## 1. BACKGROUND INFORMATION

### 1.1 Corporate information

STF was incorporated in Malaysia as a private limited company under the Companies Act 1965 on 14 November 1984 and is deemed registered under the Companies Act 2016 ("**Act**"). STF commenced its operations on 14 November 1984 and is principally involved in the activities of investment holding.

As at LPD, the issued share capital of STF is RM1,000,002 comprising 1,000,001 ordinary shares and 1 Special Share. The Special Share is owned by LHB. The Special Share entitles LHB to, amongst others, to cast a second vote at a general meeting of the company in the event of equality of votes on a resolution as well as to ensure that no resolution shall be carried unless voted by or abstained by LHB.

As at LPD, STF has the following subsidiaries:-

| Name | Place/Date of incorporation | Commencement date of business operation | Issued share capital | Principal activities | Equity interest held (%) |
|---|---|---|---|---|---|
| STF Agriculture Sdn Bhd | Malaysia 31 October 2006 | 31 October 2006 | RM12,205,000 (comprising 12,205,000 ordinary shares) | Engaged in integrated poultry farming and processing of chickens | 100.0 |
| ST Food Sdn Bhd | Malaysia 9 January 2004 | 9 January 2004 | RM3,000,000 (comprising 3,000,000 ordinary shares) | Engaged in the operation of retail minimarkets | 100.0 |

STF does not have any associated company as at LPD.

### 1.2 General nature of business

STF Group's revenue is primarily derived from its operations in Sabah, Malaysia.

The breakdown of STF Group's revenue for the FY 31 March 2021 is as follows:-

| | Amount (RM'000) |
|---|---|
| Integrated livestock farming:- | |
| - Eggs | 36,820 |
| - Livestock | 14,729 |
| - Processed and frozen product | 105,226 |
| - Others | 652 |
| Sub-total | 157,427 |
| Retail (minimarkets) | 59,220 |
| **Total revenue** | **216,647** |

The major assets and liabilities of STF Group are as follows:-

| FY 31 March | Audited 2020 (RM'000) | Audited 2021 (RM'000) |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 86,769 | 114,527 |
| Biological assets | 13,254 | 12,194 |
| Inventories | 17,915 | 19,779 |
| Trade receivables | 17,348 | 16,644 |
| Other assets[(1)] | 11,655 | 14,219 |
| **Total assets** | **146,941** | **177,363** |
| **Liabilities** | | |
| Borrowings | 27,045 | 22,066 |
| Deferred tax liabilities | 9,115 | 18,270 |
| Trade payables | 17,154 | 17,960 |
| Amount due to holding company | 18,270 | 17,636 |
| Amount due to related companies | 18,009 | 18,196 |
| Other liabilities[(2)] | 4,778 | 5,058 |
| **Total liabilities** | **94,371** | **99,186** |

***Notes:-***

*(1) Comprising investment property, investment securities, goodwill, other receivables, deposits and prepayments, amount due from related companies, tax recoverable and cash and bank balances.*

*(2) Comprising other payables and accruals, and amount due to corporate shareholders.*

As at LPD, STF Group's two main operating segments are as follows:-

**(a) Integrated livestock farming**

The details of STF Group's layer and broiler farming facilities as at LPD are as follows:-

Layer farms

| Location | Capacity per month (egg) |
|---|---|
| Tuaran, Sabah | 2,340,000 |
| Tamparuli, Sabah | 7,200,000 |
| | 9,540,000 |

Its annual output for FY 31 March 2019 to FY 31 March 2021 are set out as follows:-

| FY 31 March | 2019 | 2020 | 2021 |
|---|---|---|---|
| Actual output | 57,651,030 | 94,585,866 | 113,425,760 |

Parent stock breeder farm and hatchery for broiler

| Location | Capacity per month (day old chick) |
|---|---|
| Papar, Sabah | 900,000 |

Its annual output for FY 31 March 2019 to FY 31 March 2021 are set out as follows:-

| FY 31 March | 2019 | 2020 | 2021 |
|---|---|---|---|
| Actual output | 5,614,411 | 5,820,984 | 5,209,146 |

Broiler farms

| Location | Capacity per cycle (day old chick) |
|---|---|
| Kampung Indai, Sabah | 70,000 |
| Kampung Serusup, Sabah | 300,000 |
| Tawau, Sabah | 100,000 |
| Sandakan, Sabah | 210,000 |
| Bongawan, Sabah | 50,000 |
| Keningau, Sabah | 80,000 |
| Tamparuli, Sabah | 240,000 |
| **Total** | **1,050,000** |

Its annual output (comprising process chicken and live birds) for FY 31 March 2019 to FY 31 March 2021 are set out as follows:-

| FY 31 March | 2019 | 2020 | 2021 |
|---|---|---|---|
| Actual output (kilogram) | 10,717,516.94 | 11,028,621.21 | 10,734,074.70 |

Process chicken product

| Location | Capacity per month (kilogram) |
|---|---|
| Topokon | 300,000 |
| Tawau | 90,000 |
| Sandakan | 90,000 |
| Keningau | 90,000 |
| **Total** | **570,000** |

Its annual output for FY 31 March 2019 to FY 31 March 2021 are set out as follows:-

| FY 31 March | 2019 | 2020 | 2021 |
|---|---|---|---|
| Actual output (kilogram) | 6,498,006.05 | 7,218,756.33 | 6,833,525.82 |

**(b) Retail (minimarkets)**

STF currently operates 45 retail shops. It has its presence in all major towns in the state of Sabah such as Menggatal, Putatan, Kivatu, Kudat, Langkon, Kemabong, Lahad Datu, Kunak Benoni, Tulip, Bongawan, Kimanis, Membakut, Kundasang, Lohan, Matupang, Kiaburi, Napalak, Kota Kinabalu, Tuaran, Papar, Tenom, Kinarut, Kota Belud, Ranau, Keningau, Tamparuli, Telupid and Tambunan. The retail shops are operating under the name of MYSHOP.

### 1.3 Directors' and substantial shareholders' shareholdings

As at LPD, the directors of STF do not have any direct interest in STF. Their indirect equity interest in STF are as follows:-

| Directors | Nationality | Designation | No. of shares | % |
|---|---|---|---|---|
| Dato' Yap Hoong Chai | Malaysian | Director | 1,000,002 | 100.0*(1)* |
| Dato' Yeap Weng Hong | Malaysian | Director | 1,000,002 | 100.0*(1)* |
| Yeap Fock Hoong | Singaporean | Director | 1,000,002 | 100.0*(1)* |
| Yip Kim Hoong | Malaysian | Director | - | - |

***Note:-***

*(1) Deemed interested by virtue of their shareholdings in LHB and Innofarm.*

As at LPD, the shareholders of STF and their respective direct shareholdings in STF are as follows:-

| Shareholders | Country of incorporation | No. of shares | % |
|---|---|---|---|
| LHB | Malaysia | 500,001*(1)* | 50.00 |
| Innofarm*(2)* | Malaysia | 500,001 | 50.00 |
| **Total** | | **1,000,002** | **100.00** |

***Notes*:-**

*(1) Includes 1 Special Share.*

*(2) The STF Shares are presently held under trust by Innofarm for Mackan.*

## 2. FINANCIAL INFORMATION OF STF GROUP

The table below sets out a summary of STF's audited consolidated financial statements for the past 3 FYs 31 March 2019 to 2021 as well as unaudited consolidated financial statements for 3-months financial period ended ("**3M-FPE**") 30 June 2022:-

| | **Audited** | | | **Unaudited** | |
|---|---|---|---|---|---|
| | **FY 31 March 2019 (RM'000)** | **FY 31 March 2020 (RM'000)** | **FY 31 March 2021 (RM'000)** | **3M-FPE 30 June 2021 (RM'000)** | **3M-FPE 30 June 2022 (RM'000)** |
| Revenue | 182,045 | 195,548 | 216,647 | 52,517 | 55,113 |
| Gross profit | 4,515 | 27,738 | 22,690 | 5,847 | 5,909 |
| PBT/(Loss before taxation) ("**LBT**") | (15,712) | 8,180 | 4,553 | 1,217 | 1,274 |
| Taxation | 2,317 | (2,658) | (1,039) | 64 | 3 |
| **PAT / (LAT)** | **(13,395)** | **5,522** | **3,514** | **1,281** | **1,277** |
| Shareholders' funds / NA | 47,094 | 52,570 | 78,177 | 53,851 | 79,454 |
| No. of ordinary shares in issue ('000) | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| NA per share (RM) | 47.09 | 52.57 | 78.18 | 53.85 | 79.45 |
| EPS (RM) | (13.40) | 5.52 | 3.51 | 1.28 | 1.28 |
| Total borrowings | 32,058 | 27,045 | 22,067 | 25,635 | 21,579 |
| Gearing (times) | 0.68 | 0.51 | 0.28 | 0.49 | 0.27 |
| Current ratio (times) | 0.67 | 0.74 | 0.79 | 0.78 | 0.81 |

**Commentary:-**

**3M-FPE 30 June 2022 vs 3M-FPE 30 June 2021**

STF Group has recorded revenue of RM55.1 million in 3M-FPE 30 June 2022, representing an increase of 4.9% from the revenue recorded in the 3M-FPE 30 June 2021 of RM52.5 million. This was mainly due to increase in revenue for the Group's retail minimarket business attributable to the higher average selling price of eggs and further processed products during the quarter under the review.

Despite the increase in revenue, STF Group recorded a PAT of RM1.28 million in 3M-FPE 30 June 2022, which remained the same as compared to the PAT recorded in 3M-FPE 30 June 2021 of RM1.28 million. This was mainly due to the increase in revenue was negated by the increase in the cost of sale attributable to the increase prices of commodities (i.e. poultry and livestock feed such as maize and soy beans) caused by global supply chain disruptions.

**FY 31 March 2021 vs FY 31 March 2020**

STF Group has recorded revenue of RM216.6 million in FY 31 March 2021, representing an increase of 10.8% from the revenue recorded in the FY 31 March 2020 of RM195.5 million. This was mainly due to the increase in revenue for the Group's retail minimarket business (i.e. MYSHOP) mainly attributable to the increase in demand for grocery shopping during the MCO period.

STF Group recorded a PAT of RM3.5 million in FY 31 March 2021, representing a decrease of 36.4% from the PAT recorded in FY 31 March 2020 of RM5.5 million. This was mainly due to the increase in cost of sale due to gradual increase in feed cost (i.e. maize, corn and soya bean), and reduction in fair value of biological assets of RM1.09 million in FY 31 March 2021 due to mortality of layer bird attributable to a flood event.

For information, STF Group recorded a NA of RM78.2 million as at 31 March 2021, representing an increase of 48.7% from the NA of RM52.6 million recorded as at 31 March 2020, mainly due to the revaluation of STF Group's land and buildings has given a rise to a revaluation surplus of RM22.09 million.

**FY 31 March 2020 vs FY 31 March 2019**

STF Group recorded revenue of RM195.5 million in FY 31 March 2020, representing an increase of 7.4% from the revenue recorded in the FY 31 March 2019 of RM182.0. This was primarily due to the increase in average selling price of poultry products coupled with the normalisation of eggs production in its operations. In the FY 31 March 2019, STF Group's operations in Sabah was affected by the culling of matured layer birds due to bird flu event in which affected its revenue. For information, STF Group's broiler farms were not affected by the bird flu event.

STF Group recorded a PAT of RM5.5 million in FY 31 March 2020, representing a loss reversal of RM18.9 million from the LAT recorded in FY 31 March 2019 of RM13.4 million. For FY 31 March 2019, STF Group incurred higher cost of sales as a result of higher logistic cost incurred for purchasing egg inventory from LHB Group's West Malaysia farms to meet customers' demand as its layering farms were disrupted by the bird flu event. In addition, STF Group recorded culling expenses due to the said bird flu event. The increase in gross profit by RM23.3 million primarily due to the normalisation of the egg production in STF Group's operations in Sabah in FY 31 March 2020.

**FY 31 March 2019 vs FY 31 March 2018**

STF Group recorded revenue of RM182.0 million in FY 31 March 2019, representing a decrease of 4.1% from the revenue recorded in the FY 31 March 2018 of RM189.8 million. This was primarily due to reduction in sales of frozen chicken meat to distributors and hypermarkets/supermarkets nationwide and the voluntarily culling of half a million layer birds in Sabah which was partially negated by the replenishment of eggs from LHB Group to meet its customers' demand.

STF Group recorded a LAT of RM13.4 million in FY 31 March 2019, representing a profit reversal of RM22.2 million from the PAT recorded in FY 31 March 2018 of RM8.8 million. This was mainly due to the decrease in gross profit by RM25.0 million attributable to STF Group's operations in Sabah was affected by the culling of matured layer birds. In addition, STF Group has also incurred higher cost of sales as a result of higher logistic cost incurred for purchasing egg inventory from LHB Group's West Malaysia farms to meet its customers' demand as its layering farms were disrupted by a bird flu event. In addition, STF Group recorded culling expenses due to the said bird flu event.

## 3. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited consolidated financial statements of STF Group for the FY 31 March 2019 to FY 31 March 2021, there are no accounting policies adopted by STF Group which are peculiar due to the nature of the business or industry in which STF Group is involved in.

There was no audit qualification for STF Group financial statements for the years under review.

