Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2018

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Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

CONTENTS

Company No.

1098663	D

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 2018.

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	
Lau Joo Hong	
Lau Joo Keat	
Benny Lim Jew Fong	
Tee Yock Siong (alternate to Benny Lim Jew Fong)	(Appointed on 1 August 2018)
Goh Wen Ling	(Appointed on 1 August 2018)
Low Han Kee	(Appointed on 1 August 2018)
Chu Nyet Kim	(Appointed on 1 August 2018)
Tay Tong Poh	(Appointed on 1 August 2018)
Mahani Binti Amat	(Appointed on 1 August 2018)
Datin Paduka Rashidah Binti Ramli	(Appointed on 1 August 2018)
Lau Joo Han	(Appointed on 1 October 2018)
Tan Sri Lau Tuang Nguang	(Resigned on 1 August 2018 and re-appointed on 23 November 2018)
Lau Joo Yong (alternate to Dato' Lau Eng Guang)	(Resigned on 1 August 2018)
Park Young Taeg	(Resigned on 2 August 2018)
Lau Joo Han (alternate to Dato' Lau Bong Wong)	(Resigned on 23 September 2018)
Dato' Lau Bong Wong	(Deceased on 23 September 2018)

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 14 to the financial statements.

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

CONVERSION FROM PRIVATE COMPANY TO PUBLIC COMPANY

On 17 August 2018, the Company was converted from a private limited liability company to a public limited liability company. Accordingly, the Company's name has changed from Leong Hup International Sdn. Bhd. to Leong Hup International Berhad.

SIGNIFICANT EVENTS

On 24 August 2018, the Board of Directors ("BOD") of the Company has approved the application to the Securities Commission of Malaysia ("SC") for the Proposed initial public offering ("Proposed IPO") of the Company in conjunction with the listing of and quotation for the entire issued shares and new shares to be issued in the Company on the Main Market of Bursa Malaysia Securities Berhad ("Proposed Listing").

On 6 December 2018 and 9 April 2019, the SC has conditionally approved the Company's Proposed Listing on the Main Market of Bursa Malaysia Securities Berhad ("Listing"), subject to the fulfilment of certain terms and conditions.

On 23 April 2019, upon fulfilment of the terms and conditions set out by the SC, the Initial Public Offering ("IPO") prospectus of the Company was registered with the SC under the Capital Markets and Services Act 2007. On 24 April 2019, the registered IPO prospectus of the Company was lodged with the Companies Commission of Malaysia. The Company launched its IPO prospectus to the public on 25 April 2019. The details of IPO is disclosed in note 45(d) of the notes to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	246,753	54,232
Profit attributable to:		
Owners of the Company	186,185	54,232
Non-controlling interests	60,568	-
	246,753	54,232

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

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

There were no debentures issued during the financial year.

As disclosed in note 26 and note 45 of the notes to the financial statements, subsequent to the financial year end, the number of shares issued and paid up has been increased from 955,370 shares to 1,230,131,992 shares following a bonus issue and share split exercise approved at an Extraordinary General Meeting ("EGM") held on 11 January 2019.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than as disclosed in the notes to the financial statements and the ESOS disclosed in note 45) 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.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares			
	Balance as at 1.1.2018	Acquired	(Disposed)	Balance as at 31.12.2018
Shares in ultimate holding company, Emerging Glory Sdn. Bhd.				
Direct interests:				
Dato' Lau Bong Wong, deceased	10,001	-	(10,001)@	-
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	10,001	10,001@	-	20,002
Indirect interests:				
Dato' Lau Bong Wong, deceased#	10,001	-	(10,001)@	-
Lau Joo Hong^	20,002	-	-	20,002
Lau Joo Keat*	14,999	-	-	14,999

Deemed interest by virtue of shares held by children.
^ Deemed interest by virtue of shareholding in CW Lau & Sons Sdn Bhd.
* Deemed interest by virtue of shareholding in HN Lau & Sons Sdn Bhd.
@ Transmission of shares from Estate of Dato' Lau Bong Wong, deceased, to Lau Joo Han

By virtue of his interest in the shares of the ultimate holding company, Lau Joo Han and Lau Joo Hong 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.

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 2017:	
Final single tier dividend of RM60.73 per ordinary share on 955,370 ordinary shares, declared on 24 August 2018	58,000

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 37 to the financial statements. No indemnity was given to any Directors or Officers of the Group during the financial year.

ULTIMATE HOLDING COMPANY

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

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

Subsequent to the financial year end, the Company proposes to establish the Employee Share Option Scheme ("ESOS") for the eligible Directors and employees of the Group as set out in the By-Laws governing the ESOS. The Options shall be granted to eligible Directors and employees of the Group and shall have key features as disclosed in note 45(b) of the notes to the financial statements. The ESOS shall be administered by the ESOS committee appointed by the Board of Directors of the Company and governed by the By-Laws.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 14 to the financial statements.

