchase payables	70,000	70,093	7,872	7,876

The fair values of the Group's long-term financial instruments are categorised as Level 2 in the fair value hierarchy as they are estimated by discounting the future contractual cash flows at the current market rate available for similar instruments.

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
FINANCIAL ASSETS				
Available-for-sale financial assets				
Other investment	13,590	17,560	0	0
Loans and receivables financial assets				
Trade and other receivables (N1)	53,211,945	40,788,729	963,126	1,113,558
Cash and bank balances	19,368,332	34,264,068	145,514	777,313
	72,580,277	75,052,797	1,108,640	1,890,871
Fair value through profit or loss: Held-for-trading				
Derivative assets	0	977	0	0
FINANCIAL LIABILITIES				
Other financial liabilities				
Trade and other payables (N2)	49,437,137	48,681,891	2,279,248	902,739
Bank borrowings	157,593,861	134,741,270	0	0
Hire purchase payables	20,175,063	15,721,252	70,000	7,872
	227,206,061	199,144,413	2,349,248	910,611

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

32 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:

	2017 RM	**2016 RM**
Group		
Bank borrowings	157,593,861	134,741,270
Hire purchase payables	20,175,063	15,721,252
	177,768,924	150,462,522
Less: Cash and bank balances	(19,368,332)	(34,264,068)
Net debt	158,400,592	116,198,454
Total equity	248,782,121	245,761,670
Debt-to-equity ratio	0.64	0.47

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

33 FIRST-TIME ADOPTION OF MFRS FRAMEWORK

(a) Transition from Financial Reporting Standards Framework (FRS) to MFRS

The financial statement of the Group and of the Company for the financial year ended 31 December 2017 are the first sets of the financial statements prepared in accordance with MFRS. As provided in MFRS 1, first-time adopters of MFRS can elect optional exemptions from full retrospective application of MFRSs .The optional exemptions elected by the Group is disclosed in Note 2.3.

The accounting policies set out in Note 3 and the optional exemptions elected by the Group have been applied in the opening MFRS statement of financial position as at 1 January 2016 and throughout all periods presented in the financial statements.

The adoption of MFRS have not impacted the Company's profit or loss, comprehensive income, financial position and cash flows.

The effects of the Group's transition to MFRS are as follows:

(i) Property, plant and equipment – Deemed cost exemption

Under FRS, revaluation adjustments on certain property, plant and equipment were incorporated into the financial statements. The Group has elected to measure freehold land at fair value as at date of transition as their deemed cost as at that date. This has resulted an adjustment to the carrying amount of RM31,213,520 to the property, plant and equipment as at 1 January 2016.

The Group has also elected to measure certain land and buildings at the previous revaluation amounts as deemed cost under MFRS. The revaluation reserve of RM4,031,856 as at 1 January 2016 was reclassified to retained earnings.

(ii) Investment property – reclassification

The adjustments to investment property of RM931,106 related to the reclassification of investment property to property, plant and equipment as the related property was occupied by the Group for internal use purposes.

(iii) Effects of MFRS 141

Prior to the adoption of MFRS 141, Agriculture, biological assets were stated at the lower of amortised cost and net realisable value. Under MFRS 141, the fair value of pullets and layers is determined using a discounted cash flow model based on the expected number of table eggs produced by each layer, the expected projected selling price of the tables eggs and salvage value for old hen and after allowing for feed costs, contributory asset charges for the land and farm houses owned by the entity and other costs incurred in getting the pullets and layers to maturity.

The adoption of MFRS 141 has resulted in the change in measurement basis to recognise the biological assets at fair value. The related deferred tax impact has also been included in the financial statements accordingly.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

33 FIRST-TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

(b) Reconciliation of profit or loss

	Note	Previously stated under FRSs RM	Effects of transition to MFRSs RM	Restated under MFRSs RM
Group				
31 December 2016				
Revenue		433,712,152	0	433,712,152
Operating expenses	(iii)	(402,621,645)	(3,570,953)	(406,192,598)
Other income		4,895,349	0	4,895,349
Operating profit		35,985,856	(3,570,953)	32,414,903
Finance income		229,229	0	229,229
Finance costs		(6,675,849)	0	(6,675,849)
Profit before tax		29,539,236	(3,570,953)	25,968,283
Tax		(5,989,844)	742,114	(5,247,730)
Net profit for the financial year		23,549,392	(2,828,839)	20,720,553
Profit for the financial year attributable to owners of company		23,549,392	(2,828,839)	20,720,553
Basis earnings per share attributable to owners of the Company		7.86		6.91