Please refer to **Appendix II** of this Circular for the latest audited consolidated financial statements of STF Group.

## 4. MATERIAL LITIGATION, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL CONTRACTS

### 4.1 Material litigation

As at LPD, STF Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against STF Group or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of STF Group save for the following:-

**(i) Kota Kinabalu Sessions Court Suit No. BKI-A52NCVC-119/8-2019**

**STF Agriculture Sdn Bhd ("Plaintiff") against Brian Loh (Trading under the name & style of Century Jaya Enterprise) ("First Defendant") and Loh Chon Yong ("Second Defendant") ("Defendants")**

The Plaintiff had filed a writ of summons on 7 August 2019 and had obtained a judgment in default of appearance on 5 November 2019 against the Defendants in the Kota Kinabalu Sessions Court for the following:-

(a) RM257,201.81 or any part thereof;

(b) statutory interest at the rate of 5% per annum on the sum of RM257,201.81 or any part thereof from the date of judgment until date of full payment;

(c) summons filing fee of RM208.00 and fixed costs of RM1,000.00; and

(d) costs pursuant to Order 59 Rules of Court 2012.

A bankruptcy notice dated 7 May 2021 was served on the First Defendant on 18 June 2021 and a bankruptcy notice dated 7 May 2021 was served on the Second Defendant on 5 August 2021.

The Plaintiff's solicitors had filed a creditor's petition dated 15 September 2021 against the First Defendant. The hearing of the creditor's petition against the First Defendant has been fixed on 25 October 2021.

The Plaintiff's solicitors had also filed a creditor's petition dated 15 September 2021 against the Second Defendant. The hearing of the creditor's petition against the Second Defendant has been fixed on 27 October 2021.

### 4.2 Contingent liabilities

As at LPD, there are no material contingent liabilities incurred or known to be incurred by STF Group which upon being enforced may materially and adversely affect the financial position of STF Group.

### 4.3 Material commitments

As at LPD, there are no material commitments incurred or known to be incurred by STF Group which upon being enforced may materially and adversely affect the financial position of STF Group.

### 4.4 Material contracts

As at LPD, the Board has confirmed that there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by STF Group within 2 years immediately preceding the date of this Circular.

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

# REPORTS AND FINANCIAL STATEMENTS
# 31 MARCH 2021

**TAI, YAPP & CO PLT**
**LLP0023255-LCA & AF 0205**
**CHARTERED ACCOUNTANTS**

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**REPORTS AND FINANCIAL STATEMENTS**
**31 MARCH 2021**

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2021.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities and details of the subsidiary companies are disclosed in Note 7 to the financial statements.

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

### RESULTS

| | GROUP RM | COMPANY RM |
|---|---|---|
| Profit / (Loss) for the year | 3,513,712 | (13,838) |
| Attributable to: | | |
| Owners of the Company | 3,513,712 | (13,838) |

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the financial statements.

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## BAD AND DOUBTFUL DEBTS

Before the statement of profit or loss and other comprehensive income and statement of financial position and of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and are satisfied that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors of the Group and of the Company are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent.

## CURRENT ASSETS

Before the statement of profit or loss and other comprehensive income and statement of financial position of the Group and of the Company were prepared, the directors took reasonable steps to ascertain whether any current assets, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected so to realise.

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

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

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## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

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

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

## ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

## INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premium paid, during or since the end of the year for any person who is or has been the directors, officers or auditors of the Group and of the Company.

## DIRECTORS

The Directors of the Group and of the Company who served during the year until the date of this report are:

Dato' Yap Hoong Chai
Dato' Yeap Weng Hong
Yeap Fock Hoong
Yip Kim Hoong

The name of the Director of the subsidiary company (excluding Directors who are also the Directors of the Company) who served during the year and until the date of this report is:

Ng Kim Tian

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**DIRECTORS' INTEREST**

The shareholdings in the Company of those who were directors as at the end of the year, as recorded in the Register of Directors' Shareholdings kept by the Company are as follows:-

| **The Company** | **Number of Ordinary Shares** | | | |
|---|---|---|---|---|
| **Indirect Interests** | **Balance as at 1.4.20** | **Bought** | **(Sold)** | **Balance as at 31.3.21** |
| Dato' Yap Hoong Chai | 500,001 | - | - | 500,001 |
| Dato' Yeap Weng Hong | 500,001 | - | - | 500,001 |
| Yeap Fock Hoong | 500,001 | - | - | 500,001 |
| **Holding Company** | | | | |
| **Lay Hong Berhad** | | | | |
| Dato' Yap Hoong Chai | | | | |
| - direct | 7,774,500 | 1,610,200 | - | 9,384,700 |
| - indirect | 216,022,360 | 957,300 | - | 216,979,660 |
| Dato' Yeap Weng Hong | 4,072,000 | - | - | 4,072,000 |
| Yeap Fock Hoong | 120,000 | - | - | 120,000 |

| | **Number of Warrants** | | | |
|---|---|---|---|---|
| **Holding company Lay Hong Berhad** | **Balance as at 1.4.20** | **Acquired** | **(Disposed)** | **Balance as at 31.3.21** |
| Dato' Yap Hoong Chai | | | | |
| - indirect* | 20,888,100 | - | (19,484,915) | . 1,403,185 |
| Dato' Yeap Weng Hong | 20,000 | - | - | 20,000 |
| Yeap Fock Hoong | 60,000 | - | - | 60,000 |

*Deemed interested in shares held by his spouse, children, siblings and spouse children and also by virtue of its shareholdings in Innofarm Sdn Bhd.

In addition, by virtue of their interests in the shares of the holding company, Lay Hong Berhad, Dato' Yap Hoong Chai is also deemed interested in shares of the Company and its related companies to the extent the holding company has an interest.

Other than as disclosed above, the Directors of the Company do not have any other interest in shares of the Company or its related corporations during the financial year.

**DIRECTORS' BENEFITS**

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

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**DIRECTORS' REMUNERATION**

None of the directors or past directors of the Group and of the Company have received any remuneration from the Group and the Company during the year.

**AUDITORS' REMUNERATION**

The total amount of fee paid to or receivable by auditors as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 March 2021 amounted to RM47,500 and RM9,000 respectively.

**ULTIMATE HOLDING COMPANY**

The holding company is Lay Hong Berhad, a public limited liability company listed on the Main Market at Bursa Malaysia Securities Berhad, which is also regarded by the directors as the ultimate holding company.

**SIGNIFICANT EVENT DURING AND AFTER THE REPORTING DATE**

Significant event during and after the reporting date is disclosed in Note 29 to the financial statements.

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**AUDITORS**

The auditors, Messrs Tai, Yapp & Co PLT have indicated their willingness to continue in office.

Signed on behalf of the board in accordance with a resolution of the directors.

DATO' YAP HOONG CHAI

DATO' YEAP WENG HONG

Klang, Selangor
Dated: 30 June 2021

**TAI, YAPP & CO PLT**
LLP0023255-LCA & AF 0205
CHARTERED ACCOUNTANTS

Registration No. 198401018147 (130701-P)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SRI TAWAU FARMING SDN BHD (Incorporated in Malaysia)**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Sri Tawau Farming Sdn Bhd, which comprise the statements of financial position as at 31 March 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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



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**TAI, YAPP & CO PLT**
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CHARTERED ACCOUNTANTS

Registration No. 198401018147 (130701-P)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SRI TAWAU FARMING SDN BHD (cont'd)**
**(Incorporated in Malaysia)**

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

**Responsibilities of the Directors for the Financial Statements**

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

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



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SRI TAWAU FARMING SDN BHD (cont'd) (Incorporated in Malaysia)**

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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



No. 3-2, Jalan Indrahana 2, Off Jalan Kuchai Lama, 58200 Kuala Lumpur. Tel: 03-79830277 / 79836128 Fax: 03-79819912
Email: audit@taiyapp.com / taiyapp@gmail.com.

Registration No. 198401018147 (130701-P)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SRI TAWAU FARMING SDN BHD (cont'd) (Incorporated in Malaysia)**

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

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

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

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

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



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**TAI, YAPP & CO PLT**
LLP0023255-LCA & AF 0205
CHARTERED ACCOUNTANTS

Registration No. 198401018147 (130701-P)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SRI TAWAU FARMING SDN BHD (cont'd)
(Incorporated in Malaysia)**

**Other Matters**

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

Tai, Yapp & Co.

TAI, YAPP & CO PLT
LLP0023255-LCA & AF 0205
CHARTERED ACCOUNTANTS

DOO CHIN SZE
02468/10/2022 J
Chartered Accountant

Date : 30 June 2021
Kuala Lumpur



No. 3-2, Jalan Indrahana 2, Off Jalan Kuchai Lama, 58200 Kuala Lumpur. Tel: 03-79830277 / 79836128 Fax: 03-79819912
Email: audit@taiyapp.com / taiyapp@gmail.com.

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021**

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 5 | 114,526,655 | 86,769,386 |
| Investment properties | 6 | 2,160,000 | 1,800,000 |
| Investments | 8 | 2,860 | 1,840 |
| Goodwill | 9 | 378,005 | 378,005 |
| | | 117,067,520 | 88,949,231 |
| **Current assets** | | | |
| Biological assets | 11 | 12,194,314 | 13,253,939 |
| Inventories | 12 | 19,779,210 | 17,914,921 |
| Trade receivables | 13 | 16,644,303 | 17,348,352 |
| Other receivables, deposits and prepayments | 14 | 2,821,180 | 2,371,935 |
| Amount due from related companies | 15 | 6,086,731 | 5,692,526 |
| Current tax assets | | 267,877 | 164,864 |
| Cash and bank balances | | 2,502,396 | 1,245,329 |
| | | 60,296,011 | 57,991,866 |
| **TOTAL ASSETS** | | 177,363,531 | 146,941,097 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 16 | 1,000,002 | 1,000,002 |
| Reserves | 17 | 77,177,314 | 51,570,235 |
| **Total equity** | | 78,177,316 | 52,570,237 |
| **Non current liabilities** | | | |
| Borrowings | 18 | 4,973,967 | 7,064,792 |
| Deferred tax liabilities | 19 | 18,269,897 | 9,114,805 |
| | | 23,243,864 | 16,179,597 |
| **Current liabilities** | | | |
| Trade payables | 20 | 17,960,387 | 17,154,451 |
| Other payables and accruals | 21 | 3,964,345 | 3,650,443 |
| Amount due to holding company | 22 | 17,636,272 | 18,269,088 |
| Amount due to related companies | 15 | 18,195,573 | 18,009,173 |
| Amount due to corporate shareholders | 23 | 1,093,218 | 1,128,020 |
| Borrowings | 18 | 17,092,556 | 19,980,088 |
| | | 75,942,351 | 78,191,263 |
| **Total liabilities** | | 99,186,215 | 94,370,860 |
| **TOTAL EQUITY AND LIABILITIES** | | 177,363,531 | 146,941,097 |

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

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021**

| | Note | 2021<br>RM | 2020<br>RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Investment in subsidiary company | 7 | 15,854,998 | 15,854,998 |
| Investments | 8 | 2,860 | 1,840 |
| Amount due from a subsidiary company | 10 | 9,894,093 | 9,946,487 |
| | | 25,751,951 | 25,803,325 |
| **Current assets** | | | |
| Trade receivables | 13 | 8,254 | 8,254 |
| Deposits | 14 | 22,724 | 22,724 |
| Amount due from related companies | 15 | 34,918 | 34,918 |
| Cash and bank balances | | 14,753 | 13,950 |
| | | 80,649 | 79,846 |
| **TOTAL ASSETS** | | 25,832,600 | 25,883,171 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 16 | 1,000,002 | 1,000,002 |
| Reserves | 17 | 13,134,734 | 13,148,572 |
| **Total equity** | | 14,134,736 | 14,148,574 |
| **Current liabilities** | | | |
| Trade payables | 20 | - | 2,630 |
| Other payables and accruals | 21 | 17,527 | 16,828 |
| Amount due to holding company | 22 | 10,586,544 | 10,586,544 |
| Amount due to corporate shareholders | 23 | 1,093,218 | 1,128,020 |
| Amount due to a subsidiary company | 10 | 575 | 575 |
| | | 11,697,864 | 11,734,597 |
| **Total liabilities** | | 11,697,864 | 11,734,597 |
| **TOTAL EQUITY AND LIABILITIES** | | 25,832,600 | 25,883,171 |

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

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| Revenue | 24 | 216,646,562 | 195,547,606 |
| Cost of sales | | (193,957,025) | (167,809,879) |
| Gross profit | | 22,689,537 | 27,737,727 |
| Other income | | 1,877,400 | 1,650,900 |
| Selling and distribution expenses | | (8,324,441) | (8,423,450) |
| Administrative expenses | | (10,685,071) | (11,349,200) |
| Profit from operations | | 5,557,425 | 9,615,977 |
| Finance costs | | (1,004,915) | (1,435,521) |
| **Profit before taxation** | | 4,552,510 | 8,180,456 |
| Taxation | 26 | (1,038,798) | (2,657,772) |
| **Profit for the year** | | 3,513,712 | 5,522,684 |
| Other comprehensive loss | | | |
| **Item that will not be classified as subsequently to profit or loss** | | | |
| Revaluation surplus on land and buildings | | 30,499,907 | - |
| Tax effects relating to | | | |
| - Revaluation of land and buildings | | (8,406,540) | - |
| | | 22,093,367 | - |
| **Total comprehensive income** | | 25,607,079 | 5,522,684 |

