

PROSPECTUS



LEONG HUP INTERNATIONAL BERHAD

(Company No.: 1098663-D)
(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

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LEONG HUP INTERNATIONAL BERHAD



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(Company No.: 1098663-D)
(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

INITIAL PUBLIC OFFERING ("IPO") OF UP TO 937,500,000 ORDINARY SHARES IN LEONG HUP INTERNATIONAL BERHAD ("LHI") ("LHI SHARES") ("IPO SHARES") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE 3,650,000,000 LHI SHARES ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING AN OFFER FOR SALE OF UP TO 687,500,000 EXISTING LHI SHARES ("OFFER SHARES") AND A PUBLIC ISSUE OF 250,000,000 NEW SHARES ("ISSUE SHARES") INVOLVING:

- I) INSTITUTIONAL OFFERING OF UP TO 839,500,000 IPO SHARES TO MALAYSIAN AND FOREIGN INSTITUTIONAL AND SELECTED INVESTORS, INCLUDING BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY AT THE INSTITUTIONAL PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING ("INSTITUTIONAL PRICE"); AND
- II) RETAIL OFFERING OF 98,000,000 ISSUE SHARES TO THE DIRECTORS OF LHI, ELIGIBLE EMPLOYEES OF LHI AND ITS SUBSIDIARIES ("LHI GROUP"), PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE LHI GROUP AND THE MALAYSIAN PUBLIC, AT THE RETAIL PRICE OF RM1.10 PER IPO SHARE ("RETAIL PRICE"), PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO REFUND OF THE DIFFERENCE BETWEEN THE RETAIL PRICE AND THE FINAL RETAIL PRICE (AS DEFINED HEREIN THIS PROSPECTUS) IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AND THE OVER-ALLOTMENT OPTION (AS DEFINED HEREIN THIS PROSPECTUS), THE FINAL RETAIL PRICE WILL BE EQUAL TO THE LOWER OF:

- I) THE RETAIL PRICE OF RM1.10 PER IPO SHARE; OR
- II) THE INSTITUTIONAL PRICE

Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter and Joint Underwriter



Maybank Investment Bank Berhad (19939-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Global Coordinator and Joint Bookrunner

Joint Global Coordinator, Joint Bookrunner and Joint Underwriter



Credit Suisse Securities (Malaysia) Sdn Bhd
(Company No. 499609-H)
Credit Suisse (Singapore) Limited
(Company Registration No.: 197702363D)

Joint Bookrunners and Joint Underwriters (in alphabetical order)



RHB Investment Bank Berhad (19663-P)
(Company No.: 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriter



AmInvestment Bank Berhad (23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



Hong Leong Investment Bank Berhad (10209-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)



Kenanga Investment Bank Berhad
Company No. 15678-H
(A Participating Organisation of Bursa Malaysia Securities Berhad)

PROSPECTUS

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX MONTHS FROM THE DATE OF THIS PROSPECTUS.

THE SECURITIES COMMISSION MALAYSIA ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR THE OFFERING UNDER SECTION 214(1) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS THAT YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 56.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

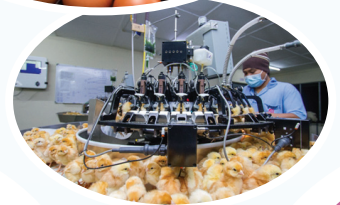
THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.



LEONG HUP INTERNATIONAL BERHAD



Our Brands :



**01
Feedmills**

LEONG HUP INTERNATIONAL BERHAD

One of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia



Livestock feed

Day old chicks

**02
Breeding farms**



03 Broiler chickens & layer chickens

04 Consumer food products



Broilers & layers

Food processing production



Fresh chickens & table eggs





LEONG HUP INTERNATIONAL BERHAD



All defined terms used in this Prospectus are defined under "Presentation of Financial and Other Information", "Definitions" and "Glossary of Technical Terms" commencing on pages viii, xii and xxv, respectively.

Our Directors, the Promoters and the Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Maybank IB, being the Principal Adviser, the Joint Global Coordinator and the Joint Bookrunner for the Institutional Offering and Managing Underwriter and Joint Underwriter for the Retail Offering in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

It is to be noted that the role of Credit Suisse in our IPO is limited to being Joint Global Coordinator and Joint Bookrunner for the Institutional Offering both within Malaysia and outside Malaysia. It does not have any role in, and disclaims any responsibility for, the Retail Offering in Malaysia.

It is to be noted that the role of RHB IB in our IPO is limited to being Joint Global Coordinator and Joint Bookrunner for the Institutional Offering both within Malaysia and outside Malaysia and a Joint Underwriter for the Retail Offering.

It is to be noted that the role of AmIB in our IPO is limited to being the Joint Bookrunner for the Institutional Offering within Malaysia and a Joint Underwriter in respect of the Retail Offering. It does not have any role in, and disclaims any responsibility for, the Institutional Offering outside Malaysia.

It is to be noted that the role of HLIB in our IPO is limited to being the Joint Bookrunner for the Institutional Offering within Malaysia and a Joint Underwriter in respect of the Retail Offering. It does not have any role in, and disclaims any responsibility for, the Institutional Offering outside Malaysia.

It is also to be noted that the role of Kenanga IB in our IPO is limited to being Joint Underwriter for the Retail Offering.

Our Company has obtained the approval of Bursa Securities for our Listing. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Form have also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Shares listed on Bursa Securities are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA is responsible.

You should not take the agreement by the Managing Underwriter and the Joint Underwriters named in this Prospectus to underwrite our Shares under the Retail Offering as an indication of the merits of our Shares being offered.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

This Prospectus is published solely in connection with our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, the Promoters, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, the Promoters, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters or any of their respective Directors, or any other persons involved in our IPO.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. Our Company, the Promoters, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters named in this Prospectus have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. No action has been taken to permit any offering of our Shares based on this Prospectus in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares offered under our IPO in certain other jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves and to observe, such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability whether or not any enquiry or investigation is made in connection to it.

It will be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject to the laws of Malaysia in connection to it.

However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It will be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither we nor the Promoters, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters nor any other advisers in relation to our IPO will accept any responsibility or liability in the event that any application made by you will become illegal, unenforceable, avoidable or void in any country or jurisdiction.

Our Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, or delivered within the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act), unless under an exemption from, or a transaction not subject to, the registration requirements under the U.S. Securities Act. Accordingly, our Shares are being offered and sold only outside the United States to persons in offshore transactions in reliance upon Regulation S under the U.S. Securities Act.

Our Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State Securities Commission in the U.S. or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of our IPO or confirmed the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the U.S.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

The internet is not a fully secure medium. Your Internet Share Application may be subject to risks of data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions. If you doubt the validity or integrity of the Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC will prevail.

In relation to any reference in this Prospectus to third-party internet sites ("**Third-Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

- (i) we do not endorse and are not affiliated in any way to the Third-Party Internet Sites. Accordingly, we are not responsible for the availability of or the content or any data, file or other material provided on the Third-Party Internet Sites. You bear all risks associated with the access to or use of the Third-Party Internet Sites;
- (ii) we are not responsible for the quality of products or services in the Third-Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third-Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance on any data, file or other material provided by the Third-Party Internet Sites; and
- (iii) any data, file or other material downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, file or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

- (a) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;
- (b) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and
- (c) the Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time and/or date
Opening of the Institutional Offering ⁽¹⁾	25 April 2019
Issuance of Prospectus/Opening of the Retail Offering	10:00 a.m., 25 April 2019
Closing of the Retail Offering	5:00 p.m., 3 May 2019
Closing of the Institutional Offering	3 May 2019
Price Determination Date	6 May 2019
Balloting of applications for our IPO Shares under the Retail Offering	7 May 2019
Allotment/Transfer of our IPO Shares to successful applicants	15 May 2019
Listing	16 May 2019

Note:

(1) *Other than the Institutional Offering to the Comerstone Investors. The Master Comerstone Placement Agreement for the acquisition of our IPO Shares by the Comerstone Investors was entered into on 22 April 2019.*

In the event there is any change to the timetable, we will advertise the notice of changes in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” or “LHI” are to Leong Hup International Berhad. All references to “LHI Group” or “our Group” are to our Company and our subsidiaries taken as a whole. All references to “we”, “us”, “our” and “ourselves” are to our Company and where the context otherwise requires, our Group.

All references to “Promoters” are to Emerging Glory, Lau Chia Nguang, Dato’ Lau Eng Guang, Tan Sri Lau Tuang Nguang, Lau Joo Hong, Lau Joo Keat, Lau Joo Han, Lau Jui Peng, Lau Joo Heng and Lau Joo Hwa; and “Promoter” shall refer to any one or more of them.

All references to “you” are to our prospective investors.

All references to “Government” are to the Government of Malaysia. Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding adjustments. Other abbreviations and acronyms used in this Prospectus are defined in the “Definitions” section and technical terms used in this Prospectus are defined in the “Glossary of Technical Terms” section. Words denoting the singular will, where applicable, include the plural and *vice versa* and words denoting the masculine gender will, where applicable, include the feminine and/or neuter genders and *vice versa*. Reference to persons will, where applicable, include companies and corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of the stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of the stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of the stock exchange for the time being in force.

Any reference to a date and time shall be a reference to a date and time in Malaysia, unless otherwise stated.

All references to the “LPD” in this Prospectus are to 31 March 2019, being the latest practicable date prior to the registration of this Prospectus with the SC.

The information on our website or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on those information for the purposes of your decision whether or not to invest in our Shares.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding the growth and performance of the industry in which we operate and our estimated market share in the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us or is extracted from the IMR Report as included in Section 8 of this Prospectus. We have appointed Frost & Sullivan to provide an independent market and industry review. In compiling their data for the review, Frost & Sullivan had relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot give any assurance that the projected figures will be achieved and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION *(Cont'd)*

EBITDA and the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the IFRS and MFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under the IFRS and MFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with the IFRS or MFRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, and hence, a direct comparison of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

We believe that EBITDA may facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expenses). EBITDA has been presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-IFRS and non-MFRS financial measures when reporting their results. Finally, EBITDA is presented as a supplemental measure of our ability to service debt. Nevertheless, EBITDA has limitations as an analytical tool, and prospective investors should not consider it in isolation from or as a substitute for analysis of our financial condition or results of operations, as reported under the IFRS and MFRS. Due to these limitations, EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of our business.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current view with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminologies such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions, and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) demand for our products and services and general industry environment;
- (ii) our strategies and competitive position;
- (iii) our future financial position, earnings, cash flows and liquidity;
- (iv) potential growth opportunities; and
- (v) regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, but are not limited to:

- (a) activities and financial position of our customers, suppliers and other business partners;
- (b) delay in supply of raw materials and shortages in labour;
- (c) interest rates, tax rates and foreign exchange rates;
- (d) future regulatory or government policy changes affecting us or the countries where we operate or may operate in the future;
- (e) delays or problems with the execution of our expansion plans;
- (f) competitive environment of the industry in which we operate;
- (g) reliance on licences, permits and approvals;
- (h) general economic, business, social, political and investment environment in Malaysia and other countries where we operate;
- (i) continued availability of capital and financing;
- (j) finance costs;
- (k) fixed or contingent obligations and commitments;
- (l) changes in accounting standards and policies; and
- (m) other factors beyond our control.

FORWARD-LOOKING STATEMENTS *(Cont'd)*

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus on "Risk Factors" and Section 12.2 of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

Should we become aware of any subsequent material change or development affecting matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Act	: Companies Act 2016 of Malaysia
ADA	: Authorised Depository Agent
Admission	: Admission of our Shares to the Official List of the Main Market of Bursa Securities
Affected Companies	: Collectively, LS Poultry, Lee Say, Hup Heng Poultry, Leong Hup Food, ES Food and Prestige Fortune (S)
Affinity APF IV	: Affinity Asia Pacific Fund IV L.P.
Affinity APF IV2	: Affinity Asia Pacific Fund IV (No.2) L.P.
Affinity EPS	: Affinity Equity Partners (S) Pte Ltd
AGM	: Annual general meeting
AmIB	: AmInvestment Bank Berhad
Application Form	: Application form for the application of our IPO Shares under the Retail Offering accompanying this Prospectus
ASEAN	: Association of Southeast Asian Nations
ATM	: Automated teller machine
Auditors or Reporting Accountants	: PricewaterhouseCoopers PLT
AVA	: Agri-Food and Veterinary Authority of Singapore (cease to exist with effect from 1 April 2019 where its food-related functions would come under SFA)
Aviagen	: Aviagen, Inc and its group of companies
Bagged Feed	: Feed packaged into bags
Baker's Cottage	: The Baker's Cottage Sdn Bhd
BNM	: Bank Negara Malaysia
Board	: Board of Directors of our Company
Bonus Shares	: LHI Shares issued pursuant to the Bonus Issue
Bonus Issue	: Bonus issue of 1,229,176,622 Bonus Shares which was wholly capitalised from the share premium of our Company

DEFINITIONS (Cont'd)

Bumiputera	: In the context of:
	(i) individuals, Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia;
	(ii) companies, companies which fulfil, among others, the following criteria or such other criteria as may be imposed by the MITI:
	(a) registered under the Act as a private company;
	(b) its shareholders are 100.0% Bumiputera; and
	(c) its board of directors (including its staff) are at least 51.0% Bumiputera; and
	(iii) cooperatives, cooperatives whose shareholders or cooperative members are at least 95.0% Bumiputera or such other criteria as may be imposed by the MITI
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
By-Laws	: By-laws governing the ESOS
CAGR	: Compound annual growth rate
Capex	: Capital expenditure
CCC	: Certificate of completion and compliance or such certificate by any other name issued by the relevant authority under the SDBA and any by-laws made under it or such relevant legislation applicable at the material time
CCCS	: Competition and Consumer Commission of Singapore
CCM	: Companies Commission of Malaysia
CDS	: Central Depository System
Clarinden Investments	: Clarinden Investments Pte Ltd
CMSA	: Capital Markets and Services Act 2007 of Malaysia
CNL&S	: CN Lau & Sons Sdn Bhd
CN Lau Holdings	: CN Lau Holdings Sdn Bhd
Cobb	: Cobb Vantress, Inc
Concordant Investments	: Concordant Investments Pte Ltd
Constitution	: Constitution of our Company
Cornerstone Investors	: Collectively, AIA Berhad, Employees Provident Fund Board, Factorial Master Fund, GuoLine (Singapore) Pte Ltd, Hong Leong Capital Berhad, Louis Dreyfus Company Asia Pte. Ltd., Maybank Asset Management Sdn Bhd, Ovata Capital Management Limited, RHB Asset Management Sdn Bhd and Tan Sri Datuk Seri Chua Ma Yu

DEFINITIONS *(Cont'd)*

CP	: Charoen Pokphand Group Co, Ltd
CP Foods	: Charoen Pokphand Foods Public Company Limited
CP Indo	: PT Charoen Pokphand Indonesia Tbk
CPS	: Central packing station
Credit Suisse	: Collectively, Credit Suisse Securities (Malaysia) Sdn Bhd and Credit Suisse (Singapore) Limited
CSR	: Corporate Social Responsibility
CWL&S	: CW Lau & Sons Sdn Bhd
DENR	: Department of Environment and Natural Resources in the Philippines
Directors	: Directors of our Company
DGT	: Directorate General of Taxes of Indonesia
DOE	: Department of Environment of Malaysia
DOSH	: Department of Occupational Safety and Health of Malaysia
Duck Production	: Import of PS DOD and production of DOD and Broiler duck
DVS	: Department of Veterinary Services of Malaysia
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
ECC	: Environmental Compliance Certificate issued by the EMB of the DENR
Electronic Prospectus	: Copy of this Prospectus that is issued, circulated or disseminated via the internet, and/or an electronic storage medium including, but not limited to CD-ROMs (Compact Disc – Read Only Memory) or floppy disks
Electronic Share Application	: Application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATM
Eligible Persons	: Collectively, Directors and employees of our Group and persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering
EMB	: Environmental Management Bureau of the Philippines
Emerging Glory	: Emerging Glory Sdn Bhd
Emivest	: Emivest Sdn Bhd (formerly known as Emivest Berhad)
EPS	: Earnings per share
Executive Director	: Executive director of our Company
Equity Guidelines	: Equity Guidelines issued by the SC
ESOS	: Employee's share option scheme

DEFINITIONS (Cont'd)

ESOS Options	: Right of a Grantee to subscribe for new LHI Shares pursuant to the contract constituted by the acceptance of an offer made in accordance with the terms and conditions of the offer and the By-Laws
ERP	: Enterprise Resource Planning
EU	: European Union
F&B	: Food and beverage
FAO	: Food and Agriculture Organisation
Feedmill Business	: The formulation, production and sale of livestock feed for a variety of livestock
Festive Season Price Controlled Scheme	: The festive season price control scheme which was implemented since 2000 under the PCAPA
Final Retail Price	: Final price per Issue Share to be paid by the investors under the Retail Offering, equivalent to the Retail Price or the Institutional Price, whichever is lower, to be determined on the Price Determination Date
Founding Family	: Collectively, the two co-founders of the business and undertakings of LHI group of companies namely the late Dato' Lau Chong Wang and late Dato' Lau Bong Wong, as well as Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Lau Joo Hong, Lau Joo Keat, Lau Joo Han, Lau Jui Peng, Lau Joo Heng, Lau Joo Hwa and/or such other family member, where applicable
FPE	: Ten-month financial period ended or where the context otherwise requires, ten-month financial period ending
Frost & Sullivan or IMR	: Frost & Sullivan GIC Malaysia Sdn Bhd, an independent market consultant
FSMS	: Food safety management system
FYE	: Financial year ended or where the context otherwise requires, financial year ending
GDP	: Gross Domestic Product
GR 36/2005	: Government Regulation of the Republic of Indonesia Number 36 of 2005 on the Implementation Regulation to Law Number 28 of 2002 on Building
Grantee(s)	: An eligible Director or eligible employee of our Group who has accepted the offer in accordance with the terms and conditions of the offer and the By-Laws
GSO	: General Statistics Office of Vietnam
GST	: Goods and services tax
HACCP	: Food Safety Management System – Hazard Analysis Critical Control Point
HLIB	: Hong Leong Investment Bank Berhad
HNL&S	: HN Lau & Sons Sdn Bhd
HSE	: Health, safety and environmental

DEFINITIONS *(Cont'd)*

IDT	:	Issue document of title
IMB	:	Building permit (Izin Mendirikan Bangunan) issued by the relevant authorities in Indonesia
IMF	:	International Monetary Fund
IFRS	:	International Financial Reporting Standards
IMR Report	:	Independent market research report dated 10 April 2019 prepared by Frost & Sullivan
Initial Public Offering or IPO	:	Collectively, the Offer for Sale and the Public Issue
Institutional Offering	:	Offering of up to 839,500,000 IPO Shares at the Institutional Price, subject to the clawback and reallocation provisions and the Over-allotment Option, to the following: <ul style="list-style-type: none"> (i) Malaysian institutional and selected investors, including Bumiputera investors approved by the MITI; and (ii) foreign institutional and selected investors outside the United States in reliance on Regulation S
Institutional Price	:	Price per IPO Share to be paid by investors under the Institutional Offering which will be determined on the Price Determination Date by way of bookbuilding
Internet Participating Financial Institution	:	A participating financial institution for the Internet Share Application
Internet Share Application	:	Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
IPO Shares	:	Collectively, the Offer Shares and the Issue Shares
ISO	:	International Organisation for Standardisation
Issue Shares	:	New Shares to be issued by our Company under the Public Issue
Issuing House	:	Tricor Investor & Issuing House Services Sdn Bhd
JAKIM	:	Jabatan Kemajuan Islam Malaysia
Japfa	:	Japfa Limited
Joint Bookrunners	:	Collectively, Maybank IB, Credit Suisse, RHB IB, AmIB and HLIB
Joint Global Coordinators	:	Collectively, Maybank IB, Credit Suisse and RHB IB
Joint Underwriters	:	Collectively, Maybank IB, RHB IB, AmIB, HLIB and Kenanga IB
Jordon	:	Jordon International Food Processing Pte Ltd
Kenanga IB	:	Kenanga Investment Bank Berhad
KLSE	:	Kuala Lumpur Stock Exchange (currently known as Bursa Securities)

DEFINITIONS (Cont'd)

KM	:	Planning permission (Kebenaran Merancang)
KMT	:	Temporary planning permission (Kebenaran Merancang Terhad)
KPFB	:	Koperasi Permodalan Felda Malaysia Berhad
KPPU	:	Commission for the Supervision of Business Competition of Indonesia (Komisi Pengawas Persaingan Usaha)
LH Holdings	:	Leong Hup Holdings Sdn Bhd (formerly known as Leong Hup Holdings Berhad)
LH Jayaindo	:	PT Leong Hup Jayaindo
LHI or Company	:	Leong Hup International Berhad
LHI Group or Group	:	Collectively, LHI and its subsidiaries
LHI Shares or Shares	:	Ordinary shares in the share capital of our Company
LH Trademark	:	The trademark of LH Holdings as described in Section 7.22 of this Prospectus
Listing	:	Listing of and quotation for the entire enlarged issued share capital of our Company on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Livestock Business	:	The rearing of DOCs in order to produce PS DOCs and Broiler DOCs for internal use and external sale, and the rearing and sale of Broiler chicken, the rearing of PS Layer DOCs in order to produce Layer DOCs, and the rearing of Layer in order to produce eggs, the rearing of PS DODs in order to produce Broiler DODs, and the rearing and sale of broiler duck, and the distribution of fresh and processed downstream consumer food products
LPD	:	31 March 2019, being the latest practicable date prior to the registration of this Prospectus with the SC
LS Poultry	:	Lee Say Poultry Industrial, a registered sole proprietorship in Singapore owned by Lee Say
Malaysian Public	:	Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
Malindo Group	:	Collectively, Malindo Feedmill and its subsidiaries
Managing Underwriter	:	Maybank IB
Master Cornerstone Placement Agreement	:	The cornerstone placement agreement dated 22 April 2019 entered into between our Company, Selling Shareholders, the Joint Global Coordinators and each of the Cornerstone Investors as detailed in Section 14.5.7 of this Prospectus
Market Day	:	A day on which Bursa Securities is open for trading in securities
Maybank	:	Malayan Banking Berhad

DEFINITIONS *(Cont'd)*

Maybank IB	: Maybank Investment Bank Berhad
MCCG	: Malaysian Code on Corporate Governance which came into effect on 26 April 2017
MDTCA	: Ministry of Domestic Trade and Consumer Affairs of Malaysia
MFRS	: Malaysian Financial Reporting Standards
MITI	: Ministry of International Trade and Industry of Malaysia
MOA	: Ministry of Agriculture and Agro-based Industry of Malaysia
MOH	: Ministry of Health of Malaysia
Muar Regent	: Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd)
MUIS	: Islamic Religious Council of Singapore (Majlis Ugama Islam Singapura)
N/A	: Not applicable
NA	: Net assets/ equity attributable to owners of the parent
NBV	: Net book value
N.E.C.	: Not elsewhere classified
NEA	: National Environment Agency of Singapore
OECD	: Organisation for Economic Co-operation and Development
Offer for Sale	: Offer for sale of up to 687,500,000 Offer Shares by the Selling Shareholders
Offer Shares	: Existing LHI Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
Official List	: A list specifying all securities listed on Bursa Securities
OSS Regulation	: Government Regulation No. 24 Year 2018 regarding Online Single Submission Service
Over-allotment Option	: The over-allotment option granted by the Over-allotment Option Providers to the Stabilising Manager (on behalf of the Placement Managers)
Over-allotment Option Providers	: Collectively, CN Lau Holdings, Dato' Lau Eng Guang, TN Lau Holdings, Lau Joo Hong, Lau Joo Han, Lau Jui Peng, Lau Joo Heng, HNL&S and Clarinden Investments
Participating Financial Institution	: A participating financial institution for the Electronic Share Application
PAT	: Profit after taxation
PATAMI	: Profit after taxation and minority interests
PBAC	: Perfect Breeding and Aquatic Corporation

DEFINITIONS (Cont'd)

PBT	:	Profit before taxation
PB multiple	:	Price-to-book multiple
PCAPA	:	Price Control and Anti-Profitteering Act 2011 of Malaysia
PE multiple	:	Price-to-earnings multiple
Phil Malay	:	Phil Malay Poultry Breeders Inc
Pink Form Allocations	:	The allocation of 25,000,000 Issue Shares to Eligible Person pursuant to the Public Issue
Placement Agreement	:	The placement agreement to be entered into by our Company, the Selling Shareholders and Placement Managers in respect of such number of IPO Shares to be offered under the Institutional Offering
Placement Managers	:	Collectively, Maybank IB, Credit Suisse, RHB IB, AmIB and HLIB
Pre-IPO Exercise	:	Collectively, the Bonus Issue and the Share Split
Price Determination Date	:	The date on which the Institutional Price and Final Retail Price will be determined
Price-controlled goods	:	Goods which the MDTCA is empowered under the PCAPA to determine maximum, minimum or fixed prices
Promoters	:	Collectively, Emerging Glory, Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Lau Joo Hong, Lau Joo Keat, Lau Joo Han, Lau Jui Peng, Lau Joo Heng and Lau Joo Hwa; and " Promoter " shall refer to any one or more of them
Principal Adviser	:	Maybank IB
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
PSA	:	Philippine Statistics Authority
Public Issue	:	Public issue of 250,000,000 Issue Shares by our Company
QL	:	QL Resources Berhad
QMS	:	Quality management system
QSR	:	Quick-service restaurants
Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Regulation S	:	Regulation S under the U.S. Securities Act
Retail Offering	:	Offering of 98,000,000 Issue Shares at the Retail Price, subject to the clawback and reallocation provisions, to be allocated to the following: <ul style="list-style-type: none"> (i) 25,000,000 Issue Shares reserved for application by the Eligible Persons; and (ii) 73,000,000 Issue Shares for application by the Malaysian Public, via balloting

DEFINITIONS (Cont'd)

Retail Price	: Initial price of RM1.10 per IPO Share to be fully paid upon application under the Retail Offering, subject to adjustment as detailed in Section 4.4.1 of this Prospectus
Retail Underwriting Agreement	: Retail underwriting agreement dated 12 April 2019 between our Company, the Selling Shareholders, the Managing Underwriter and the Joint Underwriters for the underwriting of our Issue Shares under the Retail Offering
RHB	: RHB Bank Berhad
RHB IB	: RHB Investment Bank Berhad
Rules of Bursa Depository	: The rules of Bursa Depository as issued under the SICDA
SC	: Securities Commission Malaysia
SDBA	: Street, Drainage and Building Act 1974 of Malaysia
Selling Shareholders	: Collectively, CN Lau Holdings, Dato' Lau Eng Guang, TN Lau Holdings, Lau Joo Hong, Lau Joo Han, Lau Jui Peng, Lau Joo Heng, HNL&S and Clarinden Investments
SFA	Singapore Food Agency
Share Lending Agreement	: The agreement to be entered into by the Over-allotment Option Providers and the Stabilising Manager under which the Over-allotment Option Providers will lend our Shares to the Stabilising Manager to cover over-allotments, if any, under the Over-allotment Option
Share Registrar	: Tricor Investor & Issuing House Services Sdn Bhd
Share Split	: Share split involving the subdivision of our 1,230,131,992 Shares after the Bonus Issue into 3,400,000,000 Shares
SICDA	: Securities Industry (Central Depositories) Act, 1991
Singapore Competition Act	: Competition Act, Chapter 50B of Singapore
SLF	: Certificate of feasible function (Sertifikat Laik Fungsi) or such certificate by any other name issued by the relevant authority under the GR 36/2005 and any by-laws made under it or such relevant legislation applicable at the material time
Stabilising Manager	: Maybank IB
TBP	: Temporary building permit
Teo Seng Group	: Collectively, Teo Seng and its subsidiaries
Teratai Malaysia	: Teratai Agriculture Sdn Bhd
Thaifoods Group	: Thaifoods Group Public Company Limited
TM Licence Agreement	: Trademark licence agreement dated 1 August 2018 between LH Holdings and our Company

DEFINITIONS (Cont'd)

TN Lau Holdings	: TN Lau Holdings Sdn Bhd
UK	: United Kingdom
UKL/UPL	: Upaya Pengelolaan Lingkungan (Environmental Management Efforts)/ Upaya Pemantauan Lingkungan (Environmental Monitoring Efforts) of Indonesia
UN	: United Nations
USDA	: United States Department of Agriculture
US GAAP	: US Generally Accepted Accounting Principles
U.S. or United States	: United States of America, its territories and possessions, any state of the United States and the District of Columbia
U.S. Securities Act	: United States Securities Act of 1933
VAT	: Value-added tax
VWAMP	: Volume-weighted average market price