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:

Dato' Lau Bong Wong *(Deceased on 23.09.2018)*
Lau Chia Nguang
Dato' Lau Eng Guang
Lau Hai Nguan
Tan Sri Lau Tuang Nguang
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
Asman Shah bin Abd Rahman
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
David Morella Jorba
Dr. Aidawani binti Abd Latif
Dr. Jayasankar A/T T. Sankaran
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
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
Low Eng Guan
Low Kim Seng
Low Chiew Boey
Lt. Kol. (Rtd) Kudri bin Haji Siraj
Ma Chin Chew
Masrah binti Ahamad *(Resigned on 12.07.2018)*
Mazlan bin A. Talib

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):

Na Eluen
Na Hap Cheng
Na Yok Chee
Nam Hiok Joo
Nam Hiok Yong
Nam Ya Jun
Nam Yok San
Ng Eng Leng
Ong Gee Tiong
Ong Guang Yang
Ong Pang Teck
Quek Cheaw Kwang
Rewin Hanrahan
Rudy Hartono Husin
Sespriansyah
Sha Jia Tat
Sha Kar Huan
Soh Heng Tean
Sim Kim Hwa
Tan Bet Beng
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
Wong Chee Seng
Wong Sui Teck
Wong Wai Meng
Yongkie Handaya
Yip Ah Chean

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. The amount of insurance premium paid during the year amounted to RM514,020.

AUDITORS' REMUNERATION

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

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 13 May 2019.

Signed on behalf of the Board of Directors:

DATO' LAU ENG GUANG
DIRECTOR

TAN SRI LAU TUANG NGUANG
DIRECTOR

Kuala Lumpur

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

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

We, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang, 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 14 to 145 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2018 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 13 May 2019.

DATO' LAU ENG GUANG
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 14 to 145 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: 13 May 2019

Before me:

PESURUHJAYA SUMPAH
W607
GURDEEP SINGH
A/L JAG SINGH
01/01/2019-31/12/2021
MALAYSIA

COMMISSIONER FOR OATHS

5B, JALAN RAKYAT
(JALAN TRAVERS)
BRICKFIELDS
50470 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 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 2018, 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 2018 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 14 to 145.

Basis for opinion

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

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

pwc

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' 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.

pwc

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

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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

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

Pricewaterhousecoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SHIRLEY GOH
01778/08/2020 J
Chartered Accountant

Kuala Lumpur
13 May 2019

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	5,746,572	5,501,364	84,894	53,037
Other income		30,796	29,953	1,003	266
Change in biological assets		38,622	18,795	-	-
Change in closing inventories		64,226	(7,509)	-	-
Purchases of inventories and livestock		(4,042,214)	(3,835,415)	-	-
Employee benefit costs including Directors' remuneration	5	(523,771)	(504,176)	(354)	-
Depreciation of:					
Property, plant and equipment	10	(189,671)	(188,892)	-	-
Investment properties	11	(253)	(255)	-	-
Amortisation of:					
Land use rights	12	(6,840)	(7,124)	-	-
Intangible assets	13	(347)	(2,855)	-	-
Utilities costs		(136,723)	(130,879)	-	-
Repair and maintenance		(73,925)	(62,244)	-	-
Transportation expenses		(91,376)	(80,298)	-	-
Other expenses		(357,613)	(346,482)	(25,735)	(1,282)
Profit from operations	6	457,483	383,983	59,808	52,021
Finance costs	7	(109,494)	(92,184)	(5,552)	(4,303)
Share of profit of associates	15	586	468	-	-
Profit before tax		348,575	292,267	54,256	47,718
Tax expense	8	(101,822)	(44,859)	(24)	(14)
Net profit for the financial year		246,753	247,408	54,232	47,704

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(20,008)	(104,944)	-	-
		(20,008)	(104,944)	-	-
Items that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation	31	3,932	(2,917)	-	-
Income tax relating to remeasurement of post-employment benefit obligation	8	(906)	625	-	-
		3,026	(2,292)	-	-
Other comprehensive loss for the financial year		(16,982)	(107,236)	-	-
Total comprehensive income for the financial year		229,771	140,172	54,232	47,704
Profit for the financial year attributable to:					
Owners of the Company		186,185	192,573	54,232	47,704
Non-controlling interests		60,568	54,835	-	-
		246,753	247,408	54,232	47,704
Total comprehensive income attributable to:					
Owners of the Company		175,520	109,989	54,232	47,704
Non-controlling interests		54,251	30,183	-	-
		229,771	140,172	54,232	47,704
Earnings per share attributable to the Owners of the Company (sen):					
- basic and diluted	9	5.48	5.66		

