13 INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

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

	Group	
	2018	2017
	RM'000	RM'000
Malaysia		
Manufacturing of animal feeds	4,021	4,021
Trading of animal health products	3,115	3,115
Poultry farming and breeding	35,330	35,330
Singapore		
Processing and marketing of consumer feed products	54,807	62,107
	97,273	104,573

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

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

	2018	2017
	%	%
Manufacturing of animal feeds		
Revenue growth rate	2.0	3.9
EBITDA margin	6.8	4.5
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0
Trading of animals health products		
Revenue growth rate	4.0	4.0
EBITDA margin	27.0	26.5
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0

13 INTANGIBLE ASSETS (CONTINUED)

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

	2018	2017
	%	%
Poultry farming and breeding		
Revenue growth rate	9.0	5.0
EBITDA margin	8.7	6.5
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0
Processing and marketing of consumer feed products		
Revenue growth rate	2.0 – 4.2	2.0 - 5.0
EBITDA margin	11.0	9.5
Discount rate	11.0	11.0
Terminal growth rate	2.0	2.0

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

Business customer relationship

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

14 INVESTMENT IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost	1,377,949	1,325,003

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

Name of the Company	Effective percentage of ownership 2018 %	Effective percentage of ownership 2017 %	Principal activities
Direct subsidiaries			
Leong Hup (Malaysia) Sdn. Bhd.*	100.00	100.00	Investment holding
United Global Resources Limited*	100.00	100.00	Investment holding and trading of materials
Leong Hup Singapore Pte.Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Dragon Amity Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Leong Hup Corporate Services Sdn. Bhd.*	100.00	100.00	Management services provider
Leong Hup (Philippines), Inc# (Incoporated in Philippines)	100.00	100.00	To engage in the raising, breeding, cross breeding, fattening and pasturing of poultry and similar stocks
Indirect subsidiaries			
Leong Hup Poultry Farm Sdn. Bhd.*	100.00	100.00	Breeding of layer and broiler
Leong Hup Broiler Farm Sdn. Bhd.*	100.00	100.00	Renting of its broiler farms and rearing broiler chicken for sales and investment holding
Leong Hup (G.P.S.) Farm Sdn. Bhd.*	100.00	100.00	Broiler grandparent stock farming and investment holding

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2018 %	2017 %	Principal activities
Indirect subsidiaries (continued)			
Leong Hup Agrobusiness Sdn. Bhd.*	100.00	100.00	Poultry farming, trading of broiler chickens, day old chicks, poultry feeds, medicine, processing and marketing of chicken and related products, renting of farm buildings and investment holding
Ayam A1 Food Corporation Sdn. Bhd.*	100.00	100.00	Processing and marketing of chicken and related products and investment holding
Leong Hup Feedmill Malaysia Sdn. Bhd. (Formerly known as Ayam A1 Chicken Shop Sdn. Bhd.)*	100.00	100.00	Manufacturing and marketing of animal feeds. (Commenced operation on 1 May 2018).
Ladang Ternakan Maju Sdn. Bhd.*	100.00	100.00	Contract farming, poultry farming and investment holding
Advantage Valuations Sdn. Bhd.*	51.00	51.00	Investment holding
F. E. Venture Sdn. Bhd.^	51.00	51.00	Trading of animal feeds and veterinary products and investment holding
Leong Hup Poultry Farm (Sabah) Sdn. Bhd.*	100.00	100.00	Poultry farming and related products
Leong Hup Ruminant Farm Sdn. Bhd.*	100.00	100.00	Investment holding

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2018 %	2017 %	Principal activities
Indirect subsidiaries (continued)			
Leong Hup Feedmill Sdn. Bhd.*	100.00	100.00	Manufacturing and marketing of animal feeds
Sri Medan Duck Farm Sdn. Bhd.*	100.00	100.00	Duck breeder, sale of poultry, eggs and others related products
Beaming Agrotrade Sdn. Bhd.*	100.00	100.00	Trading of materials, warehousing operation and production of animal feed ingredients
The Baker's Cottage Restaurant Sdn. Bhd^	100.00	100.00	Operating a restaurant dealing with food and beverage
Ayam A1 Food Processing Sdn. Bhd.*	100.00	100.00	Processing chicken foodstuff such as meatball, nuggets, sausages, frankfurters and burgers
Goldkist Breeding Farms Sdn. Bhd.*	100.00	100.00	Rearing of broiler chicken for sales
J.B. Kim Farm Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Mighty Farms Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Exclusive Treasures Sdn. Bhd.*	100.00	100.00	Rearing of broiler chicken for sales
Sweet Vista Sdn. Bhd.*	100.00	100.00	Rearing of broiler chicken for sales
Mantap Untung Sdn.Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Ternakan Emas Sdn. Bhd.*	100.00	100.00	Dormant
Golden Egg Sdn. Bhd.*	100.00	100.00	Dormant

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2018 %	2017 %	Principal activities
Indirect subsidiaries (continued)			
Rising Momentum Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Farm Excel Distribution Sdn. Bhd.^	51.00	51.00	Trading of health and beauty products
Laboratorios Reveex (Asia) Sdn. Bhd.^	26.01	26.01	Trading of veterinary products
Leong Hup Aquaculture Sdn. Bhd.*	100.00	100.00	Operator of fish rearing
Teo Seng Capital Berhad*α	28.43	26.09	Investment holding and provision of management services
Teo Seng Farming Sdn. Bhd.*	28.43	26.09	Poultry farming and investment holding
Teo Seng Paper Products Sdn. Bhd.*	28.43	26.09	Manufacturing and marketing of egg trays
Teo Seng Feedmill Sdn. Bhd.*	28.43	26.09	Manufacturing and marketing of animal feeds
Ritma Prestasi Sdn. Bhd.*	28.43	26.09	Distribution of pet food, medicine and other animal health related products
Success Century Sdn. Bhd.*	28.43	26.09	Poultry farming
B-Tech Aquaculture Sdn. Bhd.*	28.43	26.09	Dormant

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2018 %	2017 %	Principal activities
Indirect subsidiaries (continued)			
Laskar Fertiliser Sdn. Bhd.*	28.43	26.09	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produce
Great Egg Industries Sdn. Bhd. (Formerly known as Forever Best Supply Sdn. Bhd.)*	28.43	26.09	Dormant
Liberal Energy Sdn. Bhd.*	28.43	26.09	General trading and generation of energy by establishment of biogas plants - Dormant
Pioneer Prosperity Sdn. Bhd.*	28.43	26.09	Dormant
Premium Egg Products Pte. Ltd.# (Incorporated in Singapore)	28.43	26.09	Wholesaler importers, exporters of eggs products
BH Fresh Food Pte. Ltd.# (Incorporated in Singapore)	28.43	26.09	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income
Ritma Premier Pte. Ltd.# (Incorporated in Singapore)	28.43	26.09	Distribution of pet food, medicine and other animal health related products
Leong Hup Agriculture (Desaru) Sdn. Bhd.*	60.00	60.00	Plantation – cultivation of fruits
Ideal Multifeed (Malaysia) Sdn. Bhd.*	100.00	100.00	Manufacturing and marketing of animal feeds

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2018 %	2017 %	Principal activities
Indirect subsidiaries (continued)			
Jaco Nutrimix Sdn. Bhd.*	100.00	100.00	Manufacturing and marketing of feed additive premix and other related business
Prima Anjung Sdn. Bhd.*	100.00	100.00	Poultry farming, sale of poultry and related products and aquaculture
Kayangan Runding Sdn. Bhd.*	100.00	100.00	Property investment holding
New Soon Teng Poultry Sdn. Bhd.* (Formerly known as Morningfield Sdn. Bhd.)	70.00	70.00	Rearing of colourbird
Emivest Feedmill Vietnam Co., Limited# (Incorporated in Vietnam)	100.00	100.00	Operating poultry hatcheries and breeder farms and producing animal and poultry feed
Emivest Feedmill (TG) Vietnam Limited Liability Company# (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup Feedmill Vietnam Limited Liability Company# (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup (Cambodia) Limited^ (Incorporated in Cambodia)	100.00	100.00	Trading of animals feed
Lee Say Group Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry and investment holding

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2018	2017	
	%	%	
Indirect subsidiaries (continued)			
Tasty Meat Products Pte. Ltd.^ (Incorporated in Singapore)	80.00	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Kendo Trading Pte. Ltd. # (Incorporated in Singapore)	51.00	51.00	Slaughtering, processing and sale of fresh and frozen poultry products
Yong Hup Choon Poultry Supplier Pte. Ltd.^ (Incorporated in Singapore)	-	51.00	Dormant (The company has been struck off from the register on 4 September 2018)
Lee Say Food Holdings Pte. Ltd. ^ (Incorporated in Singapore)	100.00	100.00	Investment holding
PT Ayam Prima Esa& (Incorporated in Indonesia)	100.00	100.00	Dormant – in liquidation process
Heng Kai Hock Farm Sdn. Bhd.*	100.00	100.00	Poultry farming and related products
Lee Say Breeding Farm Sdn. Bhd.*	100.00	100.00	Poultry farming and related products
Kendo Coldstore Pte. Ltd.^ (Incorporated in Singapore)	-	51.00	Dormant (The company has been struck off from the register on 4 September 2018)
Wang Xiang Shun Food Industry Pte. Ltd.^ (Incorporated in Singapore)	26.01	26.01	Production, processing and preserving of meat and meat products
Hup Heng Poultry Industries Pte. Ltd.# (Incorporated in Singapore)	67.18	67.18	Slaughtering of poultry, wholesale, processing and preserving of meat and meat product
Jordon International Food Processing Pte. Ltd.# (Incorporated in Singapore)	-	51.00	Manufacturer, wholesaler, retailer and dealer in all kind of meat products