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

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| Revenue | | - | - |
| Other income | | 1,078 | 140 |
| Administrative expenses | | (14,916) | (14,411) |
| Loss from operations | | (13,838) | (14,271) |
| Finance costs | | - | - |
| **Loss before taxation** | | (13,838) | (14,271) |
| Taxation | 26 | - | - |
| **Loss for the year** | | (13,838) | (14,271) |
| Other comprehensive loss | | - | - |
| **Total comprehensive loss** | | (13,838) | (14,271) |

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

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 MARCH 2021**

| | | Non-distributable | Distributable | |
|---|---|---|---|---|
| | Share Capital | Revaluation Reserve | Retained Profits | Total Equity |
| | RM | RM | RM | RM |
| Balance at 1 April 2019 | 1,000,002 | 6,327,835 | 39,719,716 | 47,047,553 |
| Transfer to retained profits on realisation of revaluation reserve | - | (257,035) | 257,035 | - |
| Profit for the year | - | - | 5,522,684 | 5,522,684 |
| Total comprehensive income | - | (257,035) | 5,779,719 | 5,522,684 |
| Balance at 31 March 2020 | 1,000,002 | 6,070,800 | 45,499,435 | 52,570,237 |
| Transfer to retained profits on realisation of revaluation reserve | - | (257,036) | 257,036 | - |
| Other transfers | | 4,571,026 | (4,571,026) | - |
| Revaluation surplus on land and buildings | - | 22,093,367 | - | 22,093,367 |
| Profit for the year | - | - | 3,513,712 | 3,513,712 |
| Total comprehensive income | - | 26,407,357 | (800,278) | 25,607,079 |
| Balance at 31 March 2021 | 1,000,002 | 32,478,157 | 44,699,157 | 78,177,316 |

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

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**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 MARCH 2021**

| | | Distributable | |
|---|---|---|---|
| | Share Capital | Retained Profits | Total Equity |
| | RM | RM | RM |
| Balance at 1 April 2019 | 1,000,002 | 13,162,843 | 14,162,845 |
| Loss for the year | - | (14,271) | (14,271) |
| Total comprehensive loss | - | (14,271) | (14,271) |
| Balance at 31 March 2020 | 1,000,002 | 13,148,572 | 14,148,574 |
| Loss for the year | - | (13,838) | (13,838) |
| Total comprehensive loss | - | (13,838) | (13,838) |
| Balance at 31 March 2021 | 1,000,002 | 13,134,734 | 14,134,736 |

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

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**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

| | 2021 | 2020 |
|---|---|---|
| | RM | RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 4,552,510 | 8,180,456 |
| Adjustments for :- | | |
| Bad debts written off | - | 578,588 |
| Impairment losses on trade receivables | - | 155,564 |
| Depreciation of property, plant and equipment | 6,866,104 | 6,790,262 |
| Gain on disposal of property, plant and equipment | (488,208) | (15,665) |
| Gain on fair value of investment properties | (360,000) | - |
| Changes in fair value of biological assets | 1,092,489 | (2,813,188) |
| Property, plant and equipment written off | 1,259 | 68,086 |
| Reversal of allowance for impairment losses on trade receivables | (105,101) | (1,285,133) |
| Changes in fair value of financial assets | (1,020) | (99) |
| Dividend income | (58) | (41) |
| Interest income | (101) | (104) |
| Interest expenses | 1,004,915 | 1,435,521 |
| Operating profit before working capital changes | 12,562,789 | 13,094,247 |
| Inventories and biological assets | (1,897,153) | (4,833,459) |
| Receivables | 359,905 | (487,865) |
| Payables | 1,119,838 | 5,473,487 |
| Related companies | 1,888,658 | (2,073,623) |
| Holding company | (2,066,923) | (773,167) |
| Cash generated from operations | 11,967,114 | 10,399,620 |
| Tax (paid) / refunded | (393,259) | 98,848 |
| Interest received | 101 | 104 |
| Interest paid | (118,251) | (207,269) |
| Net cash generated from operating activities | 11,455,705 | 10,291,303 |

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**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)**
**FOR THE YEAR ENDED 31 MARCH 2021**

| | Note | 2021<br>RM | 2020<br>RM |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | (a) | (2,985,598) | (4,708,439) |
| Proceeds from disposal of property, plant and equipment | | 635,881 | 54,069 |
| Dividend received | | 58 | 41 |
| Net cash used in investing activities | | (2,349,659) | (4,654,329) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| (Repayment to) / Advance from related companies | | (2,096,463) | 1,053,080 |
| Advance from holding company | | 1,434,107 | 1,215,968 |
| Repayment to a corporate shareholder | | (34,802) | - |
| Decrease in bankers' acceptance | | (842,000) | (181,000) |
| Repayment of term loans | | (1,559,867) | (1,849,369) |
| Interest paid | | (886,664) | (1,228,252) |
| Repayments of lease liabilities | | (2,210,820) | (2,057,389) |
| Net cash used in financing activities | | (6,196,509) | (3,046,962) |
| **NET INCREASE IN CASH AND CASH CASH EQUIVALENTS** | | 2,909,537 | 2,590,012 |
| **CASH AND CASH EQUIVALENTS BROUGHT FORWARD** | | (1,984,516) | (4,574,528) |
| **CASH AND CASH EQUIVALENTS CARRIED FORWARD** | (b) | 925,021 | (1,984,516) |

**Note :**

**(a) Purchase of Property, Plant and Equipment**

During the year, the Group acquired property, plant and equipment at an aggregate cost of RM4,272,398 (2020 : RM5,241,039) of which RM1,286,800 (2020 : RM532,600) was acquired by means of lease arrangement. Cash payment of RM2,985,598 (2020 : RM4,708,439) was made to purchase property, plant and equipment.

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)**
**FOR THE YEAR ENDED 31 MARCH 2021**

| | 2021 | 2020 |
|---|---|---|
| | RM | RM |
| **(b) Cash and cash equivalents** | | |
| Cash and bank balances | 2,502,396 | 1,245,329 |
| Bank overdraft (Note 18) | (1,577,375) | (3,229,845) |
| | 925,021 | (1,984,516) |

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

Company No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 MARCH 2021**

| | 2021 | 2020 |
|---|---|---|
| | RM | RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | (13,838) | (14,271) |
| Adjustments for :- | | |
| Changes in fair value of financial assets | (1,020) | (99) |
| Dividend income | (58) | (41) |
| Operating loss before working capital changes | (14,916) | (14,411) |
| Receivables | - | 507 |
| Payables | (1,931) | 2,017 |
| Net cash used in operating activities | (16,847) | (11,887) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Advances from a long term receivable | 52,394 | 14,385 |
| Dividend received | 58 | 41 |
| Net cash generated from investing activities | 52,452 | 14,426 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment to a corporate shareholder | (34,802) | - |
| Net cash used in financing activities | (34,802) | - |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 803 | 2,539 |
| **CASH AND CASH EQUIVALENTS BROUGHT FORWARD** | 13,950 | 11,411 |
| **CASH AND CASH EQUIVALENTS CARRIED FORWARD** | 14,753 | 13,950 |

**Note :**
**Cash and cash equivalents**

| | | |
|---|---|---|
| Cash and bank balances | 14,753 | 13,950 |

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

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2021**

## 1. GENERAL INFORMATION

The Company is a private limited company incorporated and domiciled in Malaysia.

The Company's registered office is at No. 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor.

The Company's principal place of business is at No. 3, Lorong 1H, KKIP Selatan, Industrial Zone 2 (IZ2), Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah.

The holding company is Lay Hong Berhad, a public limited liability company listed on the Main Market at Bursa Malaysia Securities Berhad, which is also regarded by the directors as the ultimate holding company.

The financial statements were authorised for issue by the Board of Directors on 30 June 2021.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.1 Statement of Compliance

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

The Group and the Company had adopted the following new MFRSs, Amendments/Improvements to MFRS and IC Interpretations mandatory for the current financial year :-

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to MFRS 3, Business Combinations - Definition of a Business | 1 January 2020 |
| Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material | 1 January 2020 |
| Amendment to MFRS 139, Financial Instruments : Recognition and Measurements, MFRS 7, Financial Instruments : Disclosures and MFRS 9, Financial Instruments - Interest Rate Benchmark Reform | 1 January 2020 |

The adoption of the above accounting standards and interpretations did not have significant impact on the financial statements of the Group and of the Company.

## 2. BASIS OF PREPARATION (cont'd)

### 2.1 Statement of Compliance (cont'd)

The accounting standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendment to MFRS 16, Leases - Covid-19-Related Rent Concessions | 1 June 2020 |
| Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments : Recognition and Measurement, MFRS 7, Financial Instruments : Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases - Interest Rate Benchmark Reform - Phase 2 | 1 January 2021 |
| Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020) | 1 January 2022 |
| Amendments to MFRS 3, Business Combinations - Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018-2020) | 1 January 2022 |
| Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018-2020) | 1 January 2022 |
| Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018-2020) | 1 January 2022 |
| MFRS 17, Insurance Contracts | 1 January 2023 |
| Amendment to MFRS 17 Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101, Presentation of Financial Statements – Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an investor and its Associate or Joint Venture | Deferred |

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the year of initial application.

## 2. BASIS OF PREPARATION (cont'd)

### 2.2 Basis of Measurement

The financial statements of the Group and of the Company have been prepared under the historical cost convention and other measurement basis otherwise indicated in the respective accounting policies as set out below.

### 2.3 Functional and Presentation Currency

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

### 2.4 Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the respective notes.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below :

#### (a) Useful lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In additional the estimation of the useful lives of property, plant and equipment are based on internal evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

Registration No. 198401018147 (130701-P)

## 2. BASIS OF PREPARATION (cont'd)

### 2.4 Use of Estimates and Judgments (cont'd)

#### (b) Loss Allowances of Financial assets

The Group recognises impairment losses for loans and receivables using the expected credit loss model. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's financial position and results.

#### (c) Measurement of Income Taxes

Significant judgement is required in determining the Group's provision for current tax because the ultimate tax liability for the Group is uncertain. When the final outcome of the tax payable is determined with the tax authority, the amount might be different from the initial estimates of the tax payable. Such differences may impact the current tax in the period when such determination is made. The Group will adjust for the differences as over or under provision of current tax in the period in which the differences arise.

#### (d) Fair Value of Biological Assets

The Group's consumable biological assets are measured at fair value less costs to sell. In measuring fair value of layer breeders, management uses a discounted cash flow model using inputs or assumptions of life maturity, productivity quantity, mortality rate, selling prices of poultry, variable costs and profit margins. The probability-weighted cash flows are discounted using an appropriate discount rate that reflects the time value of money and the risk. As prices in agriculture business are volatile, the actual cash flows and discount rate may not coincide with the estimates made and this may have a significant effect on the Group's financial position and results.

The key assumptions used in the discounted cash flow and the sensitivity analysis are disclosed in Note 11 to the financial statements.

#### (e) Allowance for Inventories

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

## 2. BASIS OF PREPARATION (cont'd)

### 2.4 Use of Estimates and Judgments (cont'd)

#### (f) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### (g) Estimation uncertainty in relation to leases

The Group assesses at lease commencement by applying significant assumptions whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied the assumptions in determining the incremental borrowing rates for its leases, the Group makes adjustment by reference to the weighted average cost of capital, taking into consideration the lease term and leased assets. The Group also considers changes in the financial condition since the last offered rates from financial institutions.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

## 2. BASIS OF PREPARATION (cont'd)

### 3.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expense and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combination are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are recognised as expenses in the periods in which the costs are incurred.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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## 2. BASIS OF PREPARATION (cont'd)

### 3.2 Basis of Consolidation (cont'd)

***Transactions with non-controlling interest***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is adjusted to or against the Group's reserves.

***Loss of control***

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus of deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

### 3.3 Subsidiary Companies

Subsidiaries are entities including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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## 2. BASIS OF PREPARATION (cont'd)

### 3.3 Subsidiary Companies (cont'd)

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

### 3.4 Intangible Assets

**Goodwill**

Goodwill arises on business combination is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

### 3.5 Property, Plant and Equipment

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.5 Property, Plant and Equipment (cont'd)

Subsequent to initial recognition, property, plant and equipment are stated at cost/valuation less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b)

Leasehold land and buildings are stated at revalued amount, which are the fair value at the date of the revaluation less accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professional qualified valuers.

Revaluations on leasehold land and buildings are performed with sufficient regularity to ensure that the carrying amount does not differ materiality from the fair value of the leasehold land and buildings at the reporting date. Revaluations on land and buildings are performed once in every five years.

Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained profits.

Leasehold land is depreciated over its lease terms. Capital work-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | % |
|---|---|
| Buildings | 3 – 5 |
| Infrastructure | 3 – 5 |
| Plant and machinery | 8 – 10 |
| Motor vehicles | 20 |
| Office equipment, furniture, fittings and renovation | 5 – 20 |

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.5 Property, Plant and Equipment (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss and the unutilised portions of the revaluation surplus on that item is taken directly to retained profits.