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

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	2,216,811	2,045,801	-	-
Investment properties	11	22,304	22,557	-	-
Land use rights	12	157,620	141,710	-	-
Intangible assets	13	97,273	106,475	-	-
Investment in subsidiaries	14	-	-	1,377,949	1,325,003
Investment in associates	15	1,715	1,633	-	-
Derivative financial assets	24	823	-	-	-
Deferred tax assets	16	59,629	64,457	-	-
Tax recoverable		19,928	28,271	-	-
Total non-current assets		2,576,103	2,410,904	1,377,949	1,325,003
CURRENT ASSETS					
Biological assets	17	349,574	313,270	-	-
Inventories	18	575,623	516,833	-	-
Trade receivables	19	649,207	563,990	-	-
Other receivables, deposits and prepaid expenses	20	176,269	132,085	909	-
Amount due from ultimate holding company	21	21,435	20,331	-	-
Amounts due from subsidiaries	22	-	-	3,958	38,691
Amounts due from fellow subsidiaries	23	1,568	725	-	-
Derivative financial assets	24	356	-	-	-
Tax recoverable		25,002	16,928	597	427
Cash and bank balances	25	458,858	502,411	2,526	602
Total current assets		2,257,892	2,066,573	7,990	39,720
TOTAL ASSETS		4,833,995	4,477,477	1,385,939	1,364,723

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	26	1,230,132	1,230,132	1,230,132	1,230,132
Merger reserve	27	(658,787)	(658,787)	-	-
Reserves	28	730,496	614,300	39,804	43,572
Equity attributable to owners of the Company		1,301,841	1,185,645	1,269,936	1,273,704
Non-controlling interests		463,587	456,377	-	-
Total equity		1,765,428	1,642,022	1,269,936	1,273,704
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	102,650	83,754	-	-
Finance lease liabilities	29	28,366	29,181	-	-
Bank borrowings	30	1,015,967	745,254	-	-
Post-employment benefits obligation	31	36,796	36,943	-	-
Total non-current liabilities		1,183,779	895,132	-	-
CURRENT LIABILITIES					
Trade payables	32	248,887	242,221	-	-
Other payables and accrued expenses	33	270,968	256,688	12,097	954
Amounts due to subsidiaries	34	-	-	103,906	90,065
Amounts due to fellow subsidiaries	35	3,340	3,870	-	-
Finance lease liabilities	29	21,814	20,466	-	-
Bank borrowings	30	1,304,792	1,398,615	-	-
Derivative financial liabilities	24	2,391	1,136	-	-
Tax payable		32,596	17,327	-	-
Total current liabilities		1,884,788	1,940,323	116,003	91,019
TOTAL LIABILITIES		3,068,567	2,835,455	116,003	91,019
TOTAL EQUITY AND LIABILITIES		4,833,995	4,477,477	1,385,939	1,364,723

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

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital RM'000	Share premium 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 2017		955	1,229,177	(658,778)	101,871	641,405	1,314,630	675,755	1,990,385
Transition to no par value regime	26	1,229,177	(1,229,177)	-	-	-	-	-	-
Comprehensive income:									
Net profit for the financial year		-	-	-	-	192,573	192,573	54,835	247,408
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		-	-	-	-	(2,252)	(2,252)	(40)	(2,292)
Exchange translation differences		-	-	-	(80,332)	-	(80,332)	(24,612)	(104,944)
Total other comprehensive income		-	-	-	(80,332)	(2,252)	(82,584)	(24,652)	(107,236)
Total comprehensive income		-	-	-	(80,332)	190,321	109,989	30,183	140,172
Transactions with owners:									
Dividends paid	36	-	-	-	-	(38,400)	(38,400)	(20,028)	(58,428)
Acquisition of subsidiary companies	14	-	-	(9)	-	-	(9)	(4)	(13)
Acquisition of non-controlling interests	14	-	-	-	(373)	(200,192)	(200,565)	(257,992)	(458,557)
Issuance of ordinary shares by subsidiaries to non-controlling interests	14	-	-	-	-	-	-	28,463	28,463
		-	-	(9)	(373)	(238,592)	(238,974)	(249,561)	(488,535)
At 31 December 2017		1,230,132	-	(658,787)	21,166	593,134	1,185,645	456,377	1,642,022

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	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	36	-	-	-	(58,000)	(58,000)	(37,463)	(95,463)
Acquisition of non-controlling interests	14	-	-	-	(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

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2017		955	1,229,177	34,268	1,264,400
Transition to no par value regime	26	1,229,177	(1,229,177)	-	-
Net profit for the financial year		-	-	47,704	47,704
Transaction with owners:					
Dividends paid	36	-	-	(38,400)	(38,400)
At 31 December 2017		1,230,132	-	43,572	1,273,704
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	36	-	-	(58,000)	(58,000)
At 31 December 2018		1,230,132	-	39,804	1,269,936