(c) Reconciliation of comprehensive income

	31 December 2016 RM
Group	
Total comprehensive income as reported under FRS	23,895,781
<u>Add/(Less): Transitioning adjustments:</u>	
Change of measurement basis for biological assets	(3,570,953)
Deferred tax arising from transitioning adjustments	742,114
Total comprehensive income upon transition to MFRS	21,066,942

33 FIRST-TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

(d) Reconciliation of equity and material adjustments to statement of financial position

	1 January 2016 (Date of transition) RM	31 December 2016 RM
Group		
Equity as reported under FRS	191,661,774	208,062,749
Add/(Less): Transitioning adjustments:		
Fair value as deemed cost for freehold land	31,213,519	31,213,519
Change of measurement basis for biological assets	14,499,889	10,928,938
Deferred tax arising from transitioning adjustments	(5,185,648)	(4,443,536)
Equity on transition to MFRS	232,189,534	245,761,670

	Note	Previously stated under FRSs RM	Effects of transition to MFRSs RM	Restated under MFRSs RM
Group				
1 January 2016				
NON-CURRENT ASSETS				
Property, plant and equipment	(i), (ii)	221,621,147	32,144,625	253,765,772
Investment property	(ii)	931,106	(931,106)	0
CURRENT ASSETS				
Biological assets	(iii)	34,643,161	14,499,889	49,143,050
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(i), (iii)	16,225,870	5,185,648	21,411,518
Group				
31 December 2016				
NON-CURRENT ASSETS				
Property, plant and equipment	(i), (ii)	262,264,713	32,125,972	294,390,685
Investment property	(ii)	912,453	(912,453)	0
CURRENT ASSETS				
Biological assets	(iii)	39,323,714	10,928,938	50,252,652
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(i), (iii)	16,684,564	4,443,536	21,128,100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

33 FIRST-TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

(e) Reconciliation in statements of cash flows

	Previously stated under FRS RM	**Effects of transition to MFRS RM**	**Restated under MFRS RM**
Group			
31 December 2016			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year	23,549,392	(2,828,839)	20,720,553
Adjustments to cash flows:			
Tax expense	5,989,844	(742,114)	5,247,730
Changes in working capital			
Biological assets	(4,680,553)	3,570,951	(1,109,602)
Cash generated from operations	51,614,316	0	51,614,316

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	6	26,857	*Dec-17
2	HS (M) 16560 PTD 30302 Mukim Tanjong Sembrong Tempat Yong Peng - Air Hitam Road Daerah Batu Pahat, Johor.	Feedmill Plant	Freehold	5.74A	17	12,517	*Mar-09
3	HS (D) 62613 PTD 29431 Mukim Tanjong Sembrong Batu 4, Jalan Air Hitam Johor.	Central Packing Station 1	Freehold	4.2387A	6	8,762	*Dec-15
4	GM 14408 Lot 19641 (formerly Lot PTD 25740) Mukim Tanjong Sembrong Tempat Yong Peng - Air Hitam Road Daerah Batu Pahat, Johor.	Central Packing Station 2 and Corporate Office Building	Freehold	4.19A	11 10	8,285	*Dec-15
5	HSD 35156 PT 49508 Mukim Dengkil Daerah Sepang, No.43, Jalan Meranti Jaya 11 Taman Meranti Jaya 47120 Selangor	Single Storey Semi-Detached Factory	Freehold	1,766 sq meter	1	8,097	Jul-17
6	Lot 83, 89, 90 PTD 2513-2517 Jalan Kg Kangkar Baru Daerah Batu Pahat, Johor.	Layer Farm 9	Freehold	48.05A	12	7,647	*Dec-15

TOP 10 PROPERTIES OWNED BY TEO SENG CAPITAL BERHAD AND ITS SUBSIDIARIES

(Pursuant to Appendix 9C Part A (25) of Main Market Listing Requirements) (CONT'D)

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

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition / Revaluation
7	GM 115 Lot 577 GM 85862 Lot 1309 GM 85865 Lot 1310 GM 85869 Lot 1311 GM 85872 Lot 1312 All in Mukim Chaah Bahru Batu 4 1/2, Jalan Labis Daerah Batu Pahat, Johor	Layer Farm 14	Freehold	1.33A 5.37A 4.86A 4.89A 5.02A	4 4 4 4 4	7,611	*Dec-15
8	GM 561 Lot 1862 GM 564 Lot 1287 GM 650 Lot 1288 GM 666 Lot 462 Mukim Chaah Bahru Batu 4 1/2, Jalan Paloh Daerah Batu Pahat, Johor	Layer Farm 13	Freehold	18.70A	5	6,269	*Dec-15
9	GM 503 Lot 3660 GRN 81499 Lot 3667 HS (M) 12 MLO 201 GM 873 Lot 3830 All in Mukim Chaah Bahru Daerah Batu Pahat, Johor	Layer Farm 5 Layer Farm 5B	Freehold Freehold	20.97A 3.450A 5.687A	22 8 8	6,074	*Dec-15
10	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	9 9	5,775	*Dec-15