### 3.6 Investment Property

**Investment property carried at fair value**

Investment properties are property which is owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. When the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

**Reclassification to/from investment property**

When an item of property, plant and equipment transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained profits; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.7 Biological assets

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

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

***Breeders***

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

***Commercial layers***

The fair value of pullets and layers is determined using a discounted cash flow model based on the mortality ratios of the layers, expected number of table eggs produced by each layer, the expected projected selling price of the table eggs and salvage value for old hen and after allowing for feed costs, contributory asset charges for the land and farm houses owned by the Group and other estimated farming cost that will be incurred throughout the remaining life of the layer.

### 3.8 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.9 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at bank, deposits with a licensed bank and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of its short-term commitments. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

### 3.10 Income Taxes

#### (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.10 Income Taxes (cont'd)

#### (b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 3.11 Provision

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 3.12 Leases

#### (a) Definition of Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether :

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## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.12 Leases (cont'd)

#### (a) Definition of Lease (cont'd)

the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has the right to operate the asset; or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

#### (b) Recognition and initial measurement

##### (i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimates of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that are cannot be readily determined, the Group's incremental borrowing rate.

The Group has elected not to recognised right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and some leases of low-value assets [e.g. printing and photostat machines]. The Group recognises the lease payments associated with these as an expense on a straight-line basis over the lease term.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Recognition and initial measurement (cont'd)

#### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

### (c) Subsequent measurement

#### (i) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impact the lease term, which significantly affects the amount of the right-of-use asset has been reduced to zero.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.12 Leases (cont'd)

#### (c) Subsequent measurement (cont'd)

##### (ii) As a lessor

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

### 3.13 Impairment

#### (a) Financial assets

The Group and the Company applies the expected credit loss (ECL) model of MFRS 9 to recognise impairment losses of financial assets measured at amortised cost or at fair value through other comprehensive income. Except for trade receivables, a 12 months ECL is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Group and the Company assesses whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime ECL is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company has availed the exception to the 12 months ECL requirement to recognise only lifetime ECL.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12 months ECL is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increased significantly if payments are more than 30 days past due if no other borrower specific information is available without undue cost or effort.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.13 Impairment (cont'd)

#### (a) Financial assets (cont'd)

The ECL is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidences of impairment), the lifetime ECL is determined individually. For trade receivables, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivable, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by type of customers and business, and the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

#### (b) Non-financial assets

The carrying amounts of non-financial assets (except for deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash generating unit or a group of cash generating units that are expected to benefits from the synergies of the combination.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.13 Impairment (cont'd)

#### (b) Non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### 3.14 Financial Instruments

#### (a) Initial Recognition and Measurement

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group and the Company becomes a party to the contractual provisions of the instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.14 Financial Instruments (cont'd)

#### (a) Initial Recognition and Measurement (cont'd)

If a contract is a host financial liability or a non-financial host contract that contains an embedded derivative, the Group and the Company assesses whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group and the Company becomes a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group and the Company does not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial liability out of the fair value through profit or loss category. Embedded derivatives in host financial assets are not separated.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

#### (b) Derecognition of Financial Instruments

For derecognition purposes, the Group and the Company first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.14 Financial Instruments (cont'd)

#### (c) Regular-Way Purchases and Sales of Financial Assets

The Group and the Company recognises a regular-way purchase or sale of a quoted equity of debt instrument at trade date, which is the date the purchase or sale transaction is entered into, rather than recognising the forward contract between trade date and settlement date.

#### (d) Financial Assets

For the purpose of subsequent measurement, the Group and the Company classifies financial assets into three measurement categories, namely: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income and (iii) financial assets at fair value through profit of loss. The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group and the Company measures financial assets, as follows :

(i) Financial Assets at Amortised Cost (AC) – A financial asset is measured at amortised cost if : (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(ii) Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) – A financial asset is measured at FVOCI if : (a) it is held within the Group's and the Company's business objective to hold the asset both to collect contractual cash flows and selling the financial assets, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

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## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.14 Financial Instruments (cont'd)

#### (d) Financial Assets (cont'd)

(iii) Financial Assets at Fair Value through Profit or Loss (FVPL) – A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 3.13(a).

#### (e) Financial Liabilities

After initial recognition, the Group and the Company measures all financial liabilities at amortised cost using the effective interest method, except for :

(i) Financial liabilities at fair value through profit or loss (including derivatives that are liabilities) are measured at fair value.

(ii) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(iii) Financial guarantee contracts issued, and commitments to provide loans at a below-market interest rate given by the Group and the Company, if any, are measured at the higher of : (a) the amount of impairment loss determined and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 Revenue from Contracts with Customers.

#### (f) Fair Value Measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3.18.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.14 Financial Instruments (cont'd)

#### (g) Recognition of Gains and Losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets mandatorily measured at FVOCI, interest income (calculated using the effective interest rate method), impairment losses, and exchange gains or losses are recognised in profit or loss. All other gains or losses are recognised in other comprehensive income and retained in a fair value reserve. On derecognition of the financial assets, the cumulative gain or loss recognised in OCI is reclassified to profit or loss as a reclassification adjustment.

For financial assets and financial liabilities carried at amortised cost, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

### 3.15 Revenue Recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue of the Group and the Company are recognised as follows :-

(i) Revenue from sale of goods is recognised at the point in time when control of the goods is passed to customer, which is the point in time when significant risks and rewards are transferred to the customer and the transaction has met the probability of inflows and measurement reliability requirements of MFRS 15.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.15 Revenue Recognition (cont'd)

(ii) Interest income is recognised as it accrual using the effective interest method in profit or loss.

(iii) Rental income is recognised on a straight-line basis over the term of lease.

### 3.16 Employee Benefit Costs

**Short term benefits**

Wages, salaries, bonuses, social security contributions, paid annual leave and paid sick leave are recognised as an expense in the period in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leaves are recognised when the absences occur.

**Defined contribution plan**

The Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to the defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### 3.17 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

All exchange differences arising on settled transactions and on unsettled monetary items are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.18 Fair Value Measurements

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

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

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

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

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

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

### 3.19 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until when substantially all the activities necessary to prepare the assets for its intended use or sale are complete, after which such expense is charge to the profit or loss.

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## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.20 Related Parties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 4. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities and details of the subsidiary companies are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the year.

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## 5. PROPERTY, PLANT AND EQUIPMENT

**Group**

| Cost/Valuation | Leasehold Land RM | Buildings RM | Infrastructure RM | Plant and Machinery RM | Motor vehicles RM | Office Equipment, Furniture, Fittings and Renovation RM | Capital Work-In-Progress RM | Leasehold building RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2019 | 24,529,136 | 54,399,075 | - | 36,145,053 | 7,461,372 | 9,249,254 | 1,676,131 | 1,476,445 | 134,936,466 |
| Additions | - | 688,386 | - | 648,742 | 162,263 | 388,319 | 3,353,329 | - | 5,241,039 |
| Reclassification | - | 2,396,397 | - | 38,600 | - | - | (2,434,997) | - | - |
| Disposal | - | - | - | - | (258,791) | (62,804) | - | - | (321,595) |
| Written off | - | - | - | - | - | (131,168) | - | - | (131,168) |
| At 31 March 2020 | 24,529,136 | 57,483,858 | - | 36,832,395 | 7,364,844 | 9,443,601 | 2,594,463 | 1,476,445 | 139,724,742 |
| Additions | - | 254,463 | 189,790 | 799,327 | 323,160 | 447,925 | 2,257,733 | - | 4,272,398 |
| Reclassification | - | (5,759,570) | 8,228,272 | 1,107,058 | - | - | (3,575,760) | - | - |
| Disposal | (67,407) | - | - | (67,385) | (429,011) | (101,102) | - | - | (664,905) |
| Written off | - | - | - | - | (2) | (5,752) | - | - | (5,754) |
| Revaluation | 2,683,271 | 8,087,924 | - | - | - | - | - | - | 10,771,195 |
| At 31 March 2021 | 27,145,000 | 60,066,675 | 8,418,062 | 38,671,395 | 7,258,991 | 9,784,672 | 1,276,436 | 1,476,445 | 154,097,676 |

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## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Group<br>Accumulated depreciation | Leasehold Land<br>RM | Buildings<br>RM | Infrastructure<br>RM | Plant and Machinery<br>RM | Motor vehicles<br>RM | Office Equipment, Furniture, Fittings and Renovation<br>RM | Capital Work-In-Progress<br>RM | Leasehold building<br>RM | Total<br>RM |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2019 | 3,197,786 | 14,351,731 | - | 17,762,924 | 5,893,454 | 5,078,866 | - | 226,606 | 46,511,367 |
| Charge for the financial year | 372,646 | 2,255,101 | - | 2,884,841 | 585,293 | 565,451 | - | 126,930 | 6,790,262 |
| Disposal | - | - | - | - | (252,068) | (31,123) | - | - | (283,191) |
| Written off | - | - | - | - | - | (63,082) | - | - | (63,082) |
| At 31 March 2020 | 3,570,432 | 16,606,832 | - | 20,647,765 | 6,226,679 | 5,550,112 | - | 353,536 | 52,955,356 |
| Charge for the financial year | 421,025 | 2,179,612 | 251,167 | 2,846,190 | 463,935 | 577,245 | - | 126,930 | 6,866,104 |
| Reclassification | - | (1,495,901) | 1,495,901 | - | - | - | - | - | - |
| Disposal | (1,288) | - | - | (32,130) | (429,008) | (54,806) | - | - | (517,232) |
| Written off | - | - | - | - | - | (4,495) | - | - | (4,495) |
| Revaluation | (3,990,169) | (15,738,543) | - | - | - | - | - | - | (19,728,712) |
| At 31 March 2021 | - | 1,552,000 | 1,747,068 | 23,461,825 | 6,261,606 | 6,068,056 | - | 480,466 | 39,571,021 |

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## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Group | Leasehold Land RM | Buildings RM | Infrastructure RM | Plant and Machinery RM | Motor vehicles RM | Office Equipment, Furniture, Fittings and Renovation RM | Capital Work-In-Progress RM | Leasehold building RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Net carrying amount** | | | | | | | | | |
| Cost | - | 1,584,675 | 6,670,994 | 15,209,570 | 997,385 | 3,716,616 | 1,276,436 | 995,979 | 30,451,655 |
| Valuation | 27,145,000 | 56,930,000 | - | - | - | - | - | - | 84,075,000 |
| At 31 March 2021 | 27,145,000 | 58,514,675 | 6,670,994 | 15,209,570 | 997,385 | 3,716,616 | 1,276,436 | 995,979 | 114,526,655 |
| Cost | 3,700,561 | 15,313,018 | - | 16,184,630 | 1,138,165 | 3,893,489 | 2,594,463 | 1,122,909 | 43,947,235 |
| Valuation | 17,258,143 | 25,564,008 | - | - | - | - | - | - | 42,822,151 |
| At 31 March 2020 | 20,958,704 | 40,877,026 | - | 16,184,630 | 1,138,165 | 3,893,489 | 2,594,463 | 1,122,909 | 86,769,386 |

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## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### Leased assets

The carrying amounts of the right of use assets included in the property, plant and equipment are as disclosed below:-

| | Leasehold Land RM | Buildings RM | Plant and Machinery RM | Motor vehicles RM | Office Equipment, Furniture, Fittings and Renovation RM | Capital Work-In-Progress RM | Leasehold building RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2019 | 21,331,350 | 2,232,364 | 5,825,977 | 1,319,923 | - | - | 1,249,839 | 31,959,453 |
| Addition | - | 214,810 | - | 162,263 | - | 214,810 | - | 591,883 |
| Depreciation for the year | (372,646) | (124,914) | (604,185) | (509,513) | - | - | (126,930) | (1,738,188) |
| At 31 March 2020 | 20,958,704 | 2,322,260 | 5,221,792 | 972,673 | - | 214,810 | 1,122,909 | 30,813,148 |
| Addition | - | - | 1,107,058 | 323,160 | - | - | - | 1,430,218 |
| Depreciation for the year | (421,025) | (134,761) | (611,566) | (407,858) | - | - | (126,930) | (1,702,140) |
| Disposal | (69,903) | - | - | (1) | - | - | - | (69,904) |
| Assets fully settled during the year | - | - | - | (3) | - | - | - | (3) |
| Revaluation | 6,677,224 | - | - | - | - | - | - | 6,677,224 |
| At 31 March 2021 | 27,145,000 | 2,187,499 | 5,717,284 | 887,971 | - | 214,810 | 995,979 | 37,148,543 |

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## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

**Leased assets (cont'd)**

(a) The leasehold lands (with land title) have lease period of 30 years to 999 years.

(b) The Group has leased its motor vehicles, plant and machinery and buildings under finance lease arrangement. The leases are secured by the leased assets.

(c) The Group entered into non-cancellable operating lease agreements for the use of building. The Group's leases are for the periods ranging from 2 to 10 years.

**Security**

Certain leasehold land and buildings of the Group have been pledged to financial institution as security for borrowings as disclosed in Note 18.

**Valuation**

The leasehold land and buildings of the Group were revalued on 1 March 2021 (2020 : 1 March 2016) by Irhamy & Co, an independent professional valuer. Fair value is determined by reference to open market values on an existing use basis.