Currencies

IDR	: Indonesian Rupiah, the lawful currency of the Republic of Indonesia
KHR	: Cambodian Riel, the lawful currency of Cambodia
PHP	: Philippine Peso, the lawful currency of Philippines
RM and sen	: Ringgit Malaysia and sen, the lawful currency of Malaysia
SGD/S\$: Singapore Dollar, the lawful currency of Singapore
USD/US\$: United States Dollar, the lawful currency of the United States
VND	: Vietnam Dong, the lawful currency of Vietnam

Subsidiaries

A1FC	: Ayam A1 Food Corporation Sdn Bhd
A1FP	: Ayam A1 Food Processing Sdn Bhd
Advantage Valuations	: Advantage Valuations Sdn Bhd
Ayam Prima	: PT Ayam Prima Esa
Baker's Cottage Restaurant	: The Baker's Cottage Restaurant Sdn Bhd
Beaming Agrotrade	: Beaming Agrotrade Sdn Bhd
BH Fresh Food	: BH Fresh Food Pte Ltd
Bibit Indonesia	: PT Bibit Indonesia

DEFINITIONS (Cont'd)

B-Tech	:	B-Tech Aquaculture Sdn Bhd
Dragon Amity	:	Dragon Amity Pte Ltd
Emivest Feedmill (TG)	:	Emivest Feedmill (TG) Vietnam Limited Liability Company (Công Ty TNHH Emivest Feedmill (TG) Việt Nam)
Emivest Feedmill Vietnam	:	Emivest Feedmill Vietnam Company Ltd (Công Ty TNHH Emivest Feedmill Việt Nam)
ES Food	:	ES Food International Pte Ltd
Ex Treasures Farm Excel	:	Exclusive Treasures Sdn Bhd Farm Excel Distribution Sdn Bhd
FE Venture	:	F.E Venture Sdn Bhd
Great Egg	:	Great Egg Industries Sdn Bhd
Golden Egg	:	Golden Egg Sdn Bhd
Goldkist Breeding	:	Goldkist Breeding Farms Sdn Bhd
Heng Kai Hock	:	Heng Kai Hock Farm Sdn Bhd
Hup Heng Poultry	:	Hup Heng Poultry Industries Pte Ltd
Ideal Multifeed	:	Ideal Multifeed (Malaysia) Sdn Bhd
Jaco Nutrimix	:	Jaco Nutrimix Sdn Bhd
JB Kim	:	J.B. Kim Farm Sdn Bhd
Kayangan Runding	:	Kayangan Runding Sdn Bhd
Kendo Trading	:	Kendo Trading Pte Ltd
Laboratorios Reveex	:	Laboratorios Reveex (Asia) Sdn Bhd
Ladang Ternakan	:	Ladang Ternakan Maju Sdn Bhd
Laskar Fertiliser	:	Laskar Fertiliser Sdn Bhd
Lee Say	:	Lee Say Group Pte Ltd
Leong Ayamsatu	:	PT Leong Ayamsatu Primadona
Leong Hup Cambodia	:	Leong Hup (Cambodia) Limited
Leong Hup Distribution	:	Leong Hup Distribution Pte Ltd
Leong Hup Feedmill	:	Leong Hup Feedmill Sdn Bhd
Leong Hup Feedmill Vietnam	:	Leong Hup Feedmill Vietnam Limited Liability Company (Công Ty TNHH Leong Hup Feedmill Việt Nam)
Leong Hup Food	:	Leong Hup Food Pte Ltd (formerly known as KSB Distribution Pte Ltd)

DEFINITIONS (Cont'd)

LH Agrobusiness	:	Leong Hup Agrobusiness Sdn Bhd
LH Agriculture	:	Leong Hup Agriculture (Desaru) Sdn Bhd
LH Aquaculture	:	Leong Hup Aquaculture Sdn Bhd
LH Broiler Farm	:	Leong Hup Broiler Farm Sdn Bhd
LH Corporate Services	:	Leong Hup Corporate Services Sdn Bhd
LH Feedmill Malaysia	:	Leong Hup Feedmill Malaysia Sdn Bhd
Leong Hup GPS	:	Leong Hup (G.P.S.) Farm Sdn Bhd
LH Malaysia	:	Leong Hup (Malaysia) Sdn Bhd
LH Poultry Farm	:	Leong Hup Poultry Farm Sdn Bhd
LH Poultry Farm (Sabah)	:	Leong Hup Poultry Farm (Sabah) Sdn Bhd
LHPhi	:	Leong Hup (Philippines), Inc
LH Ruminant	:	Leong Hup Ruminant Farm Sdn Bhd
LHSg	:	Leong Hup Singapore Pte Ltd
Liberal Energy	:	Liberal Energy Sdn Bhd
LS Breeding	:	Lee Say Breeding Farm Sdn Bhd
LS Food	:	Lee Say Food Holdings Pte Ltd
Malindo Feedmill	:	PT Malindo Feedmill Tbk
Malindo Food Delight	:	PT Malindo Food Delight
Mantap Untung	:	Mantap Untung Sdn Bhd
Mighty Farms	:	Mighty Farms Sdn Bhd
Mitra Bebek	:	PT Mitra Bebek Persada
My-Kando	:	My-Kando Food Industries Sdn Bhd
New Soon Teng	:	New Soon Teng Poultry Sdn Bhd
Pioneer Prosperity	:	Pioneer Prosperity Sdn Bhd
Premium Egg	:	Premium Egg Products Pte Ltd
Prestige Fortune	:	Prestige Fortune Sdn Bhd
Prestige Fortune (S)	:	Prestige Fortune (S) Pte Ltd
Prima Anjung	:	Prima Anjung Sdn Bhd
Prima Fajar	:	PT Prima Fajar

DEFINITIONS (Cont'd)

Quality Indonesia	:	PT Quality Indonesia
Rising Momentum	:	Rising Momentum Sdn Bhd
Ritma Premier	:	Ritma Premier Pte Ltd
Ritma Prestasi	:	Ritma Prestasi Sdn Bhd
Safa Gourmet	:	Safa Gourmet Food Pte Ltd
Soonly Food	:	Soonly Food Processing Industries Pte Ltd
Sri Medan Duck Farm	:	Sri Medan Duck Farm Sdn Bhd
Success Century	:	Success Century Sdn Bhd
Sweet Vista	:	Sweet Vista Sdn Bhd
Tasty Meat	:	Tasty Meat Products Pte Ltd
Teo Seng	:	Teo Seng Capital Berhad
Teo Seng Farming	:	Teo Seng Farming Sdn Bhd
Teo Seng Feedmill	:	Teo Seng Feedmill Sdn Bhd
Teo Seng Paper	:	Teo Seng Paper Products Sdn Bhd
Ternakan Emas	:	Ternakan Emas Sdn Bhd
United Global	:	United Global Resources Limited
Wang Xiang Shun	:	Wang Xiang Shun Food Industry Pte Ltd

Associates

Greatmammoth	:	Greatmammoth Properties Inc
Indahgrains	:	Indahgrains Logistics Sdn Bhd

GLOSSARY OF TECHNICAL TERMS

Broiler	:	Poultry that is bred and raised specifically for meat production
Broiler Farm	:	A farm where Broilers are bred and raised
Breeder	:	Poultry that is bred and raised specifically for breeding purposes
Breeder Farm	:	A farm where Breeder are bred and raised
Bulk Feed	:	Feed transferred to bulk bins
Chicken Production	:	The production of PS DOC, Broiler DOC and Broiler chicken, the slaughtering of Broiler chicken and further food processing
CHS	:	Closed-house system, a process of raising domesticated birds, which are bred and raised in a confined environment for the purpose of farming meat or eggs for food
Cost price index	:	A measure that examines the weighted average of prices of a group of consumer goods and services
DOC	:	Day old chick, which refers to a newly-hatched chick
DOD	:	Day old duckling, which refers to newly-hatched duck
Duck Production	:	The production of PS DOD, Broiler DOD and broiler ducks, the slaughtering of broiler ducks and further food processing
Egg Production	:	The production of Layer DOCs and table egg
FCR	:	Feed Conversion Ratio, which refers to the amount of feed required to produce one kg of weight
FPP	:	Food processing production
Free-range poultry farming	:	A method of farming husbandry where the animals, for at least part of the day, can roam freely outdoors, rather than being confined in an enclosure for 24 hours each day
GDP	:	Gross domestic product
GMP	:	Good Management Practice
GPS	:	Grandparent stock, which is a poultry bird, produced from the progeny of the pedigree stock, and is used for the production of PS
GPS DOC	:	Grandparent stock day old chick, which is a newly-hatched chick, produced from the progeny of the pedigree stock, and is used for the production of PS
Hatchery	:	An installation or building in which the hatching of poultry eggs is controlled for commercial purposes
H5N1	:	A type of influenza virus that causes a severe respiratory disease mainly in birds
Integrated poultry producer	:	Company involves in the entire value chain for the production of poultry, covering both poultry feed and poultry farming
Layer	:	Poultry that is bred and raised specifically for egg production

GLOSSARY OF TECHNICAL TERMS (Cont'd)

kg	:	Kilogram, a unit of a mass equal to 1,000 grams (2.205 pounds)
kW	:	Kilo watt, is a unit of energy
MT	:	Metric tonnes, a unit of a mass equal to 1,000 kg (2,205 pounds)
Pellet	:	A metal storage container that can hold 1,000 kg (or one metric ton) of frozen food;
Poultry feed	:	Production of feed for the purpose of poultry farming
Poultry farming	:	Process of raising livestock for the purpose of meat and eggs
Protectionist policy	:	An economic policy of restricting imports from other countries through methods such as tariffs on imported goods, import quotas, and a variety of other government regulations.
PPP	:	Purchasing power parity, which is an economic theory that assumes exchange rates between currencies are in equilibrium when their purchasing power is the same in each of the two countries
PS	:	Parent stock, which is a poultry bird, produced from the progeny of the GPS and is used for purpose of systematic breeding
PS DOC	:	Parent stock day old chick, which is a group of newly-hatched chicks, produced from the progeny of the GPS and is used for purpose of the reproduction of either Broiler or Layer
PS DOD	:	Parent stock day old duckling, which is a group of newly-hatched duckling, produced from the progeny of the GPS and is used for purpose of the reproduction of broiler ducks
RTC	:	Ready to cook, which refers to food that is processed and/or prepared to be ready to cook with minimal effort
RTE	:	Ready to eat, which refers to food that is in an edible form without requiring additional preparation
sq ft	:	Square feet, the area of a square whose sides measure exactly 1 feet
sq m	:	Square metre, the area of a square whose sides measure exactly 1 metre
Vertical integration	:	The combination in one firm of two or more stages of production normally operated by separate firms

EXCHANGE RATES

The exchange rates as set out below are applied in this Prospectus unless specified otherwise:

	FYE 31 December			FPE 31 October		As at LPD
	2015	2016	2017	2017	2018	
RM to VND 1						
Average rate	0.0001784	0.0001850	0.0001882	0.0001901	0.0001743	0.0001759
Closing rate	0.0001909	0.0001970	0.0001782	0.0001863	0.0001792	0.0001761
RM to USD 1						
Average rate	3.9343000	4.1457000	4.2786000	4.3209000	4.0116000	4.0813000
Closing rate	4.2935000	4.4860000	4.0475000	4.2310000	4.1840000	4.0850000
RM to IDR 1						
Average rate	0.0002923	0.0003109	0.0003193	0.0003232	0.0002821	0.0002897
Closing rate	0.0003115	0.0003330	0.0002980	0.0003120	0.0002750	0.0002870
RM to SGD 1						
Average rate	2.8538000	2.9965000	3.1122080	3.1288000	2.9817000	3.0231000
Closing rate	3.0395000	3.1006000	3.0293000	3.1077000	3.0208000	3.0142000
RM to PHP 1						
Average rate	0.0863000	0.0869000	0.0848800	0.0856000	0.0761000	0.0783000
Closing rate	0.0915000	0.0904000	0.0811830	0.0821000	0.0784000	0.0777210

Note:

The average rate is used for the translation of income and expense items in the statement of comprehensive income in the consolidated financial statements of our Company, and the closing rate is used for the translation of assets and liabilities in the statement of financial position in the consolidated financial statements of our Company.

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Nationality	Address
Lau Chia Nguang	Non-Independent Executive Chairman/ President Commissioner of Malindo Feedmill	Malaysian	No. 28, Jalan Simpoh, Country Height, Damansara, 60000 Kuala Lumpur
Dato' Lau Eng Guang	Non-Independent Executive Director/ Group Business Strategist	Malaysian	12B, Bangsar Hill, No. 26, Jalan Medang Serai, Bukit Bandaraya, 59100 Kuala Lumpur
Tan Sri Lau Tuang Nguang	Non-Independent Executive Director/ Group Chief Executive Officer/ President Director of Malindo Feedmill	Malaysian	No. 6, Jalan Keranji 2, Off Jalan Kedondong, Ampang Hilir, 55000 Kuala Lumpur
Lau Joo Hong	Non-Independent Executive Director/ Chief Executive Officer of our Group's Vietnam operations	Malaysian	No. 50, Jalan Majidi, 84000 Muar, Johor
Lau Joo Han	Non-Independent Executive Director/ Chief Executive Officer of our Group's Malaysia operations	Malaysian	No. 31, Jalan TR 8/3, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor
Lau Joo Keat	Non-Independent Executive Director/ Country Head of our Group's Indonesian operations	Malaysian	No. 10, Jalan SS1/15, Kampung Tunku, 47300 Petaling Jaya, Selangor
Benny Lim Jew Fong	Non-Independent Non-Executive Director	Singaporean	No. 472, 1/128B, Taman Kuchai Jaya, 58200 Kuala Lumpur
Datin Paduka Rashidah Binti Ramli	Independent Non-Executive Director	Malaysian	No. 11, Lorong Raja Uda 2, Kampung Baru, 50300 Kuala Lumpur
Mahani Binti Amat	Independent Non-Executive Director	Malaysian	A25-03 Suasana Sentral Loft, Jalan Stesen Sentral 5, 50470 Kuala Lumpur
Chu Nyet Kim	Independent Non-Executive Director	Malaysian	No. 9, Jalan PJS 9/1F, Bandar Sunway, 46150 Petaling Jaya, Selangor

1. CORPORATE DIRECTORY (Cont'd)

Name	Designation	Nationality	Address
Goh Wen Ling	Independent Non-Executive Director	Malaysian	258-1, Klebang Kecil, 75200 Melaka
Low Han Kee	Senior Independent Non-Executive Director	Malaysian	A17-03A, Sunway Palazzio, 1, Jalan Sri Hartamas 3, 50480 Kuala Lumpur
Tay Tong Poh	Independent Non-Executive Director	Malaysian	No. 27 Hua Guan Avenue, Singapore 589123
Tee Yock Siong	Alternate Director to Benny Lim Jew Fong	Singaporean	No. 509, West Coast Drive, #12-295, Singapore 120509

AUDIT AND RISK COMMITTEE

Name	Designation	Directorship
Low Han Kee	Chairman	Senior Independent Non-Executive Director
Chu Nyet Kim	Member	Independent Non-Executive Director
Goh Wen Ling	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Tay Tong Poh	Chairman	Independent Non-Executive Director
Mahani Binti Amat	Member	Independent Non-Executive Director
Benny Lim Jew Fong	Member	Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Goh Wen Ling	Chairman	Independent Non-Executive Director
Datin Paduka Rashidah Binti Ramli	Member	Independent Non-Executive Director
Low Han Kee	Member	Senior Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)**COMPANY SECRETARIES**

: Tan Lai Kai
No. 45, Jalan Desa Resident 2,
Levenue, Desa Parkcity,
52200 Kuala Lumpur

Professional qualification: Malaysian Institute of Accountants
("MIA")
(MIA membership no.: MIA 41018)

Lum Sow Wai
No. 20, Lorong Tiong Nam 3,
Off Jalan Raja Laut,
50250 Kuala Lumpur

Professional qualification: The Malaysian Institute of
Chartered Secretaries and Administrators ("MAICSA")
(MAICSA membership no.: MAICSA 7028519)

Lim Hooi Mooi
No. 28, Jalan 20/7,
46300 Petaling Jaya,
Selangor

Professional qualification: MAICSA
(MAICSA membership no.: MAICSA 0799764)

Rebecca Kong Say Tsui
No. 26, Jalan Puteri 11/8,
Bandar Puteri Puchong,
47100 Puchong,
Selangor

Professional qualification: MAICSA
(MAICSA membership no.: MAICSA 7039304)

REGISTERED OFFICE

: Unit 30-01, Level 30, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel. no.: +603 2783 9191

HEAD/MANAGEMENT OFFICE

: Lot 3.05, 3rd Floor,
Wisma Westcourt,
126, Jalan Kelang Lama,
58000 Kuala Lumpur
Tel. no.: +603 7980 8086 / +603 7980 3817
Website: www.leonghupinternational.com
E-mail: info@lhhb.com

1. CORPORATE DIRECTORY (Cont'd)

- SELLING SHAREHOLDERS** :
- CN Lau Holdings Sdn Bhd
Ground Floor, Wisma Westcourt,
126, Jalan Kelang Lama,
58000 Kuala Lumpur

 - Dato' Lau Eng Guang
12B, Bangsar Hill,
No. 26, Jalan Medang Serai,
Bukit Bandaraya,
59100 Kuala Lumpur

 - TN Lau Holdings Sdn Bhd
Lot 2.05, 2nd Floor,
Wisma Westcourt,
126, Jalan Kelang Lama,
58000 Kuala Lumpur

 - Lau Joo Hong
No. 50, Jalan Majidi,
84000 Muar,
Johor

 - Lau Joo Han
No. 31, Jalan TR 8/3,
Tropicana Golf & Country Resort,
47410 Petaling Jaya,
Selangor

 - Lau Jui Peng
No. 50, Jalan Majidi,
84000 Muar,
Johor

 - Lau Joo Heng
No. 50, Jalan Majidi,
84000 Muar,
Johor

 - HN Lau & Sons Sdn Bhd
Lot 2.08, 2nd Floor,
Wisma Westcourt,
126, Jalan Kelang Lama,
58000 Kuala Lumpur

 - Clarinden Investments Pte Ltd
8 Temasek Boulevard,
#28-03, Suntec Tower Three,
Singapore 038988
Tel. no.: +65 6238 2260

1. CORPORATE DIRECTORY (Cont'd)

- AUDITORS AND REPORTING ACCOUNTANTS** : PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF1146)
Chartered Accountants
Level 10, 1 Sentral,
Jalan Rakyat,
Kuala Lumpur Sentral,
P O Box10192,
50706 Kuala Lumpur
Tel. no.: +603 2173 1188
Partner-in-charge: Shirley Goh

Professional qualification: Member of Malaysian Institute of
Certified Public Accountants and MIA
(MIA membership no.: 4487)
- PRINCIPAL ADVISER AND MANAGING UNDERWRITER** : Maybank Investment Bank Berhad
32nd Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur
Tel. no.: +603 2059 1888
- JOINT GLOBAL COORDINATORS** : Credit Suisse Securities (Malaysia) Sdn Bhd
(in alphabetical order)
Suite 7.6, Level 7, Menara IMC,
8 Jalan Sultan Ismail,
50250 Kuala Lumpur
Tel. no.: +603 2723 2020

Credit Suisse (Singapore) Limited
1 Raffles Link,
#03/#04-01 South Lobby,
Singapore 039393
Tel. no.: +65 6212 2000

Maybank Investment Bank Berhad
32nd Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur
Tel. no.: +603 2059 1888

RHB Investment Bank Berhad
Level 10, Tower One,
RHB Centre,
Jalan Tun Razak,
50400 Kuala Lumpur
Tel. no.: +603 9287 3888

1. CORPORATE DIRECTORY (Cont'd)

JOINT BOOKRUNNERS *(in alphabetical order)*

- : AmInvestment Bank Berhad,
22nd Floor, Bangunan Ambank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel. no.: +603 2036 2633
- Credit Suisse Securities (Malaysia) Sdn Bhd
Suite 7.6, Level 7, Menara IMC,
8 Jalan Sultan Ismail,
50250 Kuala Lumpur
Tel. no.: +603 2723 2020
- Credit Suisse (Singapore) Limited
1 Raffles Link,
#03/#04-01 South Lobby,
Singapore 039393
Tel. no.: +65 6212 2000
- Hong Leong Investment Bank Berhad
Level 28, Menara Hong Leong,
No. 6, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur, Malaysia
Tel. no.: +603 2083 1800
- Maybank Investment Bank Berhad
32nd Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur
Tel. no.: +603 2059 1888
- RHB Investment Bank Berhad
Level 10, Tower One,
RHB Centre,
Jalan Tun Razak,
50400 Kuala Lumpur
Tel. no.: +603 9287 3888

JOINT UNDERWRITERS *(in alphabetical order)*

- : AmInvestment Bank Berhad,
22nd Floor, Bangunan Ambank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel. no.: +603 2036 2633
- Hong Leong Investment Bank Berhad
Level 28, Menara Hong Leong,
No. 6, Jalan Damanlela, Bukit Damansara,
50490 Kuala Lumpur
Tel. no.: +603 2083 1800
- Kenanga Investment Bank Berhad
Level 17, Kenanga Tower,
237, Jalan Tun Razak
50400 Kuala Lumpur
Tel. no.: +603 2172 2888
- Maybank Investment Bank Berhad
32nd Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur
Tel. no.: +603 2059 1888

1. CORPORATE DIRECTORY (Cont'd)

RHB Investment Bank Berhad
Level 10, Tower One,
RHB Centre,
Jalan Tun Razak,
50400 Kuala Lumpur
Tel. no.: +603 9287 3888

LEGAL ADVISERS

: *To our Company as to Malaysian law*
Albar & Partners
Suite 14-3, Level 14,
Wisma UOA Damansara II,
No. 6 Changkat Semantan,
Damansara Heights, 50490 Kuala Lumpur
Tel. no.: +603 7890 3288

To our Company as to Malaysian law
Enlil Loo
M-2-9 Plaza Damas,
60 Jalan Sri Hartamas 1,
Sri Hartamas,
50480 Kuala Lumpur
Tel. no.: +603 6203 2381

To our Company as to United States and English law
Clifford Chance Pte Ltd
12 Marina Boulevard,
25th Floor, Tower 3,
Marina Bay Financial Centre,
Singapore 018982
Tel. no.: +65 6410 2288

LEGAL ADVISERS

*To the Joint Global Coordinators, Joint Bookrunners,
Managing Underwriter and Joint Underwriters as to
Malaysian law*
Kadir Andri & Partners
Level 10, Menara BRDB,
285 Jalan Maarof,
Bukit Bandaraya,
59000 Kuala Lumpur
Tel. no.: +603 2780 2888

*To the Joint Global Coordinators and Joint Bookrunners as
to United States law*
Baker & McKenzie.Wong & Leow
8 Marina Boulevard,
#5-01 Marina Bay Financial Centre Tower 1,
Singapore 018981
Tel. no.: +65 6338 1888

**INDEPENDENT MARKET
RESEARCHER**

: Frost & Sullivan GIC Malaysia Sdn Bhd
Suite C-11-02, Block C,
Plaza Mont' Kiara,
2, Jalan Kiara,
Mont Kiara,
50480 Kuala Lumpur
Tel. no.: +603 6204 5800

Name of signing partner: Keith Lee Chung Fong
(See Section 8 of this Prospectus for the profile of the firm
and signing partner)

1. CORPORATE DIRECTORY (Cont'd)

SHARE REGISTRAR	: Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel. no.: 03-2783 9299
ISSUING HOUSE	: Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel. no.: 03-2783 9299
LISTING SOUGHT	: Main Market of Bursa Securities

2. INTRODUCTION

2.1 APPROVALS AND CONDITIONS

The SC has, via its letters dated 6 December 2018, 9 April 2019 and 18 April 2019, approved our IPO and our Listing under Section 214(1) of the CMSA and LHI's resultant equity structure pursuant to the Listing under the equity requirement for public listed companies.

In the SC's letter dated 9 April 2019, the SC has also noted that the effect of our Listing on the equity structure of LHI is as follows:

	% based on our enlarged issued share capital after our IPO	
	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised ^(a)
Bumiputera		
- Malaysian public via balloting	1.00	1.00
- Bumiputera investors approved by MITI ^(b)	11.50	11.50
Total Bumiputera^(c)	12.50	12.50
Non-Bumiputera ^{(d) (e)}	77.61	79.54
Total Malaysian	90.11	92.04
Foreigners ^(e)	9.89	7.96
TOTAL	100.00	100.00

Notes:

- (a) Assuming that our Shares under the Over-allotment Option are fully subscribed by non-Bumiputera institutional investors and selected investors.
- (b) Comprise of government agencies and institutions, individuals, nominee companies and corporations.
- (c) Assuming all our Shares allocated to Bumiputera investors under the Retail Offering and to Bumiputera investors to be approved by MITI under the Institutional Offering are fully subscribed.
- (d) Assuming all the Eligible Persons who are allocated our Issue Shares under the Retail Offering are non-Bumiputera Malaysians as the actual subscribers cannot be determined at this juncture.
- (e) Assuming all our Shares allocated to institutional and selected investors under the Institutional Offering will be subscribed by non-Bumiputera Malaysian only as the amount allocated between the non-Bumiputera Malaysian investors and other foreigner investors can only be determined after the closing of applications for our IPO Shares.

2. INTRODUCTION (Cont'd)

The SC has, via its letter dated 6 September 2018 and 12 February 2019, approved the reliefs sought by us from having to comply with certain requirements under the Prospectus Guidelines. The details of the reliefs sought and the corresponding conditions imposed by the SC are as follows:

Reference	Details of relief granted	Condition imposed (if any)	Status of compliance
Paragraph 1.12(e), Chapter 1 of Part III and Paragraph 13.01(b)(v), Chapter 13 of Division 1, Part II	Relief from having to submit as part of the registration file and making available for inspection the audited financial statements of certain subsidiaries of our Group (where applicable) for the FYEs 31 December 2015, 2016 and/or 2017	-	N/A
Paragraph 1.12(e), Chapter 1 of Part III	Relief from having to submit as part of the registration file the audited financial statements of each individual subsidiary of our Group for the interim financial period.	-	N/A

The SC has also, via its letter dated 22 April 2019 approved a relief sought by us from having to comply with certain requirements under the Equity Guidelines. The details of the relief sought and the corresponding conditions imposed by the SC are as follows:

Reference	Details of relief granted	Condition imposed (if any)	Status of compliance
Paragraph 2 of Appendix 4	Relief allowing for the placement of IPO Shares to persons connected to certain placement agents	-	N/A

The BNM has, via its letters dated 11 January 2019 and 20 March 2019, granted approval to LHI in relation to remittance of the proceeds from the Public Issue towards investment activities outside Malaysia amounting RM167.0 million and the scheduled remittance of the proceeds from the Public Issue to the non-residents subsidiaries of LHI to be as follows:

Period	Amount (RM million)	
	Vietnam	Philippines
Second quarter of 2019	47.0	30.0
Third quarter of 2019	-	30.0
Fourth quarter of 2019	-	30.0
First quarter of 2020	-	30.0
	47.0	120.0

The MITI has, via its letters dated 8 October 2018 and 1 April 2019, stated that it has taken note and has no objection for us to implement our Listing.

Bursa Securities has, via its letter dated 11 April 2019, resolved to approve our Admission to the Official List of Bursa Securities and our Listing.

2. INTRODUCTION (Cont'd)

2.2 MORATORIUM ON OUR SHARES

In accordance with the Equity Guidelines, our Shares held by Emerging Glory, Lau Joo Hong and Lau Joo Han as at the date of our Listing will be placed under moratorium. In this respect, our Shares that are subject to moratorium are set out below:

Name	After our IPO							
	Assuming the Over-allotment Option is not exercised				Assuming the Over-allotment Option is fully exercised			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	('000)		('000)		('000)		('000)	
Emerging Glory	1,927,201	52.80	-	-	1,927,201	52.80	-	-
Lau Joo Hong	30,041	0.82	⁽¹⁾ 1,927,201	52.80	24,840	0.68	⁽¹⁾ 1,927,201	52.80
Lau Joo Han	83,424	2.29	⁽²⁾ 1,927,201	52.80	68,976	1.89	⁽²⁾ 1,927,201	52.80

Notes:

(1) Deemed interested by virtue of his interest in Emerging Glory through his shareholding held in CWL&S pursuant to Section 8(4) of the Act.

