Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2019

1229A0/sw

Registration No.
201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

CONTENTS

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

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:

Lau Chia Nguang
Dato' Lau Eng Guang
Tan Sri Lau Tuang Nguang
Datuk Lau Joo Hong
Lau Joo Han
Lau Joo Keat
Benny Lim Jew Fong
Datin Paduka Rashidah Binti Ramli
Mahani Binti Amat
Chu Nyet Kim
Goh Wen Ling
Low Han Kee
Tay Tong Poh
Tee Yock Siong (alternate to Benny Lim Jew Fong) (Resigned on 30 April 2020)

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Group are the production and distribution of breeder and broiler day-old-chick, broiler chickens, eggs, animal feeds, animal health products and consumer food products.

The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

SIGNIFICANT EVENT

On 25 April 2019, the Company issued a prospectus in connection with the Initial Public Offering ("IPO") and the listing of shares ("The Listing") of the Company on the Main Market of Bursa Malaysia Securities Berhad. The IPO and The Listing involved the issuance of 250,000,000 new ordinary shares ("IPO Shares") in the Company at an issue price of RM1.10 and the listing of and quotation for the entire 3,650,000,000 ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad which was completed on 16 May 2019.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	212,987	54,892
Profit attributable to:		
Owners of the Company	150,579	54,892
Non-controlling interests	62,408	-
	212,987	54,892

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased the number of its issued and paid-up ordinary share capital from 955,370 to 3,650,000,000 shares, by way of:

Exercise	Number of ordinary shares	Issue price per share RM	Increase in share capital RM'000
Bonus Issue[1]	1,229,176,622	-	-
Share Split[1]	2,169,868,008	-	-
Share Issue[2]	250,000,000	1.10	275,000
	3,649,044,630		275,000

[1] As approved at the Extraordinary General Meeting on 11 January 2019, the Company issued bonus shares and undertook a subdivision of its issued share capital during the financial year.

[2] On 15 May 2019, the Company issued 250,000,000 ordinary shares for cash consideration of RM275,000,000 through the Initial Public Offering of its shares to fund the expansion of the Group's operations.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing issued ordinary shares of the Company.

There were no debentures issued during the financial year.

DIVIDENDS

The dividends declared or paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of financial year ended 31 December 2019:	
Interim single tier dividend of 1.6 sen per ordinary share declared on 29 August 2019 and paid on 30 September 2019	58,400

ULTIMATE HOLDING COMPANY

The Directors regard Emerging Glory Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company.

EMPLOYEE SHARE OPTION SCHEME

In conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing"), the Company has established the Employee Share Option Scheme ("ESOS"), with effect from 11 April 2019, which involves the granting of ESOS Options ("the Options") to the eligible Directors and employees of the Group as set out in the By-Laws governing the ESOS. Details of ESOS are set out in Note 31 to the financial statements.

The number of Options granted under ESOS of the Company during the financial year and the number of Options outstanding at the end of the financial year are as follows:

		Number of options over ordinary shares ('000)				
Date of offer	Exercise price	As at 1.1.2019	Granted and accepted	(Exercised)	(Lapsed)	As at 31.12.2019
14 May 2019	RM1.10	-	35,092	-	(194)	34,898

During the financial year, there is no issuance of new ordinary shares of the Company that has arisen from the exercise of the Options.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits as disclosed in Note 41 to the financial statements) by reason of a contract made by the Company or by 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.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the Options granted to Directors of the Company pursuant to the Company's ESOS. (see Note 31 to the financial statements)

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 ("CA 2016"), none of the Directors who held office at the end of the financial year held any shares, debentures or options over ordinary shares in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares ('000)				
The Company	At 1.1.2019	Bonus Issue and Share Split (b)	Acquired	Disposal (c)	At 31.12.2019
Direct interests:					
Dato' Lau Eng Guang	-	103,613	714	(44,980)	59,347
Datuk Lau Joo Hong	-	49,751	-	(22,081)	27,670
Lau Joo Han	-	138,174	-	(61,337)	76,837
Datin Paduka Rashidah Binti Ramli	-	-	500	-	500
Chu Nyet Kim	-	-	500	-	500
Goh Wen Ling	-	-	500	-	500
Mahani Binti Amat	-	-	500	-	500
Low Han Kee	-	-	500	-	500
Tay Tong Poh	-	-	500	-	500
Indirect interests: (a)					
Lau Chia Nguang[1]	-	103,613	-	(44,980)	58,633
Tan Sri Lau Tuang Nguang[2]	-	103,613	-	(40,891)	62,722
Datuk Lau Joo Hong[3]	736	1,926,466	-	-	1,927,202
Lau Joo Han[4]	736	1,926,466	-	-	1,927,202
Lau Joo Keat[5]	-	103,613	-	(44,980)	58,633

Notes:

(a) Pursuant to Section 8(4) of the Companies Act 2016, the Directors have deemed interest in the Company by virtue of their shareholdings in:
[1] CN Lau Holdings Sdn Bhd
[2] TN Lau Holdings Sdn Bhd
[3] Emerging Glory Sdn Bhd through CW Lau & Sons Sdn Bhd
[4] Emerging Glory Sdn Bhd
[5] HN Lau & Sons Sdn Bhd

(b) Arising from the Company's Bonus Issue and Share Split exercised, the holding company, Emerging Glory Sdn Bhd renounced 249,933,374 Bonus Shares to its founding family members, some of whom are Directors of the Company.

(c) Shares disposed by the Directors as part of the IPO exercise.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Number of ordinary shares			
	At 1.1.2019	Acquired	(Disposed)	At 31.12.2019
Ultimate holding company, Emerging Glory Sdn. Bhd.				
Direct interests:				
Lau Chia Nguang	14,999	-	-	14,999
Dato' Lau Eng Guang	14,999	-	-	14,999
Tan Sri Lau Tuang Nguang	14,999	-	-	14,999
Lau Joo Han	20,002	-	-	20,002
Indirect interests:				
Datuk Lau Joo Hong[1]	20,002	-	-	20,002
Lau Joo Keat[2]	14,999	-	-	14,999

Notes:

Pursuant to Section 8(4) of the Companies Act 2016, the Directors have deemed interest in the ultimate holding company by virtue of their shareholdings in:

1 CW Lau & Sons Sdn Bhd
2 HN Lau & Sons Sdn Bhd

By virtue of their interest in the shares of the ultimate holding company, Datuk Lau Joo Hong and Lau Joo Han are also deemed to have interest in the shares of the Company and all of its related corporations to the extent that the ultimate holding company has an interest.

	Number of options over ordinary shares ('000)				
	At 1.1.2019	Granted and accepted	(Exercised)	(Lapsed)	At 31.12.2019
The Company					
Direct interests:					
Lau Chia Nguang	-	1,530	-	-	1,530
Dato' Lau Eng Guang	-	1,530	-	-	1,530
Tan Sri Lau Tuang Nguang	-	1,530	-	-	1,530
Datuk Lau Joo Hong	-	1,350	-	-	1,350
Lau Joo Han	-	1,275	-	-	1,275
Lau Joo Keat	-	1,275	-	-	1,275

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 value~~s~~ 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 would 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 have 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 have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group 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 Company and its subsidiaries to meet their 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.

OTHER STATUTORY INFORMATION (CONTINUED)

(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) except for the subsequent events disclosed in Note 51 to the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Lau Chia Nguang
Dato' Lau Eng Guang
Lau Hai Nguan
Tan Sri Lau Tuang Nguang
Datuk Lau Joo Hong
Lau Jui Peng
Lau Joo Heng
Lau Joo Han
Lau Joo Hwa
Lau Joo Kiang
Lau Joo Keat
Lau Joo Yong
Adrian Ferdinand Oroh
Ali bin Mohamad Lazam
Brian M. O. Connor
Carlos Cabanes Royo
Choong Keen Shian
Choo Joo Thong
Chua Soon Huat
Chua Teck Choh
Chua Teck Lee
Dato' Dr. Ma'amor bin Osman
Dato' Mohamed Salleh bin Ahmad
Dato' Koh Low @ Koh Kim Toon
Dato' Seri Abdul Azim Bin Mohamad Zabidi
Dato' Zainal bin Hassan
Dr. Masri bin Sehap
Dr. Norwati Akma binti Abd Samad
Er Teck Hwa
Frederick Ng Yong Chiang
Goh Kar Meng
Goh Kok Tin
Hao Tet Choy
Joval Ramos
Koh Bock Swi
Koh Kim Chui
Lau Choon Seng
Law Kim Kow
Lee Chai Soon
Lee Choon Seng
Lee Lai Hock
Lee Zhiwei
Liew Keng Teck
Lim Hock Mow
Lim Meng Bin
Lim Yong Poh
Loh Wee Ching
Loke Poh Lam
Low Eng Guan
Low Kim Seng
Low Chiew Boey
Lt. Kol. (Rtd) Kudri bin Haji Siraj

LIST OF DIRECTORS OF SUBSIDIARIES (CONTINUED)

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows (continued):

David Morella Jorba
Dr. Aidawani binti Abd Latif
Dr. Jayasankar A/L T. Sankaran
Na Hap Cheng
Na Yok Chee
Nam Hiok Joo
Nam Hiok Yong
Nam Ya Jun
Na Yi Chan
Ng Eng Leng
Ong Gee Tiong
Ong Guang Yang
Ong Pang Teck
Quek Cheaw Kwang
Rewin Hanrahan
Rudy Hartono Husin
Sespriansyah
Soh Heng Tean
Sim Kim Hwa
Tan Bet Beng
Ma Chin Chew
Mazlan bin A. Talib
Na Eluen
Tan Chin Heng
Tan Joo Hock
Tan Lai Kai
Tan Koon Seng
Tan Shiah Siah
Tan Soon Teck
Tang Ung Lee
Tay Kong Howe
Teo Soon Heng
Tuan Haji Ahmad Bin Rahman
Wong Chee Seng
Wong Hwa Yao
Wong Sui Teck
Wong Wai Meng
Yongkie Handaya
Yip Ah Chean
Zarina Binti Abdul Kadir

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance coverage for the Directors and Officers of the Company. During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and Officers of the Company are RM80,000,000 and RM108,000 respectively.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 6 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 19 May 2020.

Signed on behalf of the Board of Directors:

LAU CHIA NGUANG
DIRECTOR

TAN SRI LAU TUANG NGUANG
DIRECTOR

Kuala Lumpur

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

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

We, Lau Chia Nguang and Tan Sri Lau Tuang Nguang, being two of the Directors of Leong Hup International Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 17 to 154 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 2019 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2019 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 19 May 2020.

LAU CHIA NGUANG
DIRECTOR

TAN SRI LAU TUANG NGUANG
DIRECTOR

Kuala Lumpur

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

I, Chew Eng Loke, the officer primarily responsible for the financial management of Leong Hup International Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 17 to 154 are in my opinion, 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.

CHEW ENG LOKE
(MIA No. 24215)

Subscribed and solemnly declared by the abovenamed

At: Kuala Lumpur

On: 19 May 2020

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
Registration No. 201401022577 (1098663-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Leong Hup International 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 2019, 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 2019 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 17 to 154.

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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our audit approach

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

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

Key audit matters

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

Key audit matters	**How our audit addressed the key audit matters**
The biological assets of the Group comprise breeders, layers, broilers and hatching eggs. 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 are key judgements involved in determining the following key assumptions:	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 expected production of day-old chick, table eggs and feed consumption rate to the historical data provided to us by management as well as the manufacturer’s guidebook of the particular breed of poultry.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	**How our audit addressed the key audit matters**
• expected number of day-old-chick produced by each breeder • expected table eggs produced by each layer • expected hatchability of the hatching eggs • expected salvage value of breeders and layers • expected selling price of day-old-chick, table eggs and broilers • mortality rate of livestock • feed consumption rate and feed costs • other estimated costs to be incurred for the remaining life of the biological assets, and at the point of sales • discount rates The accounting policy for biological assets has been disclosed in Note 2.27 to the financial statements. The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 18 to the financial statements.	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 18. Based on the above procedures performed, we found that management's judgement and assumptions used are supported by available evidence.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and content in the 2019 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with 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 of the Company's internal control.

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT	SHIRLEY GOH
LLP0014401-LCA & AF 1146	01778/08/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
19 May 2020

Registration No.
201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	4	6,054,756	5,746,572	66,138	84,894
Other income		34,861	30,796	2,128	1,003
Change in biological assets		26,492	38,622	-	-
Change in closing inventories		99,714	64,226	-	-
Purchases of inventories and livestock		(4,286,927)	(4,042,214)	-	-
Employee benefit costs including Directors' remuneration	5	(581,824)	(523,771)	(2,422)	(354)
Depreciation of:					
Property, plant and equipment	10	(204,301)	(189,671)	(127)	-
Investment properties	11	(254)	(253)	-	-
Right-of-use assets	13	(20,961)	-	-	-
Amortisation of:					
Land use rights	12	-	(6,840)	-	-
Intangible assets	14	-	(347)	-	-
Utilities costs		(158,258)	(136,723)	-	-
Repair and maintenance		(81,864)	(73,925)	-	-
Transportation expenses		(124,363)	(91,376)	-	-
Other expenses		(332,065)	(357,613)	(7,519)	(25,735)
Profit from operations	6	425,006	457,483	58,198	59,808
Finance costs	7	(136,640)	(109,494)	(2,855)	(5,552)
Share of profit of associates	16	384	586	-	-
Profit before tax		288,750	348,575	55,343	54,256
Tax expense	8	(75,763)	(101,822)	(451)	(24)
Net profit for the financial year		212,987	246,753	54,892	54,232

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		9,000	(20,008)	-	-
		9,000	(20,008)	-	-
Items that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation	34	9,371	3,932	-	-
Income tax relating to remeasurement of post-employment benefit obligation	8	(2,058)	(906)	-	-
		7,313	3,026	-	-
Other comprehensive income/(loss) for the financial year		16,313	(16,982)	-	-
Total comprehensive income for the financial year		229,300	229,771	54,892	54,232
Profit for the financial year attributable to:					
Owners of the Company		150,579	186,185	54,892	54,232
Non-controlling interests		62,408	60,568	-	-
		212,987	246,753	54,892	54,232
Total comprehensive income attributable to:					
Owners of the Company		147,920	175,520	54,892	54,232
Non-controlling interests		81,380	54,251	-	-
		229,300	229,771	54,892	54,232
Earnings per share attributable to the owners of the Company (sen):					
- basic and diluted	9	4.23	5.48		

The accompanying notes form an integral part of the financial statements.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	2,396,471	2,216,811	451	-
Investment properties	11	22,050	22,304	-	-
Land use rights	12	-	157,620	-	-
Right-of-use assets	13	307,424	-	-	-
Intangible assets	14	97,470	97,273	-	-
Investment in subsidiaries	15	-	-	1,429,907	1,377,949
Investment in associates	16	1,567	1,715	-	-
Trade receivables	20	1,693	-	-	-
Amount due from an associate	25	15,368	-	-	-
Derivative financial assets	26	-	823	-	-
Deferred tax assets	17	62,265	59,629	-	-
Tax recoverable		-	19,928	-	-
Total non-current assets		2,904,308	2,576,103	1,430,358	1,377,949
CURRENT ASSETS					
Biological assets	18	378,392	349,574	-	-
Inventories	19	679,600	575,623	-	-
Trade receivables	20	499,298	649,207	-	-
Other receivables, deposits and prepaid expenses	21	169,030	176,269	915	909
Amount due from ultimate holding company	22	-	21,435	-	-
Amounts due from fellow subsidiaries	23	796	1,568	-	-
Amounts due from subsidiaries	24	-	-	93,958	3,958
Derivative financial assets	26	-	356	-	-
Tax recoverable		12,885	25,002	-	597
Cash and bank balances	27	764,829	458,858	36,733	2,526
Total current assets		2,504,830	2,257,892	131,606	7,990
TOTAL ASSETS		5,409,138	4,833,995	1,561,964	1,385,939

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	28	1,499,684	1,230,132	1,499,684	1,230,132
Merger reserve	29	(658,787)	(658,787)	-	-
Reserves	30	800,312	730,496	42,799	39,804
Equity attributable to owners of the Company		1,641,209	1,301,841	1,542,483	1,269,936
Non-controlling interests		539,314	463,587	-	-
Total equity		2,180,523	1,765,428	1,542,483	1,269,936
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	17	107,519	102,650	-	-
Lease liabilities	32	104,565	-	-	
Bank borrowings	33	873,087	1,044,333	-	-
Post-employment benefits obligation	34	36,865	36,796	-	-
Derivative financial liabilities	26	611	-	-	-
Deferred income - government grants	35	2,544	-	-	-
Total non-current liabilities		1,125,191	1,183,779	-	-
CURRENT LIABILITIES					
Trade payables	36	273,097	248,887	-	-
Other payables and accrued expenses	37	287,092	270,968	2,622	12,097
Amounts due to subsidiaries	38	-	-	16,741	103,906
Amounts due to fellow subsidiaries	39	862	3,340	-	-
Lease liabilities	32	13,959	-	-	
Bank borrowings	33	1,508,733	1,326,606	-	-
Derivative financial liabilities	26	1,332	2,391	-	-
Tax payable		18,349	32,596	118	-
Total current liabilities		2,103,424	1,884,788	19,481	116,003
TOTAL LIABILITIES		3,228,615	3,068,567	19,481	116,003
TOTAL EQUITY AND LIABILITIES		5,409,138	4,833,995	1,561,964	1,385,939

The accompanying notes form an integral part of the financial statements.