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2018	2017	
	%	%	
Indirect subsidiaries (continued)			
ES Food International Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Leong Hup Food Pte.Ltd. (Formerly known as KSB Distribution Pte. Ltd.)# (Incorporated in Singapore)	100.00	100.00	General importers and distributor of chickens and other meat products
Safa Gourmet Food Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Halal meat processing, manufacturing, wholesale and retail
Soonly Food Processing Industries Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry
Prestige Fortune Sdn. Bhd.*	55.00	55.00	Poultry farming operations and the provision of consultancy services relating to poultry farming operations
Prestige Fortune (S) Pte. Ltd.# (Incorporated in Singapore)	55.00	55.00	Wholesale and distribution of poultry
Leong Hup Distribution Pte Ltd (Formerly known as Tai Wee Company (Private) Limited) # (Incorporated in Singapore)	100.00	100.00	General trading of frozen food products and provision of warehousing activities
My-Kando Food Industries Sdn. Bhd.*	100.00	100.00	Poultry farming, rental of chicken coops and related activities

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2018 %	2017 %	Principal activities
Indirect subsidiaries (continued)			
PT Malindo Feedmill Tbk#β (Incorporated in Indonesia)	58.04	57.27	Investment holding, poultry feed industry and Day Old Chicks (DOC) farming
PT Bibit Indonesia# (Incorporated in Indonesia)	57.96	57.19	Broiler grandparent stock farming
PT Prima Fajar# (Incorporated in Indonesia)	58.02	57.25	Trading and service and broiler chicken farm
PT Leong Ayamsatu Primadona# (Incorporated in Indonesia)	58.01	57.24	Day old chicks (DOC) and broiler chicken farm
PT Malindo Food Delight# (Incorporated in Indonesia)	58.03	57.26	Processing and preserving of meat
PT Quality Indonesia# (Incorporated in Indonesia)	40.59	40.07	Duck farming
PT Mitra Bebek Persada (Incorporated in Indonesia)	57.46#	56.70&	Duck farming

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

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

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

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

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

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

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

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2018				
Summarised statements of cash flows:				
Cash flows from operating activities	63,481	4,059	48,862	106,598
Cash flows from investing activities	(27,878)	216	5,429	(91,231)
Cash flows from financing activities	(27,836)	(5,074)	(60,435)	(2,920)
Net movement in cash and cash equivalents	7,767	(799)	(6,144)	12,447
Effects of exchange rate changes on cash and cash equivalents	119	-	(36)	(857)
Cash and cash equivalents at 1 January	19,368	7,663	151,907	24,176
Cash and cash equivalents at 31 December	27,254	6,864	145,727	35,766

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

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

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

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2017				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	0.00*	42.73
Summarised statements of comprehensive income:				
Revenue	422,588	30,566	538,405	1,737,619
Profit/(Loss) for the financial year	3,460	5,053	45,039	(7,017)
Total comprehensive income/(loss)	3,020	6,469	40,250	(53,188)
Attributable to NCI:				
Profit/(Loss) for the financial year	2,557	2,476	17,537	(5,920)
Total comprehensive income/(loss)	2,232	3,170	15,516	(30,706)
Dividends paid to NCI	-	2,450	4,280	10,833
Summarised statements of financial position:				
Non-current assets	310,141	4,605	103,830	643,781
Current assets	167,078	23,918	193,416	497,374
Non-current liabilities	(68,750)	-	(27,847)	(207,409)
Current liabilities	(165,619)	(4,108)	(43,017)	(519,256)
Net assets	242,850	24,415	226,382	414,490
Attributable to:				
- owners of the Company	63,360	12,452	129,973	237,379
- non-controlling interests	179,490	11,963	96,409	177,111
	242,850	24,415	226,382	414,490

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

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

	Teo Seng	FEV	Lee Say	PT Malindo
	RM'000	RM'000	RM'000	RM'000
2017				
Summarised statements of cash flows:				
Cash flows from operating activities	6,157	3,657	54,196	84,900
Cash flows from investing activities	(28,232)	(392)	11,513	(107,109)
Cash flows from financing activities	7,092	(5,004)	(19,500)	54,834
Net movement in cash and cash equivalents	(14,983)	(1,739)	46,209	32,625
Effects of exchange rate changes on cash and cash equivalents	88	(10)	(1,681)	(1,021)
Cash and cash equivalents at 1 January	34,263	9,412	33,626	(7,428)
Cash and cash equivalents at 31 December	19,368	7,663	78,154	24,176

* On 8 December 2017, a wholly owned subsidiary, Leong Hup Singapore Pte. Ltd. ("LHS"), entered into a sale and purchase agreement to acquire 578,445 ordinary shares in Lee Say, representing 49% of the equity interest. As a result, Lee Say became a wholly owned subsidiary of LHS. Accordingly, the profit and total comprehensive income attributable to NCI for the financial year in relation to Lee Say is shared up to 8 December 2017 and the NCI of Lee Say has reduced by RM144,517,000. The remaining NCI as at 31 December 2017 is in relation to other sub-group within Lee Say where certain subsidiaries are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%), Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%) and Prestige Fortune Sdn. Bhd. (NCI effective interest of 45.00%).

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2018

Addition of investments in subsidiaries

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

The effect on the equity attributable to the owners is summarised as follows:

	Group RM'000
Carrying amount of non-controlling interests acquired	5,937
Consideration paid to non-controlling interests	(7,000)
Excess of consideration paid recognised in the transactions with non-controlling interests within equity	(1,063)

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

The effect on the equity attributable to the owners is summarised as follows:

	Group RM'000
Carrying amount of non-controlling interests acquired	3,641
Consideration paid to non-controlling interests	(3,902)
Excess of consideration paid recognised in the transactions with non-controlling interests within equity	(261)

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

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2018 (continued)

Addition of investments in subsidiaries (continued)

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

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

Disposal of subsidiaries

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

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

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

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2018 (continued)

Disposal of subsidiaries (continued)

(a) Proceeds from disposal

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

Net cash flow from disposal of subsidiary

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

31.12.2017

Addition of investments in subsidiaries

(a) On 17 May 2017, the Company subscribed for an additional 81,000,000 new ordinary shares of Peso 1.00 each in the issued and paid up capital of Leong Hup (Philippines) Inc. ("LHPI") for a total consideration of Peso 81,000,000 (equivalent to RM6,906,999) by way of offsetting the equivalent amount owing to the Company. This transaction is included in non-cash investing activities. This transaction has no impact to the Group.

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2017 (continued)

Addition of investments in subsidiaries (continued)

(b) On 1 June 2017, an indirect subsidiary, Leong Hup Feedmill Sdn. Bhd., acquired the remaining 6,209,829 ordinary shares in a subsidiary, Ideal Multifeed (Malaysia) Sdn. Bhd., representing 40.32% of the issued and paid up capital in Ideal Multifeed (Malaysia) Sdn. Bhd. for a total cash consideration of RM12,109,000. Immediately prior to the purchase, the carrying amount of the existing 40.32% non-controlling interest in Ideal Multifeed (Malaysia) Sdn. Bhd. was RM10,728,000. The Group recognised a decrease in non-controlling interests of RM10,728,000 and a decrease in equity attributable to owners of the parent of RM1,381,000.

The effect on the equity attributable to the owners is summarised as follows:

	Group RM'000
Carrying amount of non-controlling interests acquired	10,728
Consideration paid to non-controlling interests	(12,109)
Excess of consideration paid recognised in the transactions with non-controlling interests within equity	(1,381)

(c) On 1 July 2017, an indirect subsidiary, Leong Hup Agrobusiness Sdn. Bhd., acquired the remaining 319,725 ordinary shares in a subsidiary, Exclusive Treasure Sdn. Bhd., representing 49% of the issued and paid up capital in Exclusive Treasure Sdn. Bhd. for a total cash consideration of RM320,000. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest in Exclusive Treasure Sdn. Bhd. was a deficit of RM841,000. The Group recognised an increase in non-controlling interests of RM841,000 and a decrease in equity attributable to owners of the parent of RM1,161,000.

The effect on the equity attributable to the owners is summarised as follows:

	Group RM'000
Carrying amount of non-controlling interests acquired	(841)
Consideration paid to non-controlling interests	(320)
Excess of consideration paid recognised in the transactions with non-controlling interests within equity	(1,161)

(d) On 21 November 2017, the Company subscribed 36,800 new ordinary shares of SGD 1,000 each (equivalent to RM3,049 each) in the issued and paid up capital of Leong Hup Singapore Pte. Ltd. ("LHS") for a total consideration of SGD36,800,000 (equivalent to RM112,200,000) by way of offsetting the consideration receivable from LHS arising from the disposal of Lee Say Group Pte Ltd ("LSG") to LHS. This transaction has no impact to the Group.

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2017 (continued)

Addition of investments in subsidiaries (continued)

(e) On 21 November 2017, an indirect subsidiary, ES Food International Pte. Ltd. capitalised the outstanding shareholders' loans amounting to SGD34,376,000 (equivalent to RM101,932,000) into additional paid up capital of 34,375,933 new ordinary shares. As a result, the new shares amounting to SGD8,604,000 (equivalent to RM26,063,000) was allocated to the non-controlling interest in proportion to their shareholding via the capitalisation of the same amount owing to a related party during financial year ended 31 December 2017.