*Date of Revaluation

ANALYSIS OF **SHAREHOLDINGS**

AS AT 29 MARCH 2018

Total Number of Issued Shares	:	300,001,225 ordinary shares (inclusive of 209,000 Treasury shares)
Class of Shares	:	Ordinary shares
Voting Shares	:	One vote per ordinary share

ANALYSIS BY SIZE SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	%	No. of Shares	%#
Less than 100	57	1.54	2,345	0.00
100 to 1,000	759	20.54	312,304	0.11
1,001 to 10,000	1,820	49.26	9,810,005	3.27
10,001 to 100,000	890	24.09	28,152,653	9.39
100,001 to 14,989,610	168	4.54	108,145,915	36.07
14,989,611 and above	1	0.03	153,369,003	51.16
Total	**3,695**	**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	11,048,800	3.69
3	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	7,563,200	2.52
4	Nam Yok San	7,121,733	2.38
5	Leong Hup (Malaysia) Sdn. Bhd.	7,000,000	2.33
6	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Pheim)	4,941,000	1.65
7	Lau Joo Keat	4,150,500	1.38
8	Wong Ah Tai	2,382,000	0.79
9	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore For IAM Traditional Asian Growth Fund	2,273,100	0.76
10	Lau Joo Kiang	2,137,949	0.71
11	Leong Hup Holdings Sdn. Bhd.	1,927,255	0.64
12	HSBC Nominees (ASING) Sdn. Bhd. BBH and Co Boston For Pheim Asean Equity Fund (TCSB)	1,510,000	0.50
13	Ng Lee Ping	1,500,000	0.50

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2018 (CONT'D)

THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares	%
14	Tong Seh Industries Supply Sdn. Berhad	1,500,000	0.50
15	Goh Cha Boh @ Goh Hui Siang	1,397,800	0.47
16	Nam Hiok Yong	1,380,818	0.46
17	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yee Hui	1,300,000	0.44
18	Leong Ai Hsia	1,221,000	0.41
19	Lai Chong Koo	1,112,000	0.37
20	Yeo Koon Lian	1,110,000	0.37
21	Soh Kian	1,104,000	0.37
22	Citigroup Nominees (Tempatan) Sdn. Bhd. CEP for Pheim Sicav-Sif	1,053,200	0.35
23	Amnah Binti Ibrahim	1,049,300	0.35
24	Public Nominees (Tempatan) Sdn. Bhd Pledged Securities Account For Wong Yee Hui (KLC/KEN)	953,100	0.32
25	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Kah Wui	902,000	0.30
26	Wong Lee Peng	878,058	0.29
27	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Boon Chai	854,000	0.29
28	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Yee Hui	810,000	0.27
29	Teo Sek Ching	751,200	0.25
30	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank For Bong Yam Keng (MY1529)	750,000	0.25
	Total	**225,051,016**	**75.07**

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2018 (CONT'D)

SUBSTANTIAL SHAREHOLDERS
As per Register of Substantial Shareholdings

	No of Shares Held			
Shareholders	**Direct**	**%**	**Indirect**	**%**
Advantage Valuations Sdn. Bhd.	153,369,003	51.16	–	–
Leong Hup (Malaysia) Sdn. Bhd.	7,000,000	2.33	153,989,003 [1]	51.37
Unigold Capital Sdn. Bhd.	–	–	153,369,003 [1]	51.16
Leong Hup International Sdn. Bhd.	–	–	160,989,003 [2]	53.70
Clarinden Investments Pte. Ltd.	–	–	160,989,003 [3]	53.70
Emerging Glory Sdn. Bhd.	–	–	163,216,258 [3]	54.44
Dato' Lau Bong Wong	–	–	163,216,258 [4]	54.44
CW Lau & Sons Sdn. Bhd.	–	–	163,216,258 [4]	54.44
Lau Joo Hong	–	–	163,216,258 [5]	54.44
Lau Jui Peng	–	–	163,216,258 [5]	54.44
Lau Joo Heng	–	–	163,216,258 [5]	54.44
Na Hap Cheng	–	–	153,881,003 [6&7]	51.33
Na Yok Chee	577,886	0.19	154,708,503 [6&7]	51.61