(2) Deemed interested by virtue of his shareholding in Emerging Glory pursuant to Section 8(4) of the Act.

Emerging Glory, Lau Joo Hong and Lau Joo Han have fully accepted the moratorium. They will not be permitted to sell, transfer or assign any part of their respective holding in our Shares as at the date of our Listing under moratorium, for a six-month period from the date of our Listing.

The direct shareholders of Emerging Glory will not be permitted to sell, transfer or assign any part of their interest in Emerging Glory for a six-month period beginning from the date of our Listing.

The direct shareholders of CWL&S, being a direct shareholder of Emerging Glory, will not be permitted to sell, transfer or assign any part of their interest in CWL&S for a six-month period beginning from the date of our Listing.

The direct shareholders of HNL&S, being a direct shareholder of Emerging Glory, will not be permitted to sell, transfer or assign any part of their interest in HNL&S for a six-month period beginning from the date of our Listing.

The above restrictions do not apply:

- (a) in respect of LHI Shares that may be sold pursuant to the Over-allotment Option to be granted by the Promoters to the Stabilising Manager (on behalf of the Placement Manager(s)); and
- (b) to the transfer of LHI Shares by the Promoters as contemplated under the Share Lending Agreement, provided that the restriction will apply to the LHI Shares returned to the Selling Shareholders pursuant to the Share Lending Agreement.

The above moratorium restrictions are specifically endorsed on the share certificates representing our Shares held by our Promoters which are under moratorium to ensure that our share registrar does not register any transfer that contravenes such restriction.

3. PROSPECTUS SUMMARY

This Prospectus summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO consists of the Institutional Offering and the Retail Offering, totaling up to 937,500,000 IPO Shares, representing up to approximately 25.68% of our enlarged issued share capital.

3.1.1 Institutional Offering

The Institutional Offering involves the offering of up to 839,500,000 IPO Shares (comprising up to 687,500,000 Offer Shares and 152,000,000 Issue Shares), representing up to 23.00% of our enlarged issued share capital at the Institutional Price in the following manner:

- (i) 419,750,000 IPO Shares, representing 11.50% of the enlarged issued share capital to Bumiputera investors approved by the MITI; and
- (ii) up to 419,750,000 IPO Shares, representing up to 11.50% of our enlarged issued share capital to the following persons:
 - (a) Malaysian institutional and selected investors (other than Bumiputera investors approved by the MITI); and
 - (b) foreign institutional and selected investors outside the United States in reliance on Regulation S.

3.1.2 Retail Offering

The Retail Offering involves the offering of 98,000,000 Issue Shares, representing approximately 2.68% of our enlarged share capital, at the Retail Price in the following manner:

(i) Allocation to the Eligible Persons

25,000,000 Issue Shares, representing approximately 0.68% of our enlarged issued share capital, are reserved for application by the Eligible Persons.

(ii) Allocation via balloting to the Malaysian Public

73,000,000 Issue Shares, representing 2.00% of our enlarged issued share capital, are reserved for application by the Malaysian Public, of which 36,500,000 Issue Shares have been set aside for application by Bumiputera citizens, companies, co-operatives, societies and institutions.

3.1.3 Moratorium on our Shares

In accordance with the Equity Guidelines, Emerging Glory, Lau Joo Hong and Lau Joo Han will not be allowed to sell, transfer or assign any part of their respective holding in our Shares as at the date of our Listing, for a period of six months from the date of our Listing. See Section 2.2 of this Prospectus for detailed information relating to moratorium on our Shares.

For detailed information relating to our IPO and moratorium on our Shares, see Sections 4.2 and 2.2 of this Prospectus, respectively.

3. PROSPECTUS SUMMARY (Cont'd)

3.2 OUR BUSINESS

Our Company was incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Act on 23 June 2014 as a private limited company under the name of Octagon Bliss Sdn Bhd. On 10 July 2014, our Company changed its name to Leong Hup International Sdn Bhd and was converted into a public company on 17 August 2018.

We are one of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia. We now operate in Malaysia, Singapore, Indonesia, Vietnam and the Philippines, all of which are attractive consumer markets with significant growth potential. Our operations consist of:

Feedmill Business

- Our Feedmill Business consists of formulation, production and sale of feed for a variety of livestock.
- As at 31 October 2018, we own and operate five feedmills in Malaysia, five feedmills in Indonesia and three feedmills in Vietnam, and our fourth feedmill in Dong Nai, Vietnam, has commenced operations in January 2019. Our total annual production capacity was 2,602,902 MT as at 31 October 2018.
- In the FYE 31 December 2017, we supplied a total of 1,963,370 MT of livestock feeds, approximately 55.8% of which we sold to third parties and approximately 44.2% of which we supplied internally to entities within our Group.
- Our Feedmill Business provides almost all of the livestock feeds required for our Livestock Businesses in Malaysia, Indonesia and Vietnam. We only purchase a small quantity of livestock feeds from third parties.
- In 2017, our market share was approximately 10.5% in Malaysia, 5.5% in Indonesia and 4.0% in Vietnam, by annual production of livestock feed.

Livestock Business

- Our Livestock Business has two principal business operations:
 - 1) Chicken Production: the production of PS DOCs, Broiler DOCs and Broiler chicken, the slaughtering of Broiler chicken and further food processing; and
 - 2) Egg Production: the production of Layer DOCs and table eggs
- We operate 241 farms and hatcheries as at 31 October 2018 spread across four countries (Malaysia, Indonesia, Vietnam and the Philippines) and six slaughtering plants spread across three countries (Malaysia, Indonesia and Singapore). We also use 656 contract farms to increase our capacity.
- We undertake processing activities, which comprise the slaughtering of poultry and food processing. We produce a number of different products under a number of brands, including "Ayam A1", "SunnyGold" and "Ciki Wiki".
- In the FYE 31 December 2017, we are the largest integrated poultry producers in Malaysia and one of the top three integrated poultry producers in Indonesia and Vietnam. We also had the largest market share of poultry slaughtered in Singapore in the FYE 31 December 2017.

The table below sets out details of certain operational data of our Group for the periods specified:

Operations	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
Number of DOCs supplied (millions) ⁽¹⁾	452.5	464.0	488.0	422.3
Broiler chicken supplied (millions) ⁽²⁾	103.2	102.3	107.0	102.3
Livestock feed supplied (MT) ⁽³⁾	1,660,994	1,804,920	1,963,370	1,735,590
Eggs sold (millions) ⁽⁴⁾	1,645.9	1,766.6	1,726.1	1,391.4

3. PROSPECTUS SUMMARY (Cont'd)

Notes:

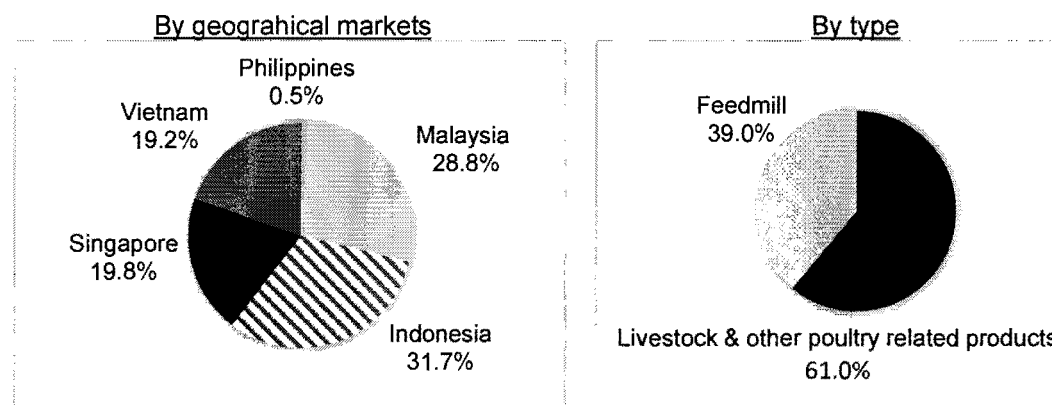
- (1) These figures reflect the total of PS DOCs, Broiler DOCs and Layer DOCs supplied internally and sold externally.
- (2) These figures reflect the total of Broiler chicken supplied internally and sold externally.
- (3) These figures reflect the total of livestock feed supplied internally and sold externally.
- (4) All eggs are sold to third parties.

Our business model

Our business model has been to establish livestock and feedmill operations in one market, starting with Malaysia throughout the 1980's, and then to expand into new markets by replicating those operations in these new markets.

When entering new markets, we first establish the livestock operations, either organically or through acquisitions, and we then establish the feedmill operations once our livestock operations are large enough to ensure that our feedmills run at least at financial break-even levels by meeting the demand from our own livestock operations.

Revenue from sales of goods (FYE 31 December 2017)*



See Sections 6 and 7 of this Prospectus for further details on our history, group structure and business.

Note:

* Excludes other sources primarily comprising operating lease income from our coldstore facilities and income from services provided to third parties such as transportation fees of RM14.0 million

3.3 COMPETITIVE STRENGTHS

Our competitive strengths include the following:

(i) Operating in fast-growing ASEAN consumer markets with rising poultry consumption

We operate in attractive consumer markets in Southeast Asia with significant growth potential, whose development is driven by compelling macro-economic fundamentals. We expect per capita protein consumption to grow rapidly in the markets where we have presence as personal disposable income increases.

(ii) A leading "pure-play" poultry producer, with strong economies of scale and a leading market share in most of our product segments

We are a leading "pure-play" poultry producer. This gives us an advantage over smaller competitors in the sourcing of raw materials and the production and distribution of poultry and livestock feed, as evidenced by our ability to grow our business across different markets.

3. PROSPECTUS SUMMARY *(Cont'd)*

(iii) **Industry with significant barriers to entry, such as industry know-how and regulatory restrictions, providing us with a sustained competitive advantage**

Our size, experience and scalable platform are difficult for smaller competitors or new market entrants to replicate, and significant barriers to entry in the Southeast Asian poultry markets make it difficult for other poultry companies to penetrate these markets.

(iv) **Scalable platform of operations, providing enhanced value creation across geographies and segments**

The scalable nature of our operating platform, together with our experience in different markets, gives us a significant advantage when expanding our business within our existing markets and entering into new markets.

(v) **Fully integrated business model, providing operating flexibility, synergies and resilience through the economic cycle**

Our operations are fully integrated, in terms of both value chain and geographic spread across Southeast Asia, which provides us with a significant competitive advantage over other, non-integrated players in the industry with regard to operating flexibility and resilience. In addition, our vertical integration enables us to maintain complete control over our production process and product quality and to ensure traceability across the value chain. Our vertical integration also allows us to benefit from synergies and efficiencies across business segments.

(vi) **Robust historical financial growth, underpinned by strong track record and established brand**

We have established a strong track record of robust operational and financial growth. The LH Trademark and several of our other brands are leading regional brands with multiple industry awards over the last decade.

(vii) **Experienced senior management, supported by seasoned country managers and a prominent investor**

Some of the members of our Board of Directors have over 40 years of experience in the animal protein industry, giving them extensive know-how in operations, biology and genetics, and market mechanics in each country where we operate. Our Executive Director/ Group Chief Executive Officer/ President Director of Malindo Feedmill, Tan Sri Lau Tuang Nguang is currently a panel member of the National Agriculture Advisory Council under the MOA.

For detailed information on our competitive strengths, see Section 7.2 of this Prospectus.

3.4 FUTURE PLANS AND STRATEGIES

Our future plans and strategic initiatives include the following:

(i) **Consolidate and expand leadership position in Malaysia and Singapore by driving efficiencies and continuing to grow capacity**

We intend to build on our leading market positions in Malaysia and Singapore by continuing to expand our operations and strengthening our existing competitive advantages. We also intend to explore acquisitions of other poultry producers or feedmills on an opportunistic basis in order to remain at the forefront of the consolidation that we expect to take place in the industry.

3. PROSPECTUS SUMMARY (Cont'd)

(ii) **Increase use of our own Broiler farms in Malaysia, in order to control quality and increase efficiency, with a view to replicating this approach in Indonesia and Vietnam**

We intend to continue to reduce our reliance on contract farms in Malaysia by investing in increasing the capacity and efficiency of our own Broiler farm operations. We have allocated approximately RM40.7 million of the proceeds from the Public Issue for the expansion of our Broiler farms. Increase use of our own Broiler farms in Malaysia will allow us to have greater control over the quality of our products.

(iii) **Continue to grow our integrated business model in our newer markets, with a focus on expanding our upstream operations**

We intend to expand our upstream production capacities in our newer markets of Vietnam and the Philippines, in order to achieve greater scale and benefit from continuing growth in the market by undertaking the following projects:

- expanding our Dong Nai feedmill in Vietnam
- constructing an aquaculture feedmill plant in Vietnam; and
- expanding our Feedmill Business into the Philippines by building our first feedmill in that market.

For further details on the expansion plan, see Section 4.6.1 of this Prospectus.

(iv) **Invest in processes, technology, people and facilities to meet customer requirements while maintaining low-cost structure**

We intend to invest in processes, technology and people, as well as in our facilities, in order to address market demands and continue our strong cost management. We also intend to focus on innovation in the sales and marketing of valued-added, downstream products in order to adapt to evolving customer preferences and increase our revenue in the downstream segment as an additional growth driver.

For detailed information on our future plans and strategies, see Section 7.3 of this Prospectus.

3.5 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue amounting to RM275.0 million⁽¹⁾ in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Capital expenditure	Within 24 months	207,733	75.5
Working capital	Within 6 months	32,959	12.0
Defray fees and expenses for our IPO and Listing	Within 3 months	34,308	12.5
Total		275,000	100.0

Note:

(1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price of RM1.10 per IPO Share.

Our Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of up to approximately RM756.3 million will accrue entirely to the Selling Shareholders.

3. PROSPECTUS SUMMARY *(Cont'd)*

For detailed information relating to the use of proceeds, see Section 4.6 of this Prospectus.

3.6 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and key senior management are as follows:

Name	Designation
Directors	
Lau Chia Nguang	Non-Independent Executive Chairman
Dato' Lau Eng Guang	Non-Independent Executive Director
Tan Sri Lau Tuang Nguang	Non-Independent Executive Director
Lau Joo Hong	Non-Independent Executive Director
Lau Joo Han	Non-Independent Executive Director
Lau Joo Keat	Non-Independent Executive Director
Benny Lim Jew Fong	Non-Independent Non-Executive Director
Datin Paduka Rashidah Binti Ramli	Independent Non-Executive Director
Mahani Binti Amat	Independent Non-Executive Director
Chu Nyet Kim	Independent Non-Executive Director
Goh Wen Ling	Independent Non-Executive Director
Low Han Kee	Senior Independent Non-Executive Director
Tay Tong Poh	Independent Non-Executive Director
Tee Yock Siong	Alternate Director to Benny Lim Jew Fong
Key senior management	
Tan Sri Lau Tuang Nguang	Executive Director/ Group Chief Executive Officer / President Director of Malindo Feedmill
Lau Chia Nguang	Executive Chairman/ President Commissioner of Malindo Feedmill
Dato' Lau Eng Guang	Executive Director/ Group Business Strategist
Lau Joo Hong	Executive Director/ Chief Executive Officer of our Group's Vietnam operations
Lau Joo Han	Executive Director/ Chief Executive Officer of our Group's Malaysia operations
Lau Joo Keat	Executive Director/ Country Head of our Group's Indonesian operations
Lau Jui Peng	Group Breeder Chief Executive Officer
Lau Joo Heng	Chief Executive Officer of our Group's Philippines operations
Lau Joo Hwa	Chief Executive Officer of our Group's Singapore operations
Chew Eng Loke	Chief Financial Officer

For further information on our Directors and key senior management, see Section 9 of this Prospectus.

3. PROSPECTUS SUMMARY *(Cont'd)*

3.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The following table sets out the direct and indirect shareholding of our Promoters and substantial shareholders before and after our IPO:

Name	Nationality/ Country of incorporation	After our IPO											
		Before our IPO				Assuming the Over-allotment Option is not exercised				Assuming the Over-allotment Option is fully exercised			
		Direct		Indirect		Direct		Indirect		Direct		Indirect	
		No. of Shares (^{'000})	% ⁽¹⁾	No. of Shares (^{'000})	% ⁽¹⁾	No. of Shares (^{'000})	% ⁽²⁾	No. of Shares (^{'000})	% ⁽²⁾	No. of Shares (^{'000})	% ⁽²⁾	No. of Shares (^{'000})	% ⁽²⁾
Promoters and substantial shareholders													
Emerging Glory	Malaysia	1,927,201	56.68	-	-	1,927,201	52.80	-	-	1,927,201	52.80	-	-
Lau Joo Hong	Malaysian	49,751	1.46	1,927,201 ⁽³⁾	56.68	30,041	0.82	1,927,201 ⁽³⁾	52.80	24,840	0.68	1,927,201 ⁽³⁾	52.80
Lau Joo Han	Malaysian	138,174	4.06	1,927,201 ⁽⁴⁾	56.68	83,424	2.29	1,927,201 ⁽⁴⁾	52.80	68,976	1.89	1,927,201 ⁽⁴⁾	52.80
Lau Jui Peng	Malaysian	44,211	1.30	1,927,201 ⁽³⁾	56.68	26,691	0.73	1,927,201 ⁽³⁾	52.80	22,068	0.60	1,927,201 ⁽³⁾	52.80
Lau Joo Heng	Malaysian	44,211	1.30	1,927,201 ⁽³⁾	56.68	26,691	0.73	1,927,201 ⁽³⁾	52.80	22,068	0.60	1,927,201 ⁽³⁾	52.80
Promoters													
Lau Chia Nguang	Malaysian	-	-	103,613 ⁽⁵⁾	3.05	-	-	63,463 ⁽⁵⁾	1.74	-	-	52,868 ⁽⁵⁾	1.45
Dato' Lau Eng Guang	Malaysian	103,613	3.05	-	-	63,463	1.74	-	-	52,868	1.45	-	-
Tan Sri Lau Tuang Nguang	Malaysian	-	-	103,613 ⁽⁶⁾	3.05	-	-	67,113 ⁽⁶⁾	1.84	-	-	57,480 ⁽⁶⁾	1.57
Lau Joo Keat	Malaysian	-	-	103,613 ⁽⁷⁾	3.05	-	-	63,463 ⁽⁷⁾	1.74	-	-	52,868 ⁽⁷⁾	1.45
Lau Joo Hwa	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Substantial shareholders													
Clarinden Investments	Singapore	782,000	23.00	-	-	360,950	9.89	-	-	290,638	7.96	-	-

3. PROSPECTUS SUMMARY (Cont'd)

Name	Nationality/ Country of incorporation	After our IPO											
		Before our IPO				Assuming the Over-allotment Option is not exercised				Assuming the Over-allotment Option is fully exercised			
		Direct		Indirect		Direct		Indirect		Direct		Indirect	
		No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Concordant Investments	Singapore	- (^{'000})	-	782,000 ⁽⁶⁾ (^{'000})	23.00	- (^{'000})	-	360,950 ⁽⁶⁾ (^{'000})	9.89	- (^{'000})	-	290,638 ⁽⁶⁾ (^{'000})	7.96
Affinity APF IV	Cayman Islands	-	-	782,000 ⁽⁹⁾	23.00	-	-	360,950 ⁽⁹⁾	9.89	-	-	290,638 ⁽⁹⁾	7.96
Affinity APF IV2	Cayman Islands	-	-	782,000 ⁽⁹⁾	23.00	-	-	360,950 ⁽⁹⁾	9.89	-	-	290,638 ⁽⁹⁾	7.96
CWL&S	Malaysia	-	-	1,927,201 ⁽¹⁰⁾	56.68	-	-	1,927,201 ⁽¹⁰⁾	52.80	-	-	1,927,201 ⁽¹⁰⁾	52.80

Notes:

- (1) Based on our issued share capital of 3,400,000,000 Shares after the Pre-IPO Exercise.
- (2) Based on our enlarged issued share capital of 3,650,000,000 Shares.
- (3) Deemed interested by virtue of his interest in Emerging Glory through his shareholding in CWL&S pursuant to Section 8(4) of the Act.
- (4) Deemed interested by virtue of his shareholding in Emerging Glory pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his shareholding in CN Lau Holdings pursuant to Section 8(4) of the Act.
- (6) Deemed interested by virtue of his shareholding in TN Lau Holdings pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his shareholding in HNL&S pursuant to Section 8(4) of the Act.
- (8) Deemed interested by virtue of its shareholding in Clarinden Investments pursuant to Section 8(4) of the Act.
- (9) Deemed interested by virtue of its interest in Clarinden Investments through its shareholdings held in Concordant Investments pursuant to Section 8(4) of the Act.
- (10) Deemed interested by virtue of its shareholding in Emerging Glory pursuant to Section 8(4) of the Act.

3. PROSPECTUS SUMMARY (Cont'd)

3.8 RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all of the information contained in this Prospectus, including all the risk factors, before deciding to invest in our Shares. Set out below are the key risks faced by us in our business operations:

- (i) In Malaysia, we are required to comply with land use conditions and we also require CCCs for the occupation of buildings or part thereof. As at the LPD, we have 137 farms and hatcheries in Malaysia and all of them do not have CCCs but we are taking the necessary steps to procure the requisite certifications or permits. Of the 137 farms and hatcheries, 54 farms and hatcheries have yet to convert their existing express condition to allow for poultry farming or hatchery, as the case maybe, of which:
 - (a) 11 farms are not able to change the express condition imposed on their land titles to allow for poultry farming; and
 - (b) the remaining 43 farms and hatcheries are pending the decision of the land authorities in respect of applications for change in express condition and at the same time, pursuing approvals for CCC/TBP, of which, we have further identified 14 farms and hatcheries located in the area where the surrounding lands neighbouring these farms have been zoned for residential/industrial use and/or in close proximity to either natural water sources and/or residential areas.

See Annexure B of this Prospectus for a summary of the status of compliance with land use pursuant to the express condition imposed on the land titles of our farms and hatcheries, and the status of the relevant applications for change in express condition as well as KM/KMT and CCC/TBP. Any adverse change in policies, guidelines or directions taken by the local councils and/or land authorities in exercising their discretion on matters requiring their approvals which we cannot anticipate and is beyond our control may result in our applications being rejected, our Group being subject to sanctions and/or our Group having to incur additional costs to replace the capacity of the affected farms following our unsuccessful applications, which may disrupt our business operations and in turn may have a material adverse effect on our financial condition, results of operations and prospects;

- (ii) We may not be able to obtain, renew or maintain our major licences, permits and approvals required to operate our business operations due to reasons beyond our control. See Annexure A of this Prospectus for further details on our major licences, permits and approvals;
- (iii) The selling prices of our products sold on the open market under our Livestock Business may be subject to wide fluctuations. The frequency and fluctuations in selling prices may vary from month to month and consequently, our quarterly financial results may be affected by such intra-period fluctuations. Additionally, any material or prolonged decrease in our selling prices could ultimately have a material adverse effect on our business, financial condition, results of operations and prospects; and
- (iv) Our success depends upon our Executive Directors and key senior management team and other key personnel, the loss of any of whom could disrupt our business operations. While we believe we offer attractive terms of employment, there can be no assurance that we will retain our Executive Directors and key senior management or that we will be able to attract, train or retain qualified personnel in the future.

For further details and the full list of our risk factors which should be carefully considered before investing in Company, see Section 5 of this Prospectus.

3. PROSPECTUS SUMMARY (Cont'd)

3.9 FINANCIAL HIGHLIGHTS

The following table set out the financial highlights of our consolidated results of operations for the periods indicated.

	FYE 31 December			FPE 31 October	
	Audited			Unaudited	Audited
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	4,714,566	5,257,390	5,501,364	4,568,075	4,690,295
Profit from operations	311,305	449,891	383,983	306,883	378,769
PBT	216,599	347,306	292,267	230,814	291,283
PAT attributable to the owners of the parent	109,805	182,475	192,573	159,730	174,278
Other selected financial data:					
Gross profit (RM'000)	775,001	1,053,456	912,556	747,270	828,751
Gross profit margin (%)	16.4	20.0	16.6	16.4	17.7
EBITDA (RM'000)	461,135	646,792	583,109	474,988	541,755
EBITDA margin (%)	9.8	12.3	10.6	10.4	11.6
PBT margin (%)	4.6	6.6	5.3	5.1	6.2
PAT margin (%)	3.5	5.1	4.5	4.4	4.7

For detailed financial information relating to our Group, see Section 12 of this Prospectus.

3.10 DIVIDEND POLICY

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries, joint ventures and associated company. Distributions by our subsidiaries, joint ventures and associated company will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors such as exchange controls.

We target a payout ratio of approximately 30.0% of our net profit attributable to the owners of our Company of each fiscal year on a consolidated basis after taking into account working capital and maintenance capital requirements, subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Save for certain banking restrictive covenants which our subsidiaries are subject to, there are no dividend restrictions imposed on our subsidiaries as at the LPD.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 5 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.

4. DETAILS OF OUR IPO

4.1 INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time and/or date
Opening of the Institutional Offering ⁽¹⁾	25 April 2019
Issuance of Prospectus/Opening of the Retail Offering	10:00 a.m., 25 April 2019
Closing of the Retail Offering	5:00 p.m., 3 May 2019
Closing of the Institutional Offering	3 May 2019
Price Determination Date	6 May 2019
Balloting of applications for our IPO Shares under the Retail Offering	7 May 2019
Allotment/Transfer of our IPO Shares to successful applicants	15 May 2019
Listing	16 May 2019

Note:

- (1) *Other than the Institutional Offering to the Cornerstone Investors. The Master Cornerstone Placement Agreement for the acquisition of our IPO Shares by the Cornerstone Investors was entered into on 22 April 2019.*

In the event there are any change to the timetable, we will advertise the notice of changes in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

4. DETAILS OF OUR IPO (Cont'd)

4.2 PARTICULARS OF OUR IPO AND PLAN OF DISTRIBUTION

Our IPO is subject to the terms and conditions of this Prospectus. Upon acceptance, our IPO Shares are expected to be allocated in the manner described below, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.3 and 4.2.4 of this Prospectus, respectively.

Our IPO consists of the Institutional Offering and the Retail Offering, totaling up to 937,500,000 IPO Shares, representing up to approximately 25.68% of our enlarged issued share capital. For the avoidance of doubt, our IPO Shares offered under the Institutional Offering and the Retail Offering do not include our Shares under the Over-allotment Option.

4.2.1 Institutional Offering

The Institutional Offering involves the offering of up to 839,500,000 IPO Shares (comprising up to 687,500,000 Offer Shares and 152,000,000 Issue Shares), representing up to 23.00% of our enlarged issued share capital at the Institutional Price in the following manner:

- (i) 419,750,000 IPO Shares, representing 11.50% of the enlarged issued share capital to Bumiputera investors approved by the MITI; and
- (ii) up to 419,750,000 IPO Shares, representing up to 11.50% of our enlarged issued share capital to the following persons:
 - (a) Malaysian institutional and selected investors (other than Bumiputera investors approved by the MITI); and
 - (b) foreign institutional and selected investors outside the United States in reliance on Regulation S.

As part of the Institutional Offering, on 22 April 2019, our Company, the Cornerstone Investors, the Joint Global Coordinators and the Selling Shareholders, entered into the Master Cornerstone Placement Agreement whereby the Cornerstone Investors have agreed to acquire from the Selling Shareholders, subject to the terms of the Master Cornerstone Placement Agreement and the individual cornerstone placement agreements, an aggregate of 419,676,500 IPO Shares, representing 11.50% of our enlarged issued share capital, at RM1.10 per IPO Share or the Institutional Price, whichever is lower. None of the Cornerstone Investors will individually acquire 5.0% or more of our Company's enlarged issued share capital under the cornerstone placement agreements.

The cornerstone placement agreements are conditional upon, among others, the Retail Underwriting Agreement and the Placement Agreements being entered into and not having been terminated pursuant to their respective terms.