(f) On 21 November 2017, a direct subsidiary, Leong Hup Singapore Pte. Ltd. acquired 25% of the issued and paid up capital in ES Food International Pte. Ltd. for a total cash consideration of SGD32,000,000 (equivalent to RM104,353,000). Immediately prior to the purchase, the carrying amount of the existing 25% non-controlling interest in ES Food International Pte. Ltd. was SGD16,667,000 (equivalent to RM51,229,000). The Group recognised a decrease in non-controlling interests of RM51,229,000 and a decrease in equity attributable to owners of the parent of RM53,124,000.

The effect on the equity attributable to the owners is summarised as follows:

	Group RM'000
Carrying amount of non-controlling interests acquired	51,229
Consideration paid to non-controlling interests	(104,353)
Excess of consideration paid recognised in the transactions with non-controlling interests within equity	(53,124)

(g) On 18 August 2017, a direct subsidiary, Leong Hup Singapore Pte. Ltd. ("LHS"), entered into a conditional sale and purchase agreement with Beng Leong Investment Pte. Ltd., Ng Eng Wah, Toh Ying Seng and Heng Cheng Seng (collectively known as "Vendors") to acquire the remaining 578,445 ordinary shares in a subsidiary, Lee Say Group Pte. Ltd. ("LSG"), representing 49% of the equity interest in LSG from the Vendors for a total cash consideration of SGD112,700,000 (equivalent to RM341,402,000). The acquisition was completed on 8 December 2017. Immediately prior to the completion of acquisition, the carrying amount of the existing 49% non-controlling interest in LSG was RM196,885,000. The Group recognised a decrease in non-controlling interests of RM196,885,000 and a decrease in equity attributable to owners of the parent of RM144,517,000.

The effect on the equity attributable to the owners is summarised as follows:

	Group RM'000
Carrying amount of non-controlling interests acquired	196,885
Consideration paid to non-controlling interests	(341,402)
Excess of consideration paid recognised in the transactions with non-controlling interests within equity	(144,517)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2017

Acquisition of subsidiaries

(a) On 16 June 2017, an indirect subsidiary, New Soon Teng Poultry Sdn. Bhd. (formerly known as Morningfield Sdn. Bhd.), entered into a sale and purchase agreement with Soon Teng Poultry Sdn. Bhd. and Tan Bet Beng (collectively known as "vendors") to acquire the business and certain assets of Soon Teng Poultry Sdn. Bhd. for a total purchase consideration of RM7,794,000.

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

	At the date of acquisition RM'000
Property, plant and equipment	4,917
Inventories	754
Fair value of net identifiable assets acquired	5,671
Add: Goodwill on consolidation	2,123
Total purchase consideration	7,794
Less : Equity settled consideration, representing 30% of issued paid-up capital of New Soon Teng Poultry Sdn Bhd	(2,400)
Net cash outflow for acquisition	5,394

The acquired subsidiary has contributed revenue of RM17,423,000 and loss after tax of RM809,000 to the Group since the date of acquisition up to 31 December 2017.

(b) On 29 June 2017, the Company incorporated a new wholly owned subsidiary by subscribing for 1 new ordinary shares of SGD 1.00 each (equivalent to RM3.15 each), representing 100% of the issued and paid up capital in Leong Hup Singapore Pte. Ltd. ("LHS"), a company incorporated in Singapore, for a total cash consideration of SGD1.00 (equivalent to RM3.15). This transaction has no impact to the Group.

(c) On 15 July 2017, a direct subsidiary, Leong Hup (Malaysia) Sdn. Bhd. has entered into a sale and purchase agreement with Leong Hup Holdings Sdn. Bhd. to acquire 2 ordinary shares of RM1.00 each, representing 100% of the issued and paid up capital of New Soon Teng Poultry Sdn Bhd (formerly known as Morningfield Sdn. Bhd.) for a total cash consideration of RM2.00. The acquisition has no material financial impact to the Group.

(d) On 4 September 2017, an indirect subsidiary, PT Leong Ayamsatu Primadona, subscribed for 2,970,000 new ordinary shares of Rp 1,000 each, representing 99% of the issued and paid up capital in PT Mitra Bebek Persada, a newly incorporated corporation, for a total cash consideration of Rp 2,970,000,000 (equivalent to RM885,000). As a result, PT Mitra Bebek Persada became an indirect subsidiary.

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2017

Disposal of subsidiaries

(a) On 1 October 2017, a direct subsidiary, Leong Hup (Malaysia) Sdn. Bhd., entered into a sale and purchase agreement with Emerging Glory Sdn Bhd to dispose of its 43,432,000 ordinary shares, representing 100% of the issued and paid up capital of its wholly owned subsidiary, The Baker's Cottage Sdn Bhd ("TBC") for a total cash consideration of RM20,331,000.

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

	At the date of disposal RM'000
Property, plant and equipment	20,160
Inventories	3,719
Trade and other receivables	16,551
Cash and bank balances	2,373
Tax recoverable	808
Trade and other payables	(10,588)
Bank borrowings	(11,067)
Deferred tax liabilities	(1,625)
Net assets disposed	20,331
Cash consideration receivable from Emerging Glory Sdn. Bhd.	20,331
Gain on disposal of subsidiary	-

Net cash flow from disposal of subsidiary

	Group RM'000
Total consideration	20,331
Less:	
Amount due from ultimate holding company (note 21)	(20,331)
Cash and bank balances deconsolidated upon disposal	(2,373)
Net cash outflow from disposal of subsidiary	(2,373)

(b) On 21 November 2017, the Company disposed of 602,055 shares, representing 51% of the issued and paid up capital of a direct subsidiary, Lee Say Group Pte. Ltd. ("LSG"), to a newly incorporated subsidiary, Leong Hup Singapore Pte. Ltd. ("LHS"), for a total cash consideration of SGD36,800,000 (equivalent to RM112,200,000) by way of offsetting the consideration payable to LHS arising from the subscription of shares in LHS. As a result, LSG became an indirect subsidiary. This transaction has no impact to the Group.

15 INVESTMENT IN ASSOCIATES

	Group 2018 RM'000	Group 2017 RM'000
At cost:		
Unquoted shares in Malaysia	1,350	1,350
Share of post-acquisition results (net of dividends received)	365	283
	1,715	1,633

Nature of investment in associates for 2018 and 2017:

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

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

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

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

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

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

	Associates 2018 RM'000	Associates 2017 RM'000
Summarised statements of financial position:		
Total non-current assets	3,572	3,661
Total current assets	6,991	6,953
Total current liabilities	(1,990)	(2,450)
Net assets	8,573	8,164

15 INVESTMENT IN ASSOCIATES (CONTINUED)

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

	Associates	
	2018	2017
	RM'000	RM'000
Summarised statements of comprehensive income:		
Revenue	8,084	6,834
Profit for the financial year	2,929	2,392
Total comprehensive income	2,929	2,392
Group's share of profit for the financial year	586	468
Group's share of total comprehensive income	586	468
Dividend received	504	456
Reconciliation of net assets to carrying amount:		
Group's share of net assets	1,715	1,633
Carrying amount of the Group's interests in the associate	1,715	1,633

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

16 DEFERRED TAXATION

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

	Group	
	2018	2017
	RM'000	RM'000
Deferred tax assets	59,629	64,457
Deferred tax liabilities	(102,650)	(83,754)
At 31 December	(43,021)	(19,297)

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

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	(19,297)	(44,801)
Credited/(charged) to profit or loss (Note 8)		
- Property, plant and equipment	(20,757)	28,147
- Employee benefit obligation	1,095	1,316
- Unutilised tax losses	(4,356)	(2,468)
- Trade and other receivables	(140)	1,364
- Trade and other payables	2,918	(441)
- Biological assets	(2,263)	1,076
	(23,503)	28,994
Translation difference	(2,260)	(5,740)
Charged to other comprehensive income	(906)	625
Effect of disposal of subsidiaries	2,945	1,625
At 31 December	(43,021)	(19,297)

16 DEFERRED TAXATION (CONTINUED)

	Group	
	2018	2017
	RM'000	RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Property, plant and equipment	29,513	33,486
- Employee benefit obligation	7,996	8,075
- Unutilised tax losses	17,905	20,403
- Trade and other receivables	3,465	3,111
- Trade and other payables	3,721	-
- Biological assets	5,445	7,313
	68,045	72,388
Offsetting	(8,416)	(7,931)
Deferred tax assets (after offsetting)	59,629	64,457
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(91,026)	(79,668)
- Biological assets	(7,760)	(5,877)
	(98,786)	(85,545)
Offsetting	8,416	7,931
Deferred tax liabilities (after offsetting)	(90,370)	(77,614)
Subject to real property gain tax:		
Deferred tax liabilities		
- Property, plant and equipment	(12,280)	(6,140)
	(102,650)	(83,754)

17 BIOLOGICAL ASSETS

	Group 2018 RM'000	Group 2017 RM'000
At fair value less cost to sell:		
Grandparent stocks (breeder)	24,100	24,255
Parent stocks (breeder)	161,728	139,051
Layer stocks	71,199	64,140
Broiler stocks	48,886	50,501
Hatching eggs	42,155	33,140
Others	1,506	2,183
	349,574	313,270

The movement of biological assets can be analysed as follows:

	Group 2018 RM'000	Group 2017 RM'000
Breeders (grandparent and parent stock)		
At 1 January	163,306	161,853
Additions	77,786	64,258
Change in fair value	69,432	52,035
Livestock losses	(29,368)	(22,343)
Depopulation	(93,659)	(82,794)
Foreign currency translation	(1,669)	(9,703)
At 31 December	185,828	163,306
Layers		
At 1 January	64,140	84,010
Additions	12,150	12,015
Change in fair value	41,584	37,523
Livestock losses	(10,431)	(10,310)
Depopulation	(36,155)	(56,493)
Foreign currency translation	(89)	(2,605)
At 31 December	71,199	64,140
Broilers		
At 1 January	50,501	33,219
Additions	248,052	145,603
Change in fair value	329,360	272,696
Livestock losses	(32,528)	(22,995)
Sales of live birds	(546,321)	(375,559)
Foreign currency translation	(178)	(2,463)
At 31 December	48,886	50,501

17 BIOLOGICAL ASSETS (CONTINUED)

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

	Group	
	2018	2017
	RM'000	RM'000
Hatching eggs		
At 1 January	33,140	30,119
Additions	488,105	430,163
Culled eggs	(131,295)	(92,059)
Hatched and sold as DOC	(347,476)	(333,310)
Foreign currency translation	(319)	(1,773)
At 31 December	42,155	33,140
Others	1,506	2,183
	349,574	313,270

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

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

17 BIOLOGICAL ASSETS (CONTINUED)

The Group has classified its biological assets measured at fair value within Level 3 of the fair value hierarchy. (See Note 42) The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation mode.

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

17 BIOLOGICAL ASSETS (CONTINUED)

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

	2018 RM	2017 RM
Breeders & hatching eggs		
Projected selling price of		
- DOC (parent stock)	11.50 – 12.83	9.79 - 11.11
- DOC (broiler)	1.05 – 3.46	0.91 - 3.51
Feed cost per kg for		
- grandparent stocks	1.66 – 1.87	1.66 - 2.00
- parent stocks	1.52 – 1.85	1.62 - 1.92
Layers		
Project selling prices for table eggs per egg	0.26 – 0.32	0.27 - 0.33
Feed cost per kg	1.27 – 1.47	1.27 - 1.54
Broilers		
Projected selling prices for broilers per kg	4.44 – 5.00	4.03 - 4.91
Feed cost per kg	1.59 – 1.88	1.64 - 1.85

Sensitivity analysis

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

	Effect on fair value of biological assets	
	2018 RM'000	2017 RM'000
Projected selling prices of DOC/table eggs/broilers		
- increased by 5%	29,067	29,894
- decreased by 5%	(29,067)	(29,894)
Number of DOC/table eggs being produced		
- increased by 5%	21,727	22,610
- decreased by 5%	(21,727)	(22,610)
Feed cost per kg		
- increased by 10%	(25,490)	(28,571)
- decreased by 10%	25,490	28,571

As at 31 December 2018, certain biological assets of the Group amounting to RM103,791,000 (2017: RM80,044,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 30 to the financial statements.

18 INVENTORIES

	Group	
	2018	2017
	RM'000	RM'000
Carrying amount:		
Processed chickens and trading stocks	88,064	110,616
Poultry feeds	34,953	33,312
Consumable supplies	19,181	26,718
Raw material	384,363	309,268
Work-in-progress	2,101	1,417
Others	46,961	35,502
	575,623	516,833

As at 31 December 2018, certain inventories of the Group amounting to RM230,723,000 (2017: RM210,868,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 30 to the financial statements.

19 TRADE RECEIVABLES

	Group	
	2018	2017
	RM'000	RM'000
Trade receivables	407,470	422,305
Amounts due from related parties	252,525	151,282
	659,995	573,587
Less: Provision for impairment of trade receivables	(10,788)	(9,597)
	649,207	563,990

The credit terms of trade receivables and trade amounts due from related parties are ranging from 1 to 150 days (2017: 1 to 150 days).

Amounts due from related parties comprise receivables from companies controlled by Lau family amounting to RM252,525,000 (2017: RM147,192,000) and Nam family amounting to RM Nil (2017: RM4,090,000).

As at 31 December 2018, certain trade receivables of the Group amounting to RM99,132,000 (2017: RM131,404,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 30 to the financial statements.

19 TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	9,597	22,809
Impairment loss recognised	2,144	1,824
Impairment loss written off	(560)	(13,829)
Translation differences	(393)	(1,207)
At 31 December	10,788	9,597

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

Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss in other expenses in relation to impaired receivables.

	Group	
	2018	2017
	RM'000	RM'000
Impairment losses:		
- individual receivables written off directly	428	5
- movement in provision for impairment	2,144	1,824

20 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other receivables	39,994	32,603	-	-
GST/VAT receivable	20,821	26,281	-	-
Deposits	15,866	12,675	-	-
Prepaid expenses	103,417	47,819	909	-
Amounts due from related parties	-	16,648	-	-
	180,098	136,026	909	-
Less: Impairment losses	(3,829)	(3,941)	-	-
	176,269	132,085	909	-

20 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

As at 31 December 2018, certain prepaid expenses of the Group amounting to RM65,198,000 (2017: RM43,781,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 30 to the financial statements.

Amounts due from related parties (companies controlled by Lau family) arose from transactions such as management fees and rental income earned as disclosed in Note 37. In addition to the above outstanding balances, other significant transactions that occurred in the financial years ended 31 December 2017 and 31 December 2018 comprise:

31 December 2017

Advances of USD3,300,000 (equivalent to RM13,357,000) were granted to Joint Honest International Enterprise Limited, a related party. The advances was unsecured, bore interest rate ranging from 4.70% - 5,39% per annum and repayable on demand. These advances had been fully repaid in financial year ended 31 December 2018.

31 December 2018

Additional advance of USD3,400,000 (equivalent to RM13,639,000) were granted to Joint Honest International Enterprise Limited, a related party during the financial year and has been fully repaid as at 31 December 2018. The advance were unsecured and bore interest rate ranging from 4.60 to 4.70% per annum and repayable on demand.

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

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	3,941	5,633
Reversal of impairment loss	(119)	(1,682)
Translation differences	7	(10)
At 31 December	3,829	3,941

21 AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company, Emerging Glory Sdn. Bhd. which arose from non-trade transactions is unsecured, denominated in Ringgit Malaysia, interest bearing at a fixed rate of 5.30% per annum (2017: interest free) and repayable on demand. The amount due from ultimate holding company has been fully settled on 28 January 2019.

22 AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured loans which are denominated in Ringgit Malaysia, interest-free (2017: interest free) per annum and repayable on demand.

23 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiary are non-trade related, interest free and have credit terms of 120 days (2017: 120 days).

24 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group			
	2018		2017	
	Contract/ Notional Amount RM'000	Derivative Assets/ (Liabilities) RM'000	Contract/ Notional Amount RM'000	Derivative Assets/ (Liabilities) RM'000
Non-current assets				
Interest rate swap contracts	72,000	823	-	-
Current assets				
Forward foreign exchange contracts	31,020	356	-	-
Derivative financial assets	103,020	1,179	-	-
Current liabilities				
Forward foreign exchange contracts	125,615	(2,391)	31,933	(1,136)
Derivative financial liabilities	125,615	(2,391)	31,933	(1,136)

The Company did not hold any derivative financial instruments as at 31 December 2018 (2017: Nil).

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

The forward foreign exchange contracts are used to hedge the Group's purchases denominated in USD for which firm commitments existed at the end of the reporting period. The settlement dates on forward foreign exchange contracts range from 1 week to 3 months (2017: 1 month to 3 months).

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

The Group has recognised a loss of RM113,000 arising from fair value changes of derivatives during the financial year as disclosed in Note 6 to the financial statements. The method and assumptions applied in the determining fair values of derivatives are disclosed in Note 42(b) to the financial statements.

25 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	65,306	95,415	-	-
Cash on hand and at banks	393,552	406,996	2,526	602
Total cash and bank balances	458,858	502,411	2,526	602
Less: Bank overdraft (Note 30)	(54,071)	(63,547)	-	-
Less: Fixed deposits pledged as collateral	(14,401)	(11,440)	-	-
Cash and cash equivalents	390,386	427,424	2,526	602

Certain fixed deposits with licensed bank of the Group with maturity period of 12 months and at a total carrying amount of RM14,401,000 (2017: RM11,440,000) are pledged with licensed banks as collaterals for certain loans and guarantees issued by the said banks. The remaining fixed deposits have maturity periods ranging from 30 to 90 (2017: 30 to 90) days.

The average effective interest rate of the fixed deposits with licensed banks ranges from 0.1% to 5.4% (2017: 0.1% to 7.5%) per annum.

26 SHARE CAPITAL

	Company			
	2018		2017	
	Number of ordinary shares	Amount	Number of ordinary shares	Amount
	'000	RM'000	'000	RM'000
Authorised:				
- At beginning of financial year	-	-	500,000	500,000
- Abolishment of the concept of authorised share capital on 31 January 2017	-	-	(500,000)	(500,000)
At end of financial year	-	-	-	-
Issued and fully paid:				
- At beginning of financial year	955	1,230,132	955	955
- Transfer from share premium	-	-	-	1,229,177
At end of financial year	955	1,230,132	955	1,230,132

26 SHARE CAPITAL (CONTINUED)

The Companies Act, 2016 (the "Act", which come into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM1,229,176,622 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of shares in issue of the relative entitlements of any of the members as a result of this transition. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium of RM1,229,176,622 for purposes as set out in Section 618(3) of the Act.