The fair value of leasehold land and buildings (at valuation) of the Group are categorised as follows:-

**Group**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2021** | **RM** | **RM** | **RM** | **RM** |
| Leasehold land | - | 27,145,000 | - | 27,145,000 |
| Buildings | - | 56,930,000 | - | 56,930,000 |
| | - | 84,075,000 | - | 84,075,000 |
| **2020** | | | | |
| Leasehold land | - | 17,795,000 | - | 17,795,000 |
| Buildings | - | 26,069,999 | - | 26,069,999 |
| | - | 43,864,999 | - | 43,864,999 |

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## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

**Valuation (cont'd)**

(i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

(ii) Level 2 fair value of leasehold land and buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent transactions in the location and category of property being valued. The property valuers provide the fair value of the leasehold land and buildings (at valuation) of the Group on every five years.

Had the revalued leasehold land and buildings been carried at historical cost less accumulated depreciation, the net book value of each class of land and buildings would be as follows :

| **Group** | **2021 RM** | **2020 RM** |
|---|---|---|
| Leasehold land | 11,699,695 | 7,452,076 |
| Buildings | 29,640,889 | 16,917,184 |
| | 41,340,584 | 24,369,260 |

The following are the amount recognised in profit or loss :

| | **2021 RM** | **2020 RM** |
|---|---|---|
| Depreciation for: | | |
| - property, plant and equipment | 5,163,964 | 5,052,074 |
| - right-of-use assets | 1,702,140 | 1,738,188 |
| Gain on disposal of property, plant and equipment | (488,208) | (15,665) |
| Property, plant and equipment written off | 1,259 | 68,086 |

## 6. INVESTMENT PROPERTIES

| | **Group** | |
|---|---|---|
| **At fair value:** | **2021 RM** | **2020 RM** |
| At 1 April | 1,800,000 | 1,800,000 |
| Fair value gain recognised in profit or loss | 360,000 | - |
| At 31 March | 2,160,000 | 1,800,000 |

## 6. INVESTMENT PROPERTIES (cont'd)

The investment properties comprise leasehold buildings which are leased to a subsidiary company and third party.

The investment properties have been pledged to a financial institution as security for borrowings as disclosed in Note 18.

The following are recognised in profit or loss in respect of the investment properties:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Rental income | 42,180 | 45,600 |
| Direct operation expenses | (55,117) | (80,733) |

The fair value of investment properties are categorised as follow:-

| 2021 | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---|---|---|---|---|
| Leasehold buildings | - | - | 2,160,000 | 2,160,000 |
| **2020** | | | | |
| Leasehold buildings | - | - | 1,800,000 | 1,800,000 |

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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 | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurements |
|---|---|---|
| Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity. | Recent transactions of similar properties at or near reporting date with similar land usage, land size and location. | The estimated fair value would increase/(decrease) if recent transactions of similar properties at or near reporting date with similar land usage, land size and location were higher/(lower). |

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## 7. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Unquoted shares in Malaysia, at cost | | |
| At 1 April/31 March | 15,854,998 | 15,854,998 |

The subsidiary companies are :-

| Name of Company | Place of Incorporation | Equity Interest 2021 % | Equity Interest 2020 % | Principal activities |
|---|---|---|---|---|
| ST Food Sdn Bhd | Malaysia | 100 | 100 | Retail mini markets |
| STF Agriculture Sdn Bhd | Malaysia | 100 | 100 | Engaged in integrated poultry farming and processing of chickens |

## 8. INVESTMENTS

| | Group and Company | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Financial assets at fair value through profit or loss | | |
| **Quoted shares** | | |
| At 1 April | 1,840 | 1,741 |
| Changes in fair value | 1,020 | 99 |
| At 31 March | 2,860 | 1,840 |
| Market value of quoted shares | 2,860 | 1,840 |

## 9. GOODWILL ON CONSOLIDATION

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| At 1 April/ 31 March | 378,005 | 378,005 |

## 9. GOODWILL ON CONSOLIDATION (cont'd)

**Impairment tests for cash-generating unit ("CGU") containing goodwill**

The Group considers each subsidiary company as a single CGU and the carrying amount of goodwill is allocated to the respective subsidiary companies.

The recoverable amount of a CGU is determined based on value-in-use calculation. The value-in-use calculation is determined using cash flows projections, based on financial budgets approved by management, discounted at rates which reflect risks relating to the relevant CGU.

The discount rate applied to the cash flow projections is based on the cost of borrowings of the Group, throughout the calculation period. The growth rate used is consistent with the projected growth rate of the CGU's industry and economy.

## 10. AMOUNT DUE FROM/(TO) A SUBSIDIARY COMPANY

| | Company | |
|---|---|---|
| | **2021** | **2020** |
| **Amount due from a subsidiary company** | **RM** | **RM** |
| <u>Non-current</u> | | |
| Trade | 2,799,733 | 2,799,733 |
| Non-trade | 7,094,360 | 7,146,754 |
| | 9,894,093 | 9,946,487 |
| **Amount due to a subsidiary company** | | |
| <u>Current</u> | | |
| Non-trade | 575 | 575 |

The amount due from subsidiary companies are unsecured, interest free and are repayable in cash upon demand except for trade transactions which are subject to normal trade credit terms.

## 11. BIOLOGICAL ASSETS

<u>At fair value less cost to sell:</u>

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| Commercial layers | 10,593,041 | 12,129,435 |
| Breeders | 1,601,273 | 1,124,504 |
| | 12,194,314 | 13,253,939 |

## 11. BIOLOGICAL ASSETS

Biological assets movement can be analysed as follows:

| | Group | |
|---|---|---|
| | 2021 | 2020 |
| | RM | RM |
| At 1 April | 13,253,939 | 8,018,519 |
| Increase due to purchase | 3,059,191 | 4,284,134 |
| Livestocks losses | (2,740,200) | (1,826,409) |
| Change in fair value | (1,092,489) | 2,813,188 |
| Depopulation | (286,127) | (35,493) |
| At 31 March | 12,194,314 | 13,253,939 |

In measuring the fair value of biological assets, management estimates and judgements are required, which include the usage of discounted cash flow model, expected number of day-old-chick ("DOC") and table eggs produced, the estimated selling prices, discount rate, mortality rate, feed consumption rate, feed costs and other estimated costs over the remaining life of the breeders and layers.

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

| **Description of valuation technique and inputs used** | **Significant unobservable inputs** | **Inter-relationship between significant unobservable inputs and fair value measurements** |
|---|---|---|
| Discounted cash flows:<br>- The valuation method considers the expected 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's and layer's mortality rate | Significant assumptions made in determining the fair value of the layers breeder as follows:<br>- estimated selling price of the agriculture produce<br>- estimated feed cost | The estimated fair value is sensitive to the estimated selling price of the agriculture produce and the estimated feed cost |

Sensitivity analysis

If the estimated projected selling prices of the layer breeders had been 5% higher/lower than management estimates, the fair value of the biological assets would have increased/decreased by RM1,145,784 (2020: RM1,836,143).

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

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## 12. INVENTORIES

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| At cost : | | |
| Raw materials | 9,510,706 | 7,481,178 |
| Manufactured and trading goods | 10,268,504 | 10,433,743 |
| | 19,779,210 | 17,914,921 |
| Inventories recognised as an expense in profit or loss | 193,957,025 | 167,809,879 |

## 13. TRADE RECEIVABLES

| | Group 2021 RM | Group 2020 RM | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|
| Trade receivables | 17,977,609 | 18,786,759 | 8,254 | 8,254 |
| Impairment losses | (1,333,306) | (1,438,407) | - | - |
| | 16,644,303 | 17,348,352 | 8,254 | 8,254 |

The credit terms of trade receivables range from 7 to 90 days (2020: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The movement in the impairment losses on trade receivables of the Group are as follows:

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| At 1 April | 1,438,407 | 2,567,976 |
| Recognised in profit or loss | - | 155,564 |
| Reversal of impairment losses | (105,101) | (1,285,133) |
| At 31 March | 1,333,306 | 1,438,407 |

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## 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Other receivables | 895,191 | 499,266 | - | - |
| Impairment losses | (89,910) | (89,910) | - | - |
| | 805,281 | 409,356 | - | - |
| Deposits | 1,610,087 | 1,563,585 | 22,724 | 22,724 |
| Prepayments | 405,812 | 398,994 | - | - |
| | 2,821,180 | 2,371,935 | 22,724 | 22,724 |

The movement in the impairment losses on other receivables of the Group are as follows:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| At 1 April / 31 March | 89,910 | 89,910 |

## 15. AMOUNT DUE FROM/(TO) RELATED COMPANIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| **Amount due from related companies** | | | | |
| Trade | 5,712,696 | 5,293,238 | - | - |
| Non-trade | 374,035 | 399,288 | 34,918 | 34,918 |
| | 6,086,731 | 5,692,526 | 34,918 | 34,918 |
| **Amount due to related companies** | | | | |
| Trade | 16,366,289 | 14,058,173 | - | - |
| Non-trade | 1,829,284 | 3,951,000 | - | - |
| | 18,195,573 | 18,009,173 | - | - |

The amount due from/(to) related companies are unsecured, interest free and are repayable in cash upon demand except for trade transactions which are subject to normal trade credit terms.

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## 16. SHARE CAPITAL

| | Group and Company 2021 | | Group and Company 2020 | |
|---|---|---|---|---|
| | **Number of shares** | **RM** | **Number of shares** | **RM** |
| **Issued and fully paid :** | | | | |
| At 1 April / 31 March | 1,000,002 | 1,000,002 | 1,000,002 | 1,000,002 |

## 17. RESERVES

| | Group 2021 RM | Group 2020 RM | Company 2021 RM | Company 2020 RM |
|---|---|---|---|---|
| **Non-distributable** | | | | |
| Revaluation reserve | 32,478,157 | 6,070,800 | - | - |
| **Distributable** | | | | |
| Retained profits | 44,699,157 | 45,499,435 | 13,134,734 | 13,148,572 |
| | 77,177,314 | 51,570,235 | 13,134,734 | 13,148,572 |

The revaluation reserve represents the surplus arising from the revaluation of the leasehold land and buildings, net of deferred tax effect.

## 18. BORROWINGS

| Secured : | Note | Group 2021 RM | Group 2020 RM |
|---|---|---|---|
| **Current** | | | |
| Bank overdraft | | 1,577,375 | 3,229,845 |
| Bankers' acceptance | | 12,223,000 | 13,065,000 |
| Lease liabilities | 18.1 | 2,111,883 | 2,120,935 |
| Term loans | 18.2 | 1,180,298 | 1,564,308 |
| | | 17,092,556 | 19,980,088 |
| **Non-current** | | | |
| Lease liabilities | 18.1 | 3,193,111 | 4,108,079 |
| Term loans | 18.2 | 1,780,856 | 2,956,713 |
| | | 4,973,967 | 7,064,792 |

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## 18. BORROWINGS (cont'd)

| Total borrowings | | Group 2021 RM | Group 2020 RM |
|---|---|---|---|
| Bank overdraft | | 1,577,375 | 3,229,845 |
| Bankers' acceptance | | 12,223,000 | 13,065,000 |
| Lease liabilities | 18.1 | 5,304,994 | 6,229,014 |
| Term loans | 18.2 | 2,961,154 | 4,521,021 |
| | | 22,066,523 | 27,044,880 |

### 18.1 Lease liabilities

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| At 1 April | 6,229,014 | 7,753,803 |
| Addition | 1,286,800 | 532,600 |
| Interest expense charge during the year | 338,839 | 409,646 |
| Repayment | (2,549,659) | (2,467,035) |
| At 31 March | 5,304,994 | 6,229,014 |

The following are the amount recognised in profit or loss:

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Lease liabilities interest | 338,839 | 409,646 |
| Expenses related to short term lease | 1,664,367 | 1,527,016 |
| Expenses related to low value lease | 1,108,747 | 1,110,361 |

### 18.2 Term loans

The term loans repayment due is as follows :

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Within one year | 1,180,298 | 1,564,308 |
| Between one to two years | 853,456 | 1,178,520 |
| Between two to five years | 927,400 | 1,778,193 |
| | 2,961,154 | 4,521,021 |

## 18. BORROWINGS (cont'd)

**Securities**

The bank overdraft, bankers' acceptance and term loans are secured by:

(i) Debenture over the existing and future fixed and floating assets of the Group;

(ii) Legal charge over certain leasehold land and building and investment properties of the subsidiary companies as mentioned in Note 5 and Note 6 respectively; and

(iii) Corporate guarantee from the holding company.