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

Company No.
1098663 D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		348,575	292,267	54,256	47,718
Adjustments for:					
Expense recognised in respect of defined benefit plan	31	6,371	7,126	-	-
Depreciation of:-					
property, plant and equipment		189,671	188,892	-	-
investment properties		253	255	-	-
Amortisation of:-					
land use rights		6,840	7,124	-	-
intangible assets		347	2,855	-	-
Property, plant and equipment written off		2,428	1,997	-	-
Impairment loss on property, plant and equipment		-	1,483	-	-
Gain on disposal of property, plant and equipment		(850)	(93)	-	-
Investment properties written off		-	2	-	-
(Gain)/loss on disposal of land use rights		(199)	490	-	-
Gain on disposal of a subsidiary		(78)	-	-	-
Unrealised loss/(gain) on foreign exchange		596	350	(16)	32
Fair value loss on derivative financial instruments		113	1,137	-	-
Share of profit of associates		(586)	(468)	-	-
Written off of Value Added Tax receivable		9,837	-	-	-
Bad debts written off		428	5	-	-
Impairment loss on trade receivables	19	2,144	1,824	-	-
Reversal of impairment loss on other receivables	20	(119)	(1,682)	-	-
Dividend income		-	-	(84,894)	(53,037)
Interest income		(8,492)	(6,501)	(126)	(298)
Finance costs	7	109,494	92,184	5,552	4,303
		666,773	589,247	(25,228)	(1,282)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Changes in working capital:					
Biological assets		(38,622)	(2,251)	-	-
Inventories		(64,226)	27,254	-	-
Receivables		(189,285)	(25,750)	(909)	52
Payables		50,351	12,117	11,137	710
Cash generated from operations		424,991	600,617	(15,000)	(520)
Tax paid		(75,746)	(76,227)	(195)	(55)
Net cash flow from operating activities		349,245	524,390	(15,195)	(575)
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayment from:-					
ultimate holding company		-	7,297	-	-
related companies		27,045	-	-	-
subsidiaries		-	-	287	-
Advances to: -					
related companies		(13,724)	(13,357)	-	-
subsidiaries		-	-	(15,000)	(33,545)
Proceeds from disposal of:-					
property, plant and equipment		3,715	5,214	-	-
land use rights		356	1,927	-	-
Dividend income received from:-					
an associate	15	504	456	-	-
subsidiaries		-	-	84,894	53,037
former subsidiary	14	16,296	-	-	-
Interest income received		7,388	6,501	126	298
Additions of:					
property, plant and equipment	10	(397,118)	(336,140)	-	-
investment properties	11	-	(51)	-	-
land use rights	12	(25,834)	(31,939)	-	-
Subscription to subsidiaries ordinary shares		-	-	(3,500)	-
Acquisition of subsidiaries	14	-	(5,394)	-	-
Disposal of subsidiary	14	5,771	(2,373)	-	-
(Increase)/decrease in fixed deposit pledged		(2,986)	1,197	-	-
Net cash flow from investing activities		(378,587)	(366,662)	66,807	19,790

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Acquisition of non-controlling interest		(10,902)	(458,184)	-	-
Finance costs paid		(108,619)	(91,882)	-	(4,303)
Dividends paid to:-					
Shareholders		(58,000)	(38,400)	(58,000)	(38,400)
non-controlling interests		(8,279)	(20,028)	-	-
Repayment of finance lease liabilities		(25,313)	(13,288)	-	-
Drawdown of term loans		603,252	519,981	-	-
Repayment of term loans		(270,118)	(220,032)	-	-
Net (repayment)/drawdown of short term borrowings		(128,910)	249,938	-	-
Advance from a subsidiary		-	-	24,300	39,700
Repayment to a subsidiary		-	-	(16,004)	(15,931)
Net cash flow from financing activities		(6,889)	(71,895)	(49,704)	(18,934)
Net change in cash and cash equivalents		(36,231)	85,833	1,908	281
Effect of exchange translation differences		(807)	8,402	16	(32)
Cash and cash equivalents at beginning of the financial year		427,424	333,189	602	353
Cash and cash equivalents at end of the financial year	25	390,386	427,424	2,526	602