As disclosed in note 45, subsequent to the financial year end, the number of shares issued and paid up has been increased to 1,230,131,992 shares following a bonus issue and share split exercise approved at an EGM held on 11 January 2019.

27 MERGER RESERVE

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

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

28 RESERVES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Foreign currency translation reserve	7,186	21,166	-	-
Retained earnings	723,310	593,134	39,804	43,572
	730,496	614,300	39,804	43,572

Foreign currency translation reserve

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

Retained earnings

The entire retained earnings of the Company as at 31 December 2018 is available for distribution as dividend under the single tier system without incurring additional tax liabilities.

29 FINANCE LEASE LIABILITIES

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Minimum lease payments:		
- Not later than 1 year	24,356	22,714
- Later than 1 year and not later than 5 years	30,291	30,896
	54,647	53,610
Less: Future finance charges	(4,467)	(3,963)
Present value of finance lease liabilities	50,180	49,647
Present value of finance lease liabilities:		
- Not later than 1 year	21,814	20,466
- Later than 1 year and not later than 5 years	28,366	29,181
	50,180	49,647
Classified as:		
- Current	21,814	20,466
- Non-current	28,366	29,181
	50,180	49,647

At the date of reporting, the finance lease liabilities carry effective interest rate of 2.77% (2017: 2.88%) per annum. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The carrying amounts and fair values of the finance lease liabilities for the Group are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Carrying amount	50,180	49,647
Fair value	51,623	49,765

The fair value of finance lease liabilities is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile and within level 2 of the fair value hierarchy.

30 BANK BORROWINGS

	Group	
	2018	2017
	RM'000	RM'000
Secured:		
Current		
Bankers' acceptances	-	130,954
Bank overdrafts	33,744	53,315
Term loans (a)	218,378	163,984
Revolving credits	88,379	311,890
Trust receipts	-	36,873
	340,501	697,016
Non-current		
Term loans (a)	836,300	633,127
	1,176,801	1,330,143
Unsecured:		
Current		
Bankers' acceptances	407,449	239,363
Bank overdrafts	20,327	10,232
Term loans (b)	42,677	39,673
Revolving credits	190,291	165,014
Trust receipts	303,547	247,317
	964,291	701,599
Non-current		
Term loans (b)	179,667	112,127
	1,143,958	813,726
Total borrowings:		
Bankers' acceptances	407,449	370,317
Bank overdrafts (Note 25)	54,071	63,547
Term loans	1,277,022	948,911
Revolving credits	278,670	476,904
Trust receipts	303,547	284,190
	2,320,759	2,143,869
Less: Amount due within 12 months	(1,304,792)	(1,398,615)
Non-current portion	1,015,967	745,254

30 BANK BORROWINGS (CONTINUED)

The term loans of the Group include:

(a) Secured

(i) A floating-rate term loan amounting to SGD95.0 million (equivalent to RM287.0 million) was drawn down by a wholly-owned subsidiary incorporated in Singapore in December 2017 and the loan will be matured in December 2022. The outstanding balance at the end of the financial year is SGD85.0 million (equivalent to RM258.0 million) (2017: SGD95.0 million (equivalent to RM287.8 million)). The loan bears interest rate at 1.5% per annum above the applicable Singapore Interbank Offered Rate ("SIBOR") and repayable in 5 years from the first drawn down date.

(ii) A floating-rate term loan amounting to SGD50.0 million (equivalent to RM151.0 million) was drawn down by a wholly-owned subsidiary incorporated in Singapore in December 2017 and the loan will be matured in December 2022. The outstanding balance at the end of the financial year is SGD48.0 million (equivalent to RM145.7 million) (2017: SGD50.0 million (equivalent to RM151.5 million)). The loan bears interest rate at 1.5% per annum above the applicable SIBOR and repayable in 5 years from the first drawn down date.

(iii) A floating-rate term loan amounting to SGD1.2 million and SGD5.7 million (cumulatively RM20.8 million) were drawn down in financial year ended 31 December 2017 and financial year ended 31 December 2018 respectively by an indirect subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD7.0 million (equivalent to RM21.1 million) (2017: SGD1.2 million (equivalent to RM3.5 million)). The loan bears interest rate at 1.6% per annum above the applicable SIBOR. The first repayment commencing 12 months from the first drawn down date and repayable in 60 monthly instalment.

(iv) A floating-rate term loan amounting to IDR100.0 billion and IDR136.0 billion (cumulatively RM68.2 million) was drawn down in financial year ended 31 December 2017 and financial year ended 31 December 2018 respectively by an indirect subsidiary incorporated in Indonesia. The loan will mature in January 2023. The outstanding balance at the end of the financial year is IDR199.4 billion (equivalent to RM57.4 million) (2017: IDR100.0 billion (equivalent to RM29.8 million)). The loan bears interest rate at 3.38% per annum above the Jakarta Interbank Offered Rate ("JIBOR") and repayable in 60 monthly instalment of IDR4.1 billion for the first 12 instalment and IDR4.1 billion for the next 48 instalment and fully repayable by January 2023.

(v) Floating-rate term loans amounting to IDR693.7 billion (equivalent to RM190.8 million) was drawn down by an indirect subsidiary incorporated in Indonesia. The loan was drawn down in 2 tranches on January 2014 and June 2015, will be settled through monthly instalment and fully repayable by June 2021. The outstanding balance at the end of each financial year is IDR202.2 billion (equivalent to RM58.2 million) (2017: IDR401.5 billion (equivalent to RM119.7 million)). The term loan bears effective interest rate at 8.44% (2017: 8.15%) per annum.

30 BANK BORROWINGS (CONTINUED)

The term loans of the Group include:

(a) Secured (continued)

(vi) A floating-rate term loan amounting to IDR200.0 billion (equivalent to RM55.0 million) was drawn down by an indirect subsidiary incorporated in Indonesia and the loan will be matured in September 2020. The outstanding balance at end of the financial year is IDR87.1 billion (equivalent to RM25.1 million) (2017: IDR136.9 billion (equivalent to RM40.8 million)). The term loan bears effective interest rate at 9.50% (2017: 9.75%) per annum and repayable in 48 monthly instalment commencing 1 year from 25 September 2015.

(vii) A floating-rate term loan amounting to IDR745.0 billion (equivalent to RM207.5 million) was drawn down in September 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR707.8 billion (equivalent to RM203.8 million). The loan bears interest rate at 2.75% per annum above the Jakarta Interbank Offered Rate ("JIBOR") and repayable in 60 monthly instalment of IDR12.4 billion and fully repayable by September 2023.

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

(ix) A fixed-rate Islamic term loan amounting to IDR95.0 billion (equivalent to RM27.4 million) was drawn down in December 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR95.0 billion (equivalent to RM27.4 million). The loan bears interest rate at 10.0% per annum and repayable in 54 monthly instalment of IDR1.76 billion and fully repayable by November 2023.

(x) A floating-rate term loan amounting to VND109.1 billion (equivalent to RM19.4million) was drawn down in several tranches during the financial year ended 31 December 2018 by an indirect subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND109.1 billion (equivalent to RM19.4 million). The loan bears interest rate at 1.25% per annum above the VND Base Lending Rate (BLR). The first repayment commencing 13 months from the first utilisation date and repayable in 17 quarterly instalment.

(xi) A floating-rate term loan amounting to VND94.3 billion (equivalent to RM16.8million) was drawn down in several tranches during the financial year ended 31 December 2018 by an indirect subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND94.3 billion (equivalent to RM16.8 million). The loan bears interest rate at 1.5% per annum above the bank's Cost of Funds ("COF") and repayable in 49 monthly instalment commencing 19 months from the first drawn date.

30 BANK BORROWINGS (CONTINUED)

The term loans of the Group include:

(b) Unsecured

(i) Commodity Murabahah Term Financing ("CMTF-i") of RM120.0 million was first drawn down in September 2015 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year ended 31 December 2018 is RM42.0 million (2017: RM66.0 million). The profit rate of this financing facility is 1.25% per annum above the bank's Cost of Funds ("COF") and repayable in 20 quarterly instalment commencing 3 months from the first drawn date.

(ii) A floating-rate term loan amounting to RM20.0 million and RM70.0 million were drawn down in financial year ended 31 December 2017 and financial year ended 31 December 2018 respectively by a wholly-owned subsidiary incorporated in Malaysia. The oustanding balance at the end of the financial year is RM90.0 million (2017: RM20.0 million). The loan bears interest rate at 1% per annum above the bank's COF and repayable in 3 annual instalment, being RM18.0 million for the first and second instalment and RM54.0 million for the last instalment, commencing 13 months from the first drawn date.

(iii) A floating-rate term loan amounting to RM32.0 million was drawn down in February 2018 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM32.0 million. The loan bears interest rate at 1% per annum above the bank's COF and repayable in 20 quarterly instalment of RM1.6 million each and commencing 15 months from the first drawn date.

The remaining term loans at the end of the financial year amounting to RM206.7 million (2017: RM229.8 million) have repayment terms ranging from 3 years to 10 years from respective first drawdown date and will be fully repayable by February 2026.