4. DETAILS OF OUR IPO (Cont'd)

4.2.2 Retail Offering

The Retail Offering involves the offering of 98,000,000 Issue Shares, representing approximately 2.68% of our enlarged issued share capital, at the Retail Price in the following manner:

(i) Allocation to the Eligible Persons

25,000,000 Issue Shares, representing approximately 0.68% of our enlarged issued share capital, are reserved for application by the Eligible Persons in the following manner:

Eligible Persons	No. of Eligible Persons	Aggregate no. of Issue Shares allocated
Our Directors ⁽¹⁾	6	3,000,000
Eligible employees of our Group ⁽²⁾	1,000	10,000,000
Persons who have contributed to the success of our Group ⁽³⁾	1,000	12,000,000
Total	2,006	25,000,000

Notes:

(1) *The criteria for allocation to our Directors (save for our Directors who are also Selling Shareholders or are shareholders of Selling Shareholders, and representatives of Clarinden Investments, one of the Selling Shareholders) are based on their respective roles and responsibilities in our Company and they collectively be allocated a total of 3,000,000 Issue Shares as follows:*

Name	Designation	No. of Issue Shares allocated
<i>Datin Paduka Rashidah Binti Ramli</i>	<i>Independent Non-Executive Director</i>	<i>500,000</i>
<i>Mahani Binti Amat</i>	<i>Independent Non-Executive Director</i>	<i>500,000</i>
<i>Chu Nyet Kim</i>	<i>Independent Non-Executive Director</i>	<i>500,000</i>
<i>Goh Wen Ling</i>	<i>Independent Non-Executive Director</i>	<i>500,000</i>
<i>Low Han Kee</i>	<i>Senior Independent Non-Executive Director</i>	<i>500,000</i>
<i>Tay Tong Poh</i>	<i>Independent Non-Executive Director</i>	<i>500,000</i>
Total		3,000,000

(2) *The basis and criteria for allocation to the eligible employees of our Group are based on, among others, their job grade and their past contribution to our Group.*

4. DETAILS OF OUR IPO (Cont'd)

(3) *The criteria for allocation to the persons who have contributed to the success of our Group are based on, among others, their length of business relationship with our Group and their contribution to the success of our Group.*

(ii) Allocation via balloting to the Malaysian Public

73,000,000 Issue Shares, representing 2.00% of our enlarged issued share capital, are reserved for application by the Malaysian Public, of which 36,500,000 Issue Shares have been set aside for application by Bumiputera citizens, companies, co-operatives, societies and institutions.

4. DETAILS OF OUR IPO (Cont'd)

In summary, our IPO Shares will be allocated, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.3 and 4.2.4 of this Prospectus, respectively, in the following manner:

Category	Offer for Sale		Public Issue		Total	
	No. of Shares	% of our enlarged share capital	No. of Shares	% of our enlarged share capital	No. of Shares	% of our enlarged share capital
Retail Offering:						
Eligible Persons:						
- Directors	-	-	3,000,000	0.08	3,000,000	0.08
- Eligible employees of our Group	-	-	10,000,000	0.27	10,000,000	0.27
- Persons who have contributed to the success of our Group	-	-	12,000,000	0.33	12,000,000	0.33
Malaysian Public (via balloting):						
- Bumiputera	-	-	36,500,000	1.00	36,500,000	1.00
- Non-Bumiputera	-	-	36,500,000	1.00	36,500,000	1.00
Sub-total	-	-	98,000,000	2.68	98,000,000	2.68
Institutional Offering:						
- Bumiputera investors approved by the MITI	267,750,000	7.34	152,000,000	4.16	419,750,000	11.50
- Other Malaysian and foreign institutional and selected investors	419,750,000	11.50	-	-	419,750,000	11.50
Sub-total	687,500,000	18.84	152,000,000	4.16	839,500,000	23.00
Total	687,500,000	18.84	250,000,000	6.85	937,500,000	25.68

The completion of the Retail Offering and the Institutional Offering are inter-conditional. Our IPO is also subject to the public shareholding spread requirement under the Listing Requirements as set out in Section 4.2.8 of this Prospectus.

4. DETAILS OF OUR IPO (Cont'd)

4.2.3 Clawback and reallocation

The Institutional Offering and the Retail Offering shall be subject to the following clawback and reallocation provisions:

- (i) if our IPO Shares allocated to Bumiputera investors approved by the MITI are not fully taken up, our IPO Shares which are not taken up may be allocated to other Malaysian and foreign institutional and selected investors under the Institutional Offering;
- (ii) subject to item (i) above, if there is an over-subscription in the Retail Offering and an under-subscription in the Institutional Offering, our IPO Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering; and
- (iii) if there is an over-subscription in the Institutional Offering and an under-subscription in the Retail Offering, our Issue Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

There will be no clawback and reallocation if there is an over-subscription or under-subscription in both the Institutional Offering and the Retail Offering or an under-subscription in either the Institutional Offering or the Retail Offering but no over-subscription in the other.

Any IPO Shares not taken up by Eligible Persons ("**Excess IPO Shares**") will be made available for application by Eligible Persons who have applied for excess on top of their pre-determined allocation and allocated on a fair and equitable basis and in the following priority:

- (a) firstly, allocation on a pro-rata basis to Directors and eligible employees who have applied for the Excess IPO Shares based on the number of Excess IPO Shares applied for;
- (b) secondly, allocation of any surplus Excess IPO Shares not taken up by Eligible Persons on a pro-rata basis to persons who have contributed to the success of our Group based on the number of Excess IPO Shares applied for; and
- (c) thirdly, to minimise odd lots.

Our Board reserves the right to allot Excess IPO Shares applied for in such manner as it may deem fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) to (c) above is achieved. Our Board also reserves the right to accept any Excess IPO Shares application, in full or in part, without assigning any reason.

Once completed, the steps involving items (a) to (c) above will not be repeated. Should there be any balance of Excess IPO Shares thereafter, such balance will be made available for application by the Malaysian Public under the Retail Offering, with any remaining IPO Shares to be underwritten by the Joint Underwriters, subject to the clawback and reallocation provisions.

4. DETAILS OF OUR IPO (Cont'd)

4.2.4 Over-allotment Option

The Over-allotment Option Providers may grant an Over-allotment Option to the Stabilising Manager (on behalf of the Placement Managers) and may appoint the Stabilising Manager to undertake any price stabilisation actions. The Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) may at its absolute discretion, over-allot the Shares (on behalf of the Placement Managers) and subsequently, effect transactions to stabilise or maintain the market price of our Shares at levels that might not otherwise prevail in the open market. Such transactions consist of bids or purchases to peg, fix or maintain the price of our Shares. If the Stabilising Manager creates a short position in our Shares in connection with the Institutional Offering, the Stabilising Manager may reduce that short position by purchasing our Shares in the open market. The Stabilising Manager may also elect to reduce any short positions by exercising all or part of the Over-allotment Option.

If granted, the Over-allotment Option will be exercisable in whole or in part by the Stabilising Manager, on one or more occasions, by giving written notice to the Over-allotment Option Providers at any time, within 30 days from the date of our Listing to purchase from the Over-allotment Option Providers up to an aggregate of 140,625,000 Shares at the Institutional Price for each IPO Share, representing up to 15.00% of the total number of IPO Shares offered, solely for purposes of covering over-allotments of our Shares (if any).

Subject to there being an over-allotment, the Stabilising Manager will (on behalf of the Placement Managers) enter into the Share Lending Agreement with the Over-allotment Option Providers to borrow up to an aggregate of 140,625,000 Shares to cover the over-allotments. Any Shares that may be borrowed by the Stabilising Manager under the Share Lending Agreement will be returned by the Stabilising Manager to the Over-allotment Option Providers through the purchase of our Shares in the open market by the Stabilising Manager in the conduct of stabilisation activities or deemed returned through the exercise of the Over-allotment Option by the Stabilising Manager or a combination of both. The exercise of the Over-allotment Option will not increase the total number of Shares issued and is not intended to constitute an offer for sale of our Shares by the Over-Allotment Providers under our IPO.

Purchases of a security to stabilise the price or to cover the over-allotment may cause the price of the security to be higher than it might be in the absence of these purchases. Such transactions may be effected on the Main Market of Bursa Securities and in other jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulations, including the CMSA and any regulations thereunder.

The number of Shares that the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) may buy to undertake stabilising action, shall not exceed an aggregate of 140,625,000 Shares, representing up to 15.00% of the total number of IPO Shares offered. However, there is no obligation on the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) to undertake any such stabilising action. Such stabilising actions may commence on or after the commencement of trading of our Shares on the Main Market of Bursa Securities and, if commenced, may be discontinued at any time and cannot be effected after the earliest of (i) the date falling 30 days from the commencement of trading of our Shares on the Main Market of Bursa Securities; or (ii) the date when the Stabilising Manager has bought, on the Main Market of Bursa Securities, an aggregate of 140,625,000 Shares, representing up to 15.00% of the total number of IPO Shares offered to undertake the stabilising action.

4. DETAILS OF OUR IPO (Cont'd)

Neither our Company, the Over-allotment Option Providers nor the Stabilising Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Shares. In addition, neither our Company, the Over-allotment Option Providers nor the Stabilising Manager makes any representation that the Stabilising Manager will engage in such transactions, or that such transactions once commenced, will not be discontinued without notice (unless such notice is required by law).

4.2.5 ESOS

In conjunction with our Listing, we established an ESOS which involves the granting of ESOS Options to our eligible Directors and our Group's employees.

The ESOS shall be administered by the ESOS committee to be appointed by our Board and governed by the By-Laws.

The salient features of the ESOS are as follows:

(i) **Maximum number of new LHI Shares available under the ESOS**

The total number of new LHI Shares which may be made available under the ESOS shall not exceed in aggregate 5.00% of our total number of issued shares (excluding treasury shares, if any) at any one time during the duration of the ESOS.

Upon our Listing, up to 36,500,000 ESOS Options may be made available to our eligible Directors and employees, representing 1.00% of our enlarged issued share capital upon Listing.

(ii) **Maximum allowable allotment and basis of allocation**

Subject to any adjustments which may be made under the By-Laws, the aggregate number of new LHI Shares which may be offered to our eligible Directors and our Group's employees shall be subject to the following:

- a) the aggregate number of new LHI Shares to be issued pursuant to the exercise of the ESOS Options granted under the ESOS shall not exceed the maximum limit and the ESOS committee shall not be obliged in any way to offer an eligible Director or employee the ESOS Options for all the specified maximum number of Shares entitled to under the ESOS;
- b) any offer, allocation of ESOS Options under the ESOS and the related allotment of the Shares to any eligible Director, major shareholder or the chief executive officer of our Company and any person connected with them shall require prior approval of the shareholders of our Company in a general meeting, and they shall not vote on the resolution approving their respective offer, allocation and allotment;
- c) the eligible Directors and senior management shall not be allowed to participate in the deliberation or discussion of their respective allocation of ESOS Options and/or allocation of ESOS Options to persons connected with them under the ESOS;
- d) not more than ten percent (10.0%) of our Shares available under the ESOS shall be allocated to any eligible Director or employee, who, either singly or collectively through the persons connected with them, hold twenty percent (20.0%) or more of the number of issued share (excluding treasury shares, if any) of our Company;

4. DETAILS OF OUR IPO (Cont'd)

- e) not more than fifty percent (50.0%) (or such other percentage as the relevant authorities may permit) of the ESOS Options available under the ESOS shall be allocated in aggregate to the eligible Directors and senior management; and
- f) any performance target to be achieved before the ESOS Options can be granted and/or exercised by an eligible Director or employee shall be determined by the ESOS committee.

The basis of determining the aggregate number of new LHI Shares that may be offered to our eligible Directors and our Group's employees under the ESOS shall be at the sole and absolute discretion of the ESOS committee after taking into consideration, amongst others, the position, ranking, performance, seniority and length of service of our eligible Directors and our Group's employees and such other matters which the ESOS committee may in its sole and absolute discretion deem fit.

(iii) Duration of the ESOS

The ESOS shall be in force for a period of five (5) years commencing from the effective date and is renewable for a period of up to five (5) years or such shorter period immediately from the expiry of the first five (5) years.

(iv) Eligibility

An executive director or employee of any company within our Group which is not dormant, shall be eligible for participation in the ESOS if at the date of offer is made in writing by the ESOS committee to him/her ("**Offer Date**"), he/she:

- a) has attained eighteen (18) years of age;
- b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- c) must have been confirmed in service and have served at least six (6) months in the employment of our Group;
- d) where the employee or executive director is under an employment contract, the contract is for duration of at least one (1) year and shall have not expired within three (3) months from the Date of Offer; and
- e) has fulfilled any other criteria as may be imposed by the ESOS committee from time to time.

Provided always that the selection of any eligible director and/or employee for participation in the ESOS shall be at the sole and absolute discretion of the ESOS committee, and the decision of the ESOS committee shall be final and binding.

(v) Exercise price

The exercise price payable by our eligible directors and employees upon the exercise of their ESOS Options under the ESOS shall be:

- a) in respect of any offer which is made in conjunction with our Listing, the Final Retail Price of the Shares in our Company; and

4. DETAILS OF OUR IPO (Cont'd)

- b) in respect of any offer which is made subsequent to our Listing, as determined by the ESOS committee and shall be based on the five (5)-day VWAMP of LHI Shares immediately preceding the Offer Date, with a discount, if any, provided always that such discount is no more than ten percent (10.0%), if deemed appropriate, or such other percentage of discount as may be permitted by any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time during the option period.

The exercise price as determined in the manner set out above shall be conclusive and binding on the Grantee.

(vi) Trust

A trust to be administered by the trustee for purposes of implementing the ESOS ("Trust") has been established by us. The appointed trustee shall administer the Trust in accordance with the trust deed, and shall in particular, be responsible for the administration of the ESOS ("Trustee").

The Trustee shall open and maintain a trust account into which our Company and/or its subsidiaries shall inject monies for the purposes of the ESOS, in particular to enable the Trustee to use the same to subscribe for LHI shares and to pay for expenses in relation to the administration of the Trust in accordance with the By-Laws.

Upon the Trustee receiving a written instruction from the ESOS committee that a Grantee has elected to exercise his ESOS Option(s) pursuant to the By-Laws, the Trustee shall utilise the monies in the trust account to subscribe for such number of new LHI Shares in respect of which the written instruction is given. The Grantee would not be required to make any payment in respect of the ESOS Option(s) exercised as the funding of the exercise price is provided by our Company (via the Trustee) to the Trust.

Our Company shall allot and issue the said LHI Shares which will be placed into a CDS Account of the Trustee or its authorised nominee.

Subject to there being sufficient monies in the trust account, the Trustee or its authorised nominee shall be irrevocably authorised and instructed to assist with the sale and transfer of such number of LHI Shares in respect of which the instruction is given, and the proceeds from the sale of the LHI Shares shall be credited into the trust account.

The net gains from the sale of the said LHI Shares after deducting the exercise cost i.e. exercise price x number of LHI Shares (in respect of which the written instruction is given) and the related transaction costs, will be released to such Grantee. The balance of the proceeds, if any, will remain in the trust account and may be used by the Trustee towards subsequent subscription of shares and administration expenses.

We intend to offer up to 36,500,000 ESOS Options to our eligible directors and employees, who meet the eligibility criteria to participate in the ESOS as set out in the By-Laws in Annexure C of this Prospectus, subject to the discretion of the ESOS committee, representing 1.00% of our enlarged issued share capital upon Listing, assuming the 36,500,000 ESOS Options are fully exercised into 36,500,000 new LHI Shares. In compliance with item (v)(a) above, the exercise price for the said 36,500,000 ESOS Options shall be the Final Retail Price.

4. DETAILS OF OUR IPO (Cont'd)

The following is the proposed specific allocation of the ESOS Options to our eligible Directors, key senior management and any person connected with them upon our Listing:

<u>Name</u>	<u>Designation</u>	<u>No. of ESOS Options allocated</u>
<u>Directors</u>		
Lau Chia Nguang	Executive Chairman/ President Commissioner of Malindo Feedmill	1,530,000
Dato' Lau Eng Guang	Executive Director/ Group Business Strategist	1,530,000
Tan Sri Lau Tuang Nguang	Executive Director/ Group Chief Executive Officer/ President Director of Malindo Feedmill	1,530,000
Lau Joo Hong	Executive Director/ Chief Executive Officer of our Group's Vietnam operations	1,350,000
Lau Joo Han	Executive Director/ Chief Executive Officer of our Group's Malaysia operations	1,275,000
Lau Joo Keat	Executive Director/ Country Head of our Group's Indonesia operations	1,275,000
<u>Key senior management</u>		
Lau Jui Peng	Group Breeder Chief Executive Officer	1,275,000
Lau Joo Heng	Chief Executive Officer of our Group's Philippines operations	1,200,000
Lau Joo Hwa	Chief Executive Officer of our Group's Singapore operations	1,275,000
Chew Eng Loke	Chief Financial Officer	875,000
<u>Persons connected to them</u>		
Lau Joo Kiang	General Manager, Operations (Indonesia operations)	263,000
Lau Joo Ping	Costing Manager (Malaysia operations)	13,000
Lau Joo Hau	General Manager, Operations (Vietnam operations)	282,000
<i>Total</i>		<u>13,673,000</u>

Any further offer, allocation or allotment under the ESOS to any of our eligible Directors, major shareholders and any person connected with them other than as stated above shall require the prior approval of the shareholders of our Company in a general meeting.

4. DETAILS OF OUR IPO (Cont'd)

4.2.6 Share capital

Upon completion of our IPO, our share capital will be as follows:

	No. of Shares	RM
After the Pre-IPO Exercise	3,400,000,000	1,230,131,992
To be issued under the Public Issue	250,000,000	275,000,000 ⁽¹⁾
Enlarged number of issued shares and share capital upon Listing	3,650,000,000	1,505,131,992

Note:

(1) Calculated based on the Retail Price of RM1.10 per IPO Share.

4.2.7 Classes of shares and ranking

As at the date of this Prospectus, we only have one class of shares, being ordinary shares.

Our Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares, subject to any applicable Rules of Bursa Depository.

Our Offer Shares rank equally in all respects with our other existing issued Shares including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any Shares we may issue in the future, our shareholders will, in proportion to the amount paid or credited on our Shares held by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders will be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At every general meeting of our Company, each of our shareholders will be entitled to vote in person, by proxy, or by attorney or by other duly authorised representative. Any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative will have one vote for each Share held or represented. A proxy may but need not be a member of our Company.

4. DETAILS OF OUR IPO (Cont'd)

4.2.8 Minimum subscription level

There is no minimum subscription level in terms of proceeds to be raised under our IPO. However, in order to comply with the public shareholding spread requirement under the Listing Requirements, the minimum subscription level in terms of the number of Shares will be the number of Shares required to be held by the public shareholders of our Company to comply with the minimum public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

Under the Listing Requirements, we are required to have a minimum of 25.00% of our Shares held by at least 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If the above requirement is not met, we may not be able to proceed with the Listing. See Section 5.4.4 of this Prospectus for details in the event there is a delay in or termination of our Listing.

4. DETAILS OF OUR IPO (Cont'd)

4.3 SELLING SHAREHOLDERS

The Offer Shares to be offered by each Selling Shareholder and their respective shareholding in our Company before and after our IPO are as follows:

	Material relationship with our Group	Shareholding before our IPO		Offer For Sale		Shareholding after our IPO assuming the Over-allotment Option is not exercised		Over-allotment Option		Shareholding after our IPO assuming the Over-allotment Option is fully exercised	
		No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%
Clarinden Investments	Substantial shareholder	782,000,000	23.00	421,050,000	11.54	360,950,000	9.89	70,312,500	1.93	290,637,500	7.96
Founding Family											
CN Lau Holdings	- (3)	103,612,900	3.05	40,150,000	1.10	63,462,900	1.74	10,595,000	0.29	52,867,900	1.45
Dato' Lau Eng Guang	Director, key senior management and Promoter	103,612,900	3.05	40,150,000	1.10	63,462,900	1.74	10,595,000	0.29	52,867,900	1.45
TN Lau Holdings	- (4)	103,612,900	3.05	36,500,000	1.00	67,112,900	1.84	9,632,500	0.26	57,480,400	1.57
HNL&S	- (5)	103,612,900	3.05	40,150,000	1.10	63,462,900	1.74	10,595,000	0.29	52,867,900	1.45
Lau Joo Han	Director, key senior management, Promoter and substantial shareholder ⁽⁶⁾	138,173,600	4.06	54,750,000	1.50	83,423,600	2.29	14,448,000	0.40	68,975,600	1.89
Lau Joo Hong	Director, key senior management, Promoter and substantial shareholder ⁽⁷⁾	49,751,400	1.46	19,710,000	0.54	30,041,400	0.82	5,201,000	0.14	24,840,400	0.68
Lau Jui Peng	Key senior management, Promoter and substantial shareholder ⁽⁷⁾	44,211,200	1.30	17,520,000	0.48	26,691,200	0.73	4,623,000	0.13	22,068,200	0.60
Lau Joo Heng	Key senior management, Promoter and substantial shareholder ⁽⁷⁾	44,211,200	1.30	17,520,000	0.48	26,691,200	0.73	4,623,000	0.13	22,068,200	0.60
Total		1,472,799,000	43.32	687,500,000	18.84	785,299,000	21.52	140,625,000	3.85	644,674,000	17.66

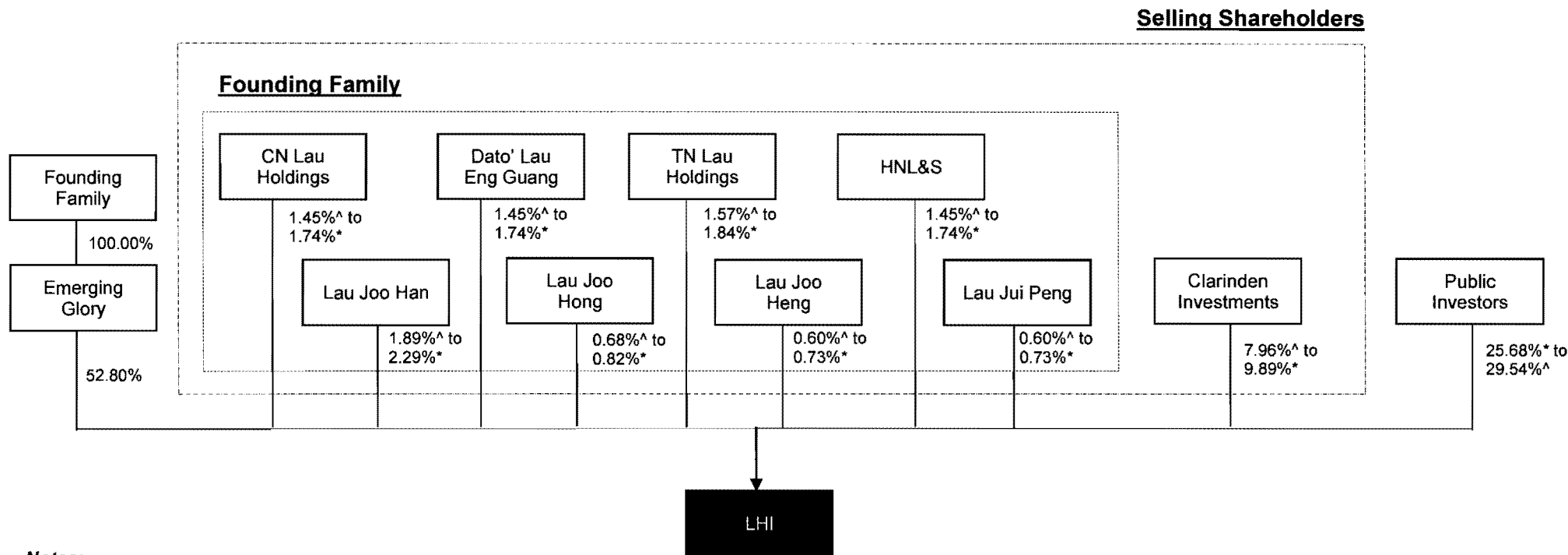
4. DETAILS OF OUR IPO (Cont'd)

Notes:

- (1) *Based on LHI's issued share capital of 3,400,000,000 LHI Shares after the Pre-IPO Exercise.*
- (2) *Based on LHI's enlarged issued share capital of 3,650,000,000 LHI Shares upon Listing.*
- (3) *Lau Chia Nguang, our Director, key senior management and Promoter as well as Lau Joo Hwa, our key senior management are both directors and substantial shareholders of CN Lau Holdings.*
- (4) *Tan Sri Lau Tuang Nguang, our Director, key senior management and Promoter is a director and substantial shareholder of TN Lau Holdings.*
- (5) *Lau Joo Keat, our Director, key senior management and Promoter is a director and substantial shareholder of HNL&S.*
- (6) *Deemed interested by virtue of his shareholding in Emerging Glory pursuant to Section 8(4) of the Act.*
- (7) *Deemed interested by virtue of his interest in Emerging Glory through his interest held in CWL&S pursuant to Section 8(4) of the Act.*

4. DETAILS OF OUR IPO (Cont'd)

Shareholding of the Selling Shareholders after the IPO



Notes:

- * Assuming the Over-allotment Option is not exercised.
- ^ Assuming the Over-allotment Option is fully exercised.

4. DETAILS OF OUR IPO (Cont'd)

4.4 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES AND REFUND MECHANISM

4.4.1 Retail Price

The Retail Price of RM1.10 per IPO Share was determined and agreed upon between our Directors and the Selling Shareholders in consultation with the Joint Global Coordinators, after taking into consideration the following factors:

- (i) PE multiple of approximately 20.8 times based on our Group's net EPS of 5.3 sen after taking into account our PATAMI of RM192.6 million for the FYE 31 December 2017 and our enlarged issued share capital of 3,650,000,000 Shares upon Listing;
- (ii) pro forma consolidated NA per Share attributable to ordinary equity holders of parent ("**NA per Share**") as at 31 October 2018 after our IPO of RM0.42 based on our enlarged issued share capital of 3,650,000,000 Shares upon Listing;
- (iii) our competitive strengths, as follows:
 - (a) we are operating in fast growing ASEAN consumer markets with rising poultry consumption;
 - (b) we are a leading "pure-play" poultry producer, with strong economies of scale and a leading market share in most of our product segments;
 - (c) the industry that we are operating in has significant barriers to entry which provide us with a sustained competitive advantage;
 - (d) we have scalable platform of operations that provide enhanced value creation across geographies and segments;
 - (e) our fully integrated business model allows us to provide operating flexibility, synergies and resilience through the economic cycle;
 - (f) we have a robust historical financial growth underpinned by strong track record and established brand; and
 - (g) we have a team of experienced senior management, supported by seasoned country managers and a prominent investor;
- (iv) our strategies and future plans which are to be achieved through:
 - (a) consolidation and expansion of our leadership position in Malaysia and Singapore by driving efficiencies and continuing to grow capacity;
 - (b) increase use of our own Broiler farms in Malaysia, in order to control quality and increase efficiency, with a view to replicate this approach in Indonesia and Vietnam;
 - (c) continuing to grow our integrated business model in our newer markets, with a focus on expanding our upstream operations; and
 - (d) investing in processes, technology, people and facilities to meet customer requirements while maintaining low-cost structure.
- (v) favourable outlook of the poultry industry with expected higher demand for poultry from consumers, boosted by growing preference towards healthier white meat, growing regional population and increasing food requirements, details of which are as described in Section 8 of this Prospectus; and

4. DETAILS OF OUR IPO (Cont'd)

- (vi) prevailing market conditions which include among others, market performance of key global indices and companies which are in businesses similar to ours listed on Bursa Securities as well as other exchanges, current market trends and investors' sentiments.

Based on our pro forma consolidated NA per Share as at 31 October 2018 after our IPO of RM0.42, our PB multiple is approximately 2.6 times, which falls within the range of other integrated poultry producers as set out in Section 6 of this Prospectus.

The Final Retail Price will be determined after the Institutional Price is determined on the Price Determination Date and will be the lower of:

- (a) the Retail Price of RM1.10 per IPO Share; or
- (b) the Institutional Price.

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest thereon. Further details on the refund mechanism are set out in Section 4.4.3 of this Prospectus.

Prospective Retail Investors should be aware that the Final Retail Price will not, in any event, be higher than the Retail Price of RM1.10 per IPO Share.

The Final Retail Price and the Institutional Price are expected to be announced within two Market Days from the Price Determination Date via Bursa Listing Information Network. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment for our IPO Shares.

Applicants should also note that the vagaries of market forces and other uncertainties may affect the market price of our Shares after our Listing.

4.4.2 Institutional Price

The Institutional Price will be determined by a bookbuilding process wherein prospective institutional and selected investors will be invited to bid for portions of the Institutional Offering by specifying the number of our IPO Shares they would be prepared to acquire and the price they would be prepared to pay for our IPO Shares in respect of the Institutional Offering. This bookbuilding process commences on 25 April 2019 and will end on 3 May 2019. Upon completion of the bookbuilding process, the Institutional Price will be fixed by our Directors and the Selling Shareholders in consultation with the Joint Global Coordinators on the Price Determination Date.