**Weighted average effective interest rate**

The weighted average effective interest rates per annum at the end of the reporting date for the borrowings were as follows :

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | **%** | **%** |
| Bank overdraft | 6.64 | 7.38 |
| Bankers' acceptances | 3.12 | 4.10 |
| Term loans | 5.00 | 6.18 |
| Lease liabilities | 5.53 | 7.05 |

**Cash flows reconciliation**

Reconciliation of movements of liabilities to cash flows of The Group arising from financing activities :

| **Group** | **Bankers' acceptance** | **Lease liabilities** | **Term loans** |
|---|---|---|---|
| | **RM** | | **RM** |
| At 1 April 2019 | 13,246,000 | 7,753,803 | 6,370,390 |
| Drawdown of facilities | - | 532,600 | - |
| Repayment | (181,000) | (2,057,389) | (1,849,369) |
| At 31 March 2020 | 13,065,000 | 6,229,014 | 4,521,021 |
| Drawdown of facilities | - | 1,286,800 | - |
| Repayment | (842,000) | (2,210,820) | (1,559,867) |
| At 31 March 2021 | 12,223,000 | 5,304,994 | 2,961,154 |

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## 19. DEFERRED TAX LIABILITIES

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| At 1 April | 9,114,805 | 6,480,364 |
| Recognised in profit or loss | 748,552 | 2,634,441 |
| Recognised in equity | 8,406,540 | - |
| At 31 March | 18,269,897 | 9,114,805 |

The components and movements of deferred tax liabilities of the Group are as follows :

| | 2021 RM | 2020 RM |
|---|---|---|
| Accelerated capital allowances | 6,921,142 | 6,848,002 |
| Revaluation reserve | 10,256,260 | 1,808,701 |
| Unutilised tax losses and unabsorbed capital allowance | (269,793) | (1,305,369) |
| Biological assets | 1,138,436 | 1,400,633 |
| Others | 223,852 | 362,838 |
| | 18,269,897 | 9,114,805 |

## 20. TRADE PAYABLES

The credit terms of trade payables range from 30 to 90 days (2020: 30 to 90 days).

The foreign exposure profile of trade payables other than functional currency is as follows:-

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| USD | 9,053 | 122,749 |

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## 21. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Other payables | 2,258,247 | 2,708,118 | 8,077 | 11,878 |
| Accruals | 1,706,098 | 942,325 | 9,450 | 4,950 |
| | 3,964,345 | 3,650,443 | 17,527 | 16,828 |

## 22. AMOUNT DUE TO HOLDING COMPANY

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade | 4,754,939 | 6,821,862 | - | - |
| Non-trade | 12,881,333 | 11,447,226 | 10,586,544 | 10,586,544 |
| | 17,636,272 | 18,269,088 | 10,586,544 | 10,586,544 |

The amount outstanding mainly arose from inter-company transactions and advances are unsecured, interest free and repayable in cash on demand except for trade transactions which are subject to normal credit terms.

## 23. AMOUNT DUE TO CORPORATE SHAREHOLDERS

**Group and Company**

The amount due to corporate shareholders are unsecured, interest free and are repayable in cash upon demand.

## 24. REVENUE

| | Group | |
|---|---|---|
| Revenue represents : | 2021 RM | 2020 RM |
| Sales of goods | 216,646,562 | 195,547,606 |
| Timing of revenue recognition : | | |
| At a point in time | 216,646,562 | 195,547,606 |

## 25. EMPLOYEE BENEFIT EXPENSE

| | Group | |
|---|---|---|
| **Staff costs** | **2021 RM** | **2020 RM** |
| Salaries, wages and bonus | 14,640,788 | 13,866,901 |
| Defined contribution plans | 1,424,199 | 1,332,475 |
| Other benefits | 3,120,361 | 2,880,541 |
| | 19,185,348 | 18,079,917 |

## 26. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| Based on the results for the year : | **2021 RM** | **2020 RM** | **2021 RM** | **2020 RM** |
| **Current tax** | | | | |
| Malaysian Income Tax | 288,310 | - | - | - |
| Deferred taxation | 748,552 | 2,634,441 | - | - |
| | 1,036,862 | 2,634,441 | - | - |
| Under-estimated in prior year | 1,936 | 23,331 | - | - |
| **Tax expense for the year** | 1,038,798 | 2,657,772 | - | - |

**Reconciliation between tax expense and the product of accounting profit /(loss)multiplied by the applicable tax rate :**

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 RM** | **2020 RM** | **2021 RM** | **2020 RM** |
| **Profit / (Loss) before taxation** | 4,552,510 | 8,180,456 | (13,838) | (14,271) |
| **Tax at Malaysian statutory tax rate of 24% (2020 : 24%)** | 1,092,602 | 1,963,309 | (3,321) | (3,425) |
| Expenses not deductible for tax purposes | 297,273 | 956,924 | 3,321 | 3,425 |
| Over-estimated of deferred tax in prior years | (353,013) | (285,792) | - | - |
| | 1,036,862 | 2,634,441 | - | - |
| Under-estimated of income tax in prior year | 1,936 | 23,331 | - | - |
| **Tax expense for the year** | 1,038,798 | 2,657,772 | - | - |

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## 27. RELATED PARTY DISCLOSURES

### (a) Significant Related Party Transactions

| | 2021 RM | 2020 RM |
|---|---|---|
| **Holding company** | | |
| Purchases | (1,605,648) | (4,415,011) |
| Management fee | (360,000) | (360,000) |
| Corporate guarantee fee | (817,040) | (817,040) |
| **Related companies** | | |
| Sales | 22,683,779 | 22,306,868 |
| Purchases | (53,684,836) | (45,201,690) |
| Rental income | 36,800 | 69,600 |
| Rental expense | (94,600) | (57,600) |
| Proceed from disposal of property, plant and equipment | - | 14,483 |

### (b) Compensation of the key management personnel

Key management personnel include a person having authority and responsibility for planning, directing and controlling the activities of the entity, including any directors of the Group and Company.

The compensation of Directors and other members of key management personnel during the financial year are as follows:-:

| | Group | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Salaries and bonuses | 186,916 | 168,480 |
| EPF and Socso | 26,859 | 10,958 |
| | 213,775 | 179,438 |

## 28. FINANCIAL INSTRUMENTS

### (a) Financial risk management policies

The Group's overall financial risk management objective and policies are consistent with its holding company. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main risks and corresponding management policies arising from the Group and the Company's normal course of business are as follows:-

#### (i) Interest rate risk

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

The Group's manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The management does not enter into interest rate hedging transactions as the cost of such instruments outweighs the potential risk of interest rate fluctuation.

The interest rate profile of the Group significant interest bearing financial instruments, based on the carrying amounts as at the end of the reporting years were:

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM** | **RM** |
| **Fixed rate instruments** | | |
| Financial liabilities | | |
| Lease liabilities | 5,304,994 | 6,229,014 |
| | ========= | ========= |
| **Floating rate instruments** | | |
| *Financial liabilities* | | |
| Bank overdraft | 1,577,375 | 3,229,845 |
| Bankers' acceptance | 12,223,000 | 13,065,000 |
| Term loans | 2,961,154 | 4,521,021 |
| | ========= | ========= |

## 28. FINANCIAL INSTRUMENTS (cont'd)

### (a) Financial risk management policies (cont'd)

#### (i) Interest rate risk (cont'd)

Sensitivity analysis

Sensitivity analysis is not disclosed on fixed rate financial liabilities as fixed rate financial liabilities are not exposed to interest rate risk and are measured at amortised cost.

At the reporting date, if the interest of floating rate instruments had been 50 basis points lower/higher, with all other variables were held constant, the Group's profit before tax would have been RM83,808 (2020 : RM104,079) higher/lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

#### (ii) 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 mostly on its sales and purchases that are denominated in a currency other than the functional currency of the Group. The currency giving rise to this risk is primarily US Dollar ("USD").

Sensitivity analysis

At the end of the reporting date, the management of the Group determined that the effects of sensitivity of the Group's profit for the financial year to a reasonably possible change in other currencies exchange rates to be insignificant to the financial statements.

#### (iii) Liquidity Risk

Liquidity risk is the risk that the Group and 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. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of reporting date based on undiscounted contractual payments.

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## 28. FINANCIAL INSTRUMENTS (cont'd)

### (a) Financial risk management policies (cont'd)

#### (iii) Liquidity Risk (cont'd)

| Group<br>2021 | Carrying amount RM | Contractual undiscounted cash flows RM | Within one year RM | Between two to five years RM | After five years RM |
|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | |
| Trade and other payables | 21,924,732 | 21,924,732 | 21,924,732 | - | - |
| Amount due to holding company | 17,636,272 | 17,636,272 | 17,636,272 | - | - |
| Amount due to related companies | 18,195,573 | 18,195,573 | 18,195,573 | - | - |
| Amount due to corporate shareholders | 1,093,218 | 1,093,218 | 1,093,218 | - | - |
| Bank overdraft | 1,577,375 | 1,577,375 | 1,577,375 | - | - |
| Bankers acceptance | 12,223,000 | 12,223,000 | 12,223,000 | - | - |
| Lease liabilities | 5,304,994 | 6,097,069 | 2,361,771 | 3,132,298 | 603,000 |
| Term loans | 2,961,154 | 3,123,231 | 1,252,591 | 1,870,640 | - |
| | 80,916,318 | 81,870,470 | 76,264,532 | 5,002,938 | 603,000 |
| **2020** | | | | | |
| **Financial liabilities:** | | | | | |
| Trade and other payables | 20,804,894 | 20,804,894 | 20,804,894 | - | - |
| Amount due to holding company | 18,269,088 | 18,269,088 | 18,269,088 | - | - |
| Amount due to related companies | 18,009,173 | 18,009,173 | 18,009,173 | - | - |
| Amount due to corporate shareholders | 1,128,020 | 1,128,020 | 1,128,020 | - | - |
| Bank overdraft | 3,229,845 | 3,229,845 | 3,229,845 | - | - |
| Bankers acceptance | 13,065,000 | 13,065,000 | 13,065,000 | - | - |
| Lease liabilities | 6,229,014 | 7,179,208 | 2,433,445 | 3,951,763 | 794,000 |
| Term loans | 4,521,021 | 4,988,639 | 1,788,245 | 3,200,394 | - |
| | 85,256,055 | 86,673,867 | 78,727,710 | 7,152,157 | 794,000 |

## 28. FINANCIAL INSTRUMENTS (cont'd)

### (a) Financial risk management policies (cont'd)

#### (iii) Liquidity Risk (cont'd)

| **Company** | **Carrying amount** | **Contractual undiscounted cash flows** | **Within one year** | **Between two to five years** | **After five years** |
|---|---|---|---|---|---|
| **2021** | **RM** | **RM** | **RM** | **RM** | **RM** |
| **Financial liabilities:** | | | | | |
| Trade and other payables | 17,527 | 17,527 | 17,527 | - | - |
| Amount due to corporate shareholder | 1,093,218 | 1,093,218 | 1,093,218 | - | - |
| Amount due to holding company | 10,586,544 | 10,586,544 | 10,586,544 | - | - |
| Amount due to a subsidiary company | 575 | 575 | 575 | - | - |
| | 11,697,864 | 11,697,864 | 11,697,864 | - | - |
| **2020** | | | | | |
| **Financial liabilities:** | | | | | |
| Trade and other payables | 19,458 | 19,458 | 19,458 | - | - |
| Amount due to corporate shareholder | 1,128,020 | 1,128,020 | 1,128,020 | - | - |
| Amount due to holding company | 10,586,544 | 10,586,544 | 10,586,544 | - | - |
| Amount due to a subsidiary company | 575 | 575 | 575 | - | - |
| | 11,734,597 | 11,734,597 | 11,734,597 | - | - |

#### (iv) 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. The Group's exposure to credit risk arises principally from its trade receivables and advances to subsidiaries and related companies.

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

## 28. FINANCIAL INSTRUMENTS (cont'd)

### (a) Financial risk management policies (cont'd)

#### (iv) Credit Risk (cont'd)

*Concentration of credit risk*

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitor individually.

The Group has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. The Group determines the ECL on these items by using a provision matrix, where applicable, estimated based on historical credit loss experience based on the past due status of the receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The following ageing of trade receivables provides information about the exposure to credit risk and ECLs for trade receivables:

| **Group**<br>**2021** | **Gross-carrying amount**<br>**RM** | **Individual impairment**<br>**RM** | **ECL**<br>**RM** | **Net balance**<br>**RM** |
|---|---|---|---|---|
| Not past due | 16,319,634 | - | (15) | 16,319,619 |
| Up to 90 days past due | 79,454 | - | (207) | 79,247 |
| More than 91 days past due | 1,578,521 | (1,149,646) | (183,438) | 245,437 |
| | 1,657,975 | (1,149,646) | (183,645) | 324,684 |
| | 17,977,609 | (1,149,646) | (183,660) | 16,644,303 |

## 28. FINANCIAL INSTRUMENTS (cont'd)

### (a) Financial risk management policies (cont'd)

#### (iv) Credit Risk (cont'd)

| **Group** <br> **2020** | **Gross-carrying amount RM** | **Individual impairment RM** | **ECL RM** | **Net balance RM** |
|---|---|---|---|---|
| Not past due | 16,730,344 | - | (249) | 16,730,095 |
| Up to 90 days past due | 528,211 | - | (404) | 527,807 |
| More than 91 days past due | 1,528,204 | (1,170,068) | (267,686) | 90,450 |
| | 2,056,415 | (1,170,068) | (268,090) | 618,257 |
| | 18,786,759 | (1,170,068) | (268,339) | 17,348,352 |

| **Company** <br> **2021** | | | | |
|---|---|---|---|---|
| Not past due | - | - | - | - |
| Up to 90 days past due | - | - | - | - |
| More than 91 days past due | 8,254 | - | - | 8,254 |
| | 8,254 | - | - | 8,254 |
| | 8,254 | - | - | 8,254 |

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## 28. FINANCIAL INSTRUMENTS (cont'd)

### (a) Financial risk management policies (cont'd)

#### (iv) Credit Risk (cont'd)

| **Company**<br><br><br>**2020** | **Gross-carrying amount**<br>**RM** | **Individual impairment**<br>**RM** | **ECL**<br>**RM** | **Net balance**<br>**RM** |
|---|---|---|---|---|
| Not past due | - | - | - | - |
| Up to 90 days past due | - | - | - | - |
| More than 91 days past due | 8,254 | - | - | 8,254 |
| | 8,254 | - | - | 8,254 |
| | 8,254 | - | - | 8,254 |

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

As at 31st March 2021, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM6,643,315 (2020: RM6,303,198) due from six trade receivables which represents 37% (2020: 34%) of the total trade receivables of the Group. However, the Directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

In respect of other receivables, the Group is not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

The Group provides unsecured loans and advances to related companies and subsidiary companies. The Group monitors the results of the related companies and subsidiary companies regularly. As at the end of the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

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## 28. FINANCIAL INSTRUMENTS (cont'd)

### (b) Fair Values of Financial Instruments

The carrying amount of the financial assets and financial liabilities of the Group and of the Company as at the reporting date are approximate fair value due to the relative short-term maturity. The fair values of term loans approximate their carrying amounts as they are repriced to market interest rates on or near the reporting date.