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201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2018		1,230,132	(658,787)	21,166	593,134	1,185,645	456,377	1,642,022
Comprehensive income:								
Net profit for the financial year		-	-	-	186,185	186,185	60,568	246,753
Other comprehensive income:								
Remeasurement of post-employment benefit obligation		-	-	-	3,315	3,315	(289)	3,026
Exchange translation differences		-	-	(9,302)	-	(9,302)	(6,028)	(15,330)
Recycling of exchange translation differences on disposal of subsidiary		-	-	(4,678)	-	(4,678)	-	(4,678)
Total other comprehensive income		-	-	(13,980)	3,315	(10,665)	(6,317)	(16,982)
Total comprehensive income		-	-	(13,980)	189,500	175,520	54,251	229,771
Transactions with owners:								
Dividends paid	40	-	-	-	(58,000)	(58,000)	(37,463)	(95,463)
Changes in equity interest in subsidiaries		-	-	-	(1,324)	(1,324)	(9,578)	(10,902)
		-	-	-	(59,324)	(59,324)	(47,041)	(106,365)
At 31 December 2018		1,230,132	(658,787)	7,186	723,310	1,301,841	463,587	1,765,428

LEONG HUP INTERNATIONAL BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Share capital RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	ESOS reserve RM'000	Retained earnings RM'000	Total attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 January 2019		1,230,132	(658,787)	7,186	-	723,310	1,301,841	463,587	1,765,428
Comprehensive income:									
Net profit for the financial year		-	-	-	-	150,579	150,579	62,408	212,987
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		-	-	-	-	7,281	7,281	32	7,313
Exchange translation differences		-	-	(9,940)	-	-	(9,940)	18,940	9,000
Total other comprehensive income		-	-	(9,940)	-	7,281	(2,659)	18,972	16,313
Total comprehensive income		-	-	(9,940)	-	157,860	147,920	81,380	229,300
Transactions with owners:									
Dividends paid	40	-	-	-	-	(58,400)	(58,400)	(26,078)	(84,478)
Issuance of ordinary shares	28	275,000	-	-	-	-	275,000	-	275,000
Share issue cost	28	(5,448)	-	-	-	-	(5,448)	-	(5,448)
ESOS expenses	30	-	-	-	6,503	-	6,503	-	6,503
Share options lapsed	30	-	-	-	(17)	17	-	-	-
Changes in equity interest in subsidiaries		-	-	-	-	(26,207)	(26,207)	20,425	(5,782)
		269,552	-	-	6,486	(84,590)	191,448	(5,653)	185,795
At 31 December 2019		1,499,684	(658,787)	(2,754)	6,486	796,580	1,641,209	539,314	2,180,523

LEONG HUP INTERNATIONAL BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Share capital RM'000	ESOS reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2018		1,230,132	-	43,572	1,273,704
Net profit for the financial year		-	-	54,232	54,232
Transaction with owners:					
Dividends paid	40	-	-	(58,000)	(58,000)
At 31 December 2018		1,230,132	-	39,804	1,269,936
At 1 January 2019		1,230,132	-	39,804	1,269,936
Net profit for the financial year		-	-	54,892	54,892
Transaction with owners:					
Dividends paid	40	-	-	(58,400)	(58,400)
Issuance of ordinary shares	28	275,000	-	-	275,000
Share issue cost	28	(5,448)	-	-	(5,448)
ESOS expenses	30	-	6,503	-	6,503
Share options lapsed	30	-	(17)	17	-
At 31 December 2019		1,499,684	6,486	36,313	1,542,483

The accompanying notes form an integral part of the financial statements.

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201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		288,750	348,575	55,343	54,256
Adjustments for:					
Expense recognised in respect of defined benefit plan	34	10,520	6,371	-	-
Depreciation of:-					
property, plant and equipment		204,301	189,671	127	-
investment properties		254	253	-	-
right-of-use assets		20,961	-	-	-
Amortisation of:-					
land use rights		-	6,840	-	-
intangible assets		-	347	-	-
Property, plant and equipment written off		3,168	2,428	-	-
Gain on disposal of property, plant and equipment		(1,597)	(850)	-	-
Loss on disposal of right-of-use assets		292	-	-	-
Gain on disposal of land use rights		-	(199)	-	-
Gain on disposal of a subsidiary		-	(78)	-	-
Unrealised loss/(gain) on foreign exchange		494	596	75	(16)
Fair value loss on derivative financial instruments		704	113	-	-
Share of profit of associates		(384)	(586)	-	-
Written off of Value Added Tax receivable		-	9,837	-	-
Bad debts written off		419	428	-	-
Impairment loss on trade receivables	20	17,232	2,144	-	-
ESOS expenses		6,503	-	1,578	-
Reversal of impairment loss on other receivables	21	(634)	(119)	-	-
Dividend income		-	-	(66,138)	(84,894)
Interest income		(12,866)	(8,492)	(2,246)	(126)
Finance costs	7	136,640	109,494	2,855	5,552
		674,757	666,773	(8,406)	(25,228)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (CONTINUED)					
Changes in working capital:					
Biological assets		(26,492)	(38,622)	-	-
Inventories		(99,714)	(64,226)	-	-
Receivables		141,167	(189,285)	(6)	(909)
Payables		37,901	50,351	(9,485)	11,137
Cash generated from/(used in) operations		727,619	424,991	(17,897)	(15,000)
Tax (paid)/refunded		(57,025)	(75,746)	264	(195)
Net cash flow from/(used in) operating activities		670,594	349,245	(17,633)	(15,195)
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Repayment from:-					
ultimate holding company		21,435	-	-	-
related companies		-	27,045	-	-
subsidiaries		-	-	-	287
Advances to: -					
related companies		-	(13,724)	-	-
subsidiaries		-	-	(90,000)	(15,000)
Advances to an associate		(15,368)	-	-	-
Proceeds from disposal of:-					
property, plant and equipment		3,880	3,715	-	-
land use rights		-	356	-	-
Dividend income received from:-					
an associate	16	540	504	-	-
subsidiaries		-	-	66,138	84,894
former subsidiary	15	-	16,296	-	-
Interest income received		12,866	7,388	2,246	126
Additions of:					
property, plant and equipment	10	(387,162)	(397,118)	(578)	-
right-of-use assets	13	(17,515)	-	-	-
land use rights	12	-	(25,834)	-	-
Subscription to subsidiaries ordinary shares		-	-	(47,033)	(3,500)
Acquisition of a subsidiary	15	(1,338)	-	-	-
Disposal of shares of subsidiary	15	2,187	5,771	-	-
Increase in fixed deposits pledged		(6,694)	(2,986)	-	-
Placement of fixed deposit	27	(16,700)	-	-	-
Net cash flow (used in)/from investing activities		(403,869)	(378,587)	(69,227)	66,807

LEONG HUP INTERNATIONAL BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Increase in equity interest in subsidiaries	15	(7,969)	(10,902)	-	-
Finance costs paid		(136,362)	(108,619)	-	-
Issue of share capital		269,552	-	269,552	-
Dividends paid to:-					
shareholders		(58,400)	(58,000)	(58,400)	(58,000)
non-controlling interests		(26,078)	(8,279)	-	-
Repayment of hire purchase liabilities		(24,144)	(25,313)	-	-
Payments for the principal portion of lease liabilities		(11,480)	-	-	-
Drawdown of term loans		172,649	603,252	-	-
Repayment of term loans		(291,137)	(270,118)	-	-
Net drawdown/(repayment) of short term borrowings		111,255	(128,910)	-	-
Advance from a subsidiary		-	-	14,300	24,300
Repayment to a subsidiary		-	-	(104,310)	(16,004)
Net cash flow (used in)/from financing activities		(2,114)	(6,889)	121,142	(49,704)
Net change in cash and cash equivalents		264,611	(36,231)	34,282	1,908
Effect of exchange translation differences		(765)	(807)	(75)	16
Cash and cash equivalents at beginning of the financial year		390,386	427,424	2,526	602
Cash and cash equivalents at end of the financial year	27	654,232	390,386	36,733	2,526

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Term loans RM'000	Short term borrowings* RM'000	Lease liabilities RM'000	Hire purchase liabilities RM'000	Total RM'000
At 1 January 2019, previously stated	1,277,022	989,666	-	50,180	2,316,868
Effects on adoption of MFRS 16	-	-	91,577	-	91,577
At 1 January 2019, restated	1,277,022	989,666	91,577	50,180	2,408,445
Net cash flow	(118,488)	111,255	(11,480)	(24,144)	(42,857)
Finance costs paid	(75,709)	(51,236)	(4,507)	(2,489)	(133,941)
	(194,197)	60,019	(15,987)	(26,633)	(176,798)
Non-cash transaction:					
Finance costs	75,775	50,912	4,507	2,489	133,683
Interest accretion	(66)	324	-	-	258
New leases	-	-	38,232	13,016	51,248
Foreign exchange translation	10,672	(193)	195	5	10,679
Acquisition of a subsidiary	-	-	-	27	27
At 31 December 2019	1,169,206	1,100,728	118,524	39,084	2,427,542
At 1 January 2018	948,911	1,131,411	-	49,647	2,129,969
Net cash flow	333,134	(128,910)	-	(25,313)	178,911
Finance costs paid	(52,438)	(50,987)	-	(2,846)	(106,271)
	280,696	(179,897)	-	(28,159)	72,640
Non-cash transaction:					
Finance costs	53,411	50,913	-	2,846	107,170
Interest accretion	(973)	74	-	-	(899)
New leases	-	-	-	25,895	25,895
Foreign exchange translation	(2,060)	(12,835)	-	(49)	(14,944)
Disposal of a subsidiary	(2,963)	-	-	-	(2,963)
At 31 December 2018	1,277,022	989,666	-	50,180	2,316,868

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Amounts due to subsidiaries	
	2019	2018
	RM'000	RM'000
Company		
At 1 January	103,786	89,937
Net cash flow	(90,010)	8,296
Non-cash transaction:		
Finance costs	2,855	5,552
At 31 December	16,631	103,785

* Short-term borrowings exclude bank overdrafts.

Certain non-cash transactions are disclosed in Note 15 to the financial statements.

The accompanying notes form an integral part of the financial statements.

1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office is as follows:

Principal place of business

3rd Floor, Wisma Westcourt,
No. 126, Jalan Kelang Lama,
58000 Kuala Lumpur,
Malaysia.

Registered office

Unit 30-01, Level 30, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

The Directors regard Emerging Glory Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company.

The principal activity of the Company is investment holding. The principal activities of the Group are the production and distribution of breeder and broiler day-old-chick, broiler chickens, eggs, animal feeds, animal health products and consumer food products. The principal activities of its subsidiaries are disclosed in Note 15 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 except as disclosed in the summary of accounting policies below.

The preparation of financial statements in conformity with MFRS 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments to published standards and interpretations that are effective

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 “Leases”
- Amendments to MFRS 9 “Prepayment Features with Negative Compensation”
- Amendments to MFRS 128 “Long-term Interests in Associates and Joint Ventures”
- Amendments to MFRS 119 “Plan Amendment, Curtailment or Settlement”
- IC Interpretation 23 “Uncertainty over Income Tax Treatments”
- Annual Improvements to MFRSs 2015 – 2017 Cycle

MFRS 16 “Leases”

The Group has adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application (“DIA”) of 1 January 2019 by applying the simplified retrospective transition method.

During the financial year, the Group changed its accounting policy on leases upon adoption of MFRS 16. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 “Leases” and IC Interpretation 4 “Determining whether an Arrangement Contains a Lease”.

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application.

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

The Group as a lessee

(a) Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

The associated right-of-use (“ROU”) assets for property leases were measured on a retrospective basis as if the new requirements has always been applied. Other ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group as a lessee (continued)

(a) Leases classified as operating leases under MFRS 117 (continued)

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group had also derecognised the asset or liability related to favourable or unfavourable terms of an operating lease acquired as part of a business combination and adjusted the carrying amount of the ROU asset with the same amount at the DIA.

(b) Leases classified as finance leases under MFRS 117

For leases previously classified as finance leases and presented as a part of 'property, plant and equipment', the Group recognised the carrying amount of the lease asset and lease liability immediately before transition which were measured applying MFRS 117 as the carrying amount of the ROU asset and the lease liability at the DIA.

The detailed impact of change in accounting policies are set out in Note 49.

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

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

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

New standards and amendments effective from financial year beginning 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 “Definition of Material”
- Amendments to MFRS 3 “Definition of a Business”

New standards and amendments effective from financial year beginning 1 January 2021:

- MFRS 17 “Insurance Contracts”

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below:

(a) Subsidiaries

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

Business combinations under acquisition method

For business combinations accounted under acquisition method, the consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire 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 and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, 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 excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss (Note 2.5).

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Business combination under common control

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to merger reserve. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial statements reflect both entities' full year's results. The comparative information is restated to reflect the combined results of both entities.

Transactions between Group companies

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Loss of control

When the Group ceases to consolidate a subsidiary 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.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group’s investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to ‘share of profit/(loss) of an associate’ in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(b) Associates (continued)

When the Group ceases to equity account its associate because of a loss of significant influence, 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 a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(c) Investments in subsidiaries and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and the fair value of any previously held equity interest in the acquiree at the acquisition date over the fair value of the net identifiable assets acquired and liabilities assumed. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Goodwill on acquisition of subsidiaries is included in the statement of financial position as intangible assets. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment and carried at cost less accumulated impairment. Impairment of goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates. See accounting policy Note 2.8 on impairment of non-financial assets.

Goodwill on acquisitions of associates is included in investments in associates. Such goodwill is tested for impairment as part of the total carrying value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.19 on borrowing costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost, to their residual values over their estimated useful lives, summarised as follows:

Buildings	2% - 12.5%
Land improvement	2% - 5%
Plant and machinery	5% - 20%
Motor vehicles, furniture, fittings, equipment and renovation	5% - 50%

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

Accounting policies applied from 1 January 2019

From 1 January 2019, leased assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note 2.13(a) on right-of-use assets for these assets.

Accounting policies applied until 31 December 2018

Until 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease (refer to accounting policy Note 2.13(a) on finance leases applied until 31 December 2018) is amortised in equal instalments over the period of the respective leases that range from 47 to 98 years.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 2.8 on impairment of non-financial assets).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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 property is measured initially at its cost, including professional fees for legal services, property transfer taxes, other transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to their residual values over their estimated useful lives of 8 to 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.

If an item of owner-occupied property becomes an investment property because its use has changed, the carrying amount of the property does not change.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, 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 of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

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

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses) together with foreign exchange gains and losses. Impairment losses are included as other expenses in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

(ii) Fair value through other comprehensive income ('FVOCI')

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

(iii) Fair value through profit or loss ('FVTPL')

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

Equity instruments

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

Changes in the fair value of financial assets at FVTPL are recognised in other income/(expenses) in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

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

The Group and Company have five types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables and deposits
- Amounts due from intercompanies
- Amounts due from associates
- Cash and cash equivalents

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

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

The measurement of ECL reflects:

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

(i) General 3-stage approach for other receivables and non-trade amounts due from intercompanies and associates

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 45 sets out the measurement details of ECL.

(ii) Simplified approach for trade receivables and trade amounts due from intercompanies

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 45 sets out the measurement details of ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk

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

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

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

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

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

Qualitative criteria:
The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:
- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization
- the debtor is insolvent

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables arising from poultry business have been grouped based on shared credit risk characteristics of customer's geographical location and the days past due.

(ii) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually. Amounts due from intercompanies and amounts due from associates in the Group and the Company's financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each entities' receivables.

Write-off

(i) Trade receivables

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

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

(ii) Other receivables, non-trade amount due from intercompanies and amounts due from associates

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.11 Derivative and hedging activities

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

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

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

2.12 Financial guarantee contracts

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases

(a) Accounting by lessee

<u>Accounting policies applied from 1 January 2019</u>

From 1 January 2019, leases are recognised as right-of-use (‘ROU’) asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

<u>Lease term</u>

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

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(a) Accounting by lessee (continued)

<u>Accounting policies applied from 1 January 2019</u> (continued)

<u>ROU assets</u>

ROU assets are initially measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

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

The Group applies the cost model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment properties owned by the Group. Refer to accounting policy Note 2.7 on investment property.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

<u>Lease liabilities</u>

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(a) Accounting by lessee (continued)

***Accounting policies applied from 1 January 2019* (continued)**

Lease liabilities (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

Accounting policies on lessee accounting applied until 31 December 2018

Finance leases

Until 31 December 2018, 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. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

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 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 if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(a) Accounting by lessee (continued)

***Accounting policies on lessee accounting applied until 31 December 2018* (continued)**

Finance leases (continued)

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. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(b) Accounting by lessor

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

Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2.9 on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(b) Accounting by lessor (continued)

Operating leases

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

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

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

2.14 Trade and other receivables

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

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

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 2.9(d) on impairment of financial assets.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs, including import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents

For the purpose of the statements of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts, less restricted cash. Restricted cash includes restricted deposits held as compensating balances against credit facilities arrangements.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the statement of financial position, banks overdrafts are shown within borrowings in current liabilities.

2.17 Share capital

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

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

(d) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments as a result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

Shares held by the employee share trust are recognised as treasury shares and deducted from contributed equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Share capital (continued)

(e) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

2.18 Trade payables

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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 weighted average 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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

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

Borrowings are classified as current liabilities unless the Group 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. 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 Company and its subsidiaries, joint ventures and associates operate and generate taxable income.

Management 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 provided in full, 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 liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets including tax benefit from investment tax credit, including reinvestment allowance 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.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the parent, investor and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the investor is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the investor the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables in the statement of financial position.

(b) Post-employment pension benefits

The Group has various post-employment pension benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has 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.

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

(i) Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Defined benefit plans

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in the profit or loss in employee benefit expense, except where included in the cost of an asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(b) Post-employment pension benefits (continued)

(ii) Defined benefit plans (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

2.22 Share-based payments - Employee options

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

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

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

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

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

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Share-based payments - Employee options (continued)

In its separate financial statements of the Company, the grant by the Company of options over its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution to the subsidiary. The fair value of options granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Company.

Modification and Cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.25 Revenue recognition

(i) Revenue from contracts with customers

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

The Group's revenue is derived mainly from sales of chicken and other poultry related products, such as poultry feed and processed food.

<u>Sales of chicken and other poultry related products</u>

Revenue from sales of chicken and other poultry related products are recognised net of discount and applicable tax at the point in time when control of the goods has transferred to customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to locations specified by the customer and acceptance of the goods by the customer; or upon delivery of the chicken on board for onward delivery to the customer.

<u>Sales of poultry feed</u>

Revenue from sales of poultry feed are recognised net of discount and applicable tax at the point in time when control of the goods has transferred to customer. The terms of contract with the customer is ex-factory where control transfers upon the feed truck is weighed for quantity of feed loaded and accepted by customers' truck driver before it leaves the feedmill. Revenue for sales of feed by bag packaging are recognised upon delivery of the goods to locations specified by the customer and acceptance of the goods by the customer which indicate the transfer of control.

There is no element of financing present as the Group's sale of goods are either on cash term or on credit terms not exceeding 12 months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:

- Lease income is recognised on the straight-line basis over the lease terms. (Note 2.13(b))
- Interest income is recognised using the effective interest method.
- Dividend income is recognised when the Group's right to receive payment is established.