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

	Group	
	2018	2017
	RM'000	RM'000
Later than one year but not later than two years	275,699	206,980
Later than two years but not later than five years	728,389	525,731
Later than five years	11,879	12,543
	1,015,967	745,254

30 BANK BORROWINGS (CONTINUED)

The currency profile of borrowings is as follows:

	Group	
	2018	2017
	RM'000	RM'000
Ringgit Malaysia	908,106	751,844
Singapore Dollar	553,550	539,559
US Dollar	42,570	82,659
Indonesia Rupiah	485,204	518,976
Vietnamese Dong	322,345	244,337
Philippines Peso	8,984	6,494
	2,320,759	2,143,869

Secured bank borrowings are secured by legal charges over shares of certain subsidiaries, property, plant and equipment (Note 10), investment properties (Note 11), land use rights (Note 12), biological assets (Note 17), inventories (Note 18), trade receivables (Note 19) and other receivables (Note 20) of the Group.

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

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

	Group	
	2018	2017
	%	%
Bankers' acceptances	4.5	4.2
Bank overdrafts	5.9	5.0
Term loans	6.1	4.8
Revolving credits	5.1	6.2
Trust receipts	5.4	4.1

31 POST-EMPLOYMENT BENEFITS OBLIGATION

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

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

	Group	
	2018	2017
Retirement age	55 years	55 years
Discount rate (per annum)	8.60%	7.25%
Annual salary increase	9.0%	9.0%

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

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

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	36,943	31,975
Current service cost	3,905	4,620
Interest cost	2,466	2,506
Benefit paid	(1,387)	(1,043)
Translation differences	(1,199)	(4,032)
Remeasurement of post-employment benefit obligation charged to other comprehensive income	(3,932)	2,917
At 31 December	36,796	36,943

31 POST-EMPLOYMENT BENEFIT OBLIGATION (CONTINUED)

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

	Group	
	2018	2017
	RM'000	RM'000
Current service cost	3,905	4,620
Interest cost	2,466	2,506
Expenses recognised in profit or loss	6,371	7,126
Remeasurements:		
Actuarial (gain)/loss arising from changes in financial assumptions	(3,548)	3,353
Actuarial gain arising from experience adjustment	(384)	(436)
Remeasurements (gain)/loss of post-employment benefit obligation recognised in other comprehensive income	(3,932)	2,917

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

	Group	
	2018	2017
	RM'000	RM'000
Effect on current service cost		
- 1% on discount rate	3,101	3,879
+ 1% on discount rate	(2,669)	(3,086)

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

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

32 TRADE PAYABLES

	Group	
	2018	2017
	RM'000	RM'000
Trade payable	233,821	230,505
Amounts due to related parties (trade)	15,066	11,716
	248,887	242,221

Credit terms of the Group's trade payables ranging from cash on delivery to 120 days (2017: cash on delivery to 120 days).

Amounts due to related parties comprise payables from companies controlled by Lau family amounting to RM14,281,389 (2017: RM10,762,000) and Nam Family amounting to RM784,330 (2017: RM954,000).

33 OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other payables	83,429	95,589	602	386
GST/VAT payable	1,237	4,246	-	-
Accrued expenses	142,682	113,349	11,495	568
Provision for claims	35,104	35,839	-	-
Amounts due to related parties (non-trade)	8,516	7,665	-	-
	270,968	256,688	12,097	954

Accrued expenses

As at 31 December 2018, accrued expenses include the proposed listing expenses amounting to RM10,521,000 for the proposed initial public offering of the Company on the Main Market of Bursa Malaysia Securities Berhad.

33 OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

Provision for claims

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

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

Written representations in defence of the Affected Companies were submitted to the CCCS on 8 February 2018, and oral representations were presented to the CCCS on 15 March 2018, and the CCCS was considering further written representations and oral representations submitted. On 12 September 2018, the CCCS have issued an infringement decision on the Affected Companies and imposed an aggregate financial penalty of SGD11,399,041 (RM34,434,223) on the Affected Companies. On 12 November 2018, the Affected Companies lodged their Notice of Appeal with the Competition Appeal Board, and are currently in the process of preparing for an appeal hearing before the Competition Appeal Board. The imposed financial penalty was fully provided for as at 31 December 2018.

Amounts due to related parties

Amounts due to related parties (companies controlled by Lau family) arise from transactions such as transportation charges, purchases of sundries and rental expenses as disclosed in Note 37.

34 AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Unsecured advances	103,785	89,937
Non-trade transactions	121	128
	103,906	90,065

The unsecured advances granted by subsidiaries bear interest rate of 5.3% (2017: 5.3%) per annum and repayable on demand.

The non-trade balances are unsecured, denominated in Ringgit Malaysia, interest-free (2017: interest free) and repayable on demand.

35 AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are trade in nature, unsecured, interest-free and have credit terms of 120 days (2017: 120 days).

36 DIVIDEND PAID

	Company	
	2018 RM'000	2017 RM'000
In respect of the financial year ended 31 December 2017: - Final single-tier dividend of RM60.71 per share on 955,370 ordinary shares, paid on 25 October 2018, 2 November 2018, 5 November 2018, 19 December 2018, 21 December 2018 and 24 December 2018	58,000	-
In respect of the financial year ended 31 December 2016: - Final single-tier dividend of RM40.19 per share on 955,370 ordinary shares, paid on 13 July 2017	-	38,400
	58,000	38,400

37 SIGNIFICANT RELATED PARTY DISCLOSURES

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

Related parties and relationship

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

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

37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related parties and relationship (continued)

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

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

Significant related party transactions

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

	Group	
	2018	2017
	RM'000	RM'000
Ultimate holding company		
Disposal of subsidiary – The Baker's Cottage Sdn Bhd	-	20,331
Interest income	1,104	-
Fellow subsidiaries		
Rental expense charged	(1,687)	(1,602)
Companies controlled by Lau family		
Sales of goods	390,809	309,709
Purchases of goods	(210,174)	(137,398)
Transportation charges paid/payable	(13,597)	(13,431)
Purchases of sundries paid/payable	(2,171)	(620)
Acquisition of subsidiary – ES Food International Pte Ltd	-	(104,353)
Disposal of subsidiary – Jordon International Food Processing Pte Ltd	30,370	-
Advances granted	13,724	13,357
Repayment of advances	(27,045)	-
Interest income	349	544
Companies controlled by Nam family		
Transportation charges paid/payable	(8,652)	(8,072)
Transaction with non-controlling interest		
Disposal of subsidiary - Jordon International Food Processing Pte Ltd	29,184	-

37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	Company	
	2018	2017
	RM'000	RM'000
Subsidiaries		
Interest income received/receivable	-	261
Interest expense paid/payable	(5,552)	(4,303)
Management fee paid/payable	(801)	(545)
Advances granted	15,000	33,545
Advances received	(24,300)	(39,700)
Repayment of advances by Company	16,004	15,931

Significant related party balances

The significant outstanding balances with ultimate holding company, fellow subsidiaries and subsidiaries are shown in Note 21, Note 22, Note 23, Note 34 and Note 35 respectively. The significant outstanding balances with companies controlled by Lau family and Nam family are shown in Note 19, Note 20, Note 32 and Note 33 respectively.

Related party financial guarantee contracts

Financial guarantee contracts provided to a fellow subsidiary which had not been reflected in the statements of financial position of the Group is as follows:

	Group	
	2018	2017
	RM'000	RM'000
Financial guarantee contracts provided by a subsidiary to banks on banking facilities granted to a fellow subsidiary	-	38,500

The financial guarantee contracts disclosed was in relation to the banking facilities granted to a former subsidiary (including undrawn facilities) before the subsidiary was disposed to the ultimate holding company. On 1 November 2018 and 19 November 2018, these financial guarantee contracts amounting to RM10,000,000 and RM28,500,000 had been discharged by the respective banks.

37 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel compensation

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

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
Fees (i)	979	4,455	354	-
Salaries, bonuses and other benefits	17,129	14,612	-	-
Defined contribution denefits	1,736	1,143	-	-
	19,844	20,210	354	-
Management Team other than Directors of the Company:				
Fees paid to Directors of subsidiaries	598	2,379	-	-
Salaries, bonuses and other benefits	5,860	9,008	-	-
Defined contribution benefits	477	806	-	-
	26,779	32,403	354	-

(i) The Directors' fees disclosed above in relation to financial year ended 31 December 2017 were paid by the subsidiaries of the Company.

38 CAPITAL COMMITMENTS

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

	Group	
	2018	2017
	RM'000	RM'000
Acquisition of property, plant and equipment:		
- approved by Directors and contracted	31,375	17,897
- approved by Directors but not contracted	341,238	-
	372,613	17,897

The capital commitments as at 31 December 2018 include the estimated costs to be incurred in securing the certificate of completion and compliance on certain farms of the Group.