### (c) Fair Value Hierarchy

The Group and the Company measure fair values using fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie. prices) or indirectly (ie. derived from prices)

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table provide the fair value measurement hierarchy of the Group's assets :

| **2021** | **Date of valuation** | **Level 1 RM** | **Level 2 RM** | **Level 3 RM** |
|---|---|---|---|---|
| Assets measured at fair value: | | | | |
| Leasehold land (Note 5) | 1.3.2021 | - | 27,145,000 | - |
| Buildings (Note 5) | 1.3.2021 | - | 56,930,000 | - |
| Investment properties (Note 6) | 1.3.2021 | - | - | 2,160,000 |
| Biological assets (Note 11) | 31.3.2021 | - | - | 12,194,314 |
| | ========= | ==== | ======== | ========= |
| **2020** | | | | |
| Assets measured at fair value: | | | | |
| Leasehold land (Note 5) | 1.3.2016 | - | 17,795,000 | - |
| Buildings (Note 5) | 1.3.2016 | - | 26,069,999 | - |
| Investment properties (Note 6) | 31.3.2020 | - | - | 1,800,000 |
| Biological assets (Note 11) | 31.3.2020 | - | - | 13,253,939 |
| | ========= | ==== | ======== | ========= |

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## 28. FINANCIAL INSTRUMENTS (cont'd)

### (c) Fair Value Hierarchy (cont'd)

There has been no transfer between Level 1, Level 2 and Level 3 during the year.

### (d) Classification of Financial Instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows :

(i) Financial assets at amortised cost (AC)

(ii) Financial assets at fair value through profit or loss (FVPL)

(iii) Financial liabilities at amortised cost (FL)

**Group**

| **2021** | **Carrying amount RM** | **AC RM** | **FVPL RM** | **FL RM** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Investments | 2,860 | - | 2,860 | - |
| Trade and other receivables | 19,059,671 | 19,059,671 | - | - |
| Amount due from related companies | 6,086,731 | 6,086,731 | - | - |
| Cash and bank balances | 2,502,396 | 2,502,396 | - | - |
| | 27,651,658 | 27,648,798 | 2,860 | - |
| **Financial liabilities** | | | | |
| Trade and other payables | 21,924,732 | - | - | 21,924,732 |
| Amount due to holding company | 17,636,272 | - | - | 17,636,272 |
| Amount due to related companies | 18,195,573 | - | - | 18,195,573 |
| Amount due to corporate shareholders | 1,093,218 | - | - | 1,093,218 |
| Borrowings | 22,066,523 | - | - | 22,066,523 |
| | 80,916,318 | - | - | 80,916,318 |
| **2020** | | | | |
| **Financial assets** | | | | |
| Investments | 1,840 | - | 1,840 | - |
| Trade and other receivables | 19,321,293 | 19,321,293 | - | - |
| Amount due from related companies | 5,692,526 | 5,692,526 | - | - |
| Cash and bank balances | 1,245,329 | 1,245,329 | - | - |
| | 26,260,988 | 26,259,148 | 1,840 | - |

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## 28. FINANCIAL INSTRUMENTS (cont'd)

### (d) Classification of Financial Instruments (cont'd)

**Group**

| **2020** | **Carrying amount RM** | **AC RM** | **FVPL RM** | **FL RM** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Trade and other payables | 20,804,894 | - | - | 20,804,894 |
| Amount due to holding company | 18,269,088 | - | - | 18,269,088 |
| Amount due to related companies | 18,009,173 | - | - | 18,009,173 |
| Amount due to corporate shareholders | 1,128,020 | - | - | 1,128,020 |
| Borrowings | 27,044,880 | - | - | 27,044,880 |
| | 85,256,055 | - | - | 85,256,055 |

**Company**

| **2021** | **Carrying amount RM** | **AC RM** | **FVPL RM** | **FL RM** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Investments | 2,860 | - | 2,860 | - |
| Trade and other receivables | 30,978 | 30,978 | - | - |
| Amount due from a subsidiary company | 9,894,093 | 9,894,093 | - | - |
| Amount due from related companies | 34,918 | 34,918 | - | - |
| Cash and bank balances | 14,753 | 14,753 | - | - |
| | 9,977,602 | 9,974,742 | 2,860 | - |
| **Financial liabilities** | | | | |
| Trade and other payables | 17,527 | - | - | 17,527 |
| Amount due to holding company | 10,586,544 | - | - | 10,586,544 |
| Amount due to subsidiary company | 575 | - | - | 575 |
| Amount due to corporate shareholders | 1,093,218 | - | - | 1,093,218 |
| | 11,697,864 | - | - | 11,697,864 |

## 28. FINANCIAL INSTRUMENTS (cont'd)

### (d) Classification of Financial Instruments (cont'd)

**Company**

| 2020 | Carrying amount RM | AC RM | FVPL RM | FL RM |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Investments | 1,840 | - | 1,840 | - |
| Trade and other receivables | 30,978 | 30,978 | - | - |
| Amount due from a subsidiary company | 9,946,487 | 9,946,487 | - | - |
| Amount due from related companies | 34,918 | 34,918 | - | - |
| Cash and bank balances | 13,950 | 13,950 | - | - |
| | 10,028,173 | 10,026,333 | 1,840 | - |
| **Financial liabilities** | | | | |
| Trade and other payables | 19,458 | - | - | 19,458 |
| Amount due to holding company | 10,586,544 | - | - | 10,586,544 |
| Amount due to a subsidiary company | 575 | - | - | 575 |
| Amount due to corporate shareholders | 1,128,020 | - | - | 1,128,020 |
| | 11,734,597 | - | - | 11,734,597 |

## 29. SIGNIFICANT EVENT DURING AND AFTER THE REPORTING DATE

On 11 March 2020, the World Health Organisation declared the recent novel coronavirus ("COVID-19") outbreak a pandemic. To contain the spread of COVID-19 in Malaysia, the Malaysian Government has imposed the Movement Control Order ("MCO") effective from 18 March 2020 and subsequently entered various phases of the MCO.

There is no material impact of COVID-19 on the Group's results of operations and financial performance during the current financial year. At the date of this report, the Group does not foresee any major effect on the overall demand of trading due to market volatility which is caused by COVID-19.

Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the extent of the impact depends on the ongoing precautionary measures introduced by each country to address this pandemic and the duration of the pandemic. The directors will continue to monitor the situation and respond proactively to mitigate the impact on the Group's financial performance and financial position.

Registration No. 198401018147 (130701-P)

## 30. CAPITAL COMMITMENT

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Capital expenditure for property, plant and equipment: | | |
| Approved and contracted for | 111,000 | 295,000 |

## 31. CAPITAL MANAGEMENT

The Group's primary objective in managing its capital is to maximise the Group's value by optimising its capital structure and enhancing capital efficiency while maintaining a sufficient level of liquidity. The Group targets a capital structure of an optimal mix of debt and equity in order to achieve an efficient cost of capital vis-à-vis maintaining financial flexibility for its business requirement and investing for future growth. The Group regularly reviews and manage its capital structure in accordance to the changes in economic conditions and its future business plan.

The Group manages its capital based on debt-to-equity ratio, which is total debt divided by total equity attributable to equity holders of the Company. The debt-to-equity ratio at the end of the reporting period were as follows :

| | Group 2021 RM | Group 2020 RM |
|---|---|---|
| Total borrowings (Note 18) | 22,066,523 | 27,044,880 |
| Less : Cash and bank balances | (2,502,396) | (1,245,329) |
| | 19,564,127 | 25,799,551 |
| Total equity | 78,177,316 | 52,570,237 |
| Debt-to-equity ratio | 0.25 | 0.49 |

There has been no change in the above capital management objectives, policies and processes compared to the previous year.

Registration No. 198401018147 (130701-P)

**SRI TAWAU FARMING SDN BHD**
**(Incorporated in Malaysia)**

**Statement by Directors**
**Pursuant to Section 251 (2) of the Companies Act 2016**

We, DATO' YAP HOONG CHAI and DATO' YEAP WENG HONG, being two of the directors of SRI TAWAU FARMING SDN BHD, do hereby state on behalf of the directors that, in our opinion the financial statements set out on pages 12 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 MARCH 2021 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the board in accordance with a resolution of the directors.

DATO' YAP HOONG CHAI

DATO' YEAP WENG HONG

Klang, Selangor
Dated : 30 June 2021

**Statutory Declaration**
**Pursuant to Section 251 (1) (b) of the Companies Act 2016**

I, NG KIM TIAN, being the officer primarily responsible for the financial management of SRI TAWAU FARMING SDN BHD, do solemnly and sincerely declare that the financial statements set out on pages 12 to 77 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared at Klang in the state of Selangor
this 30 day of June 2021

Before me,

PESURUHJAYA SUMPAH
No : B185
Nama: NG SAY HUNG
1/1/2019 - 31/12/2021
MALAYSIA

No. 71-1, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D E

NG KIM TIAN
(Officer)

## 1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there is no false or misleading statement or other facts the omission of which would make any information in this Circular false or misleading.

Information relating to STF had been obtained from publicly available sources and/or provided by the management of STF, and the sole responsibility of the Board is limited to ensuring that such information has been accurately reproduced in this Circular.

## 2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

### 2.1 AmInvestment Bank

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, "**AmBank Group**") forms a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other client, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of LHB Group.

As at LPD, AmBank Group has extended credit facilities of RM60.2 million to the LHB Group.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposals are not likely to result in a conflict of interest or potential conflict of interest situation in view that:-

(i) AmBank Group form a diversified financial group and are engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as Principal Adviser in respect of the Proposals is in the ordinary course of business; and

(ii) Each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entity within AmBank Group have separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is also regulated by Bank Negara Malaysia.

### 2.2 cfSolutions

cfSolutions, being the Independent Adviser to the Non-Interested Shareholders for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they so appear in this Circular.

cfSolutions has confirmed that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as Independent Adviser to the Non-Interested Shareholders for the Proposals.

## 3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

### 3.1 Material commitments

Save as disclosed below, as at LPD, there is no material commitment incurred or known to be incurred by the LHB Group, which may have a material impact on the financial results or position of the LHB Group:-

| | **Group level as at LPD (RM'000)** |
|---|---:|
| Capital expenditure for property, plant and equipment:- | |
| Approved and contracted for | 10,333 |
| **Total** | **10,333** |

### 3.2 Contingent liabilities

Save as disclosed below, as at LPD, there are no material contingent liabilities incurred or known to be incurred by the LHB Group which upon being enforced may have material impact on the financial results or position of the LHB Group:-

| | **Group level as at LPD (RM'000)** |
|---|---:|
| Guarantees granted to third parties | 6,610 |
| **Total** | **6,610** |

## 4. MATERIAL LITIGATION

As at LPD, LHB Group is not engaged in any other material litigation, claims, and/or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of LHB Group and there is no proceeding which is pending or threatened against LHB Group, or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of LHB Group save for the following:-

### (i) Malacca Sessions Court Summons No. MA-B52-8-10/2020

**Lay Hong Berhad ("Plaintiff") against Heng Trading Sdn Bhd ("First Defendant") and Heng Yoke Kam ("Second Defendant") ("Defendants")**

The Plaintiff had filed a writ of summons and a statement of claim on 28 October 2020 and had obtained judgements in default of appearance on 29 December 2020 and 5 March 2021 against the Defendants in the Malacca Sessions Court for the following:-

(a) RM566,009.20 being the outstanding invoices as at 30 September 2020;

(b) interest of RM100,427.08 as at 30 September 2020;

(c) further and/or alternatively general damages to be assessed by the Honourable Court;

(d) interest at the rate of 5% per annum on the total judgement sum of RM566,009.20 or other rate deemed appropriate and reasonable by the Honourable Court calculated from 1 October 2020 until the date of full settlement;

(e) legal costs to be fully borned by the Defendants; and

(f) other reliefs and/or costs deemed appropriate by the Court.

As at LPD, the Plaintiff's solicitors is in the midst of preparing a bankruptcy notice against the Second Defendant.