4. DETAILS OF OUR IPO (Cont'd)

4.4.3 Refund mechanism

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest. The refund in the form of cheques will be despatched by ordinary post to the address maintained with Bursa Depository for applications made via the Application Form or by crediting into the accounts of the successful applicants with the Participating Financial Institution for applications made via the Electronic Share Application or by crediting into the accounts of the successful applicants with the Internet Participating Financial Institution for applications made via the Internet Share Application, within ten Market Days from the date of final ballot of applications, at the successful applicants' own risk.

For further details on the refund mechanism, see Section 15.9 of this Prospectus.

4.4.4 Expected market capitalisation

Based on the Retail Price, the total market capitalisation of our Company upon our Listing would be approximately RM4.0 billion.

You should also note that the market price of our Shares upon our Listing is subject to the vagaries of market forces and other uncertainties. You are reminded to consider carefully the risk factors as set out in Section 5 of this Prospectus.

4.5 DILUTION

Dilution is the amount by which the price paid by retail, institutional and selected investors for our Shares exceeds our consolidated NA per share after our IPO. Our pro forma consolidated NA per Share as at 31 October 2018 was RM0.38, based on the total number of issued shares of 3,400,000,000 Shares after the Pre-IPO Exercise and before adjusting for our IPO.

After taking into account our enlarged number of issued Shares from the issuance of the 250,000,000 Issue Shares and after adjusting for the expenses relating to our IPO, our pro forma NA per Share as at 31 October 2018 would be RM0.42. This represents an immediate increase in NA per Share of RM0.04 to our existing shareholders and an immediate dilution in NA per Share of RM0.68 (representing 61.8%) of the Retail Price and the Institutional Price (assuming the Final Retail Price and the Institutional Price will equal the Retail Price), to the retail and institutional and selected investors.

The following table illustrates such dilution on a per Share basis assuming the Retail Price is equal to the Final Retail Price and the Institutional Price:

	<u>RM</u>
Final Retail Price/ Institutional Price	1.10
Pro forma consolidated NA per Share as at 31 October 2018 after the Pre-IPO Exercise and before adjusting for our IPO	0.38
Pro forma consolidated NA per Share as at 31 October 2018, after adjusting for our IPO	0.42
Increase in NA per Share to our existing shareholders	0.04
Dilution in pro forma consolidated NA per Share to retail/institutional and selected investors	0.68
Dilution in pro forma consolidated NA per Share to retail/ institutional and selected investors as a percentage of the Retail Price/ Institutional Price	61.8%

4. DETAILS OF OUR IPO (Cont'd)

4.6 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue amounting to RM275.0 million⁽¹⁾ in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Capital expenditure	Within 24 months	207,733	75.5
Working capital	Within 6 months	32,959	12.0
Defray fees and expenses for our IPO and Listing	Within 3 months	34,308	12.5
Total		275,000	100.00

Note:

(1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price of RM1.10 per IPO Share.

4.6.1 Capital expenditure

We intend to incur RM207.7 million for capital expenditure to facilitate the expected growth of our operations in Malaysia, Vietnam and Philippines so as to increase our visibility and presence in these countries. The breakdown of the capital expenditure allocation is as follows:

	RM'000
a) Malaysian operations	40,700
b) Vietnam operations	47,033
c) Philippines operations	120,000
Total	207,733

In the event that the above capital expenditure has been incurred before the receipt of the proceeds from the Public Issue, the IPO proceeds will be used to replenish any internally generated funds or repay bank borrowing drawn down for the purpose of the said capital expenditure.

(i) Malaysian operations

RM40.7 million of the proceeds from the Public Issue is to be allocated for expansion of our Broiler farms which will involve the construction of closed-house farms in existing Broiler farms in the following states:

- (i) Negeri Sembilan – seven closed-house farms;
- (ii) Melaka – two closed-house farms;
- (iii) Perak – 11 closed-house farms; and
- (iv) Johor – 12 closed-house farms.

Construction of these closed-house farms commenced in the first quarter of 2019 and is expected to complete by the fourth quarter of 2020 which will increase our production by 10.4 million Broilers per annum.

4. DETAILS OF OUR IPO (Cont'd)

This expansion is expected to cost approximately RM86.8 million with RM40.7 million sourced from the Public Issue and the balance of RM46.1 million to be financed through borrowings and internally generated funds, the exact mix of which has not been determined at this time.

As at the LPD, approximately RM19.7 million has been incurred towards this project.

(ii) Vietnam operations

Approximately RM47.0 million of the proceeds from the Public Issue is to be allocated for the following projects for our Vietnam's operations:

	RM'000
Feedmill Business	
Expansion of Dong Nai feedmill plant (note 1)	7,690
Equipment and machineries for Dong Nai, Bau Bang and Tien Giang feedmill plants (note 2)	17,906
Livestock Business	
Expansion of existing Dong Nai farm and new layer farms in Southern Vietnam (note 3)	21,437
Total	47,033

Notes:

1) Expansion of Dong Nai feedmill plant

This project will involve the following:

- (i) construction of one silo and a soybean meal ("SBM") flat warehouse discharging system which both will be used for storing raw materials on the existing land of Dong Nai feedmill plant. The estimated cost of this project is approximately RM5.1 million; and
- (ii) third pelleting line in the Dong Nai feedmill plant which will cost approximately RM2.6 million.

The silo expansion and construction of a SBM flat warehouse discharging system is expected to commence in the third quarter of 2020 and is expected to complete by the fourth quarter of 2020. The construction of the third pelleting line in the Dong Nai feedmill plant is expected to commence in third quarter of 2019 and is expected to complete by the fourth quarter of 2019.

The silo expansion and the SBM flat warehouse discharging system are expected to result in an additional 10,000 MT of grain storage capacity while the third pelleting line will provide our Group with additional capacity of approximately 142,500 MT per annum of livestock feeds.

As at the LPD, we have yet to prepare the design for the layout of the silo expansion and the warehouse discharging system. The estimated construction cost was arrived at after taking into consideration the construction cost of the Dong Nai feedmill.

4. DETAILS OF OUR IPO (Cont'd)

As at the LPD, no amount has been incurred towards this project and the source of funding for this project will be entirely from the Public Issue proceeds.

2) **Equipment and machinery for Dong Nai, Bau Bang and Tien Giang feedmill plants**

This project will involve the following:

- (i) construction of a spent grain drying facility, being a facility to dry grains, and centralise premix machineries in the Dong Nai feedmill plant where the estimated cost is approximately RM1.6 million and RM6.8 million, respectively. The construction of the spent grain drying facility has commenced in the first quarter of 2019 and is expected to complete by the third quarter of 2019. Meanwhile, the construction of the centralise premix machineries is expected to commence in the third quarter of 2020 and is expected to complete by the first quarter of 2021. The spent grain drying facility and centralise premix machineries will provide our Group with an additional capacity 13,200 MT per annum and 24,000 MT per annum, respectively;
- (ii) construction of animal medicine injection line in our medicine plant located at Bau Bang where the estimated cost is approximately RM4.9 million. This project is expected to commence in the first quarter of 2020 and is expected to complete by the third quarter of 2020. The new animal medicine injection line will provide our Group with 4,800 litres per annum of liquid medicines for animals; and
- (iii) installation of automatic bagging and robotic pelletiser in Bau Bang and Tien Giang feedmill plants respectively where the estimated cost is approximately RM4.6 million.

The source of funding for this project will be entirely from the Public Issue proceeds. As at the LPD, approximately RM0.9 million has been incurred towards this project.

3) **Expansion of existing Dong Nai farm and new Layer farms in Southern Vietnam**

This project will involve the following:

- (i) construction of additional three PS closed-house farms and machinery in the existing Dong Nai farm where the estimated cost is approximately RM0.6 million and RM0.3 million, respectively. This project is expected to commence in the third quarter of 2019 and is expected to complete by the fourth quarter of 2019. The closed-house farms will provide our Group with an additional output of 2.7 million Broiler DOCs per annum; and

4. DETAILS OF OUR IPO (Cont'd)

- (ii) installation and fitting of equipment in new Layer farms to be rented in Southern Vietnam, in particular in Binh Duong or Dong Nai provinces, where the estimated cost of installation and fittings for the new Layer farms is approximately RM20.5 million. This project is expected to commence in the first quarter of 2020 and is expected to complete by the fourth quarter of 2020. The farms will provide our Group with approximately 168.2 million eggs per annum.

As at the LPD, no amount has been incurred towards this project and the source of funding for this project will be entirely from the Public Issue proceeds.

(iii) Philippines operations

RM120.0 million of the proceeds from the Public Issue is to be allocated for the following projects for our Philippines' operations:

	RM'000
Feedmill Business	
New feedmill plant in Central Luzon (note 1)	59,245
Livestock Business	
New GPS farm in South Luzon (note 2)	6,409
New PS farm in Central Luzon (note 3)	19,206
New Broiler farm (note 4)	20,508
New hatchery in Central Luzon (note 5)	8,496
Purchase of a new ERP system for LHPHi (note 6)	6,136
Total	120,000

Notes:

1) New feedmill plant

The first feedmill plant for our Philippines' operations will be constructed on an approximately 20 acres plot of industrial land in Central Luzon that will be rented by LHPHi from our associate, Greatmammoth.

The estimated construction cost of the feedmill plant is approximately RM59.2 million. Construction is expected to commence in the third quarter of 2019 and is expected to complete in the fourth quarter of 2020. The feedmill plant will include a silo, feedmill tower, warehouse, office and installation of feedmill machineries, pelleting system, flat storage transport equipment, laboratory equipment and other auxiliary equipment.

The estimated full capacity output of the new feedmill plant is 240,000 MT per annum.

This new feedmill is part of our Group's expansions plan as set out in Section 7.11 in this Prospectus.

As at the LPD, no amount has been incurred towards this project and the source of funding for this project will be entirely from the Public Issue proceeds.

4. DETAILS OF OUR IPO (Cont'd)

2) New GPS farm

We intend to build a new GPS farm which will consist of five closed poultry houses on an approximately 35 acres plot of agricultural land in South Luzon that will be rented by our Group from Greatmammoth through LHPHi.

The estimated construction cost of the closed-house farms is approximately RM6.4 million. Construction is expected to commence in the third quarter of 2019 and is expected to complete by the fourth quarter of 2020.

The estimated full capacity of this farm is 20,000 GPS DOCs per annum.

As at the LPD, no amount has been incurred towards this project and the source of funding for this project will be entirely from the Public Issue proceeds.

3) New PS farm

We intend to build a new PS farm which will consist of 12 closed poultry houses on an approximately 23 acres plot of agricultural land in Central Luzon that will be rented by our Group from Greatmammoth through LHPHi.

The estimated construction cost of the closed-house farms is approximately RM19.2 million. Construction is expected to commence in the third quarter of 2019 and is expected to complete by the third quarter of 2020.

The estimated full capacity of this farm is about 93,000 PS DOCs per annum.

As at the LPD, no amount has been incurred towards this project and the source of funding for this project will be entirely from the Public Issue proceeds.

4) New Broiler farm

We intend to build two new Broiler farms which will consist of 16 closed poultry houses on an approximately 38 acres plot of agricultural land in Central Luzon that will be rented by our Group from Greatmammoth through LHPHi.

The estimated construction cost of the closed-house farms is approximately RM20.5 million. Construction is expected to commence in the third quarter of 2019 and is expected complete by the third quarter of 2020.

The estimated full capacity of the new broiler farms is 3.36 million Broiler DOCs per annum.

As at the LPD, no amount has been incurred towards this project and the source of funding for this project will be entirely from the Public Issue proceeds.

4. DETAILS OF OUR IPO (Cont'd)

5) New Hatchery

We intend to build a new Hatchery building on an approximately five acres plot of agricultural land located in Barangay, San Juan, Municipality of Samal, Province of Bataan, Central Luzon that will be rented by our Group from Greatmammoth through LHPHi.

The estimated construction cost of the Hatchery building is approximately RM12.8 million. Construction has commenced in the fourth quarter of 2018 and is expected to complete by the third quarter of 2019.

The new Hatchery building with a built-up area of approximately 95,000 sq ft can house 30 incubators inside the building once it is completed. The estimated full capacity of the new Hatchery once the building is equipped with 30 incubators is approximately 48 million eggs per annum.

This project is expected to cost RM27.2 million with RM8.5 million sourced from the Public Issue with the balance of RM18.7 million to be financed through borrowings and internally generated funds, the specific allocation of which has not been determined at this time. As at the LPD, RM6.1 million has been incurred towards this project.

6) Purchase of a new ERP system

We are purchasing and installing a new ERP system for LHPHi's office where the purchase and installation commenced in the first quarter of 2019 and is expected to complete by the fourth quarter of 2019.

The purchase and installation of the new ERP system is expected to cost approximately RM6.4 million with RM6.1 million sourced from the Public Issue and the balance of RM0.3 million to be financed through internally generated funds. As at the LPD, RM0.5 million has been incurred towards this project.

4.6.2 Working capital

We will allocate approximately RM33.0 million from the Public Issue proceeds as working capital to finance the purchases of raw materials that we use in the production of livestock feeds. The raw materials are corn, soybean and SBM. For further information on these raw materials, see Section 7.5.1 of this Prospectus.

4. DETAILS OF OUR IPO (Cont'd)

4.6.3 Defray fees and expenses for our IPO and Listing

The estimated fees and expenses for our IPO and Listing to be borne by us are estimated to be RM34.3 million, comprising the following:

	<u>RM'000</u>
Professional fees	22,690
Fees payable to authorities	1,119
Brokerage, underwriting and placement fees	6,401
Other fees and expenses such as printing, advertising, travel and roadshow expenses	3,638
Miscellaneous expenses and contingencies	460
Total	<u>34,308</u>

In the event that the actual fees and expenses are higher than budgeted, the excess will be funded out of working capital. On the other hand, if the actual fee and expenses are lower than budgeted, the difference between the sums allocated and the actual fees and expenses will be used for working capital.

The actual proceeds accruing to our Group will depend on the Institutional Price and the Final Retail Price. If the actual proceeds are higher than budgeted above, the excess will be used for working capital. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for working capital will be reduced accordingly.

Given the timing of the use of proceeds to be raised from our IPO may not be immediate and as part of our efficient capital management to maximise profit income, we intend to place the proceeds raised from the Public Issue or any balance (including accrued profit, if any) in the interest-bearing accounts with licensed financial institution(s) and/or in money-market deposit instruments/funds.

Our Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of up to approximately RM756.3 million will accrue entirely to the Selling Shareholders. The Selling Shareholders will bear their own professional fees and placement fees, as well as other fees and expenses for our IPO which is estimated to be approximately RM16.0 million.

4.7 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.7.1 Brokerage fee

We will pay brokerage in respect of the Issue Shares under the Retail Offering at the rate of 1.0% (exclusive of applicable tax) of the Final Retail Price in respect of all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

The Joint Global Coordinators and Joint Bookrunners are entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission under the Institutional Offering will not be payable by us or the Selling Shareholders.

4. DETAILS OF OUR IPO (Cont'd)

4.7.2 Underwriting commission

As stipulated in the Retail Underwriting Agreement, the Managing Underwriters and Joint Underwriters have agreed to underwrite our IPO Shares under the Retail Offering for an underwriting commission of 1.5% (exclusive of applicable tax) of the Retail Price multiplied by the total number of Issue Shares underwritten under the Retail Offering in accordance with the terms of the Retail Underwriting Agreement.

4.7.3 Placement fee

The Selling Shareholders for the Offer Shares and we for the Issue Shares will pay the Placement Managers a placement fee and selling commission of up to 1.5% (exclusive of applicable tax) and may pay the Placement Managers a discretionary fee of up to 0.5% (exclusive of applicable tax) of the Institutional Price multiplied by the number of IPO Shares sold to Malaysian and foreign institutional and selected investors in accordance with the terms of the Placement Agreement.

4.8 DETAILS OF THE UNDERWRITING, PLACEMENT AND LOCK-UP ARRANGEMENTS

4.8.1 Underwriting

We and the Selling Shareholders have entered into the Retail Underwriting Agreement with the Managing Underwriter and the Joint Underwriters to severally and not jointly (nor jointly and severally) underwrite 98,000,000 Issue Shares under the Retail Offering, subject to the clawback and reallocation provisions as set out in Section 4.2.3 of this Prospectus and upon the terms and subject to the conditions of the Retail Underwriting Agreement.

Details of the underwriting commission are set out in Section 4.7.2 of this Prospectus, while the salient terms of the Retail Underwriting Agreement are as follows:

Unless waived by (i) the Managing Underwriter and (ii) two or more of the Joint Underwriters who have agreed to underwrite in aggregate more than 50.0% of our Issue Shares under the Retail Offering (collectively, the "**Majority Underwriters**"), the underwriting obligations of the Managing Underwriter and Joint Underwriters are subject to certain conditions precedent which must be satisfied by the closing date of the Retail Offering ("**Closing Date**") which in any case shall not be later than 3 May 2019 or such later date as consented in writing by the Majority Underwriters.

The Majority Underwriters may, on behalf of the Joint Underwriters, in such manner as the Majority Underwriter shall reasonably determine by notice in writing to us by the Majority Underwriters given at any time before the date of our Listing, terminate, cancel and withdraw their respective underwriting commitments if:

- (i) there is any breach by us and/or the Selling Shareholders of any of our or their representations or any of the warranties or undertakings set out in the Retail Underwriting Agreement in any respect; or
- (ii) without prejudice to Section 4.8.1(i) above, there is failure on our part and/or by the Selling Shareholders to perform any of our or their obligations set out in the Retail Underwriting Agreement which, in the opinion of the Majority Underwriters, would have or is likely to have a material adverse effect or change, whether individually or in the aggregate, and whether or not arising in the ordinary course of business on the following:

4. DETAILS OF OUR IPO (Cont'd)

- (a) the condition (financial, business or operations), management, general affairs, business, assets, liquidity, liabilities, prospects, earnings, properties, stockholders' equity, results of operations or prospects of our Company and/or our Group taken as a whole; or
- (b) the ability of our Company or the Selling Shareholders to perform our or their obligations under or with respect to, or to consummate the transactions contemplated by this Prospectus, the Placement Agreement, Share Lending Agreement or the Retail Underwriting Agreement; or
- (c) the ability of our Company and/or our Group to conduct its businesses and to own or lease our assets and properties as described in this Prospectus; or
- (d) our IPO;
- ("Material Adverse Effect"); or**
- (iii) we and/or the Selling Shareholders withhold any information of a material nature from the Managing Underwriter and/or the Joint Underwriters, which would have or is likely to have a Material Adverse Effect; or
- (iv) there shall have occurred or happened any other event in which Material Adverse Effect having occurred or which in the opinion of the Majority Underwriters are likely to occur; or
- (v) the Closing Date does not occur by 3 May 2019, subject to such extension which may be agreed between us and the Majority Underwriters; or
- (vi) in the sole opinion of the Majority Underwriters, the occurrence of any of the following events:
- (a) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which would have or is likely to have a Material Adverse Effect or a material adverse effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of our IPO Shares or a material adverse effect on our Listing or our IPO. For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:
- on or after the date of the Retail Underwriting Agreement; and
 - prior to the Closing Date;
- lower than 85.0% of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least three consecutive Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event, it shall be deemed a material adverse change in the stock market condition; or

4. DETAILS OF OUR IPO (Cont'd)

- (b) any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court or authorities which has or is likely to have a Material Adverse Effect; or
- (c) any *force majeure* event which is any event or series of events beyond the reasonable control of the Managing Underwriter or any of the Joint Underwriters including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami, fire, lightning, tempest, accident, epidemics and/or earthquakes), acts of hijacking, commotion, terrorism, strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, hostilities, invasion, incursion by armed force, sabotage, acts of war, diseases or epidemics (such diseases or epidemics to include but not be limited to avian flu), accidents, riot, uprising against constituted authority, disorder, rebellion, insurrection, revolt, military, any material disruptions in securities settlements, payment or clearance procedures in the U.S., Hong Kong, the United Kingdom, Vietnam, Malaysia, Indonesia, Cambodia, Philippines or Singapore or any general moratorium on banking activities in any of the aforementioned which has or is likely to have a Material Adverse Effect or which has or is likely to have the effect of making any material obligation of the Retail Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to our IPO or pursuant to the underwriting of our Shares under the Retail Offering that are underwritten; or
- (d) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities for a period exceeding three consecutive Market Days due to exceptional financial circumstances or otherwise; or
- (e) any government requisition or occurrence of any other nature whatsoever which would have or is likely to have a Material Adverse Effect; or
- (f) there shall have announced or carried into force any new law or regulation, directive, policy or ruling or change in law, regulation, directive, policy, ruling in any jurisdiction which in the opinion of the Majority Underwriters may prejudice the success of our IPO or our Listing or which would have or is likely to have the effect of making it impracticable to enforce contracts to allot and/or transfer our Shares or making the Retail Underwriting Agreement incapable of being performed in accordance with its terms; or
- (g) the Institutional Offering and/or Retail Offering is stopped or delayed by us or any relevant authorities for any reason whatsoever (unless such delay has been approved by the Majority Underwriters); or
- (h) any commencement of legal proceedings or action against any member of our Group or any of their directors, which would have or is likely to have a Material Adverse Effect or make it impracticable to market our IPO or to enforce contracts to allot and/or transfer the Shares; or
- (vii) our Listing does not take place by 31 May 2019 or such other extended date as may be agreed by the Majority Underwriters; or

4. DETAILS OF OUR IPO (Cont'd)

- (viii) any of the resolutions or approvals as set out in the Retail Underwriting Agreement is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have or is likely to have a Material Adverse Effect; or
- (ix) in the event that our Listing is withdrawn or not procured or procured but subject to conditions not acceptable to the Majority Underwriters (acting reasonably); or
- (x) if the SC or any other relevant regulatory authority issues an order pursuant to Malaysian laws such as to make it, in the opinion of the Majority Underwriter, impracticable to market our IPO or to enforce contracts to transfer our IPO Shares; or
- (xi) any material statement contained in this Prospectus has become or been discovered to be untrue, inaccurate or misleading in any respect; or
- (xii) any one of the Retail Underwriting Agreement, Placement Agreement, Share Lending Agreement, lock-up arrangement, Master Cornerstone Placement Agreement and the respective individual cornerstone placement agreements (a) having been terminated or rescinded in accordance with its terms thereof; (b) ceased to have any effect whatsoever, or (c) varied or supplemented upon terms and such variation or supplementation would have or is likely to have a Material Adverse Effect.

4.8.2 Placement

We and the Selling Shareholders expect to enter into the Placement Agreement with the Placement Managers in relation to the placement of up to 839,500,000 IPO Shares under the Institutional Offering, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.2.3 and 4.2.4 of this Prospectus, respectively. We and the Selling Shareholders will be requested, on a several basis, to give various representations, warranties and undertakings, and to indemnify the Placement Managers against certain liabilities in connection with our IPO.

4.8.3 Lock-up arrangement

- (i) We have agreed that, subject to offerings under the IPO and certain exceptions, we shall not without the prior written consent of the Joint Global Coordinators and Joint Bookrunners, to the extent applicable to us, for a period of six months from the date of the Listing, directly or indirectly:
 - (a) issue, allot, offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or create any encumbrance, lend, hypothecate, directly or indirectly, conditionally or unconditionally, any Shares including any interest therein (or any securities convertible into or exercisable or exchangeable for Shares or are substantially similar to, the Shares) regardless of whether any such transaction is to be settled by the delivery of Shares or such other securities, in cash or otherwise; or

4. DETAILS OF OUR IPO (Cont'd)

- (b) enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares) regardless of whether any such transaction is to be settled by the delivery of Shares or such other securities, in cash or otherwise; or
 - (c) deposit any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities; or
 - (d) agree to do or announce any intention to do any of the above or an offering or sale of, any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) with respect to any of the foregoing; or
 - (e) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any transactions described in paragraphs (a) to (d) above.
- (ii) All the Selling Shareholders save for Clarinden Investments have respectively agreed that, subject to the offerings under the IPO and certain exceptions, they shall not without the prior written consent of the Joint Global Coordinators and Joint Bookrunners, for a period of six months from the date of the Listing, directly or indirectly:
- (a) offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or create any encumbrance, lend, hypothecate or otherwise transfer or dispose of, or agree to transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares including any interest therein (or any securities convertible into or exercisable or exchangeable for Shares or are substantially similar to, the Shares) held or acquired by them up to and including the date of the Listing (collectively, the "**Relevant Shares**"), whether such transaction is to be settled by the delivery of Shares or such other securities, in cash or otherwise;
 - (b) enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares) regardless of whether any such transaction is to be settled by the delivery of Shares or such other securities, in cash or otherwise;
 - (c) deposit any of the Relevant Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities;

4. DETAILS OF OUR IPO (Cont'd)

- (d) agree to do or announce any intention to do any of the above or an offering or sale of, any of the Relevant Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) with respect to any of the foregoing; or
- (e) sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the Relevant Shares;
- (f) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any transactions described in paragraphs (a) to (e) above.

The restrictions in Sections 4.8.3 (i) and (ii) above do not apply to (1) the Shares granted under the ESOS; (2) the Shares that are sold pursuant to the IPO or pursuant to an over-allotment option granted by the Over-allotment Option Providers to the Stabilising Manager (on behalf of the Joint Global Coordinators and Joint Bookrunners); and (3) the transfer of Shares by the Over-allotment Option Providers pursuant to the Share Lending Agreement, provided that these lock-up restrictions shall apply to the Shares returned to the Over-allotment Option Providers pursuant to the Share Lending Agreement.

- (iii) Clarinden Investments has agreed that, subject to the offerings under the IPO and certain exceptions, they shall not without the prior written consent of the majority of the Joint Global Coordinators, for a period up to and including six months from the date of the Listing, directly or indirectly:
 - (a) offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or create any encumbrance, lend, hypothecate or otherwise transfer or dispose of, or agree to transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares including any interest therein (or any securities convertible into or exercisable or exchangeable for Shares or are substantially similar to, the Shares) held or acquired by them up to and including the date of the Listing ("**Relevant Shares**"), whether such transaction is to be settled by the delivery of Shares or such other securities, in cash or otherwise;
 - (b) enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares) regardless of whether any such transaction is to be settled by the delivery of Shares or such other securities, in cash or otherwise;
 - (c) deposit any of the Relevant Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities;

4. DETAILS OF OUR IPO (Cont'd)

- (d) agree to do or announce any intention to do any of the above or an offering or sale of, any of the Relevant Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) with respect to any of the foregoing; or
- (e) sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the Relevant Shares;
- (f) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any transactions described in paragraphs (a) to (e) above.

The restrictions above do not apply to (1) the Shares that are sold pursuant to the IPO or pursuant to an over-allotment option granted by the Over-allotment Option Providers to the Stabilising Manager (on behalf of the Joint Global Coordinators and Joint Bookrunners); and (2) the transfer of Shares by the Over-allotment Option Providers pursuant to the Share Lending Agreement, provided that these lock-up restrictions shall apply to the Shares returned to the Over-allotment Option Providers pursuant to the Share Lending Agreement.

4.9 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, we will not deliver share certificates to subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS accounts, either directly in their names or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective securities accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10.00 payable for each transfer not transacted on the market.

Shares held in CDS accounts may not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances determined by Bursa Depository from time to time, after consultation with the SC.

4. DETAILS OF OUR IPO (Cont'd)

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

It is expected that our Shares will commence trading on Bursa Securities approximately ten Market Days after the close of the Institutional Offering. Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of book-entry transfer to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

5. RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all the information contained in this Prospectus, including the risks described below, before deciding to invest in our Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

5.1 RISKS RELATING TO OUR BUSINESS

5.1.1 We face uncertainty in respect of our applications to obtain requisite approvals for change in express condition and/or occupation of buildings

In Malaysia, we are required to comply with land use conditions and where the express condition imposed on the land title does not explicitly permit poultry farming or hatchery, we will require the approval of the land authorities for change in express condition. In addition, in Malaysia, CCCs are required for the occupation of buildings or part thereof. The issuance of a CCC is preceded by the issuance of a KM and a building plan approval. Where CCC is not able to be obtained, a KMT and a temporary building plan are to be applied for in order to obtain a TBP, in accordance with the directions of the local councils.