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes				
	At 1 January RM'000	Cash flow (including interest paid) RM'000	Interest accretion RM'000	Foreign exchange movement RM'000	New leases RM'000	Disposal of a subsidiary RM'000	At 31 December RM'000
Group							
31.12.2018							
Term loans	948,911	280,696	53,411	(3,033)	-	(2,963)	1,277,022
Short term borrowings*	1,131,411	(179,897)	50,913	(12,761)	-	-	989,666
Finance lease liabilities	49,647	(28,159)	2,846	(49)	25,895	-	50,180
	2,129,969	72,640	107,170	(15,843)	25,895	(2,963)	2,316,868
31.12.2017							
Term loans	641,805	257,728	42,221	13,089	-	(5,932)	948,911
Short term borrowings*	881,473	205,690	44,248	-	-	-	1,131,411
Finance lease liabilities	41,993	(15,924)	2,636	232	25,845	(5,135)	49,647
	1,565,271	447,494	89,105	13,321	25,845	(11,067)	2,129,969
Company							
31.12.2018							
Amount due to subsidiaries	89,937	8,296	5,552	-	-	-	103,785
31.12.2017							
Amount due to subsidiaries	66,168	19,466	4,303	-	-	-	89,937

* Short-term borrowings exclude bank overdrafts.

Certain non-cash transactions are disclosed in Note 14 to the financial statements.

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

Company No.

1098663	D

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1 GENERAL INFORMATION

On 17 August 2018, the Company was converted to a public limited liability company and assumed the name of Leong Hup International Berhad. The Company was 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
Wilayah Persekutuan 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 14 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 period beginning on 1 January 2018:

- Amendments to MFRS 140 'Classification on 'Change in Use' - Assets transferred to, or from, Investment Properties'.
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'.

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

2.3 Standards early adopted by the Group

The Group has adopted MFRS for the first time in the financial year beginning 1 January 2017 with a date of transition on 1 January 2015. Accordingly, the Group has consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 January 2015 and throughout the reported periods since then. The Group has also elected to early adopt the following standards in financial year beginning 1 January 2017 with date of transition on 1 January 2015 and applied these consistently throughout the reported periods since then.

- MFRS 9 'Financial Instruments' which replaces MFRS 139 'Financial Instruments: Recognition and Measurement'.
- MFRS 15 'Revenue from contracts with customers' which replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2019.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

  The Group will apply the new standards from its mandatory adoption date of 1 January 2019, being the date of initial application ("DIA"). The Group intends to apply the simplified retrospective approach. Under this approach, the Group is not required to restate the comparatives and the MFRS 16 adjustments will be reflected in the opening retained earnings at DIA. At DIA, the Group will recognise and measure the lease liability at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at DIA. The Group will recognise and measure the right-to-use asset, on a lease-by-lease basis, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised immediately before DIA.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time using the effective interest method with interest expense recognised in the profit or loss.

  The estimated financial effect to the Group on the adoption of MFRS 16 at DIA are as follows:

  - As at the reporting date, the Group has non-cancellable operating lease commitments of RM126 million, see Note 39. Of these commitments, the Group expects to recognise right-of-use assets of approximately RM 91 million and lease liabilities of approximately RM 91 million, relating to leases other than short-term leases and leases of low-value on DIA.

  - Everything else held constant, the rental expense is expected to decrease by approximately RM14 million while the amortisation of right-of use asset and interest expense are expected to increase by approximately RM16 million, the net difference of approximately RM2 million for the FYE 31 December 2019 will not have material impact on the basic and diluted earnings per share of the Group;

  - Everything else held constant, EBITDA of the Group is expected to improve by approximately RM14 million as the rental expense was charged against EBITDA line under MFRS 117, while the amortisation charge and interest expense will be excluded from the EBITDA line under MFRS 16.

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

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

  IC Interpretation 23 will be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not re-measure its previously held interest in the joint operation.

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

  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Amendments to MFRS 119 'Plan amendment, curtailment or settlement' (effective 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

The adoption of these new accounting standards or amendments to standards and interpretations do not have material effect on the financial statements for the current financial year or any prior periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 2.6).

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)

2.5 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)

2.5 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)

2.5 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)

2.6 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 2.10 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.

2.7 Investments

Short term investments in marketable securities are classified as financial assets at fair value through profit or loss and measured at fair value on the date a transaction is entered into and are subsequently re-measured at fair value with changes in fair value recognised in profit or loss. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the statement of financial position date. On disposal of an investment, the difference between net disposal proceeds and its fair value is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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 2.20 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. Leasehold land classified as finance lease (refer to accounting policy Note 2.14(a) on finance leases) is amortised in equal instalments over the period of the respective leases. 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:

Leasehold land	47 to 98 years
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.

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 2.10 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.

2.10 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)

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (FVPL); or
- Amortised cost; or
- Fair value through other comprehensive income (FVOCI)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Fair value through profit or loss (FVPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

(ii) Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and

- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

(iii) Fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss, and

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) 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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss 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.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

- 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 solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and 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 gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) Measurement (continued)

Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income/(expenses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 41 details how the Group determines whether there has been a significant increase in credit risk.

The Group applies an expected credit loss ('ECL') impairment model on financial assets carried at amortised cost.