39 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group	
	2018	2017
	RM'000	RM'000
In relation to lease of equipment and premises:		
- Not later than one year	11,334	9,091
- Later than one year and not later than five years	32,938	27,607
- Later than five years	81,452	90,246
	125,724	126,944

40 CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

	FVPL RM'000	AC RM'000	OFL RM'000	Total RM'000
Group				
2018				
Financial assets				
Trade receivables	-	649,207	-	649,207
Other receivables and deposits	-	52,031	-	52,031
Amount due from ultimate holding company	-	21,435	-	21,435
Amounts due from fellow subsidiaries	-	1,568	-	1,568
Derivative financial assets	1,179	-	-	1,179
Cash and bank balances	-	458,858	-	458,858
	1,179	1,183,099	-	1,184,278
Financial liabilities				
Trade payables	-	-	248,887	248,887
Other payables and accrued expenses	-	-	269,731	269,731
Amounts due to fellow subsidiaries	-	-	3,340	3,340
Bank borrowings	-	-	2,320,759	2,320,759
Finance lease liabilities	-	-	50,180	50,180
Derivative financial liabilities	2,391	-	-	2,391
	2,391	-	2,892,897	2,895,288

40 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	FVPL RM'000	AC RM'000	OFL RM'000	Total RM'000
Group				
2017				
Financial assets				
Trade receivables	-	563,990	-	563,990
Other receivables and deposits	-	57,985	-	57,985
Amount due from ultimate holding company	-	20,331	-	20,331
Amounts due from fellow subsidiaries	-	725	-	725
Cash and bank balances	-	502,411	-	502,411
	-	1,145,442	-	1,145,442
Financial liabilities				
Trade payables	-	-	242,221	242,221
Other payables and accrued expenses	-	-	252,442	252,442
Amounts due to fellow subsidiaries	-	-	3,870	3,870
Bank borrowings	-	-	2,143,869	2,143,869
Finance lease liabilities	-	-	49,647	49,647
Derivative financial liabilities	1,136	-	-	1,136
	1,136	-	2,692,049	2,693,185

40 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	FVPL RM'000	AC RM'000	OFL RM'000	Total RM'000
Company				
2018				
Financial assets				
Amounts due from subsidiaries	-	3,958	-	3,958
Cash and bank balances	-	2,526	-	2,526
	-	6,484	-	6,484
Financial liabilities				
Other payables and accrued expenses	-	-	12,097	12,097
Amounts due to subsidiaries	-	-	103,906	103,906
	-	-	116,003	116,003
2017				
Financial assets				
Amounts due from subsidiaries	-	38,691	-	38,691
Cash and bank balances	-	602	-	602
	-	39,293	-	39,293
Financial liabilities				
Other payables and accrued expenses	-	-	954	954
Amounts due to subsidiaries	-	-	90,065	90,065
	-	-	91,019	91,019

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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

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

(i) Trade receivables

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

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

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

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

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(i) Trade receivables (continued)

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

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

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

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

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

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

The Group's ECL rate at the end of the reporting period is 0.045% (2017: 0.033%).

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

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(ii) Other debt investments financial assets at amortised costs

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

The loss allowance provision for other financial assets at amortised cost as at 31 December 2018 and 31 December 2017 reconciles to the opening loss allowance disclosed in Note 20.

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

(iii) Financial guarantee contracts

At the date of reporting, the maximum exposure to credit risk is represented by the banking facilities (including undrawn facilities) of former subsidiary disposed in financial year 2017 amounting to RM Nil (2017: RM38,500,000). The Group's exposure on financial guarantee contract have been included in liquidity risk assessment (Note 41(b)). As at the end of the reporting period, these financial guarantee contract had been discharged by the banks and there is no financial guarantee contract granted to external parties.

(b) Liquidity risk

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

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

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

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

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

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

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

	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group					
2018					
Trade payables	248,887	-	-	-	248,887
Other payables and accrued expenses	269,731	-	-	-	269,731
Amounts due to fellow subsidiaries	3,340	-	-	-	3,340
Finance lease liabilities	24,356	15,192	15,099	-	54,647
Term loans	339,069	337,765	773,612	12,604	1,463,050
Other bank borrowings	1,043,737	-	-	-	1,043,737
Derivative financial liabilities	2,391	-	-	-	2,391
	1,931,511	352,957	788,711	12,604	3,085,783

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group					
2017					
Trade payables	242,221	-	-	-	242,221
Other payables and accrued expenses	252,442	-	-	-	252,442
Amounts due to fellow subsidiaries	3,870	-	-	-	3,870
Finance lease liabilities	22,714	18,069	12,827	-	53,610
Term loans	246,357	237,192	565,970	13,107	1,062,626
Other bank borrowings	1,194,958	-	-	-	1,194,958
Derivative financial liabilities	1,136	-	-	-	1,136
	1,963,698	255,261	578,797	13,107	2,810,863
Financial guarantee contract*	38,500	-	-	-	38,500

* The Group provides unsecured corporate guarantees to licensed banks in respect of banking facilities granted to a fellow subsidiary. The amount disclosed above includes undrawn banking facilities. On 1 November 2018 and 19 November 2018, these financial guarantee contracts amounting to RM10,000,000 and RM28,500,000 have been discharged by the respective banks.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Company

	Within 1 year	
	2018	2017
	RM'000	RM'000
Other payables and accrued expenses	12,097	954
Amounts due to subsidiaries	103,906	90,065
	116,003	91,019

(c) Foreign currency risk

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

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

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the MYR, SGD, USD, and IDR exchange rates against respective functional currencies, with all other variable held constant.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure

	MYR RM'000	SGD RM'000	USD RM'000	IDR RM'000	OTHERS RM'000	TOTAL RM'000
Group						
31.12.2018						
Financial assets						
Trade receivables	1,209	14,704	8,296	-	-	24,209
Other receivables	2,331	298	3,122	474	-	6,225
Cash and bank balances	22,593	10,612	53,744	400	480	87,829
	26,133	25,614	65,162	874	480	118,263
Financial liabilities						
Trade payables	(1,455)	(932)	(29,284)	-	(2,020)	(33,691)
Other payables	(9,822)	(1,704)	(4,488)	(528)	-	(16,542)
Bank borrowings	-	(11,133)	(42,570)	-	-	(53,703)
Finance lease liabilities	(61)	(18)	-	-	-	(79)
	(11,338)	(13,787)	(76,342)	(528)	(2,020)	(104,015)
Net currency exposure	14,795	11,827	(11,180)	346	(1,540)	14,248

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)

	MYR RM'000	SGD RM'000	USD RM'000	IDR RM'000	OTHERS RM'000	TOTAL RM'000
Group						
31.12.2017						
Financial assets						
Trade receivables	4,191	11,031	8,166	-	94	23,482
Other receivables	1,566	957	16,730	3	-	19,256
Cash and bank balances	12,928	4,795	63,040	404	-	81,167
	18,685	16,783	87,936	407	94	123,905
Financial liabilities						
Trade payables	(702)	(1,110)	(41,215)	-	(1,126)	(44,153)
Other payables	(4,415)	(1,166)	(479)	-	(107)	(6,167)
Bank borrowings	(2,419)	(12,505)	(82,659)	-	-	(97,583)
Finance lease liabilities	(260)	(144)	-	-	-	(404)
	(7,796)	(14,925)	(124,353)	-	(1,233)	(148,307)
Net currency exposure	10,889	1,858	(36,417)	407	(1,139)	(24,402)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax and equity to 5% (2017: 5%) strengthening/weakening of each currency respectively in MYR, SGD, USD and IDR against the respective functional currencies of the entities within the Group, with all other variables held constant.

Profit for the year increases/(decreases):

	Group	
	2018 RM'000	2017 RM'000
MYR		
- Strengthened 5%	562	414
- Weakened 5%	(562)	(414)
SGD		
- Strengthened 5%	449	71
- Weakened 5%	(449)	(71)
USD		
- Strengthened 5%	(425)	(1,384)
- Weakened 5%	425	1,384
IDR		
- Strengthened 5%	13	15
- Weakened 5%	(13)	(15)

(d) Interest rate risk

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

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

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

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

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments:				
Financial assets				
Fixed deposits with licensed bank	65,306	95,415	-	-
Financial liabilities				
Term loans	100,800	-	-	-
Finance lease liabilities	50,180	49,647	-	-
Amount due to subsidiaries	-	-	103,785	89,937
	150,980	49,647	103,785	89,937
Floating rate instruments:				
Financial liabilities				
Bank overdrafts	54,071	63,547	-	-
Term loans	1,176,222	948,911	-	-
Bankers' acceptances	407,449	370,317	-	-
Revolving credits	278,670	476,904	-	-
Trust receipts	303,547	284,190	-	-
	2,219,959	2,143,869	-	-

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

	Net profit/(loss) for the year		Equity	
	+50 bp	-50 bp	+50 bp	-50 bp
	RM'000	RM'000	RM'000	RM'000
Group				
31 December 2018	(8,436)	8,436	(8,436)	8,436
31 December 2017	(8,147)	8,147	(8,147)	8,147

42 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

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

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

Asset/liability	Note
Trade receivables	19
Other receivables, deposits and prepaid expenses	20
Amount due from ultimate holding company	21
Amounts due from subsidiaries	22
Amounts due from fellow subsidiaries	23
Cash and bank balances	25
Finance lease liabilities	29
Borrowings	30
Trade payables	32
Other payables and accrued expenses	33
Amounts due to subsidiaries	34
Amounts due to fellow subsidiaries	35

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

The fair values of long term payables, which primarily comprise finance lease liabilities, are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(b) Fair value measurement

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

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

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

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

42 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of financial instrument carried at fair value Level 1 RM'000	Carrying amount RM'000
Group		
2018		
Financial Assets:		
Derivative financial assets	1,179	1,179
Financial liabilities:		
Derivative financial liabilities	2,391	2,391
2017		
Financial liabilities:		
Derivative financial liabilities	1,136	1,136

Specific valuation techniques used to value financial instruments include:

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

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

42 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of assets not carried at fair value Level 3 RM'000	Carrying amount RM'000
Group		
2018		
Assets:		
Investment properties (Note 11)	44,800	22,304
2017		
Assets:		
Investment properties (Note 11)	41,639	22,557

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

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

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

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

Other than Biological assets (Note 17), the Group does not have assets and liabilities measured at fair value at the reporting date.