2.26 Foreign 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 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. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income or expenses.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as at fair value through other comprehensive income 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. 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 fair value through other comprehensive income, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Foreign currencies (continued)

(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 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.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Biological assets

Biological assets comprising of breeders, broilers, commercial layers and hatching eggs are measured at fair value less cost to sell. Costs to sell include the incremental selling costs, including estimated costs of transport but excludes finance costs and income taxes. Purchases of livestock are directly expensed to profit or loss when incurred. Changes in fair value of biological assets, livestock losses, the carrying amount of livestock depopulation and the carrying amount of livestock sold are recognised in the statement of comprehensive income within “Change in biological assets”.

The following are further information on determining the fair value of each livestock.

Breeders

The fair value of grandparent and parent breeding stock is determined using a discounted cash flow model based on the expected number of day-old-chick produced, the projected selling price of the day-old-chick, salvage value for old birds, mortality rates of the breeding stock, feed costs and consumption rates, farm house and equipment rentals, and other estimated farming cost that will be incurred throughout the remaining life of the breeder.

Commercial layers

The fair value of pullets and layers is determined using a discounted cash flow model based on the mortality ratios of the layers, 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 Group and other estimated farming cost that will be incurred throughout the remaining life of the layer.

Broilers

Live broilers are measured at fair value less costs to sell based on discounted cash flows model, taking into consideration the expected selling price of broilers, mortality rate, consumption rate, feed costs and other estimated farm costs that will be incurred until the point of sale, as well as transportation costs at the point of sale. The assessment of the fair value is based on internally available data, which includes saleable weight and expected selling price of live birds, costs incurred and mortality rates.

Certain live broilers are transferred to the processing plant at fair value less estimated point-of-sale costs. These broilers are then further processed when slaughtered. Once slaughtered, the biological assets are transferred to finished goods.

Hatching eggs

The fair value of hatching eggs is determined using a discounted cash flow model based on internal hatchability ratio, the projected selling price of the day-old-chick, estimated hatchery cost to be incurred for hatching the eggs into day-old chick, contributory asset charges for the hatcheries owned by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Land use rights

Accounting policies applied from 1 January 2019

From 1 January 2019, land use rights are presented as 'right-of-use assets' in the statements of financial position. See Note 2.13(a) on the accounting policy for right-of-use assets.

Accounting policies on applied until 31 December 2018

Land use rights are prepayments for leases where a significant portion of the risks and rewards of ownership are not expected to pass to the lessee and therefore are operating leases. Land use rights are carried at cost or surrogate carrying amount and are amortised on a straight line basis over the lease terms.

Land use rights are amortised over the land use rights periods ranging from 9 to 60 years.

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The Board of Directors has appointed a Management Team which assesses the financial performance and position of the Group, and makes strategic decisions. The Management Team, which has been identified as being the chief operating decision maker, comprise the Group's chief executive officer, chief executive officer of the respective countries and the Group's chief financial officer.

2.30 Government grants

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

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

Government grants relating to the purchase of assets are presented as deferred government grants within non-current liabilities and credited to profit or loss on a straight-line basis over the useful life of the related assets.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Biological assets

The fair value of livestock biological assets is determined using a discounted cash flow model.

In measuring the fair value of livestock biological assets, management estimates and judgements are required which includes the following:

- expected number of day-old-chick produced by each breeder
- expected table eggs produced by each layer
- expected hatchability of the hatching eggs
- expected salvage value of breeders and layers
- expected selling price of day-old-chick, table eggs, broilers
- mortality rate of livestock
- feed consumption rate and feed costs
- other estimated costs to be incurred for the remaining life of the biological assets, and at the point of sales
- discount rates

Changes to any of the above assumptions would affect the fair value of the biological assets.

The Group recorded a fair value for its biological assets of RM378,392,000 as at 31 December 2019 (2018: RM349,574,000). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 18 to the financial statements.

(ii) Impairment of goodwill

Impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual result may vary, and may cause significant adjustments to the Group's assets within the next financial year.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 14 to the financial statements.

(iii) Post-employment benefit obligation

The determination of the Group post-employment benefit obligation and employee benefits expense is dependent on its selection of certain assumptions used by independent actuary in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Post-employment benefit obligation (continued)

Actual results that differ from the Group assumptions are treated in accordance with the policies as mentioned in Note 2.21 to the financial statements. While the Group actual experience or significant changes in the Group assumptions may materially affect its estimated liability for employee benefits and employee benefits expense. The carrying amount of the Group post-employment benefit obligation is disclosed in Note 34 to the consolidated financial statements.

(iv) Income taxes

The Group is subject to income taxes in numerous jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income taxes.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. The Group also recognised certain tax recoverable for which the Group believes that there is reasonable basis for recognition. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions and tax recoverable balance in the financial year in which such determination is made.

(v) Deferred taxes

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. (See Note 17)

4 REVENUE

The Group derives the following types of revenue:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers:				
- Sales of goods	6,042,731	5,732,432	-	-
Revenue from other sources:				
- Lease income	11,516	13,198	-	-
- Dividend income from subsidiaries	-	-	66,138	84,894
- Others	509	942	-	-
Total revenue	6,054,756	5,746,572	66,138	84,894

Disaggregation of revenue from contracts with customers by product segments:

	Group	
	2019 RM'000	2018 RM'000
Livestock and other poultry related products	3,396,042	3,470,580
Feedmill	2,646,689	2,261,852
	6,042,731	5,732,432

5 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, wages and bonuses	540,795	491,979	844	354
Defined contribution plans	24,006	25,421	-	-
Defined benefit plans	10,520	6,371	-	-
ESOS expenses	6,503	-	1,578	-
	581,824	523,771	2,422	354

(b) The breakdown of the Directors' remuneration of the Group and Company are as disclosed in Note 41 to the financial statements.

6 PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
Statutory audit				
- PricewaterhouseCoopers PLT	1,379	1,171	180	147
- Member firms of PricewaterhouseCoopers International Limited	1,665	1,537	-	-
- Others	82	82	-	-
Other services				
- PricewaterhouseCoopers PLT	1,925	3,519	1,870	3,464
- Member firms of PricewaterhouseCoopers International Limited	952	1,938	788	1,633
Foreign exchange (gain)/loss:				
- realised	5,208	(2,835)	44	(861)
- unrealised	494	596	75	(16)
Fair value loss on derivative financial instruments	704	113	-	-
Rental expense*	7,958	14,483	-	-
Write-off of property, plant and equipment	3,168	2,428	-	-
Impairment loss on trade receivables	17,232	2,144	-	-
Reversal of impairment loss on other receivables	(634)	(119)	-	-
Expense recognised in respect of defined benefit plan	10,520	6,371	-	-
Farmers' incentive	51,610	39,584	-	-
Packing materials	23,523	19,374	-	-
Travelling expenses	12,848	11,079	-	-
Promotional and marketing expenses	9,852	7,235	-	-
Interest income	(12,866)	(8,492)	(2,246)	(126)
Rental income	(2,707)	(1,949)	-	-
(Gain)/loss on disposal of:				
- property, plant and equipment	(1,597)	(850)	-	-
- land use rights	-	(199)	-	-
- right-of-use assets	292	-	-	-
Gain on disposal of a subsidiary	-	(78)	-	-
Bad debts written off	419	428	-	-
Bad debts recovered	(15)	(740)	-	-
Written off of Value Added Tax receivable	-	9,837	-	-
IPO listing expenses	2,655	22,876	2,655	22,876

*The rental expenses disclosed for financial year ended 31 December 2019 comprise only short term leases and leases of low value assets. See Note 13 for details of rental expenses.

7 FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Bankers' acceptances	15,260	16,792	-	-
Bank overdrafts	2,402	2,324	-	-
Term loans	75,775	53,411	-	-
Hire purchase liabilities	2,489	2,846	-	-
Lease liabilities	4,507	-	-	-
Revolving credits	18,988	19,945	-	-
Trust receipts	16,664	14,159	-	-
Loan from a subsidiary	-	-	2,855	5,552
Others	555	17	-	-
	136,640	109,494	2,855	5,552

8 TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax recognised in profit or loss:				
- Malaysian income tax	28,091	25,416	481	30
- Foreign tax	48,090	56,164	-	-
- Over provision in prior years	(1,703)	(3,261)	(30)	(6)
	74,478	78,319	451	24
Deferred taxation recognised in profit of loss (Note 17):				
- Origination and reversal of temporary differences	1,236	23,503	-	-
Real property gain tax	49	-	-	-
Tax expense	75,763	101,822	451	24
Deferred taxation recognised in OCI (Note 17):				
- Remeasurement of post-employment benefit obligation	2,058	906	-	-

8 TAX EXPENSE (CONTINUED)

A numerical reconciliation of income tax expense to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	288,750	348,575	55,343	54,256
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	69,300	83,658	13,282	13,021
Tax effects of:				
- expenses not deductible for tax purposes	15,895	30,175	3,072	7,590
- income not subject to tax	(1,069)	(410)	(15,873)	(20,581)
- share of result of an associate	(124)	(141)	-	-
- differential in tax rates of foreign subsidiaries	(13,999)	(16,140)	-	-
- utilisation of reinvestment allowance not recognised as tax benefits	(1,303)	(1,776)	-	-
- utilisation of previously unrecognised tax losses	(3,897)	(2,284)	-	-
- deductible temporary differences not recognised in current year	1,509	5,861	-	-
- current year tax losses for which no deferred tax asset is recognised	4,337	-	-	-
- reversal of deferred tax assets for which tax losses was recognised as tax benefits previously	6,768	-	-	-
- change in tax rate of Real Property Gain Tax	-	6,140	-	-
Real Property Gain Tax	49	-	-	-
Overprovision of income tax in prior years	(1,703)	(3,261)	(30)	(6)
Tax expense	75,763	101,822	451	24

8 TAX EXPENSE (CONTINUED)

The amounts of unutilised tax losses, deductible temporary differences on property, plant and equipment and unutilised reinvestment allowance for which no deferred tax asset has been recognised in the statements of financial position are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Unutilised tax losses		
- expiring by year of assessment 2025^	34,697	40,110
- expiring by year of assessment 2026^	3,333	-
- expiring not more than five years	47,711	19,191
- no expiry period	997	997
Unabsorbed capital allowances		
- no expiry period	21,334	20,704
Unutilised reinvestment allowance		
- expiring not more than seven years^	16,190	20,690
	124,262	101,692

^ Under the Malaysia Finance Act 2018, the Company's unutilised tax losses can be carried forward for 7 consecutive years of assessment. Any accumulated unutilised reinvestment allowance can be carried forward for another 7 consecutive years of assessment from expiry of qualifying period.

Tax Recoverable

	Group	
	2019	2018
	RM'000	RM'000
Non-current	-	19,928
Current	12,885	25,002
	12,885	44,930

Non-current tax recoverable included claim for tax refund with relevant tax authorities which was estimated to take more than 12-month to resolve.

9 EARNINGS PER SHARE ("EPS")

Basic EPS of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average numbers of ordinary shares in issue during the financial year.

For the dilutive earnings per share calculation, the average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group are the warrants issued by a subsidiary and the exercise of ESOS Options by eligible Directors and employees of the Group.

The following table reflects the income and share data used in the basic EPS computations:

	Group	
	2019	2018
	RM'000	RM'000
Profit attributable to the owners of the Company	150,579	186,185
Weighted average number of ordinary shares in issue ('000) (i)	158,490	955
Adjustment for bonus issue ('000) (ii)	1,229,177	1,229,177
Adjustment for share split ('000) (ii)	2,169,868	2,169,868
Total	3,557,535	3,400,000
Basic and diluted EPS (sen) (iii)	4.23	5.48

(i) The weighted average number of ordinary shares in issue for financial year ended 31 December 2019 takes into account the issuance of 250,000,000 new ordinary shares of the Company on 15 May 2019. See Note 28 "Share Capital" for further details.

(ii) As the Company undertook bonus issue and share split exercise on 11 January 2019, the basic and diluted earnings per share have been adjusted to reflect the new number of ordinary shares of 3,400,000,000. Note 28 details the bonus issue and share split which were approved in the Extraordinary General Meeting on 11 January 2019.

(iii) In accordance with MFRS 133 "Earnings per Share", the calculation of basic and diluted EPS for all periods presented have been adjusted retrospectively as the number of ordinary shares has increases as a result of bonus issue or share split as disclosed in Note 9(ii).

Diluted EPS

(a) The outstanding warrants issued by a subsidiary have an antidilutive effect on the basic EPS as the exercise price of the warrants exceeded the average market price of the subsidiary's ordinary shares.

(b) The diluted EPS excluded the effects of potential exercise of ESOS options issued by the Company as the exercise price of the ESOS options exceeded the average share price of the Company during the financial year.

10 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under hire purchase liabilities RM'000	Motor vehicles, furniture, fittings, equipment and renovation RM'000	Motor vehicles, furniture, fittings, equipment and renovation under hire purchase liabilities RM'000	Construction-in-progress RM'000	Total RM'000
Net book value										
At 1 January 2019, as previously stated	288,085	21,154	1,073,692	15,420	366,302	49,858	147,090	32,755	222,455	2,216,811
Effect of adoption of MFRS 16 (see Note 13)	-	(21,154)	-	-	-	-	-	-	-	(21,154)
At 1 January 2019, restated	288,085	-	1,073,692	15,420	366,302	49,858	147,090	32,755	222,455	2,195,657
Additions	3,634	-	50,121	1,342	88,312	2,854	59,742	13,635	180,538	400,178
Effect on acquisition of subsidiary	-	-	-	-	-	-	13	30	-	43
Disposals	(1,050)	-	(450)	-	(203)	-	(580)	-	-	(2,283)
Write-off	-	-	(1,773)	-	(966)	-	(272)	-	(157)	(3,168)
Foreign exchange differences	-	-	6,838	-	2,498	4	413	11	581	10,345
Reclassifications	4,797	-	146,641	5,696	50,546	(1,014)	12,200	(3,023)	(215,843)	-
Depreciation charge for the year	-	-	(66,684)	(940)	(84,278)	(3,064)	(42,325)	(7,010)	-	(204,301)
At 31 December 2019	295,466	-	1,208,385	21,518	422,211	48,638	176,281	36,398	187,574	2,396,471
At 31 December 2019:										
Cost	295,466	-	1,776,655	24,725	1,084,017	57,733	456,139	57,954	187,612	3,940,301
Accumulated depreciation	-	-	(567,317)	(3,202)	(661,806)	(9,095)	(278,393)	(21,556)	-	(1,541,369)
Accumulated impairment loss	-	-	(953)	(5)	-	-	(1,465)	-	(38)	(2,461)
Net book value	295,466	-	1,208,385	21,518	422,211	48,638	176,281	36,398	187,574	2,396,471

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Leasehold land	Buildings	Land improvement	Plant and machinery	Plant and machinery under hire purchase liabilities	Motor vehicles, furniture, fittings, equipment and renovation	Motor vehicles, furniture, fittings, equipment and renovation under hire purchase liabilities	Construction-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value										
At 1 January 2018	271,177	20,010	1,028,122	15,269	405,900	16,123	164,225	25,847	99,128	2,045,801
Additions	16,867	1,500	71,009	1,262	59,283	12,365	41,355	12,148	201,861	417,650
Effect on disposal of subsidiary	-	-	(18,401)	-	(8,960)	-	(8,582)	-	-	(35,943)
Disposals	-	-	(903)	-	(637)	-	(1,325)	-	-	(2,865)
Write-off	-	-	(1,419)	(5)	(447)	-	(477)	(80)	-	(2,428)
Foreign exchange differences	41	-	(9,861)	-	(5,349)	3	(740)	(23)	196	(15,733)
Reclassifications	-	-	68,174	(292)	(6,659)	24,085	(7,663)	1,085	(78,730)	-
Depreciation charge for the year	-	(356)	(63,029)	(814)	(76,829)	(2,718)	(39,703)	(6,222)	-	(189,671)
At 31 December 2018	288,085	21,154	1,073,692	15,420	366,302	49,858	147,090	32,755	222,455	2,216,811
At 31 December 2018:										
Cost	288,085	26,541	1,577,318	17,687	939,714	58,495	393,096	49,491	222,493	3,572,920
Accumulated depreciation	-	(5,387)	(500,708)	(2,262)	(573,412)	(8,637)	(244,431)	(16,736)	-	(1,351,573)
Accumulated impairment loss	-	-	(2,918)	(5)	-	-	(1,575)	-	(38)	(4,536)
Net book value	288,085	21,154	1,073,692	15,420	366,302	49,858	147,090	32,755	222,455	2,216,811

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company	
	Furniture, fittings and office equipment RM'000	Total RM'000
Net book value		
At 1 January 2019	-	-
Additions	578	578
Depreciation charge for the year	(127)	(127)
At 31 December 2019	451	451
At 31 December 2019:		
Cost	578	578
Accumulated depreciation	(127)	(127)
Net book value	451	451

(a) As of 31 December 2019, certain property, plant and equipment of the Group with a net carrying value of RM589,798,000 (2018: RM675,599,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 33 to the financial statements.

(b) Additions of property, plant and equipment

Property, plant and equipment were acquired by the following means:

	Group	
	2019 RM'000	2018 RM'000
Cash payments	387,162	397,118
Unpaid balances included under other payables	5,465	8,938
Cash paid in respect of acquisition in previous financial year	(8,938)	(14,301)
Financed by hire purchase	16,489	25,895
Addition of property, plant and equipment	400,178	417,650

11 INVESTMENT PROPERTIES

	Group	
	2019	2018
	RM'000	RM'000
Cost		
At 1 January	31,047	31,047
At 31 December	31,047	31,047
Less: Accumulated depreciation		
At 1 January	8,743	8,490
Charge for the financial year	254	253
At 31 December	8,997	8,743
Net carrying amount		
At 31 December	22,050	22,304
Fair values	45,130	44,800

The property rental income earned by the Group from investment properties, certain of which are leased out under operating leases, amounted to RM1,030,000 (2018: RM1,179,000). Direct operating expenses arising on the investment properties of the Group amounted to RM94,000 (2018: RM86,000).

The Group lease out some of its investment properties. The Group classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table set out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2019	2018
	RM'000	RM'000
Group		
Within 1 year	523	826
In the 2nd year	197	355
In the 3rd year	51	197
In the 4th year	51	51
In the 5th year	-	51
Total undiscounted lease payments	822	1,480

12 LAND USE RIGHTS

	Group 2019 RM'000	Group 2018 RM'000
Cost		
At 1 January 2019	195,204	173,299
Effect of adoption of MFRS 16 (See Note 13)	(195,204)	-
	-	173,299
Additions	-	25,834
Disposal	-	(276)
Foreign exchange differences	-	(3,653)
At 31 December	-	195,204
Less: Accumulated amortisation		
At 1 January 2019	37,584	31,589
Effect of adoption of MFRS 16 (See Note 13)	(37,584)	-
	-	31,589
Charge for the financial year	-	6,840
Disposal	-	(119)
Foreign exchange differences	-	(726)
At 31 December	-	37,584
Unamortised land use rights on leasehold land		
At 31 December	-	157,620

As at 31 December 2018, the unexpired lease periods of the leasehold land of the Group which were included under land use rights ranges from 4 to 52 years.