For trade receivables that do not contain significant financing components, the Group applies the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. For other receivables and amounts due from ultimate holding company, fellow subsidiaries and subsidiaries, the Group applies ECL impairment model based on changes in credit quality since initial recognition.

(d) Derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following category after initial recognition for the purpose of subsequent measurement:

(i) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in statements of comprehensive income when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statements of comprehensive income.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Accounting by lessee

(i) Finance leases

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

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.

(ii) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (continued)

(b) Accounting by lessor

(i) Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

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.

(ii) Operating leases

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. Lease income is recognised over the term of the lease on a straight-line basis.

2.15 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 2.11(c) on impairment of financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

2.17 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.

2.18 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share capital (continued)

(d) 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 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.

2.19 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)

2.20 Borrowings and borrowing costs

(i) Borrowings

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

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

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)

2.21 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)

2.22 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)

2.22 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.

2.23 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 shares for a specific period of time).

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

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)

2.24 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.

2.25 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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 goods and services 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.

Sales of chicken and other poultry related products

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

Sales of poultry feed

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

(ii) Revenue from other sources

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

- Operating lease income is recognised on the straight-line basis over the lease terms. (Note 2.14(b)(ii))
- Interest income is recognised using the effective interest method.
- Dividend income is recognised when the Group's right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 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)

2.27 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)

2.28 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)

2.29 Derivative financial instruments

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

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

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

Details of derivative instruments entered into by the Group are disclosed in Note 24 to the financial statements.

2.30 Land use rights

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.

2.31 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.

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 RM349,574,000 as at 31 December 2018 (2017: RM313,270,000). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 17 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 13 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 2.22 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 31 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 16)

4 REVENUE

The Group derives the following types of revenue:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:				
- Sales of goods	5,732,432	5,487,339	-	-
Revenue from other sources:				
- Lease income	13,198	11,888	-	-
- Dividend income from subsidiaries	-	-	84,894	53,037
- Others	942	2,137	-	-
Total revenue	5,746,572	5,501,364	84,894	53,037

Disaggregation of revenue from contracts with customers by product segments:

	Group	
	2018	2017
	RM'000	RM'000
Livestock and other poultry related products	3,470,580	3,349,534
Feedmill	2,261,852	2,137,805
	5,732,432	5,487,339

5 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and bonuses	491,979	472,533	354	-
Defined contribution plans	25,421	24,517	-	-
Defined benefit plans	6,371	7,126	-	-
	523,771	504,176	354	-

(b) The breakdown of the Directors' remuneration of the Group and Company are as disclosed in Note 37 to the financial statements.

6 PROFIT FROM OPERATIONS

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:				
- PricewaterhouseCoopers PLT, Malaysia	1,176	1,107	147	147
- Member firms of PricewaterhouseCoopers International Limited	1,600	1,552	-	-
- Others	82	48	-	-
Foreign exchange (gain)/loss:				
- realised	(2,835)	3,061	(861)	-
- unrealised	596	350	(16)	32
Fair value loss on derivative financial instrument	113	1,137	-	-
Rental expense	14,483	15,260	-	-
Property, plant and equipment written off	2,428	1,997	-	-
Investment properties written off	-	2	-	-
Impairment loss on property, plant and equipment	-	1,483	-	-
Impairment loss on trade receivables	2,144	1,824	-	-
Reversal of impairment loss on other receivables	(119)	(1,682)	-	-
Reversal of provision for claims	-	(7,617)	-	-
Expense recognised in respect of defined benefit plan	6,371	7,126	-	-
Farmers' incentive	39,584	38,664	-	-
Packing materials	19,374	19,089	-	-
Travelling expenses	11,079	9,852	-	-
Promotional and marketing expenses	7,235	6,748	-	-
Interest income	(8,492)	(6,501)	(126)	(298)
Rental income	(1,949)	(2,211)	-	-
(Gain)/loss on disposal of:				
- property, plant and equipment	(850)	(93)	-	-
- land use rights	(199)	490	-	-
Gain on disposal of a subsidiary	(78)	-	-	-
Bad debts written off	428	5	-	-
Bad debts recovered	(740)	-	-	-
Written off of Value Added Tax receivable	9,837	-	-	-
IPO listing expenses	22,876	-	22,876	-

7 FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Bankers' acceptances	16,792	16,447	-	-
Bank overdrafts	2,324	3,079	-	-
Term loans	53,411	42,221	-	-
Finance lease liabilities	2,846	2,636	-	-
Revolving credits	19,945	17,000	-	-
Trust receipts	14,159	10,801	-	-
Loan from a subsidiary	-	-	5,552	4,303
Others	17	-	-	-
	109,494	92,184	5,552	4,303