DIRECTORS' INTEREST
As per Register of Directors' Shareholdings

	No of Shares Held			
Directors	**Direct**	**%**	**Indirect**	**%**
Lau Jui Peng	–	–	163,216,258 [5]	54.44
Nam Yok San	7,121,733	2.38	225,000 [7]	0.08
Na Yok Chee	577,886	0.19	154,708,503 [6&7]	51.61
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 subsidiary pursuant to Section 8(4) of the Companies Act 2016 (" the Act.").*
2. *Deemed interested by virtue of its interest in Leong Hup (Malaysia) Sdn. Bhd. and/or subsidiaries pursuant to Section 8(4) of the Act.*
3. *Deemed interested by virtue of their interest in Leong Hup International 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 29 MARCH 2018

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

ANALYSIS BY SIZE WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
Less than 100	628	44.86	19,218	0.04
100 to 1,000	172	12.29	83,450	0.17
1,001 to 10,000	287	20.50	1,473,805	2.95
10,001 to 100,000	254	18.14	9,136,249	18.27
100,001 to 2,499,937	58	4.14	13,724,546	27.45
2,499,938 and above	1	0.07	25,561,507	51.12
Total	**1,400**	**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	Maybank Nominees (Tempatan) Sdn Bhd Nomura Singapore Limited For Lim Lian Hock	1,686,500	3.37
3	Lau Joo Keat	666,750	1.33
4	Lau Joo Pern	471,750	0.95
5	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Mei Chen (TJJ/KEN)	460,600	0.92
6	Sim Keng Chor	450,000	0.90
7	Chua Chin Chyang	430,000	0.86
8	Lai Chong Koo	386,000	0.77
9	Chen Yoke Faa	370,000	0.74
10	Leong Hup Holdings Sdn Bhd	321,209	0.64
11	Maybank Nominees (Tempatan) Sdn Bhd Sia Lum Wah	300,000	0.60
12	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Bee Geok (TJJ/KEN)	299,300	0.60
13	Haw Yoo Hoon	257,200	0.52
14	Ng Lee Ping	250,000	0.50
15	Tong Seh Industries Supply Sdn Berhad	250,000	0.50

ANALYSIS OF WARRANT HOLDINGS AS AT 29 MARCH 2018 (CONT'D)

THIRTY LARGEST WARRANTS HOLDERS (CONT'D)

No.	Name	No. of Warrants	%
16	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Chong Choo (E-TAI)	246,600	0.49
17	Jenna Lau Sai Cheng	240,000	0.48
18	Lenny Mahdalena Johan	225,000	0.45
19	Johstar The Plastic Man (M) Sdn Bhd	213,000	0.43
20	Low Eng Guan	212,125	0.42
21	Nam Hiok Yong	203,562	0.41
22	Bong Ng Youn	200,350	0.40
23	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Beng Hong	200,000	0.40
24	Lau Joo Kiang	200,000	0.40
25	Leong Ai Hsia	200,000	0.40
26	Ong Sze Yen	200,000	0.40
27	Lau Boon Chiat	198,400	0.40
28	Teo Sek Ching	198,100	0.40
29	Tan Boon Chai	187,400	0.37
30	Low Kok Heng	185,000	0.37
	Total	**35,270,353**	**70.54**

DIRECTORS' INTEREST
As per Register of Directors' Warrant Holdings

	No of Warrants Held			
Directors	**Direct**	**%**	**Indirect**	**%**
Lau Jui Peng	–	–	26,015,716 [1]	52.03
Nam Yok San	–	–	25,000 [2]	0.05
Na Yok Chee	–	–	25,582,257 [2&3]	51.17
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.*
3. *Deemed interested by virtue of their interest in Unigold Capital Sdn. Bhd. pursuant to Section 8(4) of the Act.*

NOTICE OF TWELFTH **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Twelfth 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 Wednesday, 27 June 2018 at 11 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 2017. **(Please refer to Explanatory Note 1)**

2. To approve the payment of Directors' fee of RM120,000-00 in respect of the financial year ended 31 December 2017. **[Resolution 1]**

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

    3.1 Mr Lau Jui Peng **[Resolution 2]**
    3.2 Mr Nam Yok San **[Resolution 3]**
    3.3 Mr Na Yok Chee **[Resolution 4]**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. **[Resolution 5]**

AS SPECIAL BUSINESS

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

5. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

    "THAT authority be and is hereby given to Mr Choong Keen Shian who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company." **[Resolution 6] (Please refer to Explanatory Note 3)**

6. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

    "THAT authority be and is hereby given to Mr Frederick Ng Yong Chiang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company." **[Resolution 7] (Please refer to Explanatory Note 3)**

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

[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 ("AGM") of the Company, or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an Ordinary Resolution of the Company at a general meeting."