13 RIGHT-OF-USE ASSETS

Group	Note	Leasehold land	Land use rights	Land from operating lease	Buildings	Plant and machinery	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying amount							
At 1 January 2019		-	-	-	-	-	-
- Transfer from property, plant and equipment and land use rights	49	21,154	157,620	-	-	-	178,774
- Effect on adoption of MFRS 16	49	-	-	73,235	18,342	-	91,577
		21,154	157,620	73,235	18,342	-	270,351
Additions		-	16,049	12,345	26,101	1,252	55,747
Disposal		-	(292)	-	-	-	(292)
Foreign exchange differences		-	2,378	276	(84)	9	2,579
Depreciation charge for the year		(381)	(7,749)	(4,815)	(7,680)	(336)	(20,961)
At 31 December 2019		20,773	168,006	81,041	36,679	925	307,424

The Group leases various lands, buildings and equipment. Lease contracts are typically made for fixed periods as per below but may have extension option:

Leasehold land	47 – 98 years
Land use rights	8 – 60 years
Land from operating lease	1 – 60 years
Buildings	1 – 15 years
Plant and machinery	3 years

13 RIGHT-OF-USE ASSETS (CONTINUED)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. All lease agreements do not impose any covenants other than the specific use of certain leasehold land or land use rights.

	Note	2019 RM'000
Interest expense (included in finance cost)	7	(4,507)
Expense relating to short-term leases (included in rental expenses)	6	(6,171)
Expense relating to leases of low value assets that are not shown above as short-term leases (included in rental expenses)	6	(393)
Expense relating to variable lease payments not included in lease liabilities (included in rental expenses)	6	(1,394)
The total cash outflow for leases in 2019		23,945

Additions of right-of-use assets

Right-of-use assets were acquired by the following means:

	2019 RM'000
Cash payments	17,515
Future lease payment included in lease liabilities	38,232
Addition of right-of-use assets	55,747

14 INTANGIBLE ASSETS

	Goodwill on consolidation RM'000	Business customer RM'000	Total RM'000
Group			
Cost			
At 1 January 2018	110,440	17,287	127,727
Effect of disposal of a subsidiary	(7,241)	(6,847)	(14,088)
Translation differences	(59)	(132)	(191)
At 31 December 2018/1 January 2019	103,140	10,308	113,448
Effect of acquisition of a subsidiary	102	-	102
Translation differences	95	19	114
At 31 December 2019	103,337	10,327	113,664
Less: Accumulated amortisation			
At 1 January 2018	-	15,385	15,385
Charge for the financial year	-	347	347
Effect of disposal of a subsidiary	-	(5,330)	(5,330)
Translation differences	-	(94)	(94)
At 31 December 2018/1 January 2019	-	10,308	10,308
Translation differences	-	19	19
At 31 December 2019	-	10,327	10,327
Less: Accumulated impairment losses			
At 31 December 2018/31 December 2019	5,867	-	5,867
Net carrying amount			
At 31 December 2018	97,273	-	97,273
At 31 December 2019	97,470	-	97,470

14 INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to the following cash generating units ('CGUs') for the purpose of impairment testing.

	Group	
	2019	2018
	RM'000	RM'000
Malaysia		
Manufacturing of animal feeds	4,021	4,021
Trading of animal health products	3,217	3,115
Poultry farming and breeding	35,330	35,330
Singapore		
Processing and marketing of consumer products	54,902	54,807
	97,470	97,273

The recoverable amounts of the respective CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets of the specific CGUs that the goodwill is allocated to which have been approved by the Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in the value-in-use calculations are as follows:

	2019	2018
	%	%
Manufacturing of animal feeds		
Revenue growth rate	2.0	2.0
EBITDA margin	8.0	6.8
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0
Trading of animals health products		
Revenue growth rate	5.1	4.0
EBITDA margin	23.0	27.0
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0

14 INTANGIBLE ASSETS (CONTINUED)

The key assumptions used in the value-in-use calculations are as follows: (continued)

	2019	2018
	%	%
Poultry farming and breeding		
Revenue growth rate	8.9	9.0
EBITDA margin	8.8	8.7
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0
Processing and marketing of consumer products		
Revenue growth rate	3.1 - 3.7	2.0 - 4.2
EBITDA margin	10.0	11.0
Discount rate	12.0	11.0
Terminal growth rate	1.0	2.0

Based on the assessment performed, there is no impairment of goodwill attributable to the respective CGUs. There are no reasonably possible changes in any of the key assumptions used that would cause the carrying amounts of the respective CGUs to materially exceed the recoverable amounts.

Business customer relationship

Business customer relationship acquired in business combination are amortised over 5 years.

15 INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	1,424,982	1,377,949
Capital contribution to subsidiaries – ESOS Options	4,925	-
	1,429,907	1,377,949

The subsidiaries (all incorporated in Malaysia unless otherwise indicated) are as follows:

Name of the Company	Effective percentage of ownership 2019 %	Effective percentage of ownership 2018 %	Principal activities
Direct subsidiaries			
Leong Hup (Malaysia) Sdn. Bhd.*	100.00	100.00	Investment holding
United Global Resources Limited*	100.00	100.00	Investment holding and trading of materials
Leong Hup Singapore Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Dragon Amity Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Leong Hup Corporate Services Sdn. Bhd.*	100.00	100.00	Management services provider
Leong Hup (Philippines), Inc# (Incorporated in Philippines)	100.00	100.00	To engage in the raising, breeding, cross breeding, fattening and pasturing of poultry and similar stocks
Leong Hup Myanmar Co., Ltd (Incorporated in Myanmar)	100.00	-	Incorporated on 16 October 2019. Dormant
Indirect subsidiaries			
Leong Hup Poultry Farm Sdn. Bhd.*	100.00	100.00	Provision of farming related services
Leong Hup Broiler Farm Sdn. Bhd.*	100.00	100.00	Provision of farming related services
Leong Hup (G.P.S.) Farm Sdn. Bhd.*	100.00	100.00	Provision of farming related services

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Indirect subsidiaries (continued)			
Leong Hup Agrobusiness Sdn. Bhd.*	100.00	100.00	Poultry farming, trading of broiler chickens, day old chicks, poultry feeds, medicine, processing and marketing of chicken and related products, renting of farm buildings, confectionary and investment holding
Ayam A1 Food Corporation Sdn. Bhd.*	100.00	100.00	Provision of manufacturing related services
Leong Hup Feedmill Malaysia Sdn. Bhd. *	100.00	100.00	Manufacturing and marketing of animal feeds
Ladang Ternakan Maju Sdn. Bhd.*	100.00	100.00	Provision of farming related services
Advantage Valuations Sdn. Bhd.*	51.00	51.00	Investment holding
F. E. Venture Sdn. Bhd.^	51.00	51.00	Trading of animal feeds and veterinary products and investment holding
Leong Hup Poultry Farm (Sabah) Sdn. Bhd.*	100.00	100.00	Poultry farming and related products
Leong Hup Ruminant Farm Sdn. Bhd.*	100.00	100.00	Investment holding

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2019	2018	
	%	%	
Indirect subsidiaries (continued)			
Leong Hup Feedmill Sdn. Bhd.*	100.00	100.00	Provision of manufacturing related services
Sri Medan Duck Farm Sdn. Bhd.*	100.00	100.00	Provision of farming related services
Beaming Agrotrade Sdn. Bhd.*	100.00	100.00	Dormant
The Baker's Cottage Restaurant Sdn. Bhd^	100.00	100.00	Operating a restaurant dealing with food and beverage
Ayam A1 Food Processing Sdn. Bhd.*	100.00	100.00	Provision of manufacturing related services
Goldkist Breeding Farms Sdn. Bhd.*	100.00	100.00	Provision of farming related services
J.B. Kim Farm Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Mighty Farms Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Exclusive Treasures Sdn. Bhd.*	100.00	100.00	Rearing of broiler chicken for sales
Sweet Vista Sdn. Bhd.*	100.00	100.00	Rearing of broiler chicken for sales
Mantap Untung Sdn.Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Ternakan Emas Sdn. Bhd.*	100.00	100.00	Dormant
Golden Egg Sdn. Bhd.*	100.00	100.00	Dormant

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2019	2018	
	%	%	
Indirect subsidiaries (continued)			
Rising Momentum Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Farm Excel Distribution Sdn. Bhd.^	51.00	51.00	Trading of health and beauty products
Laboratorios Reveex (Asia) Sdn. Bhd.^	26.01	26.01	Trading of veterinary products
Leong Hup Aquaculture Sdn. Bhd.*	100.00	100.00	Operator of fish rearing
Teo Seng Capital Berhad*α	29.02	28.43	Investment holding and provision of management services
Teo Seng Farming Sdn. Bhd.*	29.02	28.43	Poultry farming and investment holding
Teo Seng Paper Products Sdn. Bhd.*	29.02	28.43	Manufacturing and marketing of egg trays
Teo Seng Feedmill Sdn. Bhd.*	29.02	28.43	Manufacturing and marketing of animal feeds
Ritma Prestasi Sdn. Bhd.*	29.02	28.43	Distribution of pet food, medicine and other animal health related products
Professional Vet Enterprise Sdn. Bhd.*	29.02	-	Trading of veterinary pharmaceutical biological products and farming equipment
Success Century Sdn. Bhd.*	29.02	28.43	Poultry farming
B-Tech Aquaculture Sdn. Bhd.*	29.02	28.43	Dormant

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Indirect subsidiaries (continued)			
Laskar Fertiliser Sdn. Bhd.*	29.02	28.43	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 produce
Great Egg Industries Sdn. Bhd. *	29.02	28.43	Dormant
Liberal Energy Sdn. Bhd.*	29.02	28.43	General trading and generation of energy by establishment of biogas plants - Dormant
Pioneer Prosperity Sdn. Bhd.*	29.02	28.43	Dormant – under members' voluntary winding up process
Premium Egg Products Pte. Ltd.# (Incorporated in Singapore)	29.02	28.43	Wholesaler importers, exporters of eggs products
BH Fresh Food Pte. Ltd.# (Incorporated in Singapore)	29.02	28.43	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income
Ritma Premier Pte. Ltd.# (Incorporated in Singapore)	29.02	28.43	Distribution of pet food, medicine and other animal health related products
Leong Hup Agriculture (Desaru) Sdn. Bhd.*	60.00	60.00	Plantation – cultivation of fruits
Ideal Multifeed (Malaysia) Sdn. Bhd.*	100.00	100.00	Manufacturing and marketing of animal feeds

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2019	2018	
	%	%	
Indirect subsidiaries (continued)			
Jaco Nutrimix Sdn. Bhd.*	100.00	100.00	Ceased operation
Prima Anjung Sdn. Bhd.*	100.00	100.00	Poultry farming, sale of poultry and related products and aquaculture
Kayangan Runding Sdn. Bhd.*	100.00	100.00	Property investment holding
New Soon Teng Poultry Sdn. Bhd.*	70.00	70.00	Rearing of colourbird
Emivest Feedmill Vietnam Co., Limited# (Incorporated in Vietnam)	100.00	100.00	Operating poultry hatcheries and breeder farms and producing animal and poultry feed
Emivest Feedmill (TG) Vietnam Limited Liability Company# (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup Feedmill Vietnam Limited Liability Company# (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup (Cambodia) Limited^ (Incorporated in Cambodia)	100.00	100.00	Trading of animals feed
Lee Say Group Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry and investment holding

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Indirect subsidiaries (continued)			
Tasty Meat Products Pte. Ltd.^ (Incorporated in Singapore)	80.00	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Kendo Trading Pte. Ltd. # (Incorporated in Singapore)	51.00	51.00	Slaughtering, processing and sale of fresh and frozen poultry products
Lee Say Food Holdings Pte. Ltd. ^ (Incorporated in Singapore)	100.00	100.00	Investment holding
PT Ayam Prima Esa& (Incorporated in Indonesia)	100.00	100.00	Dormant – in liquidation process
Heng Kai Hock Farm Sdn. Bhd.*	100.00	100.00	Poultry farming and related products
Lee Say Breeding Farm Sdn. Bhd.*	100.00	100.00	Provision of farming related services
Wang Xiang Shun Food Industry Pte. Ltd.^ (Incorporated in Singapore)	26.01	26.01	Production, processing and preserving of meat and meat products
Hup Heng Poultry Industries Pte. Ltd.# (Incorporated in Singapore)	67.18	67.18	Slaughtering of poultry, wholesale, processing and preserving of meat and meat product

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2019	2018	
	%	%	
Indirect subsidiaries (continued)			
ES Food International Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Leong Hup Food Pte.Ltd.# (Incorporated in Singapore)	100.00	100.00	General importers and distributor of chickens and other meat products
Safa Gourmet Food Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Halal meat processing, manufacturing, wholesale and retail
Soonly Food Processing Industries Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry
Prestige Fortune Sdn. Bhd.*	55.00	55.00	Poultry farming operations and the provision of consultancy services relating to poultry farming operations
Prestige Fortune (S) Pte. Ltd.# (Incorporated in Singapore)	55.00	55.00	Wholesale and distribution of poultry
Leong Hup Distribution Pte Ltd # (Incorporated in Singapore)	100.00	100.00	General trading of frozen food products and provision of warehousing activities
My-Kando Food Industries Sdn. Bhd.*	100.00	100.00	Poultry farming, rental of chicken coops and related activities

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Indirect subsidiaries (continued)			
PT Malindo Feedmill Tbk#β (Incorporated in Indonesia)	57.80	58.04	Investment holding, poultry feed industry and Day Old Chicks (DOC) farming
PT Bibit Indonesia# (Incorporated in Indonesia)	57.72	57.96	Broiler grandparent stock farming
PT Prima Fajar# (Incorporated in Indonesia)	57.78	58.02	Trading and service and broiler chicken farm
PT Leong Ayamsatu Primadona# (Incorporated in Indonesia)	57.77	58.01	Day old chicks (DOC) and broiler chicken farm
PT Malindo Food Delight# (Incorporated in Indonesia)	57.79	58.03	Processing and preserving of meat
PT Quality Indonesia# (Incorporated in Indonesia)	40.44	40.59	Duck farming
PT Mitra Bebek Persada# (Incorporated in Indonesia)	57.22	57.46	Duck farming

* Audited by PricewaterhouseCoopers PLT, Malaysia
\# Audited by member firms of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.
^ Audited by a firm other than member firm of PricewaterhouseCoopers International Limited.
& Unaudited – exempted from statutory audit
α Listed on Main Market of Bursa Malaysia Securities Berhad
β Listed on Indonesia Stock Exchange

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

Non-controlling interests ('NCI') of the Group were mainly attributed to Teo Seng Capital Berhad ('Teo Seng'), F.E. Venture Sdn Bhd ('FEV'), Lee Say Group Pte Ltd ('Lee Say') and PT Malindo Feedmill Tbk ('PT Malindo').

Set out below are the summarised financial information for Teo Seng, FEV, Lee Say and PT Malindo that has NCI that are material to the Group. The below financial information is based on amounts before inter-company eliminations.

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2019				
Effective interest of ordinary shares and voting shares held by NCI (%)	70.98	49.00	0.00^	42.20
Summarised statements of comprehensive income:				
Revenue	547,102	35,625	308,034	2,187,274
Profit for the financial year	58,841	4,958	14,596	29,159
Total comprehensive income	58,877	5,135	14,596	49,234
Attributable to NCI:				
Profit for the financial year	41,765	2,429	5,712	13,766
Total comprehensive income	41,791	2,516	5,712	19,213
Dividends paid to NCI	10,316	1,225	2,506	6,147
Summarised statements of financial position:				
Non-current assets	349,285	6,324	57,396	695,662
Current assets	207,131	26,552	187,538	640,806
Non-current liabilities	(95,774)	-	(12,305)	(508,394)
Current liabilities	(159,938)	(5,458)	(35,801)	(265,790)
Net assets	300,704	27,418	196,828	562,284
Attributable to:				
- owners of the Company	87,264	13,983	117,526	325,000
- non-controlling interests	213,440	13,435	79,302	237,284
	300,704	27,418	196,828	562,284

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

Set out below are the summarised financial information for Teo Seng, FEV, Lee Say and PT Malindo that has NCI that are material to the Group. The below financial information is based on amounts before inter-company eliminations. (continued)

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2019				
Summarised statements of cash flows:				
Cash flows from operating activities	101,303	2,835	29,022	139,513
Cash flows from investing activities	(29,633)	(249)	(4,001)	(149,089)
Cash flows from financing activities	(57,792)	(3,215)	(7,411)	1,535
Net movement in cash and cash equivalents	13,878	(629)	17,610	(8,041)
Effects of exchange rate changes on cash and cash equivalents	(33)	-	170	825
Cash and cash equivalents at 1 January	27,254	6,864	102,139	35,766
Cash and cash equivalents at 31 December	41,099	6,235	119,919	28,550

^ The NCI disclosed in the financial year ended 31 December 2019 relates to certain subsidiaries of Lee Say Group Pte. Ltd. which are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%), Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%) and Prestige Fortune Sdn. Bhd. (NCI effective interest of 45.00%).