8 TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax recognised in profit or loss:				
- Malaysian income tax	25,416	37,622	30	15
- Foreign tax	56,164	35,737	-	-
- (over)/under provision in prior years	(3,261)	494	(6)	(1)
	78,319	73,853	24	14
Deferred taxation recognised in profit of loss (Note 16):				
- Origination and reversal of temporary differences	23,503	(28,994)	-	-
Tax expense	101,822	44,859	24	14
Deferred taxation recognised in OCI (Note 16):				
- Remeasurement of post-employment benefit obligation	906	(625)	-	-

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	348,575	292,267	54,256	47,718
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	83,658	70,144	13,021	11,452
Tax effects of:				
- expenses not deductible for tax purposes	30,175	18,432	7,590	1,394
- income not subject to tax	(410)	(10,648)	(20,581)	(12,831)
- share of result of an associate	(141)	(112)	-	-
- differential in tax rates of foreign subsidiaries	(16,140)	(7,811)	-	-
- utilisation of tax incentive	(1,776)	(1,069)	-	-
- utilisation of deductible temporary differences not recognised previously	(2,284)	(5,874)	-	-
- deductible temporary differences not recognised in current year	5,861	1,779	-	-
- tax assets revaluation*	-	(20,476)	-	-
- change in tax rate of Real Property Gain Tax ("RPGT")	6,140	-	-	-
(Over)/under provision of income tax in prior years	(3,261)	494	(6)	(1)
Tax expense	101,822	44,859	24	14

* As part of the Indonesia's Government's tax incentive, Companies incorporated in Indonesia were allowed to revalue their property, plant and equipment and claim the revaluation difference as qualifying expenditure, subject to meeting certain conditions and approval by the Director General of Tax ("DGT"). Certain subsidiaries in Indonesia obtained approval from the DGT on 25 January 2017. Accordingly, it has created higher deductible temporary difference arising from the difference between tax qualifying expenditure and carrying amount of the property, plant and equipment where deferred tax assets is recognised.

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	
	2018	2017
	RM'000	RM'000
Unutilised tax losses		
- expiring not more than five years	13,385	14,605
- expiring not more than seven years^	40,441	-
- no expiry period	997	31,429
Unabsorbed capital allowances		
- no expiry period	12,408	12,501
Unutilised reinvestment allowance		
- expiring not more than seven years^	6,235	-
- no expiry period	-	12,976
	73,466	71,511

^ Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses and unutilised reinvestment allowance amounting to RM40,441,000 and RM6,235,000 as at 31 December 2018 will be imposed with a time limit of utilisation.

Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025). Any accumulated unutilised reinvestment allowance can be carried forward for another 7 consecutive years of assessment from expiry of qualifying period.

Tax Recoverable	Group	
	2018	2017
	RM'000	RM'000
Non-current	19,928	28,271
Current	25,002	16,928
	44,930	45,199

Non-current tax recoverable includes claim for tax refund with relevant tax authorities which is 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.

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

	Group	
	2018	2017
	RM'000	RM'000
Profit attributable to the owners of the Company	186,185	192,573
Weighted average number of ordinary shares in issue ('000)	955	955
Adjustment for bonus issue ('000)(i)	1,229,177	1,229,177
Adjustment for share split ('000)(i)	2,169,868	2,169,868
Total	3,400,000	3,400,000
Basic and diluted EPS (sen) (ii)	5.48	5.66

(i) 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 45 details the bonus issue and share split which were approved in the Extraordinary General Meeting on 11 January 2019.

(ii) In accordance with MFRS 133 'Earnings per Share', the calculation of basic and diluted earnings per shares 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(i).

The outstanding warrants issued by a subsidiary do not have any impact on the diluted earnings per share as the exercise price of the warrants exceeded the average market price of the subsidiary's ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018 (CONTINUED)

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 finance lease liabilities RM'000	Motor vehicles, furniture, fittings, equipment and renovation RM'000	Motor vehicles, furniture, fittings, equipment and renovation under finance lease liabilities RM'000	Construction-in-progress RM'000	Total 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)