### (ii) Kota Kinabalu Sessions Court Suit No. BKI-A52NCVC-119/8-2019

**STF Agriculture Sdn Bhd ("Plaintiff") against Brian Loh (Trading under the name & style of Century Jaya Enterprise) ("First Defendant") and Loh Chon Yong ("Second Defendant") ("Defendants")**

The Plaintiff had filed a writ of summons on 7 August 2019 and had obtained a judgment in default of appearance on 5 November 2019 against the Defendants in the Kota Kinabalu Sessions Court for the following:-

(a) RM257,201.81 or any part thereof;

(b) statutory interest at the rate of 5% per annum on the sum of RM257,201.81 or any part thereof from the date of judgment until date of full payment;

(c) summons filing fee of RM208.00 and fixed costs of RM1,000.00; and

(d) costs pursuant to Order 59 Rules of Court 2012.

A bankruptcy notice dated 7 May 2021 was served on the First Defendant on 18 June 2021 and a bankruptcy notice dated 7 May 2021 was served on the Second Defendant on 5 August 2021.

The Plaintiff's solicitors had filed a creditor's petition dated 15 September 2021 against the First Defendant. The hearing of the creditor's petition against the First Defendant has been fixed on 25 October 2021.

The Plaintiff's solicitors had also filed a creditor's petition dated 15 September 2021 against the Second Defendant. The hearing of the creditor's petition against the Second Defendant has been fixed on 27 October 2021.

**(iii) Shah Alam High Court Suit No. BA-22NCVC-315-07/2018**

**Lay Hong Berhad ("Plaintiff") against:-**

**(a) Loke Chee Min practising as The Law Office of CM Loke (formerly known as Yap Loke & Loh) ("First Defendant")**
**(b) Beh Yong Hock practising as Beh & Associates ("Second Defendant")**
**(c) Leong Sze Seng ("Third Defendant")**
**(d) The Roof Realty Sdn Bhd ("Fourth Defendant")**

(Collectively known as the "**Defendants**")

The Plaintiff had on 2 July 2018 filed a claim against the Defendants for special damages of RM3,256,902.84 with interest and costs upon the recommendation/ misrepresentation of the Third Defendant wherein the Third Defendant represented inter alia to the Plaintiff that the owners of the lands held under Geran Mukim 6469 for Lot 31982 and Geran Mukim 6470 for Lot 31983 both in Mukim of Kapar, District of Klang, Selangor Darul Ehsan ("the said lands") wished to sell the said lands and that the First Defendant is the solicitors representing the land owners. The Second Defendant is the solicitors appointed by the Plaintiff to handle the sale and purchase of transaction of its behalf while the First Defendant purportedly acted for the owners of the said lands. The Plaintiff paid the monies to the First Defendant as stakeholder based on the sale and purchase agreements executed between the parties. The Plaintiff subsequently found out that the owners of the said land did not appoint the First Defendant as their solicitors neither did they sell their said lands.

The Plaintiff had claimed against the Defendants inter alia for loss and damage suffered by the Plaintiff:-

(i) breach of fiduciary duty and/or trust as the stakeholder of the purchase price of the said lands and wrongfully deprived the Plaintiff the said payments against the First Defendant;

(ii) breach of contract and negligence against the Second Defendant;

(iii) fraudulent and/or negligence misrepresentation against the Third Defendant; and

(iv) vicarious liability in respect of the act and/or omission of the Third Defendant against the Fourth Defendant as the principal and/or employer of the Third Defendant.

The High Court had proceeded with the trials on 12 November 2019, 13 November 2019, 14 November 2019, 21 November 2019, 31 January 2020, 9 September 2020 and 10 September 2020 and at the decision delivered on 19 February 2021, the High Court adjudged as follows:-

(i) The Plaintiff's claim against the First Defendant was allowed in the sum of RM3,057,367.09 as damages with costs of RM50,000.00 to the Plaintiff;

(ii) The Plaintiff's claim against the Second Defendant was allowed in the sum of RM611,473.42 being 20% of the damages of RM3,057,367.09 with costs of RM20,000.00 to the Plaintiff;

(iii) The Plaintiff's claim against the Third Defendant was allowed in the sum of RM75,744.56 being the commission received by him with costs of RM10,000.00 to the Plaintiff;

(iv) The Plaintiff's claim against the Fourth Defendant was dismissed with costs of RM20,000.00 to the Fourth Defendant; and

(v) In view of (iv) above, no order was made in respect of the Fourth Defendant's third-party claims against the First and Third Defendants.

The Plaintiff had on 23 February 2021, instructed its solicitors to appeal against the decision of the High Court on 19 February 2021 against the Second Defendant, Third Defendant and Fourth Defendant.

On 19 May 2021, the Plaintiff and the Second Defendant had agreed as follows:-

(i) That the Plaintiff's solicitors shall hold the sum of RM611,473.42, costs of RM20,000.00 and judgement interest up to the date of payment awarded by the High Court to the Plaintiff as stakeholder pending the Plaintiff's or the Second Defendant's appeal to the Court of Appeal;

(ii) That the Plaintiff's solicitors shall deposit the sum of RM611,473.42, costs of RM20,000.00 and judgment interest up to the date of payment paid to the Plaintiff's solicitors as stakeholder in an interest-bearing fixed deposit account and forward to the Second Defendant's solicitors a copy of the fixed deposit certificate;

(iii) In the event the Second Defendant's appeal is allowed and/or the Plaintiff's appeal is dismissed, the Plaintiff's solicitors shall refund to the Second Defendant the sum of RM611,473.42, costs of RM20,000.00 and judgment interest up to the date of payment paid (together with all interest accrued thereon) within 7 days from the date of Court of Appeal order. Similarly, if the Court of Appeal allows the Plaintiff's appeal by the High Court, and/or the Second Defendant's appeal is dismissed, the Plaintiff's solicitors shall release the sum of RM611,473.42 costs of RM20,000.00 and judgment interest up to the date of payment (together with all interest accrued thereon) to the Plaintiff notwithstanding any application for leave to appeal and/or appeal by any party to the Federal Court; and

(iv) If the Court of Appeal increases the award of judgment by the High Court, the Second Defendant shall top up the balance judgment sum, interest and/or costs, as the case may be. Similarly, if the Court of Appeal decreases the award of judgment by the High Court, the Plaintiff's solicitors shall refund the balance of the judgment sum together with the interest accrued and/or costs as the case may be.

In relation to the appeals against the Second Defendant, Third Defendant and Fourth Defendant, a case management has been fixed on 8 November 2021 pending the delivery of the grounds of judgment from the High Court.

## 5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of LHB at No. 2-1 Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(i) Constitution of LHB and STF;

(ii) copy of the SSA;

(iii) copy of the Declaration of Trust dated 1 March 2012 made by Innofarm to Mackan;

(iv) the audited consolidated financial statements of LHB and STF for the past 2 FYs 2020 and 2021 as well as the latest unaudited financial results for 3M-FPE 30 June 2022;

(v) the relevant cause papers in Section 4 above; and

(vi) the letters of consent referred to in Section 2 above.

**LAY HONG BERHAD**
(Registration No. 198301011738 (107129-H))
(Incorporated in Malaysia)

# NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting ("**EGM**") of Lay Hong Berhad ("**LHB**" or the "**Company**") will be held on a fully virtual basis via the online meeting platform of Securities Services e-Portal at https://sshsb.net.my/ provided by SS E Solutions Sdn Bhd in Malaysia on Thursday, 28 October 2021 at 11.00 a.m. or any adjournment thereof to consider and if thought fit, to pass the following resolutions with or without modifications:-

**ORDINARY RESOLUTION 1**

**PROPOSED ACQUISITION BY LHB OF THE REMAINING 50% EQUITY INTEREST IN SRI TAWAU FARMING SDN BHD ("STF") NOT ALREADY OWNED BY LHB FROM MACKAN HOLDING SDN BHD ("MACKAN") (VIA INNOFARM SDN BHD ("INNOFARM")) FOR A TOTAL PURCHASE CONSIDERATION OF RM28.0 MILLION, TO BE SATISFIED VIA THE ISSUANCE OF 80,000,000 NEW ORDINARY SHARES IN LHB ("CONSIDERATION SHARES") AT THE ISSUE PRICE OF RM0.35 EACH ("PROPOSED STF ACQUISITION")**

"**THAT** subject to the passing of Ordinary Resolution 2, and subject to the applicable approvals of all relevant authorities or parties being obtained, authority be and is hereby given to the Company to acquire the remaining 50% equity interest in STF from Mackan (via Innofarm), for a total purchase consideration of RM28.0 million ("**Purchase Consideration**") to be satisfied via the issuance of 80,000,000 Consideration Shares to Mackan at the issue price of RM0.35 each, and subject to and upon such terms and conditions of the share sale agreement dated 8 June 2021 ("**SSA**") entered into between LHB, Mackan and Innofarm ("**Proposed STF Acquisition**");

**THAT** approval be and is hereby given to the Board of Directors of LHB ("**Board**") to allot and issue the Consideration Shares to Mackan for the purpose of satisfaction of the total purchase consideration for the Proposed STF Acquisition;

**THAT** the Consideration Shares shall, upon allotment and issuance, be of the same class and rank equally in all respect with the then existing ordinary shares in LHB, save and except that the holders of such Consideration Shares shall not be entitled to any dividends, rights, allotment and/or other distributions may be declared, made or paid to the shareholders of LHB, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares;

**AND THAT** the Board be and is hereby authorised to do all such acts and things, execute all such documents and to enter into all such transactions, arrangements and agreements as the Board deems necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposed STF Acquisition; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposed STF Acquisition."

**ORDINARY RESOLUTION 2**

**PROPOSED EXEMPTION UNDER PARAGRAPH 4.08(1)(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS ("RULES") FOR DATO' YAP HOONG CHAI AND PERSONS ACTING IN CONCERT WITH HIM ("PAC"), FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE THE REMAINING ORDINARY SHARES AND WARRANTS IN LHB NOT ALREADY OWNED BY THEM UPON COMPLETION OF THE PROPOSED STF ACQUISITION ("PROPOSED EXEMPTION")**

"**THAT** subject to the passing of Ordinary Resolution 1, and subject to the approval from the Securities Commission Malaysia ("**SC**") being obtained and/or other relevant authorities or parties including such conditions as may be imposed by the SC, approval be and is hereby given to Dato' Yap Hoong Chai and his PACs to be exempted from the obligation to undertake a mandatory take-over offer to acquire all the remaining ordinary shares and warrants in LHB not already held by them upon completion of the Proposed STF Acquisition in accordance with paragraph 4.08(1)(a) of the Rules;

**AND THAT** the Board be and is hereby authorised to do all such acts and things, execute all such documents and to enter into all such transactions, arrangements and agreements as the Board deems necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposed Exemption; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposed Exemption."

**By Order of the Board**

**WONG YUET CHYN (MAICSA 7047163) (SSM PC 202008002451)**
**LEE WEE HEE (MAICSA 0773340) (SSM PC 201908004010)**
Company Secretaries

Kuala Lumpur
5 October 2021

***Notes:-***

1. *A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.*
2. *A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.*
3. *A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or fax to 03-6201 1120 or email to ir.layhong@shareworks.com.my not less than forty-eight (48) hours before the time appointed for holding this meeting or adjourned meeting at which the person named in such instrument proposes to vote.*
6. *An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 October 2021, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*
8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*

**LAY HONG BERHAD**
(Registration No. 198301011738 (107129-H))
(Incorporated in Malaysia)

| CDS ACCOUNT NO. | - - |
|---|---|
| NO. OF SHARES HELD | |

FORM OF PROXY

I/We ……………………………………………………………………………………………………………………………..
*(FULL NAME IN BLOCK LETTERS)*

(NRIC No./Passport No./Company Registration No..……………………………………………………………………..)

of ……………………………………………………………………………………………………………………………..
*(FULL ADDRESS)*

being a member/members of **LAY HONG BERHAD**, hereby appoint

| **Name of Proxy** | **NRIC No./Passport No.** | **% of Shareholding to be Represented** |
|---|---|---|
| **Address** | | |
| **Email Address** | **Contact No.** | |

and/or failing him/her

| **Name of Proxy** | **NRIC No./Passport No.** | **% of Shareholding to be Represented** |
|---|---|---|
| **Address** | | |
| **Email Address** | **Contact No.** | |

or failing him/her, the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company will be held on a fully virtual basis via the online meeting platform of Securities Services e-Portal at https://sshsb.net.my/ provided by SS E Solutions Sdn Bhd in Malaysia on **Thursday**, **28 October 2021** at **11.00 a.m.**, or any adjournment thereof.

| **ORDINARY RESOLUTIONS** | | **FOR** | **AGAINST** |
|---|---|---|---|
| 1. | Proposed STF Acquisition | | |
| 2. | Proposed Exemption | | |

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this ………… day of ………………………….. 2021.

…………………………………......
Signature(s) of member(s)

***Notes:-***

1. *A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.*
2. *A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.*
3. *A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or fax to 03-6201 1120 or email to ir.layhong@shareworks.com.my not less than forty-eight (48) hours before the time appointed for holding this meeting or adjourned meeting at which the person named in such instrument proposes to vote.*
6. *An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 October 2021, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*
8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*

Fold this flap for sealing

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AFFIX
STAMP

**THE COMPANY SECRETARIES**
**Lay Hong Berhad**
**Registration No. 198301011738 (107129-H)**
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

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