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

Set out below are the summarised financial information for Teo Seng, FEV, Lee Say and PT Malindo that has NCI that are material to the Group. The below financial information is based on amounts before inter-company eliminations. (continued)

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2018				
Effective interest of ordinary shares and voting shares held by NCI (%)	71.57	49.00	0.00^	41.96
Summarised statements of comprehensive income:				
Revenue	490,285	37,314	426,410	1,901,109
Profit for the financial year	30,397	5,279	23,061	78,431
Total comprehensive income	30,541	5,279	23,747	66,997
Attributable to NCI:				
Profit for the financial year	21,755	2,587	9,558	33,739
Total comprehensive income	21,858	2,587	9,584	27,666
Dividends paid to NCI	694	2,450	29,971	4,348
Summarised statements of financial position:				
Non-current assets	332,736	4,323	51,967	653,891
Current assets	187,522	26,951	177,633	514,257
Non-current liabilities	(78,979)	(35)	(4,796)	(370,674)
Current liabilities	(169,388)	(6,546)	(35,840)	(332,152)
Net assets	271,891	24,693	188,964	465,322
Attributable to:				
- owners of the Company	77,299	12,593	112,685	270,371
- non-controlling interests	194,592	12,100	76,279	194,951
	271,891	24,693	188,964	465,322

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

Set out below are the summarised financial information for Teo Seng, FEV, Lee Say and PT Malindo that has NCI that are material to the Group. The below financial information is based on amounts before inter-company eliminations. (continued)

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2018				
Summarised statements of cash flows:				
Cash flows from operating activities	63,481	4,059	48,219	106,598
Cash flows from investing activities	(27,878)	216	33,189	(91,231)
Cash flows from financing activities	(27,836)	(5,074)	(68,171)	(2,920)
Net movement in cash and cash equivalents	7,767	(799)	13,237	12,447
Effects of exchange rate changes on cash and cash equivalents	119	-	255	(857)
Cash and cash equivalents at 1 January	19,368	7,663	88,647	24,176
Cash and cash equivalents at 31 December	27,254	6,864	102,139	35,766

^ The NCI disclosed in the financial year ended 31 December 2018 relates to certain subsidiaries of Lee Say Group Pte. Ltd. which are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%), Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%) and Prestige Fortune Sdn. Bhd. (NCI effective interest of 45.00%).

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2019

Addition of investments in subsidiaries

(a) On 21 August 2019, the Company subscribed for an additional 11,305,684 new ordinary shares of USD1.00 each in the issued and paid up capital of United Global Resources Limited ("UGRL") for a total consideration of USD11,035,684 (equivalent RM47,033,000).

(b) On 16 October 2019, the Company incorporated a wholly owned subsidiary by subscribing for 1 new ordinary shares of USD 1.00 (equivalent to RM4.00) each, representing 100% of the issued and paid-up capital in Leong Hup Myanmar Co., Ltd ("LHMM"), a company incorporated in Myanmar, for a total cash consideration of USD 1.00 (equivalent to RM4.00). As a result, LHMM became a wholly owned subsidiary of the Company.

The incorporation has no material financial impact to the Group.

(c) On 16 May 2019, the Company grants the ESOS Options directly to the eligible Directors and employees of certain subsidiaries. The ESOS Options vest over a vesting period and the Company will issue new shares upon exercise of the ESOS Options. The Company will not charge subsidiaries for the transaction. The Company records a debit, recognising an increase in the investment in the subsidiaries, and a credit to ESOS reserve. This is because the employees of the subsidiaries are not providing services to the Company. These accounting entries are recognised over the award vesting period. The details of the ESOS is disclosed in Note 31 to the financial statements.

Changes in equity interest in subsidiaries

(a) For the period from 25 November 2019 to 3 December 2019, an indirect subsidiary Teo Seng Capital Berhad ("TSC"), a public listed company in Bursa Malaysia, acquired 5,947,700 of its own ordinary shares for cash consideration of RM7,969,405. The effective equity interest of the Company in TSC increased from 28.43% to 29.02%.

(b) During the financial year, Leong Hup Singapore Pte Ltd ("LHS") disposed 5,300,000 ordinary shares in PT Malindo Feedmill TBK ("PTMF") at a market value of Rp7,584,510,880 (equivalent to RM2,187,000), resulting in the Group's equity interest in PTMF decrease from 58.04% to 57.80%.

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2019

Acquisition of a subsidiary

(a) On 16 August 2019, an indirect subsidiary, Ritma Prestasi Sdn. Bhd entered into a Shares Sale Agreement with Teo Hui Poh, Khor Kok Chuan, Lee Jin Chiaw, Estate of Henry Ting Tung Hui, Ling Heng Seek, and Yii Fung Sieng (collectively referred to as the “Vendor”) to acquire 100,000 ordinary shares in Professional Vet Enterprise Sdn. Bhd. (“PVESB”), representing 100% of the equity interest in PVESB from the Vendor for a total cash consideration of RM1,800,000.

The fair value of the asset and the goodwill arising are as follow :

	At the date of acquisition RM’000
Property, plant and equipment	43
Inventories	653
Trade and other receivables	2,459
Cash and bank balances	462
Trade and other payables	(1,884)
Hire purchase liabilities	(27)
Tax liabilities	(8)
Net assets acquired	1,698
Add : Goodwill on consolidation	102
Total consideration paid	1,800
Less : Cash and bank balances acquired	(462)
Net cash outflow for acquisition	1,338

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2018

Addition of investments in subsidiaries

(a) On 21 August 2018, the Company subscribed for an additional 3,500,000 new ordinary shares of RM1.00 each in the issued and paid up capital of Leong Hup Corporate Services Sdn Bhd ("LHCS") for a total consideration of RM3,500,000. This transaction has no impact to the Group.

(b) During the financial year, the Company subscribed for an additional 410,000,000 new ordinary shares of Peso 1.00 each in the issued and paid up capital of Leong Hup (Philippines) Inc. ("LHPI") for a total consideration of Peso 410,000,000 (equivalent to RM34,135,000) by way of offsetting the equivalent amount owing to the Company. This transaction is included in non-cash investing activities. This transaction has no impact to the Group.

(c) On 8 March 2018, the Company subscribed for an additional 4,881 new ordinary shares of SGD 1,000 each in the issued and paid up capital of Leong Hup Singapore Pte Ltd ("LHS") for a total consideration of SGD 4,881,000 (equivalent to RM15,311,007) by way of offsetting the equivalent amount owing to the Company. This transaction is included in non-cash investing activities. This transaction has no impact to the Group.

Changes in equity interest in subsidiaries

(a) On 5 March 2018, a direct subsidiary, Leong Hup (Malaysia) Sdn. Bhd., acquired an additional 7,000,000 ordinary shares in Teo Seng Capital Berhad, representing 2.335% of the issued and paid up capital in Teo Seng Capital Berhad for a total cash consideration of RM7,000,000. Immediately prior to the purchase, the carrying amount of the existing 2.335% of non-controlling interest in Teo Seng Capital Berhad was RM5,937,000. The Group recognised a decrease in non-controlling interests of RM5,937,000 and a decrease in equity attributable to owners of the parent of RM1,063,000.

(b) During the financial year, a direct subsidiary, Leong Hup Singapore Pte Ltd ("LHS") had cumulatively acquired 17,267,200 ordinary shares in PT Malindo Feedmill Tbk ("PTMF") from the open market for a total cash consideration of Rp15,450,480,000 (equivalent to RM3,902,000), resulting in the Group's equity interest in PTMF increasing from 57.27% to 58.04%.

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2018 (continued)

Disposal of a subsidiary

(a) On 30 June 2018, an indirect subsidiary, Kendo Trading Pte. Ltd., entered into a sale and purchase agreement with Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd) and Lee Chai Soon to dispose of its 2,000,000 ordinary shares, representing 100% of the issued and paid up capital of its wholly owned subsidiary, Jordon International Food Processing Pte. Ltd. ("Jordon") for a total consideration of SGD 20,100,000 (equivalent to RM59,554,000) and a dividend receivable from Jordon of SGD5,500,000 (equivalent to RM16,296,000). The dividend receivable from Jordon has been fully repaid on 11 December 2018.

The carrying amount of the asset and liabilities disposed are as follow:

	At the date of disposal RM'000
Property, plant and equipment	35,943
Inventories	6,841
Goodwill on acquisition	7,241
Intangible assets	1,517
Cash and bank balances	24,599
Trade and other receivables	26,377
Trade and other payables	(14,038)
Bank borrowings	(2,963)
Tax payables	(2,122)
Deferred tax liabilities	(2,945)
Net assets disposed	80,450

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2018 (continued)

Disposal of a subsidiary (continued)

Proceeds from disposal

	At the date of disposal RM'000
Cash consideration	30,370
Consideration received from Lee Chai Soon by way of offsetting dividend payable by Kendo Trading Pte. Ltd. to non-controlling interests	29,184
Dividend receivable from Jordon (subsequently received in 11 December 2018)	16,296
	75,850
Foreign currency translation reserve realised upon disposal of subsidiary	4,678
Less: Gain on disposal of a subsidiary	(78)
	80,450

Net cash flow from disposal of subsidiary

	Group RM'000
Cash consideration	30,370
Less: Cash and bank balances deconsolidated upon disposal	(24,599)
Net cash flow from disposal of subsidiary	5,771

16 INVESTMENT IN ASSOCIATES

	Group 2019 RM'000	Group 2018 RM'000
At cost:		
Unquoted shares	1,358	1,358
Share of post-acquisition results (net of dividends received)	209	357
	1,567	1,715

Nature of investment in associates for 2019 and 2018:

Name of entity	Place of business and country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Indahgrains Logistics Sdn. Bhd.*	Malaysia	20%	Note 1	Equity
Greatmammoth Properties, Inc.#	Philippines	40%	Note 2	Equity

* Not audited by PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)
# Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia

Note 1: Indahgrains Logistics Sdn. Bhd. (“Indahgrains Logistics”) operates a warehouse and provide warehouse management services. Indahgrains Logistics is a strategic partner for the Group, providing warehousing service to the Group.

Note 2: Greatmammoth Properties, Inc. engages in the business of acquiring by purchase, lease or otherwise, and to own, use, improve, manage, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for agricultural, commercial, industrial, investment or other purposes.

The associates are private companies and there is no quoted market price available for its shares.

Set out below are the summarised financial information of associates, which are accounted for using the equity method.

	Associates 2019 RM'000	Associates 2018 RM'000
Summarised statements of financial position:		
Total non-current assets	15,599	3,572
Total current assets	10,389	6,991
Total current liabilities	(18,062)	(1,990)
Net assets	7,926	8,573

16 INVESTMENT IN ASSOCIATES (CONTINUED)

Set out below are the summarised financial information of associates, which are accounted for using the equity method. (continued)

	Associates	
	2019	2018
	RM'000	RM'000
Summarised statements of comprehensive income:		
Revenue	7,604	8,084
Profit for the financial year	2,023	2,929
Total comprehensive income	2,023	2,929
Group's share of profit for the financial year	384	586
Group's share of total comprehensive income	384	586
Dividend received	540	504
Reconciliation of net assets to carrying amount:		
Group's share of net assets	1,567	1,715
Carrying amount of the Group's interests in the associate	1,567	1,715

There are no contingent liabilities relating to the Group's interest in the associates.

17 DEFERRED TAXATION

Deferred tax assets and liabilities were offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting are shown on the statements of financial position.

	Group	
	2019	2018
	RM'000	RM'000
Deferred tax assets	62,265	59,629
Deferred tax liabilities	(107,519)	(102,650)
At 31 December	(45,254)	(43,021)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follow:

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	(43,021)	(19,297)
Credited/(Charged) to profit or loss (Note 8)		
- Property, plant and equipment	2,929	(20,757)
- Employee benefit obligation	1,801	1,095
- Unutilised tax losses	(7,946)	(4,356)
- Trade and other receivables	3,610	(140)
- Trade and other payables	643	2,918
- Investment properties	(644)	-
- Right-of-use assets	(95)	-
- Biological assets	(2,448)	(2,263)
- Others	914	-
	(1,236)	(23,503)
Translation difference	1,061	(2,260)
Charged to other comprehensive income	(2,058)	(906)
Effect of disposal of subsidiaries	-	2,945
At 31 December	(45,254)	(43,021)

17 DEFERRED TAXATION (CONTINUED)

	Group 2019 RM'000	Group 2018 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Property, plant and equipment	29,437	29,513
- Employee benefit obligation	7,968	7,996
- Unutilised tax losses	10,162	17,905
- Trade and other receivables	7,227	3,465
- Trade and other payables	7,470	3,721
- Biological assets	6,212	5,445
- Lease liabilities	569	-
	69,045	68,045
Offsetting	(6,780)	(8,416)
Deferred tax assets (after offsetting)	62,265	59,629
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(91,251)	(91,026)
- Investment properties	(644)	-
- Trade and other payables	(34)	-
- Right-of-use assets	(140)	-
- Biological assets	(10,769)	(7,760)
	(102,838)	(98,786)
Offsetting	6,780	8,416
Deferred tax liabilities (after offsetting)	(96,058)	(90,370)
Subject to real property gain tax:		
Deferred tax liabilities		
- Property, plant and equipment	(11,461)	(12,280)
	(107,519)	(102,650)

18 BIOLOGICAL ASSETS

	Group 2019 RM'000	Group 2018 RM'000
At fair value less cost to sell:		
Grandparent stocks (breeder)	29,285	24,100
Parent stocks (breeder)	188,095	161,728
Layer stocks	67,723	71,199
Broiler stocks	47,664	48,886
Hatching eggs	44,303	42,155
Others	1,322	1,506
	378,392	349,574

The movement of biological assets can be analysed as follows:

	Group 2019 RM'000	Group 2018 RM'000
Breeders (grandparent and parent stock)		
At 1 January	185,828	163,306
Additions	97,053	77,786
Change in fair value	88,905	69,432
Livestock losses	(31,316)	(29,368)
Depopulation	(125,011)	(93,659)
Foreign currency translation	1,921	(1,669)
At 31 December	217,380	185,828
Layers		
At 1 January	71,199	64,140
Additions	12,051	12,150
Change in fair value	32,918	41,584
Livestock losses	(11,577)	(10,431)
Depopulation	(36,858)	(36,155)
Foreign currency translation	(10)	(89)
At 31 December	67,723	71,199
Broilers		
At 1 January	48,886	50,501
Additions	181,618	248,052
Change in fair value	356,207	329,360
Livestock losses	(32,931)	(32,528)
Sales of live birds	(506,192)	(546,321)
Foreign currency translation	76	(178)
At 31 December	47,664	48,886

18 BIOLOGICAL ASSETS (CONTINUED)

The movement of biological assets can be analysed as follows: (continued)

	Group	
	2019	2018
	RM'000	RM'000
Hatching eggs		
At 1 January	42,155	33,140
Additions	610,145	488,105
Discarded eggs	(170,094)	(131,295)
Hatched and sold as day-old-chick	(438,243)	(347,476)
Foreign currency translation	340	(319)
At 31 December	44,303	42,155
Others	1,322	1,506
	378,392	349,574

In measuring the fair value of biological assets management estimates and judgements are required which includes the following:

- expected number of day-old-chick produced by each breeder
- expected table eggs produced by each layer
- expected hatchability of the hatching eggs
- expected salvage value of breeders and layers
- expected selling price of day-old-chick, table eggs and broilers
- mortality rate of livestock
- feed consumption rate and feed costs
- other estimated costs to be incurred for the remaining life of the biological assets, and at the point of sales
- discount rates

18 BIOLOGICAL ASSETS (CONTINUED)

The Group has classified its biological assets measured at fair value within Level 3 of the fair value hierarchy. (See Note 46) 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 input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Breeders & Layers Discounted cash flows: The valuation method considers the projected quantity and price of DOC and table eggs to be produced over the life of the breeder and layer, taking into account of expected growing cost and the breeder and layer's mortality rate.	• Projected selling prices of DOC and table eggs based on management's estimate by reference to historical selling price adjusted for abnormal market movements. • Management's estimate of feed and other variable cost expected to incur throughout the life cycle.	The higher the projected selling price, the higher the fair value The higher the costs, the lower the fair value
Broilers Discounted cash flows: The valuation method considers the projected selling price and weight of the broilers taking into account the broilers mortality rate.	• Projected selling prices of broiler based on management's estimate by reference to historical selling price adjusted for abnormal market movements. • Management's estimate of feed and other variable cost expected to incur throughout the life cycle.	The higher the projected selling price, the higher the fair value The higher the costs, the lower the fair value
Hatching eggs Discounted cash flows: The valuation method considers price of DOC, taking into account of expected hatchery cost and the hatching eggs' hatchability.	• Projected selling prices of DOC based on management's estimate by reference to historical selling price adjusted for abnormal market movements. • Management's estimate of hatchery and other variable cost expected to incur throughout the hatching process.	The higher the projected selling price, the higher the fair value The higher the costs, the lower the fair value

18 BIOLOGICAL ASSETS (CONTINUED)

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

	2019 RM	2018 RM
Breeders & hatching eggs		
Projected selling price of		
- DOC (parent stock)	12.28 - 16.60	11.50 - 12.83
- DOC (broiler)	1.37 – 3.94	1.05 - 3.46
Feed cost per kg for		
- grandparent stocks	1.68 - 2.26	1.66 - 1.87
- parent stocks	1.43 - 1.95	1.52 - 1.85
Layers		
Project selling prices for table eggs per egg	0.26 – 0.34	0.26 - 0.32
Feed cost per kg	1.25 – 1.55	1.27 - 1.47
Broilers		
Projected selling prices for broilers per kg	4.39 – 5.13	4.44 - 5.00
Feed cost per kg	1.53 – 2.01	1.59 - 1.88

Sensitivity analysis

Sensitivity analysis of biological assets fair value to the possible changes in the key assumptions are disclosed in the table below:

	Effect on fair value of biological assets	
	2019 RM'000	2018 RM'000
Projected selling prices of DOC/table eggs/broilers		
- increased by 5%	31,446	29,067
- decreased by 5%	(31,446)	(29,067)
Number of DOC/table eggs being produced		
- increased by 5%	23,360	21,727
- decreased by 5%	(23,360)	(21,727)
Feed cost per kg		
- increased by 10%	(27,056)	(25,490)
- decreased by 10%	27,056	25,490

As at 31 December 2019, certain biological assets of the Group amounting to RM92,266,000 (2018: RM103,791,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 33 to the financial statements.

19 INVENTORIES

	Group	
	2019	2018
	RM'000	RM'000
Carrying amount:		
Processed chickens and trading stocks	109,527	88,064
Poultry feeds	43,264	34,953
Consumable supplies	58,593	52,881
Raw material	449,422	384,363
Work-in-progress	2,265	2,101
Others	16,529	13,261
	679,600	575,623

As at 31 December 2019, certain inventories of the Group amounting to RM44,897,000 (2018: RM29,656,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 33 to the financial statements.

20 TRADE RECEIVABLES

	Group	
	2019	2018
	RM'000	RM'000
Current		
Trade receivables	410,787	407,470
Amounts due from related parties	116,383	252,525
	527,170	659,995
Less: Provision for impairment of trade receivables	(27,872)	(10,788)
	499,298	649,207
Non-current		
Trade receivables	1,693	-
	500,991	649,207

The non-current trade receivables are repayable by June 2022, discounting at a rate of 10% per annum and secured by a personal guarantee.

Amounts due from related parties are receivables from companies controlled by Lau family.