As at the LPD, we have 137 farms and hatcheries in Malaysia and all of them do not have CCCs. However, we are taking the necessary steps to procure the requisite certifications or permits. As at the LPD:

- (i) 83 farms and hatcheries have express conditions on the land titles which allows for poultry farming or hatchery, as the case may be, of which four farms have obtained a TBP and approvals for CCC/TBP are being pursued for the remaining 79 farms and hatcheries. Based on feedback from the relevant consultants appointed by us to submit the relevant applications for KM/KMT and CCC/TBP applications and/or local councils, we expect to obtain a TBP for all these farms and hatcheries if we are unable to obtain a CCC; and
- (ii) the remaining 54 farms and hatcheries have yet to convert their existing express condition to allow for poultry farming or hatchery, as the case may be, of which:
 - (a) 11 farms, comprising 9 broiler farms and 2 breeder farms, are not able to change the express condition imposed on their land titles to allow for poultry farming and accordingly, we are not submitting any KM/KMT and CCC/TBP applications for these farms; and
 - (b) the remaining 43 farms and hatcheries are pending the decision of the land authorities in respect of their applications for change in express condition and at the same time, pursuing approvals for CCC/TBP. These 43 farms and hatcheries contribute:
 - approximately 28.6% of the housing capacity of our farms in Malaysia and 13.1% of the housing capacity of our hatcheries in Malaysia as at the LPD; and
 - approximately 9.1% and 6.8% of our Group's revenue for the FYE 31 December 2017 and FPE 31 October 2018 respectively, based on, among others, the housing capacity of these farms as well as the average selling price per broiler or DOC (as the case may be).

5. RISK FACTORS (Cont'd)

Of the 43 farms and hatcheries where their applications for change in express condition are pending the decision of the land authorities, we have further identified 14 farms and hatcheries located in the area where the surrounding lands neighbouring these farms have been zoned for residential/ industrial use and/or in close proximity to either natural water sources and/or residential areas. Accordingly, the applications for change in express condition for these farms may not be successful. These 14 farms and hatcheries contribute:

- (i) approximately 8.4% of the housing capacity of our farms in Malaysia and 13.1% of the housing capacity of our hatcheries in Malaysia as at the LPD; and
- (ii) approximately 3.4% and 2.4% of our Group's revenue for the FYE 31 December 2017 and FPE 31 October 2018 respectively, based on, among others, the housing capacity of these farms as well as the average selling price per broiler or DOC (as the case may be),

which is not material to our Group.

A summary of the status of compliance with land use pursuant to express condition imposed on the land titles of our farms and hatcheries and the status of the relevant applications for change in express condition as well as KM/KMT and CCC/TBP are set out in Annexure B of this Prospectus.

For the 11 farms that we are not able to change the express condition imposed on their land titles to allow for poultry farming, we will replace the affected capacity of these 11 farms by increasing the capacity at our existing farms or by building a new farm on our existing land, which we estimate will cost us approximately RM58.0 million ("**Cost of Replacement**") to replace the affected capacity of our chicken and duck broiler farms by the first half of 2019 and breeder farms by the first half of 2020. For the remaining 126 farms and hatcheries that we own and operate, we estimate that the cost to obtain the KM/KMT and CCC/TBP, where applicable, including penalties and remedial works for those farms and hatcheries with KM applications that have been approved with conditions, will be approximately RM9.6 million ("**Cost of Compliance**"). The estimated total costs comprising the Cost of Compliance and the Cost of Replacement amount to approximately RM67.6 million, of which approximately RM67.3 million will be capitalised as property, plant and equipment. We estimate the depreciation amount to be approximately RM1.7 million per annum based on a depreciation rate ranging between 2.5% and 10%, depending on the applicable depreciation policy, with the balance to be expensed off. However, these costs to be incurred is not material to our Group.

For avoidance of doubt, the Cost of Compliance does not include the cost to carry out any remedial works for the 14 farms and hatcheries which we have further identified located in areas in conflict with poultry farming. If we are not able to obtain the requisite approvals for the change in express condition for these farms and hatcheries, we will also need to replace the affected capacity of these 14 farms and hatcheries by building new farms/hatcheries at new locations or increase the capacity at our existing farms which we estimate will cost us approximately RM113.4 million. The cost to be incurred is not material to our Group since it will be capitalised as property, plant and equipment and we estimate the depreciation amount to be approximately RM7.8 million per annum based on a depreciation rate ranging between 2.5% and 15%, depending on the applicable depreciation policy.

5. RISK FACTORS (Cont'd)

While we have not experienced any imposition of sanctions by the local councils to obtain certifications or permits in relation to the safety and fitness of buildings for occupation, we have made and/or will make the necessary applications:

- (i) for the change in or imposition of express condition on the land titles to permit poultry farming, where required; and
- (ii) to obtain the necessary approval, certification and/or permission for occupation of the building on our farms and facilities in accordance with the directions of the relevant local councils.

However, the granting of the requisite approvals governing the use of our farms and facilities are dependent on the discretion of the local councils and/or land authorities based on the implementation of their relevant policies and guidelines.

Any adverse change in such policies, guidelines or directions taken by the local councils and/or land authorities in exercising their discretion on matters requiring their approvals which we cannot anticipate and is beyond our control may result in:

- (i) our applications being rejected;
- (ii) our Group being subject to sanctions, details of which are set out in Sections 7.20.1(xiv) and 7.20.1(xv) of the Prospectus; and/or
- (iii) our Group having to incur additional costs to replace the capacity of the affected farms following our unsuccessful applications,

which may disrupt our business operations and in turn may have a material adverse effect on our financial condition, results of operations and prospects.

In addition, in Indonesia, a building owner must obtain an IMB to construct a building and GR 36/2005 stipulates that a building owner must obtain a SLF to occupy and utilise a building. To comply with the SLF requirement, as at the LPD, the Malindo Group has submitted SLF applications for 70 buildings, these being the material properties of the Malindo Group. Hutabarat Halim & Rekan, the Indonesian legal counsel to our Company, has confirmed that these 70 SLF applications are regarded by the relevant authorities as our rectification of any SLF non-compliance for the 70 buildings. See Annexure B of this Prospectus for further information relating to our SLF applications.

5.1.2 We may not be able to obtain, renew or maintain our major licences, permits and approvals required to operate our business operations due to reasons beyond our control

We depend on certain licences, permits and approvals issued by various government authorities and regulatory agencies in the countries where we operate to conduct of our business. For details of our major licences, permits and approvals including the applicable authorities, expiration dates and status of compliance, see Annexure A of this Prospectus.

Our major licences, permits and approvals are generally subject to a variety of conditions which are either stipulated within the licences, permits and approvals themselves, or under the particular legislation and/or regulations governing the issuing authorities. Certain of these major licences and permits and approvals need to be renewed on a periodic basis or reassessed by the relevant regulatory authorities. For example, in Malaysia, we are required to maintain certain poultry farming licences issued by the state DVS pursuant to the respective state's Poultry Farming Enactment for the operation of our poultry farms. For details of sanctions which may be imposed by the relevant government authorities and regulatory agencies, see Section 7.20.1(i) of this Prospectus.

5. RISK FACTORS (Cont'd)

As at the LPD, save for the DVS licences which are pending renewal upon expiry of its term, four out of the 137 farms which we operate in Malaysia do not have a valid DVS licence. Should we need to replace the affected capacity of the farms that do not have a valid DVS licence by building new farms at new locations or by increasing the capacity at our existing farms, it may cost us approximately RM6.9 million to carry out the exercise over a period of three years. The said cost of approximately RM6.9 million will be capitalised as property, plant and equipment.

If we are unable to fulfil any new terms or conditions that may be imposed or if there is further development of residential properties in the vicinity of our farms, we may not be able to renew or obtain the major licences, permits and approvals required for our operations. Further, regulations of the issuing authorities may become more stringent from time to time. Any breach or material non-compliance with such regulations may result in the suspension, withdrawal or termination of the relevant major licences, permits and approvals, financial penalties or cessation of our operations.

In addition, we are required to comply with environmental protection, health and safety laws and regulations. Some of these regulations govern the level of fees payable to government entities providing environmental protection services and the prescribed standards relating to the discharge of effluent, or liquid waste. The scale of our poultry operations leads to the production of a large quantity of poultry waste, requiring appropriate disposal. We sell a proportion of the poultry waste as manure and the remainder is disposed of in accordance with applicable environmental regulations. In the course of our operations, we may have unknowingly emitted pollutants or otherwise caused environmental damage or may have been in breach of applicable environmental laws and regulations. Even with careful and regular monitoring, such environmental issues may continue until they are brought to our attention. Any failure to comply with relevant environmental laws and regulations, depending on the type and severity of any violation, may cause us to be subject to, among other things, warnings from relevant authorities, imposition of fines and/or criminal liability, being ordered to close down our business operations and suspension of relevant permits. As a result, our reputation may be harmed and our business, financial condition, results of operations and prospects could be materially and adversely affected. In addition, as laws and regulations are becoming increasingly more stringent worldwide (including environmental and competition laws and regulations), there can be no assurance that we will not be required to incur significant costs to comply with such laws and regulations in the future.

During the 12-month period prior to the date of this Prospectus, we have not faced any suspension, withdrawal or termination of relevant major licences, permits or approvals, financial penalties or cessation of our operations which have materially and adversely affected our business and results of operations.

Further, while we have not encountered any issues in renewing or obtaining any major licences, permits and approvals required to carry out our operations, there can be no assurance that we will be able to renew such major licences, permits and approvals in the future or that we will not be subject to suspension, withdrawal or termination of our major licences, permits and approvals, despite our best efforts to maintain high standards, and any such failure to secure renewal or obtain a major licence, permit or approval would adversely affect our financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)

5.1.3 Outbreaks of livestock diseases could have a material adverse effect on our business

Outbreaks of livestock diseases at our poultry farms or facilities could significantly restrict our ability to conduct our operations. Avian Influenza is highly contagious among birds and can cause sickness or death of domesticated birds, including chickens, geese, ducks and turkeys. For example, the H5N1 strain of Avian Influenza had affected poultry flocks and other birds in several countries around the world, including the ASEAN region. In March 2013, there was an outbreak of the H7N9 strain of Avian Influenza in China, which spread to humans and resulted in patient deaths. Annual outbreaks in China have continued through 2018. There can be no assurance that the H7N9 strain of Avian Influenza would not spread to Southeast Asia.

During the 10-year period prior to the date of this Prospectus, we have not had any case of Avian Influenza within our farms or production facilities that (a) have had a material adverse effect on our financial position and results of operations, or (b) resulted in government intervention to shut down the farms or production facilities for quarantine inspection. However, notwithstanding the biosecurity measures we have in place, there can be no assurance that there will not be any outbreak of livestock disease in the future. See Section 7.5.2 of this Prospectus for details of the biosecurity measures we have in place.

Any future outbreak of a livestock disease could result in any of the following, all of which could have a material adverse effect on our business and financial condition:

- the governments of the jurisdictions where we operate may introduce requirements for us to destroy our flocks;
- the demand for eggs, Broiler chickens and the prices of DOCs and chicken products may decrease significantly;
- one or more of our farms or facilities may be placed under quarantine until the relevant authorities have determined the threat of disease spreading to be eliminated;
- the importation of GPS DOCs and PS DOCs from countries where an outbreak may have occurred into the countries where we operate may be prohibited; or
- the government of the jurisdictions where we operate may introduce restrictions on the movement and/or the sale of our unprocessed chicken products.

There may also be no compensation or insufficient compensation paid by the government.

Any outbreak of disease in the countries where we operate or in other countries, in particular neighbouring countries, even if there is no outbreak at our facilities, could create adverse publicity and any negative perception by potential customers, government authorities, lenders or general insurance providers could harm us through loss of customers, new regulations or livestock culling requirements, failure to obtain financing on favourable terms or at all, or loss of insurance coverage generally. Any of these consequences could have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)

We currently purchase all our GPS DOCs from Cobb and Aviagen. Although, during the 10-year period prior to the date of this Prospectus, there are no cases of Avian Influenza or other livestock diseases which have affected Cobb's or Aviagen's ability to supply GPS DOCs to us, there can be no assurance that any such cases will not affect Cobb or Aviagen in the future. Outbreaks of Avian Influenza or other livestock diseases in the U.S. and Europe may result in the countries where we operate banning imports of GPS from affected territories. In the event of such outbreaks resulting in import bans, the cost of breeder flocks of similar quality imported from alternative sources could be higher than the cost of our current supplies. In addition, there can be no assurance that any such alternative supplies would be readily available to meet our requirements or at all. Any long-term interruption in supplies of breeder flocks could have a material adverse effect on our business, financial condition, results of operations and prospects.

5.1.4 We may not be able to renew the TM Licence Agreement and the "LH" trademark may not be renewed

Our LH Trademark is important to our brand building and sales and marketing efforts. As at the date of this Prospectus, the LH Trademark is owned by LH Holdings.

Pursuant to the TM Licence Agreement dated 1 August 2018, LH Holdings has granted us a licence for an annual royalty fee to use the LH Trademark worldwide for an initial period of 10 years commencing from the date of the TM Licence Agreement and renewable for successive periods of 10 years at our option, subject to mutual agreement as to the subsequent royalty fee for the renewed terms. See Section 7.22 of this Prospectus for further details on the TM Licence Agreement.

There can be no assurance that we will be able to renew the TM Licence Agreement at a commercially reasonable cost or at all, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The LH Trademark has only been registered in Malaysia and Vietnam. As such, if any third party uses the trademark or registers an identical or similar trademark in jurisdictions other than Malaysia and Vietnam, this may create barriers to entry for our Group in the future. Further, competitors may adopt trade or service names similar to ours notwithstanding that the LH Trademark has been registered. Unauthorised use of the LH Trademark or variants thereof may harm our reputation and we may need to litigate to protect the LH Trademark or to determine the validity and scope of the proprietary rights of others. If any of our intellectual property is infringed, challenged, revoked or we are unable to succeed in legal proceedings to enforce our intellectual property rights at a commercially reasonable cost or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

While the LH Trademark has been registered in Malaysia and Vietnam, such registration is only for a period of 10 years from 10 October 2012 to 10 October 2022, and a period of 10 years from 28 November 2014 to 28 November 2024, respectively. If LH Holdings is unable to renew the LH Trademark, our business, financial condition, results of operations and prospects could be materially and adversely affected.

5. RISK FACTORS (Cont'd)**5.1.5 Our success depends upon our Executive Directors and key senior management team and other key personnel, the loss of any of whom could disrupt our business operations**

We believe that our future success is heavily dependent upon the continued service of our Executive Directors and key senior management team who have valuable experience in the business in which we operate and an important depth of understanding of the demands of our business and our customers' needs, particularly in the region where our key senior management are based. See Sections 9.2 and 9.3 of this Prospectus for information on our Executive Directors and key senior management.

While we believe we offer attractive terms of employment, there can be no assurance that we will retain our Executive Directors and key senior management or any other key personnel or that we will be able to attract, train or retain qualified personnel in the future. The loss of services of one or more of our Executive Directors or key senior management or any other key personnel may adversely affect the execution and implementation of our business strategies, which could have a material adverse effect on our business, financial condition, results of operations and prospects. We do not carry key person life insurance in respect of any of our employees.

5.1.6 We may experience land disputes and may not be able to renew our leased lands. Our existing lands may also be subject to compulsory acquisition

We may in the future experience land disputes. Such land disputes may arise over land ownership or overlapping land usage (where an area of land that has been allocated by the government authorities to a party for a specific purpose (such as farming) overlaps other areas that have also been allocated by other government authorities to other parties for other purposes or reserved by the government for a specific purpose only).

Our land sites may also be compulsorily acquired by the respective governments of the countries where they are located, for, among other reasons, public use or due to public interest. In the event such land sites are compulsorily acquired and the NBV of the land sites to be compulsorily acquired is greater than the compensation paid in respect of the acquired lands, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Further, while most of our lands are owned by our Group, some of our land in Malaysia, Indonesia, Vietnam, Singapore and the Philippines are leased from the relevant land authorities or owners and we need to renew such leases prior to their expiration. While we have not encountered any difficulties in renewing our material leases, there can be no assurance that we will be able to renew all our material leases at commercially reasonable costs or at all, or that we will be able to obtain suitable leases at alternative sites, and any such failure to secure renewal or an alternative lease could materially and adversely affect our business, financial condition and results of operations.

5.1.7 We depend on a constant supply of genetics for our DOC breeding business

The quality of our livestock depends initially on the supply of genetics for our GPS. There are a limited number of suppliers of genetics in the market and we may not always be able to obtain the quality of genetics that we need, either on terms that are acceptable to us or at all.

We currently import all our Broiler GPS DOCs from Cobb and Aviagen. If either Cobb or Aviagen ceases to supply us with GPS DOCs for commercial reasons or because of an adverse event in their own businesses and we are not able to source an alternative supplier of GPS DOCs, either in a timely manner, on commercially acceptable terms or at all, it could impair our ability to continue the sale of PS DOCs at the same levels.

5. RISK FACTORS (Cont'd)

Any disruption to our relationship with genetics suppliers could disrupt our supply of GPS DOCs and our PS DOCs for breeding, affect our cost of supply and require development and adoption of new productivity guidelines and may have a material adverse effect on our business, financial condition, results of operations and prospects.

5.1.8 Our insurance coverage may be inadequate

Our insurance coverage may not adequately protect us from the risks associated with our business. We insure our principal assets against risk of physical loss or damage caused by accident, fire, civil disorder and natural disasters. However, we do not have coverage against losses arising from an outbreak of livestock disease as such insurance is not customary and is unavailable in the jurisdictions where we operate on commercially acceptable terms.

In addition, there can be no assurance that we will be able to continue to maintain our existing insurance coverage or obtain insurance policies on economically viable terms. If we were to suffer a loss that is not adequately covered by insurance, our business, financial condition, results of operations and prospects could be materially and adversely affected. See Section 7.15 of this Prospectus for further information on our insurance policies.

5.1.9 We are dependent on contract farmers

As at 31 October 2018, we have approximately 656 contract farms in Malaysia (which includes 1 farm located in Malaysia for our Singapore operations), Indonesia, the Philippines and Vietnam, which contributed approximately 10.1% of our revenue for the FPE 31 October 2018, of which 1.9% was contributed by Malaysia, 1.8% was contributed by Indonesia, 0.5% was contributed by Philippines and 5.9% was contributed by Vietnam. The contract farms bear the obligation to hold the licences and permits relating to the operations and assets of the farms. See Section 7.5.2 of this Prospectus for further information on our arrangements with the contract farmers.

We do not typically have long term contracts with them as they prefer the flexibility accorded by short-term contractual arrangements. There can no assurance that we will be able to renew such contracts when they expire or that the contract farmers will not terminate such contracts in favour of our competitors. Such termination or failure to renew such contracts could have a material adverse effect on our business, financial condition, results of operations and prospects.

Further, while we encourage the contract farmers to implement our farm management techniques and follow our strict quality control measures, there can be no guarantee that these contract farmers will adhere to such standards.

Notwithstanding that (a) currently some of our contractual agreements with the contract farmers include provisions requiring the contract farmer to hold the relevant licences relating to the operations of the farms and permits in relation to the safety and fitness of buildings for occupation as well as to keep us indemnified against relevant costs incurred by us as a result of any breach of the provision, and (b) we will ensure that all contractual agreements entered into with contract farmers in the future contain such provisions, there can be no assurance that the contract farmers will hold, or continue to hold, the relevant licences and permits, or that they will comply, or continue to comply, with the conditions of the licences and permits they hold and any such failure could affect our reputation.

5. RISK FACTORS *(Cont'd)*

5.1.10 Our business is exposed to exchange rate fluctuations

We are exposed to exchange rate fluctuations, particularly SGD, USD and IDR. As our operations grow, we may from time to time be exposed to exchange rate fluctuations of other currencies such as PHP and VND.

Our revenues in the countries where we operate are largely denominated in RM, VND, IDR and SGD. The majority of our raw materials (such as corn and soybean meal) are linked to international commodity index prices which are in USD and exchange fluctuations in USD may have a significant impact on our financial condition and results of operations.

Further, dividends, if any, in respect of our Shares will be paid in RM. Exchange rate gains or losses will arise when the assets and liabilities of our foreign subsidiaries are translated into RM for financial reporting and repatriation purposes. If the functional currencies of our subsidiaries depreciate against the RM, this may materially and adversely affect our Group's reported financial results and dividends, if any, respectively.

We use forward foreign exchange contracts for our purchases denominated in USD for which firm commitments existed as at 31 October 2018. However, hedging transactions may not completely insulate us from risks associated with exchange rate fluctuations due to certain factors including the following:

- (a) the financial instruments used by us may not correspond completely or directly with the risk we intend to protect ourselves from;
- (b) the duration of the hedge may not match the duration of the related liability;
- (c) the counterparty of the financial instruments may not perform its obligations and its credit rating may be lowered accordingly, which could prejudice our ability to sell or transfer such financial instruments; and
- (d) the value of the derivative financial instruments used by us may be adjusted from time to time in accordance with applicable accounting policies to reflect changes in fair value, which may cause us to incur losses.

Hedging also typically involves costs, including transaction costs which may reduce overall profits. Any change in exchange rates that we are not protected from by our hedging strategy could have a material adverse effect on our business, financial condition, results of operations and prospects, which may impact our ability to pay and/or declare dividends. See Section 12 of this Prospectus for further details on the impact of changes in exchange rates on our financial condition and results of operations.

5.1.11 Exchange controls and policies may materially and adversely affect us

In Indonesia, the Bank of Indonesia issued a regulation, effective 31 March 2015, on the use of IDR for every payment transaction in the Indonesian territory. In addition, in Malaysia, effective 5 December 2016, BNM introduced a currency stabilising ruling requiring resident exporters to convert 75.0% of their export proceeds from foreign currencies into RM upon repatriating proceeds back to Malaysia, save and except that with effect from 17 August 2018, exporters are allowed to automatically sweep export proceeds into their Trade Foreign Currency Accounts maintained with onshore banks to meet up to six months' foreign currency obligations without the need to first convert proceeds into RM, upon exporters establishing their six months' foreign currency obligations with their respective onshore banks. These measures expose us to additional foreign exchange fluctuations and increasing conversion costs, both of which could materially and adversely affect our business, financial condition and results of operations.

5. RISK FACTORS (Cont'd)

There can be no assurance that the governments or central banks in the countries where we operate will not impose more restrictive or other foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to increased exposure of the relevant economy to potential risks and vulnerability of developments in the international markets. This may adversely affect our business, financial condition and results of operations, the value of our Shares and the ability of our shareholders to liquidate our Shares.

Central banks in the countries where we operate may intervene in the currency exchange markets in furtherance of their policies, either by selling local currency or by using their foreign currency reserves to purchase local currency. There can be no assurance that such currencies will not be subject to depreciation and continued volatility, or that the various governments will take additional action to stabilise, maintain or increase the value of their respective currencies, or that any of these actions, if taken, will be successful. Changes to the current exchange rate policies by any of the countries where we operate could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, economic recession, loan defaults or declining interest by our customers, and as a result, we may also face difficulties in funding our capital expenditure and in implementing our business strategies. Any of these consequences could have a material and adverse effect on our business, financial condition, results of operations and prospects.

5.1.12 We have been the subject of investigations by competition authorities in Indonesia and Singapore

We were investigated by competition authorities in Indonesia and Singapore and may be subject to further investigations in the future.

In the FYE 31 December 2016, in Indonesia, KPPU investigated Malindo Feedmill and 11 other companies in the farming business, where KPPU had alleged, among others, that we and these 11 other companies had conducted a cartel by jointly and prematurely cutting supply of PS chickens to increase the prices in the market. KPPU's decision was overturned by the Indonesia District Court of Jakarta Barat on 29 November 2017, where the court found that the cutting of supply of PS chickens was ordered by the Directorate General of Livestock and Animal Health under the Ministry of Agriculture in Indonesia to combat the oversupply of live birds in the market, which had adversely affected small chicken breeders. KPPU subsequently filed a cassation to the Supreme Court of the Republic of Indonesia to appeal against the decision of the Indonesia District Court of Jakarta Barat, but was subsequently rejected by the Supreme Court of the Republic of Indonesia on 15 May 2018.

On 8 March 2016, the CCCS issued a proposed infringement decision against 13 fresh chicken distributors, including the Affected Companies, for allegedly engaging in anti-competitive agreements to coordinate the amount and timing of price increases, and agreeing not to compete for each other's customers in the market for the supply of fresh chicken products in Singapore. Following further investigations conducted by the CCCS, the CCCS had on 12 September 2018 issued an infringement decision on the Affected Companies and imposed an aggregate financial penalty of SGD11,399,041 on the Affected Companies. On 12 November 2018, the Affected Companies lodged their Notice of Appeal with the Competition Appeal Board, and as at the LPD, the Affected Companies are in the process of preparing for an appeal hearing before the Competition Appeal Board. We have made provisions for this financial penalty with respect to the Affected Companies in our audited financial statements for the FYE 31 December 2017. See Section 14.6 of this Prospectus for further information on the matter above.

5. RISK FACTORS (Cont'd)

On 23 March 2018, the CCCS issued a notice to Lee Say requiring the production of specified documents and the provision of specified information under Section 63 of the Singapore Competition Act. The notice was issued on the basis that the CCCS had reasonable grounds for suspecting that Section 54 of the Singapore Competition Act may have been infringed by Lee Say. The CCCS has since ceased its investigation into the acquisition of Leong Hup Food, Soonly Food, Jordon and Safa Gourmet (through its subsidiaries Kendo Trading and ES Food) from Elite KSB Holdings Limited, which was completed on 31 October 2012, as informed by the CCCS via its letter issued to Lee Say on 14 November 2018.

As we continue to expand our business operations, there can be no assurance that we will not face similar investigations by competition authorities in countries where we operate which could materially and adversely affect our business reputation, public image, demand for our products, potential business opportunities, our financial condition, results of operations and prospects.

5.1.13 Our business strategies, including with regard to acquisitions and expansions, are subject to implementation risk

Our overall business strategies involve investments in new facilities to expand our upstream production capacity, entering into new markets and expanding our operations further in the countries where we operate. In 2015, we expanded our operations to the Philippines to capture the potential growth opportunities in that market. However, as the prospects of these initiatives are uncertain, there can be no assurance that we will be able to successfully execute our business strategies or that these business strategies will not prove more difficult or costly than we had originally anticipated. In addition, in conducting due diligence in connection with a potential acquisition of interests in existing businesses, we rely on resources available to us, including information provided by the target business and, where appropriate, third party investigations or reports. However, there can be no assurance that our due diligence would necessarily reveal all facts that may be relevant to our evaluation of such an opportunity.

Our strategic initiatives may expose us to a number of risks and challenges, including the following:

- new and expanded business activities may require higher capital expenditures and operating costs than initially planned or anticipated;
- new and expanded business activities may result in lower growth or profit than we currently anticipate with no assurance that these business activities will become profitable at the level that we anticipate or at all;
- new and expanded businesses may require substantial government subsidies to become profitable and these subsidies may be substantially reduced or entirely discontinued in the future;
- new and expanded businesses may require and be subject to various governmental and regulatory approvals, consents, reports and filings, which we may not be able to obtain or complete in a timely manner or at all;
- new and expanded businesses may require increased centralisation of our business operations, devotion of substantial amount of time by our management and may divert our management's attention and resources from our existing operations and business;
- we may fail to identify and enter into new business opportunities in a timely manner or we may be unable to obtain sufficient financing to pursue our growth strategies, placing us at a disadvantage compared to our competitors, particularly in overseas markets;

5. RISK FACTORS (Cont'd)

- we may face difficulties in effectively managing or executing our acquired assets, projects, associates or joint ventures in which we have, or will have, little or no control;
- we may need to hire or retrain greater numbers of skilled and qualified personnel than we had anticipated in order to supervise and undertake new and expanded business activities; and
- we may not be able to raise funds to implement our business strategies in a timely manner or on terms and conditions acceptable to us or at all.

For our business strategies in certain markets, particularly those outside Malaysia, we may depend on our partners to provide expertise and on relationships with local clients. Local political or economic conditions or a partner's financial condition may affect our business activities and may result in our dissolving relationships with these partners, which could materially and adversely affect our reputation in the markets where we operate or intend to operate.

For example, we intend to expand our Feedmill Business and Livestock Business in the Philippines by constructing a new feedmill plant as well as new farms and a new hatchery on the lands to be rented from Greatmammoth, as detailed in Section 4.6.1 of this Prospectus. However, as we only hold a 40.0% equity interest in Greatmammoth and the properties will be owned by Greatmammoth, there can be no assurance that Greatmammoth will:

- (a) have economic or business interest or goals that are aligned with ours;
- (b) take actions in accordance with our instructions/ requests or our policies; or
- (c) fulfil its obligations under the applicable agreements or arrangements or provide anticipated levels of support.