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

"THAT subject to Main Market Listing Requirements ("MMLR") of Bursa Securities, 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 2018 ("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").

NOTICE OF TWELFTH ANNUAL GENERAL MEETING (CONT'D)

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

(a) the conclusion of the next 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 Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

9. **PROPOSED RENEWAL OF AUTHORISATION TO ENABLE THE COMPANY 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 Securities 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 6)

(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 Securities 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.

NOTICE OF TWELFTH ANNUAL GENERAL MEETING (CONT'D)

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 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;

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 ("SICDA"), and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the 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 MMLR 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 2018

NOTICE OF TWELFTH ANNUAL GENERAL MEETING (CONT'D)

Notes:

(i) For the purpose of determining a member who shall be entitled to attend and vote at the Twelfth Annual General Meeting, the Company shall be requesting the Record of Depositors as at 20 June 2018. Only a depositor whose name appears on the Record of Depositors as at 20 June 2018 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.

(ii) A member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in its stead.

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

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

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

(vi) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at 201-203, Jalan Abdullah, 84000 Muar, Johor, not less than forty-eight (48) hours before 11 a.m. on Monday, 25 June 2018.

EXPLANATORY NOTES

1. Item 1 of the Agenda

   This Agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 3 of the Agenda

   The Nominating Committee ("NC") of the Company has assessed the contribution of Mr Lau Jui Peng, Mr Nam Yok San and Mr Na Yok Chee by using self and peer evaluation and was satisfied with their decision making and performance and recommended for their re-election. The Board endorsed the NC's recommendation that Mr Lau Jui Peng, Mr Nam Yok San and Mr Na Yok Chee be re-appointed as Directors of the Company.

NOTICE OF TWELFTH ANNUAL GENERAL MEETING (CONT'D)

3. <u>Items 5 and 6 of the Agenda</u>

   Mr Choong Keen Shian and Mr Frederick Ng Yong Chiang have served the Board as the Independent Non-Executive Directors of the Company for more than nine (9) years since 19 June 2008. The Board has through the NC's recommendation to retain their designation as Independent Non-Excutive Directors of the Company based on the following reasons:

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

4. <u>Item 7 of the Agenda</u>

   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 ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors would consider to be in the best interest of the Company (hereinafter referred to as the "General Mandate"). This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. The new General Mandate will commence from the date of this 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 Eleventh Annual General Meeting of the Company held on 26 May 2017 had not been utilised 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. <u>Item 8 of the Agenda</u>

   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 2018 for further information.

6. <u>Item 9 of the Agenda</u>

   The proposed resolution 10, if passed, will allow the Company to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company. Please refer to Part A of the Share Buy-Back Statement dated 27 April 2018 for further information.

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PROXY FORM

TEO SENG CAPITAL BERHAD (732762-T)

CDS Account No. of Authorised Nominee#

#applicable to shares held through nominee account

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

of ....

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

.... NRIC No. ....

of ....

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

of ....

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Twelfth 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 Wednesday, 27 June 2018 at 11 a.m. and at any adjournment thereof.

The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Item	Agenda			
1.	To receive the Audited Financial Statements of the Company and of the Group and the Reports of Directors and Auditors thereon for the financial year ended 31 December 2017.			
	Ordinary Resolutions	**Resolution**	**FOR**	**AGAINST**
2.	To approve the payment of Directors' fee of RM120,000-00 in respect of the financial year ended 31 December 2017.	1		
3.1	To re-elect Mr Lau Jui Peng who retires pursuant to Article 103 of the Constitution of the Company.	2		
3.2	To re-elect Mr Nam Yok San who retires pursuant to Article 103 of the Constitution of the Company.	3		
3.3	To re-elect Mr Na Yok Chee who retires pursuant to Article 103 of the Constitution of the Company.	4		
4.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorize the Directors to fix their remuneration.	5		
5.	Continuing of Mr Choong Keen Shian as Independent Non-Executive Director.	6		
6.	Continuing of Mr Frederick Ng Yong Chiang as Independent Non-Executive Director.	7		
7.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	8		
8.	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	9		
9.	Proposed renewal of authorisation to enable the Company to purchase up to ten per centum (10%) of the total number of issued shares of the Company.	10		

Signed this .... day of 2018

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

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

Signature of Member/Common Seal   Tel No.: ____________________

Number of shares held :

Date :

Notes:

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(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 a.m. on Monday, 25 June 2018.

Fold this flap for sealing

Then fold here

Postage

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

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

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E-mail: ts@teoseng.com.my www.teoseng.com.my

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

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