As at 31 December 2019, certain trade receivables of the Group amounting to RM33,233,000 (2018: RM25,088,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 33 to the financial statements.

20 TRADE RECEIVABLES (CONTINUED)

Movements of the Group's impairment losses on trade receivables are as follows:

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	10,788	9,597
Impairment loss recognised	17,232	2,144
Impairment loss written off	(792)	(560)
Translation differences	644	(393)
At 31 December	27,872	10,788

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those receivables that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Amounts recognised in profit or loss

During the financial year, the following losses/(gains) were recognised in profit or loss in other expenses in relation to impaired receivables.

	Group	
	2019	2018
	RM'000	RM'000
Impairment losses:		
- individual receivables written off directly	419	428
- movement in provision for impairment	17,232	2,144

21 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other receivables	26,599	19,735	-	-
GST/VAT receivable	2,779	20,821	-	-
Deposits	15,669	15,866	-	-
Prepaid expenses	31,477	19,035	915	909
Advances to suppliers	95,706	104,641	-	-
	172,230	180,098	915	909
Less: Impairment losses	(3,200)	(3,829)	-	-
	169,030	176,269	915	909

21 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

As at 31 December 2019, certain other receivables of the Group amounting to RM4,525,000 (2018: RM4,061,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 33 to the financial statements.

Movements of the Group's impairment losses on other receivables are as follows:

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	3,829	3,941
Reversal of impairment loss	(634)	(119)
Translation differences	5	7
At 31 December	3,200	3,829

22 AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company, Emerging Glory Sdn. Bhd. which arose from non-trade transactions was unsecured, denominated in Ringgit Malaysia, interest bearing at a fixed rate of 5.30% per annum (2018: 5.30% per annum) and repayable on demand. The amount due from ultimate holding company had been fully settled on 28 January 2019.

23 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are non-trade related, interest-free and have credit terms of 120 days (2018: 120 days).

24 AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured loans which are denominated in Ringgit Malaysia, interest-free (2018: interest-free) per annum and repayable on demand.

25 AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is an unsecured advances to an associate to secure leases of its land for the Group's operations in Philippines. The amount is recoverable on the expiry of its leases and carry an interest rate of 6.5% per annum.

26 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group			
	2019		2018	
	Contract/ Notional Amount	Derivative Assets/ (Liabilities)	Contract/ Notional Amount	Derivative Assets/ (Liabilities)
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Interest rate swap contracts	-	-	72,000	823
Current assets				
Forward foreign exchange contracts	-	-	31,020	356
Derivative financial assets	-	-	103,020	1,179
Non-current liabilities				
Interest rate swap contracts	44,291	(611)	-	-
Current liabilities				
Forward foreign exchange contracts	116,842	(1,332)	125,615	(2,391)
Derivative financial liabilities	161,133	(1,943)	125,615	(2,391)

The Company did not hold any derivative financial instruments as at 31 December 2019 (2018: Nil).

The Group does not apply hedge accounting on its derivative financial instruments.

The forward foreign exchange contracts are used to hedge the Group's purchases denominated in USD for which firm commitments existed at the end of the reporting period. The settlement dates on forward foreign exchange contracts range from 1 week to 3 months (2018: 1 week to 3 months).

The Group entered into interest rate swap to hedge its exposure to interest rate risk on its floating rate bank borrowings. The interest rate swaps reflect the positive change in fair value that are not designated in hedge relationship, but are used to manage the exposure to the risk of changes in market interest rates arising from certain floating rate bank borrowings of the Group.

The Group has recognised a loss of RM704,000 arising from fair value changes of derivatives during the financial year as disclosed in Note 6 to the financial statements. The method and assumptions applied in determining fair values of derivatives are disclosed in Note 46(b) to the financial statements.

27 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	307,461	65,306	30,000	-
Cash on hand and at banks	457,368	393,552	6,733	2,526
Total cash and bank balances	764,829	458,858	36,733	2,526
Less: Bank overdraft (Note 33)	(72,802)	(54,071)	-	-
Less: Fixed deposits pledged as collateral	(21,095)	(14,401)	-	-
Less: Fixed deposits of more than three months maturity with licensed banks	(16,700)	-	-	-
Cash and cash equivalents	654,232	390,386	36,733	2,526

Certain fixed deposits with licensed bank of the Group with maturity period of 12 months and at a total carrying amount of RM21,095,000 (2018: RM14,401,000) are pledged with licensed banks as collaterals for certain loans and guarantees issued by the said banks. The remaining fixed deposits have maturity periods ranging from 30 to 180 days (2018: 30 to 90) days.

The weighted average effective interest rate of the fixed deposits with licensed banks ranges from 0.1% to 5.69% (2018: 0.1% to 5.4%) per annum.

28 SHARE CAPITAL

		Group and Company			
		2019		2018	
	Note	Number of ordinary shares	Amount	Number of ordinary shares	Amount
		'000	RM'000	'000	RM'000
Issued and fully paid:					
- At beginning of financial year		955	1,230,132	955	1,230,132
- Bonus issue	(i)	1,229,177	-	-	-
- Share split	(ii)	2,169,868	-	-	-
- Issuance of new shares	(iii)	250,000	275,000	-	-
- Share issue cost	(iii)	-	(5,448)	-	-
At end of financial year		3,650,000	1,499,684	955	1,230,132

28 SHARE CAPITAL (CONTINUED)

(i) Bonus Issue

On 11 January 2019, an Extraordinary General Meeting was held by the Company and the bonus issue were approved in the meeting.

A bonus issue on a pro-rata basis to the Company's shareholders, calculated based on their respective shareholdings in the Company has been undertaken to allow the Company to fully utilise the former share premium of the Company under Section 618(3)(c) of the Companies Act 2016 ("Act") in accordance with Practice Note 1/2017 issued by the Companies Commission of Malaysia for the clarification on the utilisation of credit standing in the share premium accounts and capital redemption reserves under subsections 618(3) and 618(4) of the Act. The bonus shares was wholly capitalised at RM1.00 per bonus share. Based on the share premium of the Company of RM1,229,176,622 as at 11 January 2019, 1,229,176,622 bonus shares was issued.

The bonus issue is renounceable. As such, entitled shareholders to the bonus issue may accept or renounce their respective entitlements to the bonus shares in full or in part. Based on its shareholdings in the Company as at 31 December 2018, Emerging Glory Sdn Bhd ("EGSB") was entitled to 946,465,999 bonus shares. However, EGSB has renounced 249,933,374 bonus shares proportionately to its shareholders, being the founding family of the Company, which resulted in the founding family members holding the Company shares directly.

Accordingly, the total number of issued and paid up ordinary share capital of the Company has increased from 955,370 shares to 1,230,131,992 shares.

(ii) Share Split

As approved at the Extraordinary General Meeting on 11 January 2019, the Company undertook a subdivision of its issued share capital.

The share split entails the subdivision of the then-existing 1,230,131,992 Company's shares in issue (being the number of the Company shares in issue pursuant to the bonus issue) subdivided into 3,400,000,000 of the Company's shares.

(iii) Issuance of new shares

On 15 May 2019, the Company increased the number of its issued and paid-up ordinary shares capital from 3,400,000,000 to 3,650,000,000 by way of issuance of 250,000,000 ordinary shares for a cash consideration of RM275,000,000 through the initial public offering of its shares. The expenses directly attributable to the issuance of new shares amounted to RM5,448,000 is deducted against the amount of share capital.

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

29 MERGER RESERVE

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

Merger reserve mainly arose from acquired entities by the Group and the Company during the Group restructuring in year 2014 from Leong Hup Holdings Sdn Bhd, a fellow subsidiary of the Group.

30 RESERVES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreign currency translation reserve	(i)	(2,754)	7,186	-	-
Retained earnings	(ii)	796,580	723,310	36,313	39,804
ESOS reserve	(iii)	6,486	-	6,486	-
		800,312	730,496	42,799	39,804

(i) Foreign currency translation reserve

Exchange reserve is used to record exchange differences arising from the transaction of financial statements of subsidiaries whose functional currency differs from the Group's presentation currency.

(ii) Retained earnings

The entire retained earnings of the Company as at 31 December 2019 is available for distribution as dividend under the single tier system without incurring additional tax liabilities.

(iii) ESOS reserve

ESOS reserve represent cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the ESOS reserve is transferred to share capital. When the share options expire, the amount from the share-based payment reserve is transferred to retained earnings. See Note 31 for the details of the ESOS.

31 EMPLOYEE SHARE OPTION SCHEME

In conjunction with the listing of the Company on Bursa Malaysia Securities Berhad, ("Listing"), the Company has established the Employee Share Option Scheme ("ESOS"), with effect from 11 April 2019 ("Effective Date"), which involves the granting of ESOS Options ("the Options") to the eligible Directors and employees of the Group ("Grantees") as set out in the By-Laws governing the ESOS.

The Options are for one option for one new share. The issuance of new shares for the Options shall not exceed in aggregate 5.00% of the total number issued shares of the Company (excluding treasury shares, if any) at any one time during the duration of ESOS. The ESOS expire on 10 April 2024, being 5 years from the Effective Date but is renewable for a period of up to 5 years or such shorter period immediately from the expiry date provided that the ESOS shall not exceed in aggregate 10 years from the Effective Date.

The Options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The vested ESOS Options is exercisable by way of ESOS Trust Funding ("ETF") mechanism. In the implementation of ESOS, the Company has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESOS implementation, the Trustee will be entitled from time to time to accept funding from the Company. Under the ETF mechanism, as the Grantees elected to exercise the Options, the Trustee will immediately utilise the fund in the Trust Account to subscribe the new shares issued by the Company and placed into a Central Depository System ("CDS") account of the Trustee or its authorised nominee. The Trustee shall within five market days from the new shares being credited to the CDS account, effected the sale of the said shares at the market price of equal or higher than the exercise price. The net gains from the sale of the Company shares after deducting the exercise cost i.e. Exercise Price x Number of the Company shares and the related transaction costs, will be released to the grantees. In the event of unsuccessful match of sale of the said shares due to market price fall below the exercise price, the said shares will be retained as treasury shares of the Company. At the end of the financial year, no funds have been advanced to the Trustee and no ESOS Options have been exercised.

The terms and conditions relating to the grants of the Options are as follow:

Grant date	Number of options '000	Exercise price RM	Vesting conditions	Contractual life of options
16 May 2019	35,092	1.10	- The options divided into 4 tranches which separately vest on 1 July 2019, 1 June 2020, 1 June 2021 and 1 June 2022. - Exercisable options cap at 25 % of options offered for each vesting date. - The grantee must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates.	5 years

31 EMPLOYEE SHARE OPTION SCHEME (CONTINUED)

The number of share options at exercise price of RM1.10 each are as follows:

	2019 Number of options '000
Outstanding as at 1 January 2019	-
Granted during the financial year	35,092
Lapsed during the financial year	(194)
Outstanding as at 31 December 2019	34,898

Fair value of share option and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, determined using the binomial option pricing model with the following inputs:

	2019
Fair value per Option at grant date	RM0.352
Share price at grant date	RM 1.10
Exercise price	RM 1.10
Options life (expected weighted average life)	4.9 years
Expected dividends yield	1.39%
Risk-free interest rate (based on Malaysian Government Securities)	3.60%
Expected volatility	37.71%

32 LEASE LIABILITIES

	Group 2019 RM'000
Classified as:	
- Current	13,959
- Non-current	104,565
	118,524

The lease liabilities represent the present value of remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 4.51% per annum.

33 BANK BORROWINGS

	Group 2019	Group 2018
	RM'000	RM'000
Secured:		
Current		
Bank overdrafts	66,098	33,744
Term loans (a)	240,124	218,378
Revolving credits	250,531	88,379
Hire purchase liabilities (c)	18,540	21,814
	575,293	362,315
Non-current		
Term loans (a)	630,589	836,300
Hire purchase liabilities (c)	20,544	28,366
	651,133	864,666
	1,226,426	1,226,981
Unsecured:		
Current		
Bankers' acceptances	330,874	407,449
Bank overdrafts	6,704	20,327
Term loans (b)	76,539	42,677
Revolving credits	207,971	190,291
Trust receipts	311,352	303,547
	933,440	964,291
Non-current		
Term loans (b)	221,954	179,667
	1,155,394	1,143,958
Total borrowings:		
Bankers' acceptances	330,874	407,449
Bank overdrafts (Note 27)	72,802	54,071
Term loans	1,169,206	1,277,022
Revolving credits	458,502	278,670
Trust receipts	311,352	303,547
Hire purchase liabilities (c)	39,084	50,180
	2,381,820	2,370,939
Less: Amount due within 12 months	(1,508,733)	(1,326,606)
Non-current portion	873,087	1,044,333

33 BANK BORROWINGS (CONTINUED)

The term loans of the Group include:

(a) Secured

(i) A floating-rate term loan amounting to SGD95.0 million (equivalent to RM287.0 million) was drawn down in December 2017 by a wholly-owned subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD79.8 million (equivalent to RM242.7 million) (2018: SGD85.0 million (equivalent to RM258.0 million)). The loan will be fully repayable by December 2022.

(ii) A floating-rate term loan amounting to SGD50.0 million (equivalent to RM151.0 million) was drawn down in December 2017 by a wholly-owned subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD42.0 million (equivalent to RM127.7 million) (2018: SGD 47.5 million (equivalent to RM145.7 million)). The loan will be repayable by December 2022.

(iii) A floating-rate term loan amounting to SGD7.3 million (equivalent to RM22.2 million) were cumulatively drawn down in the previous financial years by an indirect subsidiary incorporated in Singapore. The indirect subsidiary further drawn down SGD1.2 million (equivalent to RM3.5 million) during the financial year. The outstanding balance at the end of the financial year is SGD6.5 million (equivalent to RM19.8 million) (2018: SGD7.0 million (equivalent to RM21.1 million)). The loan is repayable in 60 monthly instalments commencing 11 months from the first drawn down date on 8 December 2017.

(iv) A floating-rate term loan of IDR250.0 billion (equivalent to RM72.0 million) were cumulatively drawn down in the previous financial years by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR150.1 billion (equivalent to RM44.3 million) (2018: IDR199.4 billion (equivalent to RM57.4 million)). The loan is repayable in 60 monthly instalments of IDR4.6 billion for the first 12 instalments and IDR4.1 billion for the next 48 instalments and is fully repayable by January 2023. The Group entered into two separate interest rate swap contracts to hedge its exposure on the floating interest rates to fixed interest rates of 9.7% and 10.0% per annum with effect from September 2017 and January 2018 respectively.

(v) A floating-rate term loan of IDR303.7 billion (equivalent to RM83.5 million) was drawn down in previous financial years by an indirect subsidiary incorporated in Indonesia. This term loan has been fully repaid during the financial year (31 December 2018: IDR14.0 billion (equivalent to RM4.0 million)).

(vi) A floating-rate term loan of IDR150.0 billion (equivalent to RM41.3 million) was drawn down in previous financial years by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR18.8 billion (equivalent to RM5.5 million) (2018: IDR56.3 billion (equivalent to RM16.2 million)). The loan will be fully repayable by June 2020.

(vii) A floating-rate term loan of IDR240.0 billion (equivalent to RM66.0 million) was drawn down in previous financial years by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of financial year is IDR79.0 billion (equivalent to RM23.3 million) (2018: IDR131.7 billion (equivalent to RM37.9 million)). The loan is repayable in monthly instalments of IDR4.4 billion and will be fully repayable by June 2021.

33 BANK BORROWINGS (CONTINUED)

The term loans of the Group include:

(a) Secured (continued)

(viii) A floating-rate term loan amounting to IDR200.0 billion (equivalent to RM55.0 million) was drawn down in previous financial years by an indirect subsidiary incorporated in Indonesia. The outstanding balance at end of the financial year is IDR37.3 billion (equivalent to RM11.0 million) (2018: IDR87.1 billion (equivalent to RM25.1 million)). The loan is repayable in 48 monthly instalments of IDR4.1 billion and will be fully repayable by September 2020.

(ix) A term loan amounting to IDR745.0 billion (equivalent to RM207.5 million) was first drawn down in September 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR558.8 billion (equivalent to RM164.8 million) (2018: IDR707.8 billion (equivalent to RM203.8 million)). The loan is repayable in 60 monthly instalments of IDR12.4 billion and fully repayable by September 2023.

(x) A fixed-rate term loan amounting to IDR255.0 billion (equivalent to RM73.4 million) was first drawn down in December 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR221.9 billion (equivalent to RM65.5 million) (2018: IDR255.0 billion (equivalent to RM73.4 million)). The loan bears a fixed interest rate at 10.25% per annum and is repayable in 54 monthly instalments of IDR4.72 billion. The loan will be fully repayable by November 2023.

(xi) A Musyarakah Mutanaqisah term financing of IDR95.0 billion (equivalent to RM27.4 million) was first drawn down in December 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR82.7 billion (equivalent to RM24.4 million) (2018: IDR95.0 billion (equivalent to RM27.4 million)). The loan bears a fixed profit rate at 10.0% per annum and is repayable in 54 monthly instalments of IDR1.76 billion. The loan will be fully repayable by November 2023.

(xii) A floating-rate term loan amounting to VND109.1 billion (equivalent to RM19.4 million) was drawn down in several tranches during the financial year ended 31 December 2018 by a wholly-owned subsidiary incorporated in Vietnam. The subsidiary further drawn down VND16.4 billion (equivalent to RM2.9 million) during the financial year. The outstanding balance at the end of the financial year is VND96.2 billion (equivalent to RM17.0 million) (2018: VND109.1 billion (equivalent to RM19.4 million)). The loan is repayable in 17 quarterly instalments of VND7.4 billion commencing 13 months from the first utilisation date on 30 March 2018.

(xiii) A floating-rate term loan amounting to VND 144.2 billion (equivalent to RM25.7 million) was cumulatively drawn down in the previous financial years by a wholly-owned subsidiary incorporated in Vietnam. The subsidiary further drawn down VND52.3 billion (equivalent to RM9.2 million) during the financial year. The outstanding balance at the end of the financial year is VND146.3 billion (equivalent to RM 25.8 million) (2018: VND139.1 billion (equivalent to RM 24.8 million). The loan is repayable in 49 monthly instalments of VND4.2 billion each commencing 18 months from the first drawn date on 25 May 2017.

33 BANK BORROWINGS (CONTINUED)

The term loans of the Group include:

(a) Secured (continued)

(xiv) Commodity Murabahah Term Financing-i of RM120.0 million was first drawn down in September 2015 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year ended 31 December 2019 is RM18.0 million (2018: RM42.0 million). The financing is repayable in 20 quarterly instalments of RM6.0 million each commencing 3 months from the first drawn date.