43 CAPITAL MANAGEMENT

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

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

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

	Group	
	2018 RM'000	2017 RM'000
Total borrowings and finance lease liabilities	2,370,939	2,193,516
Cash and bank balances (excluding fixed deposit pledged as collateral)	(444,457)	(490,971)
Net debts	1,926,482	1,702,545
Total equity	1,765,428	1,642,022
Debt-to-equity ratio (times)	1.09	1.04

There were no changes in the Group's approach to capital management during the financial year. Other than the covenants on borrowings as disclosed in Note 30, the Group is not subject to any other externally imposed capital requirements.

44 OPERATING SEGMENTS

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

The Group is organised into two main operating segments as follows:

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

(a) The Management Team assesses the performance of the operating segments based on their earnings before interest, tax, depreciation and amortisation ("EBITDA"). The accounting policies of the operating segments are the same as the Group's accounting policies.

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

(b) Each operating segment assets is measured based on all assets of the segment.

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

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

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

44 OPERATING SEGMENTS (CONTINUED)

Business segments

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter-segment elimination RM'000	Group RM'000
31.12.2018				
Revenue				
- external revenue	3,470,580	2,261,852	-	5,732,432
- inter-segment revenue	-	1,172,261	(1,172,261)	-
Revenue from sales of goods	3,470,580	3,434,113	(1,172,261)	5,732,432
Revenue from other sources				14,140
Total revenue				5,746,572
EBITDA	397,004	265,745	(8,155)	654,594
Depreciation and amortisation	(151,793)	(45,885)	567	(197,111)
	245,211	219,860	(7,588)	457,483
Share of results in associates				586
Finance costs				(109,494)
Profit before taxation				348,575
Tax expense				(101,822)
Net profit for the financial year				246,753
Assets				
Segment assets	4,592,300	3,198,419	(3,023,958)	4,766,761
Unallocated assets:				
Investment properties				22,304
Tax recoverable				44,930
Total assets				4,833,995
Liabilities				
Segment liabilities	1,559,472	972,826	(1,867,266)	665,032
Unallocated liabilities:				
Borrowings and finance lease liabilities				2,370,939
Tax payable				32,596
Total liabilities				3,068,567
Other disclosure				
Capital expenditure*	343,705	106,165	(6,386)	443,484
Non-cash item (other than depreciation and amortisation)	13,285	6,372	(16,076)	3,581

44 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

31.12.2017	Livestock & poultry related products RM'000	Feedmill RM'000	Inter-segment elimination RM'000	Group RM'000
Revenue				
- external revenue	3,349,534	2,137,805	-	5,487,339
- inter-segment revenue	-	1,306,325	(1,306,325)	-
Revenue from sales of goods	3,349,534	3,444,130	(1,306,325)	5,487,339
Revenue from other sources				14,025
Total revenue				5,501,364
EBITDA	382,291	234,465	(33,647)	583,109
Depreciation and amortisation	(145,959)	(44,618)	(8,549)	(199,126)
	236,332	189,847	(42,196)	383,983
Share of results in associates				468
Finance costs				(92,184)
Profit before taxation				292,267
Tax expense				(44,859)
Net profit for the financial year				247,408
Assets				
Segment assets	5,526,357	2,874,595	(3,991,231)	4,409,721
Unallocated assets:				
Investment properties				22,557
Tax recoverable				45,199
Total assets				4,477,477
Liabilities				
Segment liabilities	1,890,607	1,386,098	(2,652,093)	624,612
Unallocated liabilities:				
Borrowings and finance lease liabilities				2,193,516
Tax payable				17,327
Total liabilities				2,835,455
Other disclosure				
Capital expenditure*	331,052	63,206	(160)	394,098
Non-cash item (other than depreciation and amortisation)	16,202	1,736	3,949	21,887

* Includes capital expenditure in respect of property, plant and equipment and land use rights.

44 OPERATING SEGMENT (CONTINUED)

Geographical Information

Revenue

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

	Group	
	2018	2017
	RM'000	RM'000
Malaysia	1,657,470	1,580,947
Singapore	988,955	1,088,641
Indonesia	1,901,109	1,737,619
Vietnam	1,130,358	1,055,915
Philippines	54,540	24,217
Total revenue	5,732,432	5,487,339

EBITDA

	Group	
	2018	2017
	RM'000	RM'000
Malaysia	205,163	230,208
Singapore	122,487	156,481
Indonesia	220,286	105,780
Vietnam	101,454	88,104
Philippines	5,204	2,536
Total EBITDA	654,594	583,109

Non-current assets

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

	Group	
	2018	2017
	RM'000	RM'000
Malaysia	1,239,551	1,081,116
Singapore	344,149	371,583
Indonesia	573,388	583,050
Vietnam	304,205	257,233
Philippines	34,430	25,194
Total non-current assets	2,495,723	2,318,176

44 OPERATING SEGMENTS (CONTINUED)

Borrowings and finance lease liabilities

	Group 2018 RM'000	Group 2017 RM'000
Malaysia	965,185	802,975
Singapore	546,651	538,076
Indonesia	516,483	549,255
Vietnam	333,636	296,716
Philippines	8,984	6,494
Total borrowings	2,370,939	2,193,516

Major customers

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

45 EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

(a) On 11 January 2019, an Extraordinary General Meeting was held by the Company and the following bonus issue and share split exercise were approved in the meeting.

Bonus Issue

A bonus issue on a pro-rata basis to the Company's shareholders, calculated based on their respective shareholdings in the Company has been undertaken to allow the Company to fully utilise the former share premium of the Company under Section 618(3)(c) of the Companies Act 2016 ("Act") in accordance with Practice Note 1/2017 issued by the Companies Commission of Malaysia for the clarification on the utilisation of credit standing in the share premium accounts and capital redemption reserves under subsections 618(3) and 618(4) of the Act. The bonus shares was wholly capitalised at RM1.00 per bonus share. Based on the share premium of the Company of RM1,229,176,622 as at 31 December 2018, 1,229,176,622 bonus shares was issued.

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

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

45 EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR (CONTINUED)

(a) Share Split

Upon completion of the bonus issue, the Company undertook a subdivision of its issued share capital.

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

With the completion of the bonus issue and share split, the earnings per share calculations of the Company for the financial years ended 31 December 2018 and 31 December 2017 are based on the new number of shares of 3,400,000,000.

(b) On 6 December 2018 and 9 April 2019, the Securities Commission Malaysia ("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.

Employee Share Option Scheme ("ESOS")

In conjunction with the Listing, the Company has established the ESOS, with effect from 11 April 2019 ("Effective Date"), which involves the granting of ESOS Options ("the Options") to the eligible Directors and employees of the Group 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 the following key features:

(i) The Options are for one option for one new share. The issuance of new shares for the Options shall not exceed in aggregate 5.00% of the total number issued shares of the Company (excluding treasury shares, if any) at any one time during the duration of ESOS.
(ii) The first allocation of Options granted to eligible Directors and employees of the Group upon the Listing of the Company shall be at a maximum of 1.00% of the enlarged share capital of the Company, i.e. 36,500,000 Shares.
(iii) The Options shall vest over 4 tranches of 25% a year, commencing from 1 July 2019. The share based payment expense in relation to the Options is to be recognised over the vesting period of the Options.
(iv) The ESOS shall have a duration of 5 years from the Effective Date.
(v) The ESOS is renewable for a period of up to 5 years or such shorter period immediately from the expiry of the first 5 years provided that the ESOS shall not exceed in aggregate 10 years from the Effective Date.

The ESOS shall be administered by the ESOS committee appointed by the Board of Directors of the Company and governed by the By-Laws.

45 EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR (CONTINUED)

(c) Registration, lodgement and launching of Initial Public Offering ("IPO") Prospectus

On 23 April 2019, upon fulfilment of the terms and conditions set out by the SC, the 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 has launched its IPO prospectus to the public on 25 April 2019.

(d) Details of IPO

IPO of up to 937,500,000 ordinary shares in Leong Hup International Berhad ("LHI") (LHI Shares") ("IPO Shares") in conjunction with the listing of and quotation for the entire 3,650,000,000 LHI Shares on the Main Market of Bursa Malaysia Securities Berhad comprising an offer for sale of up to 687,500,000 existing LHI Shares ("Offer Shares") and a public issue of 250,000,000 new shares ("Issue Shares") involving:

(i) Institutional offering of up to 839,500,000 IPO Shares to Malaysian and foreign institutional and selected investors, including Bumiputera investors approved by the Ministry of International Trade and Industry at the institutional price to be determined by way of bookbuilding ("Institutional Price"); and

(ii) Retail offering of 98,000,000 Issue Shares to the Directors of LHI, eligible employees of LHI and its subsidiaries ("LHI Group"), persons who have contributed to the success of the LHI Group ("Eligible Persons") and the Malaysian public, at the retail price of RM1.10 per IPO Share ("Retail Price"), payable in full upon application, and subject to refund of the difference between the Retail Price and the final Retail Price in the event that the final Retail Price is less than the Retail Price.

Subject to the clawback and reallocation provisions and the over-allotment option. The final Retail Price will be equal to the lower of the Retail Price of RM1.10 per IPO Share; or the Institutional Price.

On 6 May 2019, the Institutional Price and final Retail Price has been fixed at RM1.10 per IPO Share.

The allotment of the IPO Shares and the listing of LHI Shares on the Main Market of Bursa Malaysia Securities Berhad are expected to take place on 15 May 2019 and 16 May 2019 respectively.

46 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 13 May 2019.