Our control over these assets and projects are generally subject to the terms of applicable agreements and arrangements, which may limit our ability to take certain actions that we would deem to be beneficial to our business and financial condition. If there is a dispute or disagreement with respect to certain corporate decisions, or if there is a failure in the collaboration under our joint venture, we may not be able to fully protect our interests in the assets and projects on lands that we do not wholly own.

In addition, we regularly review the profitability and growth potential of our existing and new businesses. As a consequence of these reviews, we may decide to exit from, reduce or limit our investments in these ventures. Systemic and other risks may cause these ventures to not achieve profitability to the extent originally anticipated and we may fail to recover investments or expenditures that we have incurred.

Any of the foregoing may have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)

5.1.14 We may not continue to benefit from favourable government policies

We have benefited from government policies in certain jurisdictions where we operate such as Vietnam. Governments and local authorities have provided us with, among others, preferential tax treatments, subsidies and other assistance such as access to suitable sites for our operations and assisted with access to infrastructure required for such operations.

In Vietnam, we have been granted preferential tax treatments in respect of our feedmill plants, which expire after approximately six years from its first year of profit. Currently, we are enjoying the preferential tax treatments for our second feedmill plant since 2015, our third feedmill plant since 2016 and our medicine plant since 2018. With the preferential tax treatments, we are entitled to tax exemption of no more than two years and a 50% reduction of payable tax amounts of no more than four subsequent years. As at the LPD, we no longer enjoy the aforementioned preferential tax treatment for our first feedmill plant as such preferential tax treatment had expired in 2016. However, we have in 2018 secured certain additional preferential tax rate in respect of our first feedmill plant which allows us to enjoy a preferential tax of 15% until further changes from the local authority. There is no assurance that the such preferential tax rate will be valid for an indefinite period of time or will continue on the same terms. If these government policies change, our business, financial condition, results of operations and prospects may be materially and adversely affected.

5.1.15 Our fair value gains or losses on biological assets may fluctuate from period to period, are non-cash in nature and are derived from many assumptions and may materially and adversely affect our financial results.

Our livestock are measured at fair value less costs to sell. The fair value of livestock is determined using the discounted cash flow model and requires management estimates and judgments including the expected number of DOCs produced by each breeder, the expected salvage value of breeders and Layers, expected selling price of DOCs, table eggs and Broilers, mortality rate of livestock, livestock feed consumption rate and livestock feed costs and discount rate.

Any changes in the estimates would affect the fair value of our livestock. Upward adjustments do not generate any cash inflow for our operations. In addition, increases in interest rates globally or in the jurisdictions where we mainly operate may impact the discount rate used for deriving the present value of the biological assets, which in turn may negatively affect the fair value of our livestock. As a result, our fair value gains or losses on biological assets may fluctuate from period to period. For the FYEs 31 December 2015, 31 December 2016 and 31 December 2017 and the FPE 31 October 2018, there were increases in the fair value of our biological assets of RM13.5 million, RM25.7 million, RM18.8 million and RM50.2 million, respectively. See Section 12.2.5(iii) of this Prospectus for further information on the fair value gains or losses on our biological assets.

5.1.16 We may require additional capital in the future in order to continue to grow our business which may not be available on terms acceptable to us or at all

Our ability to grow our business and maintain our market share in the industry in which we operate, through the expansion of our operations and production capabilities, is dependent on our ability to raise additional funds to implement our business strategies or to refinance our existing debt or for our working capital. There can be no assurance that such funds will be available on terms acceptable to us or at all. Additional debt financing may also increase our financing costs and reduce our profitability.

5. RISK FACTORS (Cont'd)

Our financing agreements may contain terms and conditions that may restrict our freedom to operate and manage our business, such as terms and conditions that require us to maintain certain pre-set debt service coverage ratios and leverage ratios and require us to use our assets, including our cash balances, as collateral for our indebtedness. If we are unable to raise additional funds on terms acceptable to us or at all as and when required, our business, financial condition, results of operations and prospects may be materially and adversely affected. Certain of our financing agreements also require the controlling shareholder and/or members of the Founding Family to maintain a certain percentage of equity interest in our Company. In the event that the controlling shareholder of our Company or, where applicable, members of the Founding Family cease to hold the prescribed percentage of equity interest in our Company, there may be a breach of the relevant facilities and we may be required to pay the loan amounts immediately.

5.1.17 The interests of our controlling shareholder may not be aligned with those of our shareholders

Following completion of our IPO, Emerging Glory will own approximately 52.80% of our Shares and Emerging Glory will continue to be our controlling shareholder. As our controlling shareholder, other than in respect of certain votes regarding matters in which it is an interested party and must abstain from voting under the Listing Requirements or matters that require the passing of a special resolution, Emerging Glory will be able to vote on matters such as the election of our Directors and influence the approval of all corporate matters or transactions requiring a shareholder resolution under the Act. Through Emerging Glory's ability to influence the election of our Directors, it will have control over matters concerning our Company determined at our Board level. Currently, our Executive Directors are representatives of Emerging Glory and have spent substantial part of their career working within our Group.

5.2 RISKS RELATING TO OUR INDUSTRY

5.2.1 Our feedmill business is dependent upon the price and availability of corn, soybean meal and other raw materials

Our feedmill operations are dependent upon the price and availability of the raw materials that we require for the production of our livestock feed. We do not grow our own corn, soybean meal or other raw materials and do not intend to do so in the near future.

The price and availability of corn, soybean meal and our other raw materials can therefore have a material effect on our cost of sales. The majority of our corn is imported from South America, save for our Indonesia operations where we have been using domestically produced corn since 2015, when the Indonesian government stopped issuing import permits for corn used in feedmills in order to encourage farmers in Indonesia to increase production of corn. This led to an increase in the price of corn in Indonesia, which partially contributed to an increase in our cost of sales towards the end of the FYE 31 December 2016 and for the FYE 31 December 2017. All our soybean meal requirements, which is the second largest component of our livestock feed, are met by imports.

5. RISK FACTORS (Cont'd)

Each of these raw materials that we use for the production of our livestock feed is a commodity that is priced according to local and international prices, which are subject to fluctuations resulting from, among others, weather, the size of harvests, transportation and storage costs, governmental agricultural policies and currency exchange rates. In addition, many of our suppliers are unwilling to enter into long-term supply contracts with us (due, in part, to uncertainty as to future prices and market conditions). Although we believe that our long-term relationships with our suppliers act as an incentive for them to sell their corn crops to us at market prices, there can be no assurance that this will continue in the future. In the event that one or all of our established suppliers were to cease supplying to us, our key raw materials may not be available at a price that is acceptable to us or at all. Although we aim to renew contracts as they expire, there can be no assurance that our suppliers will not seek more favourable terms from our competitors. Any inability to renew our contracts with our suppliers could have a material adverse effect on our business, financial condition, results of operations and prospects.

While we may periodically enter into forward purchase contracts to hedge our exposure and have generally been able to pass on cost increases to our customers, there can be no assurance that we will be able to continue doing so in the future. If we are unable to pass on cost increases to our customers and are unsuccessful in alternatively managing our exposure to the effects of raw material price fluctuations, our financial condition, results of operations and prospects could be materially and adversely affected.

5.2.2 We have been and could in future be subject to restrictive governmental measures, such as price or volume controls

We may from time to time be subject to restrictive governmental policies, such as price or volume controls on our raw materials and our products, in the jurisdictions where we operate.

In Malaysia, the PCAPA empowers the MDTCA to determine the maximum, minimum or fixed price for the manufacturing, producing, wholesaling or retaining of certain price-controlled goods. Under the Festive Season Price-Controlled Scheme implemented under the PCAPA, the MDTCA will identify and gazette certain essential festive season goods as price-controlled goods prior to each festive season. Such festive seasons comprise Hari Raya Puasa, Chinese New Year, Deepavali, Christmas, Pesta Kaamatan and Hari Gawai and the duration of the implementation of the Festive Season Price-Controlled Scheme depends on the festive season concerned. The most recent festive season price-controlled list was gazetted under the Price Control and Anti-profiteering (Determination of Maximum Price) Order 2019, effective for the period from 30 January 2019 to 8 February 2019 (being 10 days before, during and after Chinese New Year), and listed, among others, live broilers, whole chicken and table eggs (Grades A to C) as price-controlled goods.

In Indonesia, the Indonesian government sets an annual quota for the number of GPS DOCs that each poultry company, including us, may import annually. Further, in 2014, in an effort to support small holder broiler farmers, the Indonesian government urged large Indonesian poultry companies, including us, to limit their production volumes and cap the sales price for their DOCs. While these measures were only in place for a short period of time, they had the effect of temporarily reducing the market price of DOCs by approximately 30% to 40% during that time. Notwithstanding that these measures did not have a material adverse effect on our revenue or financial condition, the prolonged continuance of such restrictive measures could have a material adverse effect on our business, financial condition and results of operations. There can also be no assurance that the governments in the jurisdictions where we operate will not implement similar restrictive measures in the future.

5. RISK FACTORS (Cont'd)

There is also a risk that groups that protest against live imports or exports of livestock could become increasingly active and influence the relevant authorities to make changes to current regulations and impose more rigorous standards upon the operations of poultry businesses like ours. Protests against live imports or exports of livestock may also generate negative publicity about poultry companies in general, which could result in a reduction in the demand for and price of our products and have a material adverse effect on our business, financial condition, results of operations and prospects.

5.2.3 The selling prices of our products sold on the open market under our Livestock Business may be subject to wide fluctuations and may affect our financial results, including our quarterly financial results from time to time

The selling prices of our products sold on the open market under our Livestock Business, including our Broiler chickens and Broiler DOCs, have historically been subject to wide fluctuations due to changes in demand and supply conditions.

For example, in Malaysia which accounts for 39.5% and 29.5% of our EBITDA for FYE 31 December 2017 and FPE 31 October 2018 respectively, the historical reference prices* of our Broiler chickens and Broiler DOCs in the past three financial years and up to the LPD are as follows:

Note:

* The reference prices refer to the selling prices set by our Company before accounting for credit risks, volume discounts and/or other terms of transactions that may be negotiated with our customers.

	Between 1 January 2015 to 31 March 2019	
	Highest daily reference price	Lowest daily reference price
Broiler chicken (per kg)	RM6.10 (in July and August 2017)	RM2.40 (in November 2015)
Broiler DOC (per DOC)	RM2.50 (in July and August 2017)	RM0.70 (in November 2015)

The changes in demand and supply conditions are primarily due to the seasonal factors set out in Sections 7.12 and 12.2.11 of this Prospectus. Changes in demand and supply conditions or the occurrence of other factors beyond our control in the future may result in unusual movements in our selling prices or affect our selling prices negatively. However, when the selling price of Broiler chickens experiences a downward trend during a particular period, we may attempt to store our Broiler chickens as frozen products until the selling price of Broiler chickens recovers as a measure to minimise the potential effects such downward pricing trend may have on our overall results. Notwithstanding such measure, there can be no assurance that our efforts to minimise such potential effects will be successful or that our results, including our quarterly financial results, will not be affected.

The frequency and fluctuations in selling prices may vary from month to month and consequently, our quarterly financial results may also be affected by such intra-period fluctuations. Additionally, any material or prolonged decrease in our selling prices could ultimately have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)

For illustration purposes, for every RM0.10 reduction in the selling prices of our Broiler chickens for a period of one month and assuming a supply of three thousand MT Broiler chickens to the open market at such lower selling price for the one month period, we estimate that the decline of our selling price will reduce our PBT by approximately RM0.3 million for that particular month.

See Section 12.2.2(ii) of this Prospectus for further details on prices of our products.

5.2.4 Changes in consumer preferences away from our products could materially and adversely affect us

Changes in consumer preferences away from poultry or negative publicity regarding human consumption of poultry may reduce worldwide demand for our poultry products. A reduction in the demand for poultry may in turn adversely affect demand for our livestock feed. Consumer preferences can change for many reasons including changes in nutritional standards, health advisories and general economic conditions. Similarly, sales of our livestock feed could be adversely affected by shifts in consumer preferences away from poultry.

5.2.5 We face significant competition in our businesses

We face competition from other producers in the markets where we sell our products, and large international producers may seek to penetrate these markets in the future. Key factors affecting our competitiveness include price, product quality, brand identification, breadth of product line, distribution reach and customer service.

As part of our integrated operations, we are able to bundle the sale of livestock feed, DOCs and medications and the re-purchase of Broiler chicken to offer an integrated package of services and products to our farming customers, including technical advice to optimise results, productivity and the competitive advantages of our customers. While our experience is that we gain a strategic advantage from the integrated services and products that we offer, we cannot guarantee that our integrated services and products will continue to appeal to present and future customers, who may move to new or existing competitors who are able to offer similar products and services more cheaply and individually, as and when required, rather than as part of an integrated operation.

Although, we are one of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia, we cannot guarantee that we will be able to continue to compete successfully with any or all of our competitors in the future. See Section 8 of this Prospectus for details on our competitive landscape. The poultry industry is still evolving technologically, particularly in relation to biotechnology improvements in breed selection. The right breed, adjusted to local conditions, can lead to significantly higher profits for farmers due to lower mortality, better growth rates and better feed-to-weight conversion ratios. We cannot guarantee that our competitors will not offer new poultry breeds in the future, for example, as a result of their research and development activities, that are genetically superior to our breeds and more appealing to customers.

As Malaysia and Indonesia are predominantly Muslim countries, it is important that poultry be slaughtered and maintained in a "halal" manner in accordance with religious requirements. Due to this and other factors including import restrictions in Indonesia, imports of poultry products into Indonesia and Malaysia have historically been relatively low. However, if (i) the import prohibition on chicken parts is repealed, or (ii) the regulation prohibiting chicken imports not certified as halal by the Indonesian Council of Religious Scholars or the Department of Islamic Development Malaysia is amended, imports would likely increase as more players enter the market. Such increased competition may then result in price reductions for our products and a loss of market share, greater volatility in our revenues, and damage to our reputation, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS *(Cont'd)*

5.2.6 Rising operational costs could materially and adversely affect our business, financial condition, results of operations and prospects

The emerging market economies where we operate may be especially susceptible to higher than usual levels of inflation as compared to developed economies. Such inflation rates may lead to unsustainable rising labour and utilities costs, without a corresponding increase in our productivity or revenues. In addition, energy prices have generally risen in the past three financial years, which has resulted in increased energy related costs for our operations. While we seek to manage our energy related costs through increased operational efficiencies and we believe that we are currently able to pass on increases and fluctuations in our operational costs to our customers through the price of our poultry products and livestock feed, there can be no assurance that we can continue to do so in the future.

In addition, a significant increase in labour costs in the jurisdictions where we operate could have a material adverse effect on our business. Laws and regulations which facilitate the forming of labour unions, combined with weak economic conditions, may result in labour unrest and activism. Such labour laws can increase the amount of severance, service and compensation payments payable to employees upon termination of employment and may contribute to rising operational costs and lower profit margins. If a substantial number of our personnel unionise, it may become difficult for us to maintain flexible labour policies and may increase our costs and have a material adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that rising labour and utilities costs may not have an increasingly adverse impact on our operational costs and materially and adversely affect our business, financial condition, results of operations and prospects.

5.2.7 We are dependent on the availability of adequate labour in Malaysia and Singapore

Our livestock business is labour intensive in nature. Poultry farming requires extensive manpower in the rearing of DOCs and chickens throughout their productive life cycle.

We have from time to time faced difficulties in recruiting Malaysian and Singaporean workers for our operations in Malaysia and Singapore, respectively, and have employed foreign workers as an alternative. As at 31 October 2018, about 50.5% of our employees in Malaysia are from foreign countries such as Indonesia, Nepal and Bangladesh and about 56.1% of our employees in Singapore are from foreign countries including Malaysia, China and Indonesia. Currently, we obtain work permits for all of our foreign workers and in order to obtain such permits, we are typically required to make applications to the Ministry of Home Affairs, Malaysia or, as the case may be, the Ministry of Manpower, Singapore and the relevant embassies of the countries of the foreign workers. Notwithstanding that we continuously seek to increase the level of automation in our operations to reduce labour dependency, if the policies on granting such work permits were to change in Malaysia, Singapore or the respective foreign countries of the foreign workers and if such changes result in a more difficult foreign worker hiring process, it may become more challenging for us to maintain sufficient workforce for our operations in Malaysia and Singapore.

Further, changes in immigration and labour policies by the Malaysian or Singapore government with regards to foreign workers may affect our ability to hire foreign workers at commercially reasonable costs or at all, which may have a material adverse impact on our business, results of operations, financial condition and prospects. For example, in Singapore, there is a maximum number of foreign workers that we are permitted to hire and a reduction in this quota could have a negative effect on our business and results of operations in Singapore.

5. RISK FACTORS (Cont'd)

5.2.8 We are exposed to product safety and quality-related risks that may harm our business and reputation and subject us to product liability claims and regulatory action

Product safety and quality is critical to our business and we rely heavily on our quality control systems to ensure the safety and quality of our products. See Sections 7.5.1 and 7.5.2 of this Prospectus for more details on our quality control systems. There can be no assurance however that failures in our quality control systems will not occur in the future. Such failures may occur due to technical malfunctions, including the instruments used to measure feed quality, chemical residue of feed and veterinary drug residue or through negligence or misconduct occurring during the production or operating process which results in product contamination. Our safety and quality inspection systems may not always be able to detect any such contamination or quality-related issues.

Contamination and quality-related issues may also result from residues introduced during the storage, handling and transportation phases. Any such contamination or quality related issues could cause us to suffer from monetary losses through product liability claims or penalties assessed by government agencies or result in damage to our reputation, which would in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

We could be adversely affected if consumers lose confidence in the safety and quality of the food supply chain. These concerns could cause consumers to avoid purchasing certain products from us, or to seek alternative sources of supply for their food needs, even if the basis for the concern is not valid or is outside of our control. Adverse publicity about these types of concerns, whether or not valid, could discourage consumers from buying our products and any lost confidence on the part of our customers would be difficult and costly to re-establish. Any product contamination involving our competitors could also impact the reputation of the industry as a whole and have a negative effect on our business.

5.2.9 We have significant water requirements and any disruption to water sources or increase in water costs could increase our utilities costs and adversely affect our operations

We require substantial water for our farms and operations. If water costs were to rise, or if water supplies or arrangements were disrupted, our profitability could decline.

We source more of our water requirements from state utilities and third party water supply or distribution companies, but there can be no assurance that we will be able to obtain a sufficient supply of water from these sources. In the event that our supply of or access to water is not available for any reason, our operations could be materially and adversely affected. We may also be forced to shut down or scale down our operations if the disruption in water supply continues or worsens and we cannot access water in sufficient amounts.

5. RISK FACTORS (Cont'd)

5.3 RISKS RELATING TO THE JURISDICTIONS WHERE WE OPERATE

5.3.1 Political, economic and social conditions in countries where we operate may adversely affect their economies, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects

Our business, prospects, financial condition, results of operations and prospects may be adversely affected by political and social developments that are beyond our control. Such political and social uncertainties include, but are not limited to, the risks of frequent changes in government and government policy, internal conflict, nationalism, expropriation, methods of taxation and tax policy, unemployment trends and other matters that influence continued and stable business operations and consumer confidence and spending.

For example, in the last two decades, Indonesia has experienced a process of democratic change, resulting in political and social events that underscore the unpredictable nature of Indonesia's changing political landscape. These events have resulted in political instability as well as, at times, general social and civil unrest. There can be no assurance that social and civil disturbances will not occur in countries where we operate or that such social and civil disturbances will not directly or indirectly, materially and adversely affect our business, financial condition, results of operations and prospects.

Our business is also highly dependent on the performance of the economy and overall levels of business activity in the countries where we operate as it can affect the demand for our poultry, eggs or processed poultry products. Such factors include:

- (a) decreases in business, industrial, manufacturing or financial activities;
- (b) fluctuation of the respective local currencies against foreign currencies;
- (c) scarcity of credit or other financing, resulting in lower demand for products provided by companies in the respective country;
- (d) a prolonged period of inflation or increase in interest rates;
- (e) changes in the government's taxation policies;
- (f) political instability, terrorism or military conflict in the South East Asia region or globally;
- (g) other regulatory, political or economic developments; and
- (h) amount of foreign investment flowing into the respective country.

The factors above and other factors beyond our control could have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)

5.3.2 The interpretation and application of laws and regulations in the jurisdictions where we operate involve uncertainty

We may be involved in legal proceedings and tax disputes arising from our operations from time to time. The courts or relevant authorities in the jurisdictions where we operate may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established economies. Businesses can become involved in lengthy court cases over simple issues when rulings are not clearly defined, and the poor drafting of laws and excessive delays in the legal process for resolving issues or disputes compound such problems. Accordingly, we could face risks such as (i) effective legal redress in the courts of such jurisdictions being more difficult to obtain, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a higher degree of discretion on the part of governmental authorities and therefore less certainty; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience or unpredictability of the judiciary and courts in such matters.

Enforcement of laws in some of the jurisdictions where we operate may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to us by local lawyers or even previously by the relevant local authority itself. Furthermore, there may be limited or no relevant case law providing guidance on how courts would interpret such laws and the application of such laws to our contracts, joint operations, licences, licence applications or other arrangements.

While there are currently no specific instance of uncertainty in the interpretation and applications of laws and regulations that would materially affect our Group's business and financial position, there can be no assurance that there will be no unfavourable interpretation or application of the laws in the jurisdictions where we operate or that such interpretation or application will not adversely affect our contracts, joint operations, licences, licence applications or other legal or tax arrangements. In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be less certain and more susceptible to revision or cancellation, and legal redress may be uncertain or delayed. If the existing body of laws and regulations in the countries where we operate are interpreted or applied, or relevant discretions exercised, in an inconsistent manner by the courts or applicable regulatory bodies, this could result in ambiguities, inconsistencies and anomalies in the enforcement of such laws and regulations, which in turn could hinder our long-term planning efforts and may create uncertainties in our operating environment.

For example, in Vietnam, the legal and regulatory framework is not as developed as in other more mature economies. Furthermore, policy changes and interpretations of applicable laws can produce unexpected consequences which could have a material adverse effect on domestic business operators. Vietnam experienced severe hyperinflation and related economic difficulties in the 1980s resulting in the Vietnamese government adopting the "doi moi" comprehensive reform program in 1986. The laws and regulatory apparatus affecting the economy and regulating commercial and business activities have been developing since the "doi moi" policy and are in a relatively early stage of development. As Vietnam's legal system develops, it is expected that inconsistencies and uncertainties in laws and regulations will be addressed as new laws are interpreted and refined and older laws are repealed or updated. As such, it is difficult to predict when Vietnam's legal system will obtain the level of certainty and predictability applicable in other jurisdictions that have a legal system that is more developed. Furthermore, recognition and enforcement of legal rights through Vietnam courts, arbitration centres and administrative agencies in the event of dispute is uncertain.

5. RISK FACTORS (Cont'd)

5.3.3 Labour laws in the countries where we conduct a significant portion of our business may affect our business, financial condition, results of operations and prospects

As at 31 October 2018, we had 10,415 employees (including contract workers) on our payroll. We are subject to a number of stringent labour laws that protect the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment in the countries which we operate. If labour laws become more stringent or are more strictly enforced, it may become more difficult for us to maintain flexible human resource policies, discharge employees or downsize. For example, on 5 March 2018, the Ministry of Manpower in Singapore announced plans to enhance the Singapore Employment Act. The enhancements announced include, among others, additional protection on hours of work and overtime pay to workers and the expansion of the Singapore Employment Act to cover professionals, managers, executives and technicians. Workers covered under the Singapore Employment Act will enjoy core employee benefits including minimum days of annual leave, public holidays, sick and hospitalisation leave, and statutory protection against wrongful dismissal. The Employment (Amendment Act) 2018 was passed by the Singapore Parliament on 20 November 2018 to amend the Employment Act (Chapter 91) of Singapore with changes that took effect from 1 April 2019. Once the changes take effect, our costs of operations could increase and make it more difficult or costly for us to hire, maintain or terminate employees in Singapore, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, labour unrest and activism in the countries where we operate could disrupt our operations and financial condition, depress the stock prices of companies and the value of the affected country's currency relative to other currencies. Further, any national or regional inflation of wages will directly and indirectly increase operating costs and thus lead to a decrease in our profit margin. Such events could materially and adversely affect our business, financial condition, results of operations and prospects.

5.3.4 Terrorist attacks and terrorist activities, and certain destabilising events have led to substantial and continuing economic and social volatility in Indonesia, which may materially and adversely affect our business

Terrorist attacks and associated military responses have resulted in substantial and continuing economic volatility and social unrest in the world. In Indonesia, during the last several years and as recently as 13 May 2018, there have been various terrorist attacks directed towards the Government, foreign governments and public and commercial buildings frequented by foreigners, which have killed and injured a number of people. There can be no assurance that further terrorist acts will not occur in the future. Any of the foregoing events including damage to our poultry farms or feedmill plants, infrastructure or that of our suppliers and customers, could materially and adversely affect international financial markets and the Indonesian economy, interrupt parts of our business and materially and adversely affect our financial condition, results of operations and prospects.

5. RISK FACTORS *(Cont'd)*

5.3.5 **We operate our business in countries with inherent risks relating to security, enforcement of obligations, fraud, bribery and corruption**

We own and have investments in assets in emerging markets, thus we are exposed to inherent risks associated with security of staff or property, enforcement of obligations, fraud, bribery and corruption. In certain jurisdictions, fraud, bribery and corruption are more common than in others. While we maintain internal controls to minimise the occurrence of fraud, bribery and corruption, it may not be possible for us to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction where our employees, agents, subcontractors are located. We may therefore be subject to civil and criminal penalties and reputational damage. Instances of fraud, bribery and corruption, and violations of laws and regulations in the jurisdictions where we operate could have a material adverse effect on our business, results of operations, financial condition and prospects.

5.3.6 **Natural disasters and adverse weather in the countries where we operate could disrupt the economy of such countries and our business**

Our operations, including our breeder farms, broiler farms, feedmills, transport and other logistics on which we are dependent may be adversely affected and severely disrupted by climatic or geophysical conditions. Natural disasters or adverse conditions may occur in those geographical areas in which we operate, including severe weather, tsunamis, cyclones, tropical storms, earthquakes, floods, volcanic eruptions, excessive rainfall and droughts as well as power outages or other events beyond our control. In recent years, several particularly destructive natural disasters have occurred in the countries where we operate. A significant earthquake or other geological disturbance or natural disaster in more populated cities and financial centres could severely disrupt that country's economy and undermine investor confidence and have a material adverse effect on our business, results of operations, financial condition and prospects.

5.3.7 **We conduct a large portion of our operations in emerging and developing markets which may be more vulnerable to liquidity and credit risks and may be adversely affected by market downturns and economic slowdown**

The disruptions experienced in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in certain countries within the emerging markets such as Indonesia, Malaysia, Vietnam and the Philippines, where we operate, may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging and developing markets is significantly influenced by level of investor confidence in such markets as a whole and as such any factors that impact market confidence including a decrease in credit ratings, state or central bank intervention in a market or terrorist activity and conflict, could affect the price or availability of funding for entities within any of these markets. There can be no assurance that there will be continued funding for our entities within these markets or that such lack of funding will not directly or indirectly, materially and adversely affect our business, financial condition, results of operations and prospects.

Since the global economic crisis in 2008, certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside of countries with emerging or developing economies, or an increase in the perceived risks associated with investing in such economies could dampen foreign investment in and adversely affect the economies of these countries. Investments in emerging markets in which we are present and do business, may therefore subject to greater risks than in more developed markets, including in some cases significant legal, fiscal, economic and political risks.

5. RISK FACTORS (Cont'd)

5.3.8 We depend on timely access to supplies and equipment and on a reliable transportation and transmission infrastructure

We depend on reliable transportation and transmission infrastructure for the transmission of power and for transport of the substantial amounts of raw materials, fuel, water and other supplies and equipment needed to carry out our business operations. Our access to transmission and transportation infrastructure could be interrupted as a result of, among other things, political events that affect supplier relations or supply infrastructure, insufficient transportation infrastructure and other problems in transporting sufficient quantities of these supplies to our facilities, adverse weather conditions and act(s) of God, sabotage, government restrictions, economic sanctions against the governments of countries where suppliers are located or where supplies are to be received, industrial action, regional hostilities, adverse weather conditions and other hazards and force majeure events.

Certain of our operations are also located in countries where physical infrastructure may be less developed and less reliable than that of many developed nations. If our access to raw materials, supplies and equipment is affected, our business, results of operations, financial condition and cash flows could be materially and adversely affected.