(xv) A floating-rate term loan amounting to VND20.4 billion (equivalent to RM3.6 million) was first drawn down in October 2019 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND20.4 billion (equivalent to RM 3.6 million) (2018: Nil). The loan is repayable in 28 monthly instalments of VND0.8 billion each commencing 9 months from the first drawn date.

(xvi) A floating-rate term loan amounting to SGD4.6 million (equivalent to RM14.3 million) was first drawn down in SGD in December 2019 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is SGD4.6 million (equivalent to RM14.3 million) (2018: Nil). The loan is repayable in 16 quarterly instalments of SGD287,500 each commencing 3 months from the first drawn date.

(b) Unsecured

(i) A floating-rate term loan amounting to RM90.0 million was cumulatively drawn down in the previous financial years by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM72.0 million (2018: RM90.0 million). The loan is repayable in 3 annual instalments of RM18.0 million each for the first and second instalment and RM54.0 million for the last instalment, commencing 13 months from December 2017.

(ii) A floating-rate term loan amounting to RM32.0 million was first drawn down in February 2018 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM27.2 million (2018: RM32.0 million). The loan is repayable in 20 quarterly instalments of RM1.6 million each commencing 15 months from the first drawn date.

(iii) A floating-rate term loan amounting to RM44.4 million was drawn down in several tranches during the financial year by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM44.4 million (2018: Nil). The loan is repayable in 20 quarterly instalments of RM3.3 million each commencing 15 months from January 2019.

(iv) A floating-rate term loan amounting to RM21.5 million was first drawn down in January 2019 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM21.5 million. The loan is repayable in 60 monthly instalments of RM358,000 each commencing 12 months from the first drawn date.

The remaining term loans at the end of the financial year amounting to RM196.6 million (2018: RM198.8 million) have repayment terms ranging from 3 years to 10 years from respective first drawdown date and will be fully repayable by February 2026.

33 BANK BORROWINGS (CONTINUED)

The weighted average effective interest rates of term loans by currency profile as at end of the financial year are as follows:

	Group	
	2019	2018
	%	%
Ringgit Malaysia	4.7	4.8
Singapore Dollar	3.4	3.0
Indonesia Rupiah	10.0	10.1
Vietnamese Dong	7.3	6.8
Philippines Peso	6.3	6.5

(c) Hire purchase liabilities

Future instalment payments under hire purchase liabilities are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Instalment payments:		
- Not later than 1 year	20,356	24,356
- Later than 1 year but not later than 5 years	21,945	30,291
	42,301	54,647
Less: Future finance charges	(3,217)	(4,467)
Present value of hire purchase liabilities:	39,084	50,180
Of which are:		
-Not later than 1 year	18,540	21,814
-Later than 1 year and not later than 5 years	20,544	28,366
	39,084	50,180

The carrying amounts and fair values of the hire purchase liabilities of the Group are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Carrying amount	39,084	50,180
Fair value	39,873	51,623

The fair value of hire purchase liabilities is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile and within level 3 of the fair value hierarchy.

33 BANK BORROWINGS (CONTINUED)

The non-current portion of the bank borrowings of the Group is repayable as follows:

	Group	
	2019	2018
	RM'000	RM'000
Later than one year but not later than two years	326,234	289,909
Later than two years but not later than five years	535,844	742,545
Later than five years	11,009	11,879
	873,087	1,044,333

The currency profile of borrowings is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Ringgit Malaysia	896,122	954,095
Singapore Dollar	515,568	557,741
US Dollar	31,575	42,570
Indonesia Rupiah	568,775	485,204
Vietnamese Dong	353,695	322,345
Philippines Peso	16,085	8,984
	2,381,820	2,370,939

Secured bank borrowings are secured by legal charges over shares of certain subsidiaries, property, plant and equipment (Note 10), land use rights (Note 12), right-of-use assets (Note 13), biological assets (Note 18), inventories (Note 19), trade receivables (Note 20) and other receivables (Note 21) of the Group.

Borrowings of the Group are subject to certain covenants. These covenants require that certain ratios (Debt to Equity ratio, Current ratio, EBITDA to interest ratio and Debt servicing coverage ratio) to be met, limitation to certain asset sales or transferred and maintaining majority ownership in certain subsidiaries held by the Group. The Group is in compliance with these covenants at each reporting date.

The weighted average effective interest rates as at end of the financial year are as follows:

	Group	
	2019	2018
	%	%
Bankers' acceptances	4.1	4.5
Bank overdrafts*	1.0	1.5
Term loans	5.9	6.1
Revolving credits	5.8	5.1
Trust receipts	5.5	5.4
Hire purchase liabilities	3.0	2.8

33 BANK BORROWINGS (CONTINUED)

* A wholly-owned subsidiary incorporated in Singapore together with its subsidiaries (collectively referred to as "LHS Group") and DBS Bank Ltd ("the Bank"), has entered into a Notional Pooling Agreement in year 2016. Under this agreement, the Bank would provide notional cash pooling arrangement with net group utilisation of the bank accounts of LHS Group. The bank accounts with surplus cash balances are notionally offset against the bank accounts with deficit cash balances (Overdraft) within LHS Group to derive the net cash balance / overdraft, which is then used to calculate the borrowing interest. Accordingly, interest will not be charged by the Bank when there is a net surplus of cash balances of LHS Group. The primary objective of the notional cash pooling is for cash management of LHS Group in order to optimise the group's cash balance and ultimately lower the borrowing cost of LHS Group.

34 POST-EMPLOYMENT BENEFITS OBLIGATION

The Group operates various post-employment schemes, including both defined contributions plan (Note 5) and defined benefit plan. The Group's post-employment benefits obligation primarily arise from PT Malindo Feedmill Tbk and its subsidiaries. The Group provides defined post-employment benefits to their employees in accordance with Indonesian Labour Law No. 13/2003. No funding has been made to this defined benefit plan.

The balance of post-employment benefit obligation is based on the actuarial reports prepared by PT RAS Actuarial Consulting, an independent actuary in Indonesia (2018: PT Prima Bhaksana Lestari). The method used in the actuarial valuation is the "Projected Unit Credit" method with the following assumptions:

	Group	
	2019	2018
Retirement age	56 years	55 years
Discount rate (per annum)	8.25%	8.60%
Annual salary increase	8.0%	9.0%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Indonesia.

Movements in the present value of the post-employment benefit obligation are as follows:

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	36,796	36,943
Current service cost	7,353	3,905
Interest cost	3,167	2,466
Benefit paid	(1,981)	(1,387)
Translation differences	901	(1,199)
Remeasurement of post-employment benefit obligation charged to other comprehensive income	(9,371)	(3,932)
At 31 December	36,865	36,796

34 POST-EMPLOYMENT BENEFIT OBLIGATION (CONTINUED)

The amounts recognised in consolidated statements of comprehensive income in respect of the defined benefit plan are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Current service cost	7,353	3,905
Interest cost	3,167	2,466
Expenses recognised in profit or loss	10,520	6,371
Remeasurements:		
Actuarial gain arising from changes in financial assumptions	(906)	(3,548)
Actuarial gain arising from experience adjustment	(8,952)	(384)
Actuarial loss arising from changes in demographic assumptions	487	-
Remeasurements gain of post-employment benefit obligation recognised in other comprehensive income	(9,371)	(3,932)

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Effect on current service cost		
- 1% on discount rate	4,783	3,101
+ 1% on discount rate	(4,022)	(2,669)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

35 DEFERRED INCOME – GOVERNMENT GRANTS

During the financial year, a wholly owned subsidiary received a government grant for undertaking process redesign and enhancement of business processes to improve productivity. The grant of RM3,595,938 is recognised in profit or loss over the useful life of the related assets.

36 TRADE PAYABLES

	Group	
	2019	2018
	RM'000	RM'000
Trade payable	251,455	233,821
Amounts due to related parties (trade)	21,642	15,066
	273,097	248,887

Amounts due to related parties comprise payables from companies controlled by Lau family amounting to RM20,728,257 (2018: RM14,281,389) and Nam Family amounting to RM914,095 (2018: RM784,330). See Note 41 for significant related party disclosures.

37 OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables	88,676	83,429	-	602
GST/VAT payable	4,595	1,237	-	-
Accrued expenses	154,407	143,184	2,622	11,495
Provision for claims	34,667	34,602	-	-
Amounts due to related parties (non-trade)	4,747	8,516	-	-
	287,092	270,968	2,622	12,097

37 OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

Provision for claims

On 8 March 2016, Competition and Consumer Commission of Singapore ("CCCS") issued a Proposed Infringement Decision against 13 fresh chicken distributors, including Lee Say Poultry Industrial, Lee Say Group Pte. Ltd., Hup Heng Poultry Industries Pte. Ltd., KSB Distribution Pte. Ltd., ES Food International Pte. Ltd. and Prestige Fortune (S) Pte. Ltd. (collectively, the "Affected Companies"), for allegedly engaging in anti-competitive agreements.

Based on legal advice, a provision was made during the financial year ended 31 December 2016 to cover the estimated cost of this alleged infringement. Following further investigations and in light of new evidence, the amount provided was reviewed and revised and an amount of RM7,617,000 was written back in the financial year ended 31 December 2017.

Written representations in defence of the Affected Companies were submitted to the CCCS on 8 February 2018, and oral representations were presented to the CCCS on 15 March 2018, and the CCCS was considering further written representations and oral representations submitted. On 12 September 2018, the CCCS have issued an infringement decision on the Affected Companies and imposed an aggregate financial penalty of SGD11,399,041 (RM34,667,000) on the Affected Companies. On 12 November 2018, the Affected Companies submitted its Notice of Appeal against CCCS infringement decision to the Competition Appeal Board ("CAB"). Hearings were conducted by the CAB on 5 August 2019 to 8 August 2019, 3 September 2019, 27 September 2019 and 3 March 2020. The CAB has also directed a further hearing on 5 and 6 May 2020 be reserved for clarifications by the CAB. Pending resolution of the appeal, on grounds of prudence, the amount of the imposed financial penalty has been fully provided for as at 31 December 2019.

Amounts due to related parties

Amounts due to related parties (companies controlled by Lau family) included transactions such as transportation charges, purchases of sundries and rental expenses as disclosed in Note 41.

38 AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Unsecured advances	16,631	103,785
Non-trade transactions	110	121
	16,741	103,906

The unsecured advances granted by a subsidiary bear interest rate of 5.3% (2018: 5.3%) per annum, denominated in Ringgit Malaysia and repayable on demand.

The non-trade balances are unsecured, denominated in Ringgit Malaysia, interest-free (2018: interest-free) and repayable on demand.

39 AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are trade in nature, unsecured, interest-free and have credit terms of 120 days (2018: 120 days).

40 DIVIDEND PAID

	Company	
	2019	2018
	RM'000	RM'000
In respect of the financial year ended 31 December 2019:		
- Interim dividend of 1.6 sen per ordinary share on 3,650,000,000 ordinary shares, paid on 30 September 2019	58,400	-
In respect of the financial year ended 31 December 2017:		
- Single-tier dividend of RM60.71 per share on 955,370 ordinary shares, paid on 25 October 2018, 2 November 2018, 5 November 2018, 19 December 2018, 21 December 2018 and 24 December 2018	-	58,000
	58,400	58,000

41 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions negotiated amongst the parties.

Related parties and relationship

The related parties of and relationships with the Company are as follows:

Name of company	Relationship
Emerging Glory Sdn Bhd ("EGSB")	Ultimate holding company
Subsidiaries of EGSB:	
Leong Hup Holdings Sdn Bhd (until 27 December 2019)	Fellow subsidiary
Emivest Sdn Bhd (until 27 December 2019)	Fellow subsidiary
The Baker's Cottage Sdn Bhd	Fellow subsidiary
Subsidiaries of the Company:	
Leong Hup (Malaysia) Sdn Bhd	Subsidiary
Leong Hup Corporate Services Sdn Bhd	Subsidiary
Leong Hup (Philippines) Inc	Subsidiary
Companies controlled by Lau family:	
Astaka Shopping Centre (Muar) Sdn Bhd	Lau family *
Emerging Success Pte Ltd	Lau family *
Darma Canggih Sdn Bhd	Lau family *
Joint Honest International Enterprise Limited	Lau family *
Jordon International Food Processing Pte Ltd	Lau family *
KPF Farming Sdn Bhd	Lau family *
Poly-Yarn Industries Sdn Bhd	Lau family *
Pengangkutan Mekar Sdn Bhd	Lau family *
PT Sehat Cerah Indonesia	Lau family *
PT Leong Hup Jayaindo (formerly known as PT Feedmill Indonesia)	Lau family *
Phil Malay Poultry Breeders, Inc (Phi)	Lau family *
Perfect Breeding and Aquatic, Inc	Lau family *
Perfect Food Solutions Pte. Ltd.	Lau family *
Teratai Agriculture Sdn Bhd	Lau family *
Teratai Agriculture Vietnam Limited	Lau family *
Leong Hup Holdings Sdn Bhd (from 28 December 2019)	Lau family *
Emivest Sdn Bhd (from 28 December 2019)	Lau family *
Companies controlled by Nam family:	
Mujur Cekap Sdn Bhd	Nam family ^
Blue Home Marketing Sdn Bhd	Nam family ^

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related parties and relationship (continued)

* Lau family refers to family members who, collectively control EGSB and the Company. The following Lau family members are Directors of the Company: Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat collectively.

^ Nam family refers to family members who has significant financial interest in an indirect subsidiary, Teo Seng Capital Berhad, a company listed on Main Market of Bursa Malaysia Securities Berhad. The following Nam family member is Director of Teo Seng Capital Berhad: Nam Hiok Joo.

Significant related party transactions

The following transactions with related parties were carried out on terms and conditions negotiated amongst the related parties:

	Group	
	2019	2018
	RM'000	RM'000
Ultimate holding company		
Interest income	-	1,104
Repayment of advances	21,435	-
Fellow subsidiaries		
Sales of goods	2,474	1,767
Rental expense paid/payable	(1,619)	(1,687)
Associates		
Advances granted	(15,368)	-
Companies controlled by Lau family		
Sales of goods	491,587	390,809
Purchases of goods	(218,065)	(210,174)
Transportation charges paid/payable	(14,262)	(13,597)
Purchases of sundries paid/payable	(2,379)	(2,171)
Disposal of subsidiary – Jordon International Food Processing Pte Ltd	-	30,370
Advances granted	-	(13,724)
Repayment of advances	-	27,045
Interest income	-	349
Sales of property, plant and equipment	1,050	-
Management fee received/receivable	1,868	177
Deposit paid for acquisition of land	(630)	-
Companies controlled by Nam family		
Transportation charges paid/payable	(9,302)	(8,652)
Transaction with non-controlling interest		
Disposal of subsidiary - Jordon International Food Processing Pte Ltd	-	29,184

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	Company	
	2019	2018
	RM'000	RM'000
Subsidiaries		
Interest expense paid/payable	(2,855)	(5,552)
Management fee paid/payable	(720)	(801)
Advances granted	(90,000)	(15,000)
Advances received	14,300	24,300
Repayment of advances by Company	(104,310)	(16,004)

Significant related party balances

The significant outstanding balances with ultimate holding company, fellow subsidiaries, subsidiaries and associate are shown in Note 22, Note 23, Note 24, Note 25 Note 38 and Note 39 respectively. The significant outstanding balances with companies controlled by Lau family and Nam family are shown in Note 20, Note 36 and Note 37 respectively.

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel compensation

Key management personnel comprise the Directors and the Management Team of the Company, who assesses the financial performance and position of the Group, and makes strategic decisions directly or indirectly.

The aggregate amounts of compensation received or receivable by the Directors and the Management Team who are not the Directors of the Company during the financial years are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
Fees	830	979	822	354
Salaries, bonuses and other benefits	29,246	17,129	-	-
Defined contribution benefits	2,483	1,736	-	-
ESOS expense (i)	1,578	-	-	-
	34,137	19,844	822	354
Management Team other than Directors of the Company:				
Fees paid to Directors of subsidiaries	337	598	-	-
Salaries, bonuses and other benefits	13,687	5,860	-	-
Defined contribution benefits	768	477	-	-
ESOS expense (i)	860	-	-	-
	15,652	6,935	-	-
	49,789	26,779	822	354

(i) ESOS expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. See Note 31 for the details of the ESOS.

42 CAPITAL COMMITMENTS

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

	Group	
	2019	2018
	RM'000	RM'000
Acquisition of property, plant and equipment:		
- approved by Directors and contracted	49,033	31,375

The capital commitments as at 31 December 2019 include the estimated costs to be incurred in securing the certificate of completion and compliance on certain farms of the Group.

43 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases were as follows:

	Group	
	2019	2018
	RM'000	RM'000
In relation to leases of equipment and premises:		
- Not later than one year	-	11,334
- Later than one year and not later than five years	-	32,938
- Later than five years	-	81,452
	-	125,724

As explained in Note 2 to the financial statements, the Group has changed its accounting policies for leases. The new policies are as described in Note 2.13. The impact of change and the reconciliation for the difference between operating lease commitments disclosed as at 31 December 2018 and lease liabilities recognised at the date of initial application of 1 January 2019 are disclosed in Note 49 to financial statements.