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 finance lease liabilities RM'000	Motor vehicles, furniture, fittings, equipment and renovation RM'000	Motor vehicles, furniture, fittings, equipment and renovation under finance lease liabilities RM'000	Construction-in-progress RM'000	Total RM'000
Net book value										
At 1 January 2017	251,653	21,593	1,002,789	13,730	427,601	12,544	152,276	22,733	48,017	1,952,936
Additions	17,005	2,200	88,947	1,109	75,679	11,609	56,621	14,236	94,702	362,108
Effect on addition of subsidiary	3,300	-	627	-	190	-	800	-	-	4,917
Effect on disposal of subsidiary	(781)	(3,349)	(513)	-	(2,089)	(6,078)	(6,241)	(1,109)	-	(20,160)
Disposals	-	-	(2,845)	(5)	(493)	-	(1,177)	(47)	(554)	(5,121)
Write-off	-	-	(558)	-	(75)	-	(905)	(384)	(75)	(1,997)
Foreign exchange differences	-	-	(54,719)	-	(22,487)	(77)	(4,812)	(239)	(3,268)	(85,602)
Transfer from investment properties (Note 11)	-	-	29,095	-	-	-	-	-	-	29,095
Reclassifications	-	-	29,390	775	4,761	417	9,000	(4,649)	(39,694)	-
Depreciation charge for the year	-	(434)	(64,079)	(335)	(77,187)	(2,292)	(39,871)	(4,694)	-	(188,892)
Impairment charge for the year	-	-	(12)	(5)	-	-	(1,466)	-	-	(1,483)
At 31 December 2017	271,177	20,010	1,028,122	15,269	405,900	16,123	164,225	25,847	99,128	2,045,801
At 31 December 2017:										
Cost	271,177	25,042	1,487,898	16,728	946,422	21,072	388,893	38,904	99,166	3,295,302
Accumulated depreciation	-	(5,032)	(456,858)	(1,454)	(540,522)	(4,949)	(223,093)	(13,057)	-	(1,244,965)
Accumulated impairment loss	-	-	(2,918)	(5)	-	-	(1,575)	-	(38)	(4,536)
Net book value	271,177	20,010	1,028,122	15,269	405,900	16,123	164,225	25,847	99,128	2,045,801

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) As of 31 December 2018, certain property, plant and equipment of the Group with a net carrying value of RM675,599,000 (2017: RM863,573,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 30 to the financial statements.

(b) Additions of property, plant and equipment

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

	Group	
	2018	2017
	RM'000	RM'000
Cash payments	397,118	336,140
Unpaid balances included under other payables	8,938	14,301
Cash paid in respect of acquisition in previous financial year	(14,301)	(14,178)
Financed by finance lease liabilities	25,895	25,845
Addition of property, plant and equipment	417,650	362,108

(c) Impairment loss charged to 'other expenses' during the financial year amounting to RM Nil (2017: RM1,483,000) were relating to the write-down of farm buildings and equipment of certain subsidiaries that have ceased operations during the year. They were written down to its net recoverable amount which approximates scrap value.

11 INVESTMENT PROPERTIES

	Group	
	2018	2017
	RM'000	RM'000
Cost		
At 1 January	31,047	69,138
Additions	-	51
Write-off	-	(2)
Transfer to property, plant and equipment (Note 10)	-	(38,279)
Foreign exchange differences	-	139
At 31 December	31,047	31,047
Less: Accumulated depreciation		
At 1 January	8,490	17,386
Charge for the financial year	253	255
Transfer to property, plant and equipment (Note 10)	-	(9,184)
Foreign exchange differences	-	33
At 31 December	8,743	8,490
Net carrying amount		
At 31 December	22,304	22,557
Fair values	44,800	41,639

As of 31 December 2018, certain investment properties of the Group with a net carrying value of RM nil (2017: RM9,827,000) were charged to licensed banks to secure credit facilities granted to the Group.

The property rental income earned by the Group from investment properties, certain of which are leased out under operating leases, amounted to RM1,179,000 (2017: RM745,000). Direct operating expenses arising on the investment properties of the Group amounted to RM86,000 (2017: RM139,000).

12 LAND USE RIGHTS

	Group	
	2018	2017
	RM'000	RM'000
Cost		
At 1 January	173,299	160,850
Additions	25,834	31,939
Disposal	(276)	(3,382)
Foreign exchange differences	(3,653)	(16,108)
At 31 December	195,204	173,299
Less: Accumulated amortisation		
At 1 January	31,589	28,235
Charge for the financial year	6,840	7,124
Disposal	(119)	(965)
Foreign exchange differences	(726)	(2,805)
At 31 December	37,584	31,589
Unamortised land use rights on leasehold land		
At 31 December	157,620	141,710

As of 31 December 2018, the unexpired lease periods of the leasehold land of the Group which are included under land use rights ranges from 4 to 52 years (2017: 5 to 53 years).

13 INTANGIBLE ASSETS

	Goodwill on consolidation RM'000	Business customer RM'000	Total RM'000
Group			
Cost			
At 1 January 2017	109,676	17,694	127,370
Additions	2,123	-	2,123
Translation differences	(1,359)	(407)	(1,766)
At 31 December 2017/1 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	103,140	10,308	113,448
Less: Accumulated amortisation			
At 1 January 2017	-	12,903	12,903
Charge for the financial year	-	2,855	2,855
Translation differences	-	(373)	(373)
At 31 December 2017/1 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	-	10,308	10,308
Less: Accumulated impairment losses			
At 31 December 2017/31 December 2018	5,867	-	5,867
Net carrying amount			
At 31 December 2017	104,573	1,902	106,475
At 31 December 2018	97,273	-	97,273