44 CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVPL")
(b) Amortised cost ("AC")
(c) Other financial liabilities measured at amortised cost ("OFL")

	FVPL RM'000	AC RM'000	OFL RM'000	Total RM'000
Group				
2019				
Financial assets				
Trade receivables	-	500,991	-	500,991
Other receivables and deposits	-	39,068	-	39,068
Amount due from an associate	-	15,368	-	15,368
Amounts due from fellow subsidiaries	-	796	-	796
Cash and bank balances	-	764,829	-	764,829
	-	1,321,052	-	1,321,052
Financial liabilities				
Trade payables	-	-	273,097	273,097
Other payables and accrued expenses	-	-	282,497	282,497
Amounts due to fellow subsidiaries	-	-	862	862
Bank borrowings	-	-	2,381,820	2,381,820
Lease liabilities	-	-	118,524	118,524
Derivative financial liabilities	1,943	-	-	1,943
	1,943	-	3,056,800	3,058,743

44 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	FVPL RM'000	AC RM'000	OFL RM'000	Total RM'000
Group				
2018				
Financial assets				
Trade receivables	-	649,207	-	649,207
Other receivables and deposits	-	31,772	-	31,772
Amount due from ultimate holding company	-	21,435	-	21,435
Amounts due from fellow subsidiaries	-	1,568	-	1,568
Derivative financial assets	1,179	-	-	1,179
Cash and bank balances	-	458,858	-	458,858
	1,179	1,162,840	-	1,164,019
Financial liabilities				
Trade payables	-	-	248,887	248,887
Other payables and accrued expenses	-	-	269,731	269,731
Amounts due to fellow subsidiaries	-	-	3,340	3,340
Bank borrowings	-	-	2,370,939	2,370,939
Derivative financial liabilities	2,391	-	-	2,391
	2,391	-	2,892,897	2,895,288

44 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	FVPL RM'000	AC RM'000	OFL RM'000	Total RM'000
Company				
2019				
Financial assets				
Amounts due from subsidiaries	-	93,958	-	93,958
Cash and bank balances	-	36,733	-	36,733
	-	130,691	-	130,691
Financial liabilities				
Other payables and accrued expenses	-	-	2,622	2,622
Amounts due to subsidiaries	-	-	16,741	16,741
	-	-	19,363	19,363
2018				
Financial assets				
Amounts due from subsidiaries	-	3,958	-	3,958
Cash and bank balances	-	2,526	-	2,526
	-	6,484	-	6,484
Financial liabilities				
Other payables and accrued expenses	-	-	12,097	12,097
Amounts due to subsidiaries	-	-	103,906	103,906
	-	-	116,003	116,003

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing its financial risks. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Credit risk

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

As of the end of the reporting date, the maximum exposure to credit risk arising from financial assets is limited to the carrying amounts in the statements of financial position.

Following are the areas where the Group is exposed to credit risk:

(i) Trade receivables

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

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

Historically, the Group's loss arising from credit risk is low. However, the Group considers available reasonable and supportive forward-looking information, especially the following indicators are incorporated:

- internal credit rating.
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations.
- actual or expected significant changes in the operating results of the counterparties.
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparties that results in a significant change in the counterparties' ability to meet its debt obligations.

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(i) Trade receivables (continued)

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where trade receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

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

The Group's current credit risk grading framework comprises the following categories:

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

Over the trade receivables, the group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, trade receivables have been assessed based on credit risk categories and the days past due, and adjusts for forward looking information.

The Group's ECL rate at the end of the reporting period is 0.29% (2018: 0.045%).

No significant changes to estimation techniques or assumptions were made during the reporting period.

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(ii) Other debt investments financial assets at amortised costs

Other debt instruments financial assets at amortised cost include other receivables, non-trade amount due from ultimate holding company, amounts due from subsidiaries, non-trade amounts due from fellow subsidiaries and amounts due from an associate.

The loss allowance for other financial assets at amortised cost as at 31 December 2019 and 31 December 2018 reconciles to the opening loss allowance disclosed in Note 21.

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

(iii) Financial guarantee contracts

At the date of reporting, there is no financial guarantee contract granted to external parties.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group’s and the Company’s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Cash flow forecasting is performed by Group finance. Group finance monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal statements of financial position ratio targets.

Surplus cash held by the subsidiaries over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in financial instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

The following are areas of the Group and of the Company exposure to liquidity risk.

	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group					
2019					
Trade payables	273,097	-	-	-	273,097
Other payables and accrued expenses	282,497	-	-	-	282,497
Amounts due to fellow subsidiaries	862	-	-	-	862
Lease liabilities	18,909	15,699	33,390	102,246	170,244
Term loans	374,472	355,027	554,106	11,721	1,295,326
Other bank borrowings	1,193,886	11,331	10,615	-	1,215,832
Derivative financial liabilities	1,943	-	-	-	1,943
	2,145,666	382,057	598,111	113,967	3,239,801

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group					
2018					
Trade payables	248,887	-	-	-	248,887
Other payables and accrued expenses	269,731	-	-	-	269,731
Amounts due to fellow subsidiaries	3,340	-	-	-	3,340
Term loans	339,069	337,765	773,612	12,604	1,463,050
Other bank borrowings	1,068,093	15,192	15,099	-	1,098,384
Derivative financial liabilities	2,391	-	-	-	2,391
	1,931,511	352,957	788,711	12,604	3,085,783

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Company

	Within 1 year	
	2019	2018
	RM'000	RM'000
Other payables and accrued expenses	2,622	12,097
Amounts due to subsidiaries	16,741	103,906
	19,363	116,003

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases, borrowings and bank balances that are denominated in a currency other than the respective functional currencies of the entities within the Group. The currency giving rise to this risk is primarily Ringgit Malaysia (MYR), Singapore Dollar (SGD), United States Dollar (USD) and Indonesia Rupiah (IDR).

The Group's exposure to foreign currency risk arising on financial instruments denominated in a currency different from the functional currency of the entity holding the instruments is as shown in the table below:

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure

	MYR RM'000	SGD RM'000	USD RM'000	IDR RM'000	Others RM'000	Total RM'000
Group						
2019						
Financial assets						
Trade receivables	681	16,970	6,534	-	-	24,185
Other receivables	1,885	609	7,944	3	101	10,542
Cash and bank balances	30,775	15,197	114,918	185	4,859	165,934
	33,341	32,776	129,396	188	4,960	200,661
Financial liabilities						
Trade payables	(1,263)	(1,398)	(40,592)	-	(1,628)	(44,881)
Other payables	(10,329)	(2,780)	(2,257)	-	-	(15,366)
Bank borrowings	(91)	(24,476)	(31,574)	-	-	(56,141)
Lease liabilities	(205)	(4,679)	-	-	-	(4,884)
	(11,888)	(33,333)	(74,423)	-	(1,628)	(121,272)
Net currency exposure	21,453	(557)	54,973	188	3,332	79,389

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)

	MYR RM'000	SGD RM'000	USD RM'000	IDR RM'000	Others RM'000	Total RM'000
Group						
2018						
Financial assets						
Trade receivables	1,209	14,704	8,296	-	-	24,209
Other receivables	2,331	298	3,122	474	-	6,225
Cash and bank balances	22,593	10,612	53,744	400	480	87,829
	26,133	25,614	65,162	874	480	118,263
Financial liabilities						
Trade payables	(1,455)	(932)	(29,284)	-	(2,020)	(33,691)
Other payables	(9,822)	(1,704)	(4,488)	(528)	-	(16,542)
Bank borrowings	(61)	(11,151)	(42,570)	-	-	(53,782)
	(11,338)	(13,787)	(76,342)	(528)	(2,020)	(104,015)
Net currency exposure	14,795	11,827	(11,180)	346	(1,540)	14,248

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax and equity to 5% (2018: 5%) strengthening/weakening of each currency respectively in MYR, SGD, USD and IDR against the respective functional currencies of the entities within the Group, with all other variables held constant.

Profit for the year increases/(decreases):

	Group	
	2019	2018
	RM'000	RM'000
MYR		
- Strengthened 5%	815	562
- Weakened 5%	(815)	(562)
SGD		
- Strengthened 5%	(21)	449
- Weakened 5%	21	(449)
USD		
- Strengthened 5%	2,089	(425)
- Weakened 5%	(2,089)	425
IDR		
- Strengthened 5%	7	13
- Weakened 5%	(7)	(13)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by using interest rate swap contracts.

The Group does not account for fixed rate financial assets and liabilities through profit or loss, Therefore, a change in interest rate at the reporting date would not affect profit and loss.

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments:				
Financial assets				
Fixed deposits with licensed bank	307,461	65,306	30,000	-
Amount due from ultimate holding company	-	21,435	-	-
Amount due from associate	15,368	-	-	-
	322,829	86,741	30,000	-
Financial liabilities				
Hire purchase liabilities	39,084	50,180	-	-
Bankers' acceptances	330,874	407,449	-	-
Trust receipts	311,352	303,547	-	-
Term loans	321,707	100,800	-	-
Amounts due to subsidiaries	-	-	16,631	103,785
	1,003,017	861,976	16,631	103,785
Floating rate instruments:				
Financial liabilities				
Bank overdrafts	72,802	54,071	-	-
Term loans	847,499	1,176,222	-	-
Revolving credits	458,502	278,670	-	-
	1,378,803	1,508,963	-	-

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

	Net profit/(loss) for the year		Equity	
	+50 bp	-50 bp	+50 bp	-50 bp
	RM'000	RM'000	RM'000	RM'000
Group				
31 December 2019	(5,239)	5,239	(5,239)	5,239
31 December 2018	(5,734)	5,734	(5,734)	5,734

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

Asset/liability	Note
Trade receivables	20
Other receivables, deposits and prepaid expenses	21
Amount due from ultimate holding company	22
Amounts due from fellow subsidiaries	23
Amounts due from subsidiaries	24
Amount due from an associate	25
Cash and bank balances	27
Lease liabilities	32
Borrowings	33
Trade payables	36
Other payables and accrued expenses	37
Amounts due to subsidiaries	38
Amounts due to fellow subsidiaries	39

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of long term receivables and payables, which primarily comprise amount due from an associate, hire purchase liabilities, term loans and lease liabilities, are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(b) Fair value measurement

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

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

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

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

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of financial instrument carried at fair value Level 1 RM'000	Carrying amount RM'000
Group		
2019		
Financial liabilities:		
Derivative financial liabilities	1,943	1,943
2018		
Financial Assets:		
Derivative financial assets	1,179	1,179
Financial liabilities:		
Derivative financial liabilities	2,391	2,391

Specific valuation techniques used to value financial instruments include:

(i) the fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting date.

(ii) The fair value of interest rate swap is determined using interest rate at the end of the reporting date.

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of assets not carried at fair value Level 3 RM'000	Carrying amount RM'000
Group		
2019		
Assets:		
Investment properties (Note 11)	45,130	22,050
2018		
Assets:		
Investment properties (Note 11)	44,800	22,304

Fair value of certain investment properties is based on comparison method carried out by independent firms of professional valuers in determining its fair value. These were based on recent sale transactions of comparable properties with adjustments made to reflect location, purpose visibility, size, tenure and age.

When there is no valuation performed , the fair values of the Group's investment properties are arrived by reference to market indication of transactions prices for similar properties determined by Group's Directors.

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

(c) Other non-financial assets and liabilities measured at fair value

Other than Biological assets (Note 18), the Group does not have assets and liabilities measured at fair value at the reporting date.

47 CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholder value.

The Group and the Company manage their capital structure and make adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust the capital structure, the Group and the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group's debt-to-equity ratio as of the reporting period under review is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Total borrowings*	2,381,820	2,370,939
Cash and bank balances (excluding fixed deposit pledged as collateral)	(743,734)	(444,457)
Net debts	1,638,086	1,926,482
Total equity	2,180,523	1,765,428
Debt-to-equity ratio (times)^	0.75	1.09

* Total borrowings do not include lease liabilities accounted under MFRS 16

^ Debt-to-equity ratio is calculated as net debts divided by total equity.

There were no changes in the Group's approach to capital management during the financial year. Other than the covenants on borrowings as disclosed in Note 33, the Group is not subject to any other externally imposed capital requirements.

48 OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Management Team 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:

- Livestock and poultry related products – production and distribution of breeder and broiler day-old-chick, broiler chickens, eggs, animal health products and consumer food products.

- Feedmill – Manufacturing and trading of animal feeds.

(a) The Management Team assesses the performance of the operating segments based on their earnings before interest, tax, depreciation and amortisation ("EBITDA"). 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.

(c) Each operating segment liabilities is measured based on all liabilities of the segment.

(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. These includes investment properties, deferred tax assets/liabilities, tax recoverable/payable and borrowings.

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.

48 OPERATING SEGMENTS (CONTINUED)

Business segments

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter-segment elimination RM'000	Group RM'000
2019				
Revenue				
- external revenue	3,396,042	2,646,689	-	6,042,731
- inter-segment revenue	-	1,391,294	(1,391,294)	-
Revenue from sales of goods	3,396,042	4,037,983	(1,391,294)	6,042,731
Revenue from other sources				12,025
Total revenue				6,054,756
EBITDA	267,427	403,240	(20,145)	650,522
Depreciation	(167,170)	(54,832)	(3,514)	(225,516)
	100,257	348,408	(23,659)	425,006
Share of results in associates				384
Finance costs				(136,640)
Profit before taxation				288,750
Tax expense				(75,763)
Net profit for the financial year				212,987
Assets				
Segment assets	5,019,354	3,686,328	(3,393,744)	5,311,938
Unallocated assets:				
Investment properties				22,050
Deferred tax assets				62,265
Tax recoverable				12,885
Total assets				5,409,138
Liabilities				
Segment liabilities	1,743,876	1,163,254	(2,186,203)	720,927
Unallocated liabilities:				
Borrowings				2,381,820
Deferred tax liabilities				107,519
Tax payable				18,349
Total liabilities				3,228,615
Other disclosure				
Capital expenditure*	372,803	83,490	(368)	455,925
Non-cash item (other than depreciation)	15,905	(250)	12,348	28,003

48 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter-segment elimination RM'000	Group RM'000
2018				
Revenue				
- external revenue	3,470,580	2,261,852	-	5,732,432
- inter-segment revenue	-	1,172,261	(1,172,261)	-
Revenue from sales of goods	3,470,580	3,434,113	(1,172,261)	5,732,432
Revenue from other sources				14,140
Total revenue				5,746,572
EBITDA	397,004	265,745	(8,155)	654,594
Depreciation	(151,793)	(45,885)	567	(197,111)
	245,211	219,860	(7,588)	457,483
Share of results in associates				586
Finance costs				(109,494)
Profit before taxation				348,575
Tax expense				(101,822)
Net profit for the financial year				246,753
Assets				
Segment assets	4,575,005	3,168,124	(3,035,997)	4,707,132
Unallocated assets:				
Investment properties				22,304
Deferred tax assets				59,629
Tax recoverable				44,930
Total assets				4,833,995
Liabilities				
Segment liabilities	1,494,682	971,786	(1,904,086)	562,382
Unallocated liabilities:				
Borrowings				2,370,939
Deferred tax liabilities				102,650
Tax payable				32,596
Total liabilities				3,068,567
Other disclosure				
Capital expenditure*	343,705	106,165	(6,386)	443,484
Non-cash item (other than depreciation)	13,285	6,372	(16,076)	3,581

* Includes capital expenditure in respect of property, plant and equipment ("PPE") and right-of-use assets in financial year ended 31 December 2019 and PPE and land use rights in financial year ended 31 December 2018.

48 OPERATING SEGMENT (CONTINUED)

Geographical Information

Revenue

Revenue is analysed based on the country in which the head office is located.

	Group	
	2019	2018
	RM'000	RM'000
Malaysia	1,647,832	1,657,470
Singapore	779,085	988,955
Indonesia	2,192,279	1,901,109
Vietnam	1,347,245	1,130,358
Philippines	76,290	54,540
Total revenue	6,042,731	5,732,432

EBITDA

	Group	
	2019	2018
	RM'000	RM'000
Malaysia	227,548	205,163
Singapore	95,778	122,487
Indonesia	185,481	220,286
Vietnam	130,265	101,454
Philippines	11,450	5,204
Total EBITDA	650,522	654,594

Non-current assets

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

	Group	
	2019	2018
	RM'000	RM'000
Malaysia	1,349,065	1,239,551
Singapore	407,679	344,149
Indonesia	639,208	573,388
Vietnam	341,735	304,205
Philippines	87,295	34,430
Total non-current assets	2,824,982	2,495,723

48 OPERATING SEGMENTS (CONTINUED)

Geographical Information (continued)

Total Borrowings (excluding lease liabilities)

	Group 2019 RM'000	Group 2018 RM'000
Malaysia	906,209	965,185
Singapore	491,183	546,651
Indonesia	599,531	516,483
Vietnam	368,812	333,636
Philippines	16,085	8,984
Total borrowings	2,381,820	2,370,939

Major customers

There is no single customer that has contributed 10% or more of the Group's revenue throughout the reported financial years.

49 EFFECT ON ADOPTION OF MFRS 16 'LEASES'

The adoption of MFRS 16 "Leases" has resulted in changes in the Group's accounting policies. The effect arising from these changes on the statements of financial position of the Group are as follow:

	Note	As at 31.12.2018 RM'000	Effect on adoption of MFRS 16 RM'000	As at 1.1.2019 RM'000
Group				
NON-CURRENT ASSETS				
Property, plant and equipment	10	2,216,811	(21,154)	2,195,657
Land use rights	12	157,620	(157,620)	-
Right-of-use assets	13	-	270,351	270,351
NON-CURRENT LIABILITIES				
Lease liabilities		-	81,933	81,933
CURRENT LIABILITIES				
Lease liabilities		-	9,644	9,644

The net impact on retained earnings on 1 January 2019 is nil.

49 EFFECT ON ADOPTION OF MFRS 16 'LEASES' (CONTINUED)

MFRS 16 "Leases"

The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.92% per annum.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

Group	RM'000
Operating lease commitments as disclosed at 31 December 2018 (see Note 43)	125,724
Effects from discounting at the incremental borrowing rate at DIA	(37,277)
Add:	
Adjustments relating to changes in index or rate affecting variable payments	3,130
Lease liabilities recognised as at 1 January 2019	91,577
Of which are:	
Current lease liabilities	9,644
Non-current lease liabilities	81,933
	91,577

50 SIGNIFICANT EVENT

On 25 April 2019, the Company issued a prospectus in connection with the Initial Public Offering ("IPO") and the listing of shares ("The Listing") of the Company on the Main Market of Bursa Malaysia Securities Berhad. The IPO and The Listing involved the issuance of 250,000,000 new ordinary shares ("IPO Shares") in the Company at an issue price of RM1.10 and the listing of and quotation for the entire 3,650,000,000 ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad which was completed on 16 May 2019.

51 EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

(a) Acquisition of feedmill

On 9 March 2020, Emivest Feedmill (TG) Vietnam Limited Liability Company, a wholly owned subsidiary incorporated in Vietnam, entered into an agreement with Hung Vuong Tay Nam Panga Feed Joint Stock Company to acquire a feedmill in Vietnam, including its plant, equipment, machineries and motor vehicles, for a total consideration of approximately RM 67.03 million.

(b) COVID-19 pandemic

In the first quarter of 2020, the rapid spread of the COVID-19 has been declared a pandemic. Globally, increasing measures are being taken to contain it and these have led to a significant volatility in the financial markets and resulting in an adverse impact on the global business and economic activity.

There is an increasing likelihood that the COVID-19 and the containment efforts could cause undesirable effects on a number of markets that the Group operate in. The Group is closely monitoring the developing situation and the potential impact of the spread of COVID-19 on its operations.

52 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 19 May 2020.