5.4 RISKS RELATING TO OUR SHARES AND OUR LISTING

5.4.1 The offering of our Shares may not result in an active liquid market for our Shares

There can be no assurance as to the development of any market, or the liquidity of any market that may develop, for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares. None of us, the Selling Shareholders, the Promoters, the Joint Global Coordinators, the Joint Bookrunners or the Placement Agent(s) have an obligation to make a market for our Shares.

Bursa Securities has granted its approval for the listing of, and quotation for, our enlarged issued share capital (including the IPO Shares) on the Main Market of Bursa Securities. It is expected that there will be an approximate 12-Market Day gap between the closing of the Retail Offering and trading of our Shares. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities markets, our industry or us during this period that would adversely affect the market price of our Shares when they begin trading. There can also be no assurance that we will be able to maintain our listing on the Main Market of Bursa Securities.

5.4.2 Our Share price and trading volume may be volatile

The market price of our Shares could be affected by numerous factors, including the following:

- (a) general market, political and economic conditions;
- (b) trading liquidity of our Shares;
- (c) differences in our actual financial and operating results and those expected by investors and analysts;
- (d) changes in earnings estimates and recommendations by financial analysts;
- (e) changes in market valuations of listed shares in general or shares of companies comparable to ours;
- (f) perceived prospects of our business and the industry where we operate;
- (g) adverse media reports regarding us or our shareholders;

5. RISK FACTORS (Cont'd)

- (h) changes in government policy, legislation or regulation; and
- (i) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Institutional Price or the Final Retail Price. There can also be no assurance that the trading price of our Shares will reflect our operations and financial conditions, our prospects, the prospects of the industry we operate in, or the trading price of our listed subsidiaries.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that are often unrelated to the operating performance of these companies, including fluctuations as a result of developments in other emerging markets. There can be no assurance that the price and trading of our Shares will not be subject to fluctuations.

5.4.3 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 3,650,000,000 Shares, of which up to 937,500,000 Shares, representing 25.68% of our enlarged issued share capital, will be held by investors participating in our Listing, and not less than 64.43% will be held by the Promoters via their direct and indirect interests in our Company, assuming the Over-allotment Option is not exercised. Our Shares sold in our Listing will be tradable on the Main Market of Bursa Securities without restriction following the Listing. Our Shares may also be sold outside the United States, subject to the restrictions of Regulation S.

Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with our financing activities or otherwise. In addition, the Promoters could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If the Promoters sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

5.4.4 There may be a delay in, or termination of, our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Placement Managers' exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;
- our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing; or
- the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

5. RISK FACTORS (Cont'd)

Where prior to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order under Section 245(7)(a) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC; or
- (b) our Listing is aborted, investors will not receive any IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order under Section 245(7)(b) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either (aa) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances or (bb) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

5.4.5 Our ability to pay dividends in the future will depend upon our future retained earnings, financial condition, cash flows, working capital requirements and covenants in favour of our creditors and we may be affected by our payment of dividends

We may choose to pay dividends out of cash generated from our operations after setting aside the necessary funds for capital expenditure and working capital and taking into account applicable restrictive covenants under our financing documents. Dividend payments are not guaranteed and our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends. See Section 12.5 of this Prospectus for details of our dividend policy. There can be no assurance that we will be able to pay dividends or that our Board will declare dividends. There can also be no assurance that future dividends declared by our Board or any of our subsidiaries, joint ventures and associates, if any, will not differ materially from historical dividend levels.

5. RISK FACTORS (Cont'd)

We are a holding company and conduct substantially all of our operations through our subsidiaries, joint ventures and associates. Accordingly, dividends and other distributions received from our subsidiaries, joint ventures and associates are our principal source of income. We may also enter into financing agreements and certain of our subsidiaries, joint ventures and associates have entered into financing agreements, which could further limit our ability to pay dividends, and we may incur expenses or liabilities that would reduce or eliminate the cash available for the distribution of dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected. In addition, certain of the facility agreements entered into by certain of our subsidiaries, joint ventures and associates contain certain negative and financial covenants. If these subsidiaries, joint ventures or associates are in breach of any of these covenants, it may affect our ability to pay dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure as well as our ability to make interest and principal repayments on any borrowings that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, if we incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

5.4.6 Forward-looking statements in this Prospectus may not be accurate

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements are made based on assumptions that we believe to be reasonable as at the date of this Prospectus. Forward-looking statements can be identified by the use of forward-looking terminologies, such as the words "may," "will," "would," "could," "believe," "expect," "anticipate," "intend," "estimate," "aim," "plan," "forecast" or similar expressions, and include all statements that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and initiatives of the Government.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

6.1.1 History and background

Our Company was incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Act on 23 June 2014 as a private limited company under the name of Octagon Bliss Sdn Bhd. On 10 July 2014, our Company changed its name to Leong Hup International Sdn Bhd and was converted into a public company on 17 August 2018.

The history of our business can be traced back to the 1960s when the Founding Family reared Broiler chickens in their backyard in Muar, Johor. In 1972, they started their first breeder farm on Jalan Bakri, Muar, Johor until they established LH Poultry Farm in 1978 to take over and assume the Founding Family's poultry business. From the 1980s to 1990s, the family business expanded into broiler and breeder farms, feedmilling, slaughtering plants and food processing plants which led to the listings of the following companies:

- LH Holdings on the Main Board of KLSE on 29 October 1990;
- Emivest on the Second Board of the KLSE on 23 January 2002;
- Malindo Feedmill on the Jakarta Stock Exchange (now known as Indonesia Stock Exchange) on 10 February 2006; and
- Teo Seng on the Second Board of Bursa Securities on 29 October 2008.

Emivest's listing was subsequently transferred to the Main Board of KLSE on 14 November 2003, whereas Teo Seng's listing was subsequently migrated to the Main Market of Bursa Securities on 3 August 2009 as a result of the merged Main Board and Second Board of Bursa Securities to the new Main Market.

6.1.2 Privatisation of LH Holdings and Emivest

On 18 November 2010, Emerging Glory made separate offers to LH Holdings and Emivest, as follows:

- (i) acquisition of the entire business and undertaking (including all the respective assets and liabilities) of LH Holdings for a total cash consideration of RM318,650,400 ("**LH Holdings Offer**"); and
- (ii) acquisition of the entire business and undertaking (including all the respective assets and liabilities) of Emivest for a total cash consideration of RM108,000,005 ("**Emivest Offer**").

The offer price pursuant to the LH Holdings Offer, which was equivalent to RM1.80 per ordinary share in LH Holdings ("**LH Holdings Shares**") ("**LH Holdings Offer Price**"), represented a premium of approximately RM0.11 (6.5%) to the closing market price of LH Holdings Shares of RM1.69 on 16 November 2010, being the last trading day prior to the date of announcement of the LH Holdings Offer and Emivest Offer ("**Last Trading Day**") and a premium ranging from RM0.15 (9.1%) to RM0.20 (12.5%) over the five (5)-day, one (1)-month and three (3)-month VWAMP of LH Holdings Shares up to the Last Trading Day. As stated in the independent advice circular ("**IAC**") dated 27 December 2011 in relation to the LH Holdings Offer ("**LH Holdings IAC**"), LH Holdings Offer Price represented a PE multiple of 10.3 times, which is above the range of PE multiple of selected comparable companies as set out in the LH Holdings IAC of between 5.0 times to 8.6 times.

6. INFORMATION ON OUR GROUP (Cont'd)

The offer price pursuant to the Emivest Offer, which was equivalent to RM0.90 per ordinary share in Emivest ("**Emivest Shares**") ("**Emivest Offer Price**"), represented a premium of approximately RM0.08 (9.8%) to the closing market price of Emivest Shares of RM0.82 on the Last Trading Day and a premium ranging from RM0.09 (11.1%) to RM0.12 (15.4%) over the five (5)-day, one (1)-month and three (3)-month VWAMP of Emivest Shares up to the Last Trading Day. As stated in the IAC dated 15 August 2011 in relation to the Emivest Offer ("**Emivest IAC**"), Emivest Offer Price represented a PE multiple of 5.5 times, which is below the range of PE multiple of selected comparable companies as set out in the Emivest IAC of between 8.8 times to 13.8 times. However, the PE multiple of 5.5 times was mostly above the historically trade PE multiple of Emivest Shares for the 12 months prior to Last Trading Day.

Upon completion of these acquisitions, (collectively, "**Privatisation Acquisitions**") on 10 April 2012, the entire business and undertaking of LH Holdings and Emivest (including all their respective assets and liabilities) were transferred to Emerging Glory. LH Holdings and Emivest were subsequently delisted from the Main Market of Bursa Securities on 27 April 2012.

The Privatisation Acquisitions were initiated by Emerging Glory because the share prices of both LH Holdings and Emivest were consistently trading below their respective NA. Since the Privatisation Acquisitions, our Group has had greater flexibility to pursue further opportunities, which included further expansions through acquisition of other poultry producers including Leong Hup Food.

Our Company is the investment vehicle used by Emerging Glory to facilitate the consolidation of businesses previously held by LH Holdings and Emivest following from the Privatisation Acquisitions together with the Founding Family's other main integrated poultry operations in Indonesia through Malindo Feedmill.

Subsequent to the Privatisation Acquisitions, the Founding Family's integrated poultry business and operations in the ASEAN region, namely, Malaysia, Indonesia, Singapore and Vietnam were consolidated under our Group.

On 9 September 2014, Clarinden Investments invested in 23.00% equity interest of our Company whilst Emerging Glory continues to hold the remaining 77.00% equity interest.

In 2015, we commenced our operations in the Philippines with the establishment of LHPHi. Our Group currently operates in Malaysia, Indonesia, Singapore, Vietnam and the Philippines.

6. INFORMATION ON OUR GROUP (Cont'd)

6.1.3 Key developments since the Privatisation Acquisitions

Since the Privatisation Acquisitions, we have undertaken several initiatives, as follows:

(i) **Consolidation of the poultry and feedmill businesses of the Founding Family**

The business previously held under LH Holdings and Emivest, together with other main poultry and feedmill businesses of the Founding Family in the ASEAN region, namely:

- Teo Seng (which was previously an indirect subsidiary of LH Holdings); and
- Malindo Feedmill,

were consolidated under our Company in 2014. We commenced our operations in the Philippines with the establishment of LHPHi in 2015.

See Section 7.4 of this Prospectus for our key milestones.

(ii) **Growth through acquisitions and additional investment**

We have invested approximately RM1,236.1 million in acquisition and additional investments in our subsidiaries since the Privatisation Acquisitions. The majority of the acquisitions and additional investments primarily comprised the following:

- acquisition of 51.00% equity interest in Malindo Feedmill by Dragon Amity for RM595.5 million in the FYE 31 December 2014 to consolidate the main poultry and feedmill businesses of the Founding Family in Indonesia into our Company;
- subscription of 354,104,842 rights shares of Malindo Feedmill by Dragon Amity for IDR1,200 per share, for a total of IDR424.9 billion (equivalent to RM132.4 million) in the FYE 31 December 2015;
- acquisition of 100.00% equity interest in BH Fresh Food by Premium Egg, a subsidiary of Teo Seng for SGD9.8 million (equivalent to RM26.4 million) in the FYE 31 December 2015 to expand distribution of our products in Singapore;
- acquisition of the remaining 49.00% equity interest in Lee Say by LHSg for SGD112.7 million (equivalent to RM341.4 million) in the FYE 31 December 2017 to fully consolidate the financial results of Lee Say; and
- acquisition of the remaining 25.00% equity interest in ES Food by LHSg for SGD32.0 million (equivalent to RM104.4 million) in the FYE 31 December 2017 following our increasing emphasis on downstream processed food market, including ready-to-eat and ready-to-cook products, especially with the significant growth in processed food business as well as to fully consolidate the financial result of ES Food.

See Section 14.5 of this Prospectus for details of the abovementioned acquisitions in the FYEs 31 December 2015, 31 December 2016 and 31 December 2017.

6. INFORMATION ON OUR GROUP (Cont'd)

(iii) Investments in assets for operations

We have invested approximately RM2,010 million since the Privatisation Acquisitions up to FPE 31 October 2018, which primarily comprised the following:

- (a) RM484.4 million in assets for production of feeds;
- (b) RM592.6 million in assets for production of Broiler DOCs;
- (c) RM367.1 million in assets for rearing of Broiler chicken; and
- (d) RM242.5 million in assets for production of table eggs.

For the FYE 31 December 2010, being the last FYE when Emivest's financial information was publicly available, the production capacity of the feedmill business of Emivest was approximately 432,000 MT from five feedmills. For the FYE 31 December 2017, our production capacity of feed in Malaysia, Indonesia and Vietnam was approximately 2.70 million MT from 13 feedmills.

This represents an increase in production capacity of feed in Malaysia, Indonesia and Vietnam for the FYE 31 December 2017 of approximately 526.2% from Emivest's production capacity. The increase in production capacity is due to the expansion of existing feedmills (increasing production line) and construction of new feedmills.

For the FYE 31 March 2011, being the last FYE when LH Holdings's financial information was publicly available, the production output of the poultry business of LH Holdings was approximately:

- 130.4 million Broiler DOCs generated from 17 PS DOC farms;
- 47.1 million Broiler chickens generated from 171 Broiler chicken farms, of which 46 Broiler chicken farms were operated by LH Holdings whereas the remaining 125 were contract farms; and
- 653.0 million table eggs (via Teo Seng) generated from 19 Layer chicken farms.

For the FYE 31 December 2017, the production output of our poultry business was approximately:

- 456.1 million Broiler DOCs generated from 53 PS DOC farms;
- 99.1 million Broiler chickens generated from 875 Broiler chicken farms, of which 94 Broiler chicken farms were operated by LHI whereas the remaining 781 were contract farms in Malaysia, Indonesia, Vietnam and the Philippines; and
- 1,737.5 million table eggs generated from 191 Layer chicken farms (of which 28 Layer chicken farms were operated by LHI, 162 were contract farms in Vietnam and 1 contract farm in Malaysia).

This represents an increase of approximately 249.8%, 110.4% and 166.1% in Broiler DOCs, Broiler chickens and table eggs respectively. The increase in production output from our poultry business is due to an increase in farms and hatcheries in Malaysia, Indonesia and Vietnam.

6. INFORMATION ON OUR GROUP (Cont'd)

(iv) Transformation in terms of size of operations, geographical coverage and business segment

Our business has also undergone transformation in terms of size, geographical coverage and business segment from the time of the Privatisation Acquisitions. Our revenue by countries for the FYE 31 December 2017 and the revenue by countries of LH Holdings and Emivest for the last FYEs when LH Holdings's and Emivest's financial information was publicly available, being FYE 31 March 2011 and FYE 31 December 2010 respectively, are as follows:

	(A)	(B)	(A) + (B)	
	LH Holdings	Emivest	LH Holdings and Emivest	LHI
	FYE 31 March 2011	FYE 31 December 2010	For illustrative purposes only	FYE 31 December 2017
	RM million	RM million	RM million	RM million
Malaysia	1,023.9	511.5	1,535.4	1,580.9
Singapore	319.2	-	319.2	1,088.6
Indonesia	-	-	-	1,737.6
Vietnam	-	92.9	92.9	1,055.9
Others	2.7	-	2.7	(1)38.2
	1,345.8	604.4	1,950.2	5,501.4

Note:

- (1) This represents contribution from Philippines of RM24.2 million and revenue from other sources primarily comprising operating lease income from our coldstore facilities and income from services provided to third parties such as transportation fees of RM14.0 million.

Based on the table above:

- (a) contribution from Malaysia to our total revenue for the FYE 31 December 2017 increased by RM45.5 million or 3.0% from LH Holdings's and Emivest's combined revenue from Malaysia of RM1,535.4 million for the FYE 31 March 2011 and FYE 31 December 2010 respectively;
- (b) contribution from Singapore to our total revenue for the FYE 31 December 2017 increased by RM769.4 million or 241.0% from LH Holdings's revenue from Singapore of RM319.2 million for the FYE 31 March 2011;
- (c) contribution from Indonesia to our total revenue for the FYE 31 December 2017 was RM1,737.6 million, or 31.6% of our total revenue for the FYE 31 December 2017. This was contributed by Malindo Feedmill's operations. LH Holdings and Emivest did not have any operation in Indonesia;
- (d) contribution from Vietnam to our total revenue for the FYE 31 December 2017 increased by RM963.0 million or 1,036.6%, from Emivest's revenue from Vietnam of RM92.9 million in the FYE 31 December 2010; and
- (e) contribution from Philippines to our total revenue from Philippines for the FYE 31 December 2017 was RM24.2 million, or 0.4% of our total revenue for the FYE 31 December 2017. We started our operations in the Philippines in 2015 and commenced our first breeder farm operations in 2016.

6. INFORMATION ON OUR GROUP (Cont'd)

We are no longer significantly dependent on the contribution from Malaysia to our revenue due to the growth in operations in our other core markets (i.e. Singapore, Indonesia and Vietnam). We expect to continue to invest and expand our operation in these countries. See Sections 4.6.1 and 12.2.9(v) of this Prospectus for details of our capital expenditure moving forward.

Our PATAMI for the FYEs 31 December 2015, 31 December 2016 and 31 December 2017 and the PATAMI of LH Holdings and Emivest for the last FYEs when LH Holdings's and Emivest's financial information was publicly available, being FYE 31 March 2011 and FYE 31 December 2010 respectively, are as follows:

(A)	(B)	(A) + (B)			
LH Holdings	Emivest	LH Holdings and Emivest	LHI		
FYE 31 March 2011	FYE 31 December 2010	For illustrative purposes only	FYE 31 December 2015	FYE 31 December 2016	FYE 31 December 2017
RM million	RM million	RM million	RM million	RM million	RM million
47.9	21.9	69.8	109.8	182.5	192.6

Based on the table above, our PATAMI for the FYEs 31 December 2015, 31 December 2016 and 31 December 2017 were higher than the combined PATAMI of LH Holdings and Emivest, representing an increase of 57.3%, 161.5% and 175.9% in each of the respective FYEs.

The increase in our revenue and PATAMI were mainly due to:

- (a) acquisitions and additional investments in our subsidiaries since the Privatisation Acquisitions; and
- (b) increased investment in assets for operation which increased the production capacity of our feedmill business and production output of our poultry business,

further details as set out in Sections 6.1.3 (ii) and (iii) above.

Our business has transformed to solely focus on the entire value chain for the production of poultry, from the formulation and production of livestock feeds to downstream sales of poultry products. Our expertise in this industry allows us to replicate our successful business model in our incumbent markets and tailor it to fit the local environment and adapt our operations as market dynamics change. We have successfully executed this strategy in our entry into the poultry market in Vietnam in 2007, where we grew our operations to over RM1.0 billion in revenue for the FYE 31 December 2017. We intend to replicate this business model in growing our operations in the Philippines.

Notwithstanding, the business profile of our Group is different from LH Holdings and Emivest, in terms of size, scale, regional presence and growth drivers. We have also adopted a dividend policy which is set out in Section 12.5 of this Prospectus.

6. INFORMATION ON OUR GROUP (Cont'd)

For illustrative purposes only, we have compared our PE multiple to the selected companies set out in the IMR Report as included in Section 8 of this Prospectus (“IMR Peers”). The key selection criteria for the IMR Peers are as follows:

- involve in the entire value chain for the production of poultry (with poultry farming contributing at least 50.0% to revenue);
- have presence in at least two countries of our key markets i.e. Malaysia, Singapore, Indonesia and Vietnam; and
- market capitalisation of at least USD600.0 million (equivalent to RM2,448.8 million).

Name of company	Country of listing	Principal activities	Market capitalisation (RM million)	Adjusted PE multiple ⁽¹⁾⁽³⁾	Adjusted PB multiple ⁽²⁾⁽³⁾
			As at the LPD	As at the LPD	As at the LPD
IMR Peers					
QL	Malaysia	<ul style="list-style-type: none"> Engages in the integrated poultry farming, marine products manufacturing, and oil palm activities in Malaysia, Indonesia, Vietnam, China, and Singapore Involved in deep-sea fishing and aquaculture farming activities; manufacture and sale of seafood-based consumer foods 	11,162	54.1	6.2
Japfa	Singapore	<ul style="list-style-type: none"> Produces and sells dairy products, protein staples, and packaged food products internationally Operates an integrated network of farming, processing, and distribution facilities 	3,650	NM ⁽⁴⁾	1.1
CP Foods	Thailand	<ul style="list-style-type: none"> Engages in the agro-industrial and integrated food businesses in Thailand and internationally Produces and sells various animal feeds; and breeds and farms broilers, layers, ducks, swine, and fish 	28,213	11.5	1.4
Low				11.5	1.1
Average				32.8	2.9
High				54.1	6.2
LHI			4,015	20.8	2.6

Source: Company fillings

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) Based on audited net EPS as disclosed in the latest available annual report of the companies.
- (2) Based on audited NA per share as disclosed in the latest available annual report of the companies.
- (3) The multiples of the non-Malaysian IMR Peers have been appropriately adjusted using the following relative factor as there are difference between the macroeconomic factors of those markets and the Malaysian market which include, but not limited to, interest rate, inflation, unemployment rate and gross domestic product:

$$\text{Multiple of the company} \quad \times \quad \frac{\text{Multiple of the foreign market index}}{\text{Multiple of FTSE Bursa Malaysia KLCI Index}}$$

The foreign market index used for Singapore and Thailand was Strait Times Index and SET Index respectively.

- (4) Not meaningful since the adjusted PE multiple of Japfa Ltd of 559.8 times is deemed an outlier due to extreme standard deviation from the mean.

Our PE multiple of 20.8 times falls within the range of PE multiple of the abovementioned selected companies of between 11.5 times and 54.1 times. Our PB multiple of 2.6 times falls within the range of PB multiple of the abovementioned selected companies of between 1.1 times and 6.2 times.

6. INFORMATION ON OUR GROUP (Cont'd)

6.1.4 Pre-IPO Exercise

Our Company undertook the following prior to the IPO:

6.1.4.1 Bonus Issue

The Bonus Issue was undertaken on a pro-rata basis to its existing shareholders, calculated based on their respective shareholdings in LHI to allow LHI to fully utilise the former share premium of LHI under Section 618(3)(c) of the Act, in accordance with Practice Note 1/2017 issued by the Companies Commission of Malaysia for the clarification on the utilisation of credit standing in the share premium accounts and capital redemption reserves under subsections 618(3) and 618(4) of the Act. The Bonus Shares was wholly capitalised from the share premium of LHI, which stood at RM1,229,176,622 as at FPE 31 October 2018, at RM1.00 per Bonus Share which resulted in 1,229,176,622 Bonus Shares being issued.

The Bonus Issue was renounceable where the entitled shareholders to the Bonus Issue may accept or renounce their respective entitlements to the Bonus Shares in full or in part.

Based on Emerging Glory's shareholding in LHI before the Bonus Issue, Emerging Glory was entitled to 946,465,999 Bonus Shares. However, Emerging Glory renounced 249,933,374 Bonus Shares proportionately to its shareholders, being the Founding Family members, which resulted in certain members of the Founding Family holding LHI Shares directly.

After the Bonus Issue, the total number of LHI Shares in issue increased by 1,229,176,622 LHI Shares from 955,370 LHI Shares to 1,230,131,992 LHI Shares and the shareholding structure of LHI before and after the Bonus Issue is as follows:

	Before the Bonus Issue		After the Bonus Issue	
	No. of LHI Shares	%	No. of LHI Shares	%
Emerging Glory	735,635	77.00	⁽¹⁾ 697,268,260	56.68
Founding Family	-	-	⁽¹⁾⁽²⁾ 249,933,374	20.32
	735,635	77.00	947,201,634	77.00
Clarinden Investments	219,735	23.00	282,930,358	23.00
Total	955,370	100.00	1,230,131,992	100.00

Notes:

- (1) Following the renunciation of 249,933,374 Bonus Shares by Emerging Glory to the Founding Family members.
- (2) The Founding Family members and their respective shareholdings in LHI after the Bonus Issue are as follows:

6. INFORMATION ON OUR GROUP (Cont'd)

	Before the Bonus Issue		After the Bonus Issue	
	No. of LHI Shares	%	No. of LHI Shares	%
CN Lau Holdings ⁽ⁱ⁾	-	-	37,487,507	3.05
Dato' Lau Eng Guang ^{^ (ii)}	-	-	37,487,507	3.05
TN Lau Holdings ⁽ⁱⁱⁱ⁾	-	-	37,487,507	3.05
HNL&S ^(iv)	-	-	37,487,507	3.05
Lau Joo Han ^{^ (v)}	-	-	49,991,674	4.06
Lau Joo Hong ^{^ (vi)}	-	-	18,000,202	1.46
Lau Jui Peng ^(vi)	-	-	15,995,735	1.30
Lau Joo Heng ^(vi)	-	-	15,995,735	1.30
Total	-	-	249,933,374	20.32

Notes:

- [^] Our Executive Director in LHI
- (i) Lau Chia Nguang, a director and substantial shareholder of Emerging Glory, had transferred his entitlement to LHI Shares pursuant to the Bonus Issue to CN Lau Holdings.
- (ii) Dato' Lau Eng Guang is a director and substantial shareholders of Emerging Glory.
- (iii) Tan Sri Lau Tuang Nguang, the director and substantial shareholder of Emerging Glory, had transferred his entitlement to LHI Shares pursuant to the Bonus Issue to TN Lau Holdings.
- (iv) HNL&S is a substantial shareholder of Emerging Glory.
- (v) Lau Joo Han is a substantial shareholder of Emerging Glory.
- (vi) Lau Joo Hong, Lau Jui Peng and Lau Joo Heng are brothers and substantial shareholders of CWL&S, which in turn is a substantial shareholder of Emerging Glory.

6.1.4.2 Share Split

Upon completion of the Bonus Issue, LHI undertook a subdivision of the LHI Shares in issue after the Bonus Issue of 1,230,131,992 LHI Shares into 3,400,000,000 LHI Shares.

The Share Split was undertaken to enhance the liquidity of LHI Shares at the time of the Listing.

After the Share Split, LHI has 3,400,000,000 LHI Shares in issue and the shareholding structure of LHI before and after the Share Split is as follows:

6. INFORMATION ON OUR GROUP (Cont'd)

	After the Bonus Issue but before the Share Split		After the Share Split	
	No. of LHI Shares	%	No. of LHI Shares	%
Emerging Glory	697,268,260	56.68	1,927,201,000	56.68
Founding Family*	249,933,374	20.32	690,799,000	20.32
	947,201,634	77.00	2,618,000,000	77.00
Clarinden Investments	282,930,358	23.00	782,000,000	23.00
Total	1,230,131,992	100.00	3,400,000,000	100.00

Note:

* The shareholdings of the Founding Family members following the completion of the Bonus Issue and Share Split are as follows:

	After the Bonus Issue but before the Share Split		After the Share Split	
	No. of LHI Shares	%	No. of LHI Shares	%
CN Lau Holdings	37,487,507	3.05	103,612,900	3.05
Dato' Lau Eng Guang	37,487,507	3.05	103,612,900	3.05
TN Lau Holdings	37,487,507	3.05	103,612,900	3.05
HNL&S	37,487,507	3.05	103,612,900	3.05
Lau Joo Han	49,991,674	4.06	138,173,600	4.06
Lau Joo Hong	18,000,202	1.46	49,751,400	1.46
Lau Jui Peng	15,995,735	1.30	44,211,200	1.30
Lau Joo Heng	15,995,735	1.30	44,211,200	1.30
Total	249,933,374	20.32	690,799,000	20.32

6.1.5 Share capital

Save for the issuance of new Shares pursuant to the Bonus Issue for a consideration of RM1,229,176,622, comprising 1,229,176,622 Shares and thereafter the subdivision of our Shares into 3,400,000,000 Shares, on 11 January 2019 and 18 January 2019 respectively, there is no change in our issued share capital for the past three years preceding the LPD.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.1.6 Listing of our Group

Our Board is of the view that our IPO will facilitate our expansion plans and raise proceeds for the repayment of our borrowings. Our prospects are supported by, but not limited to, the following growth drivers as set out in the IMR Report in Section 8 of this Prospectus:

- (a) growing preference towards healthier white meat, which includes poultry meat;
- (b) affordability of poultry meat and increase in price of substitute products. According to cost price index, chicken meat is estimated to be three to four times more affordable than beef in Indonesia, Malaysia, Singapore and Vietnam in 2017;
- (c) increase in food and beverage outlets and QSR penetration in our countries of operation;
- (d) growth of export market and growing demand for halal products at a global level;
- (e) chicken is the most widely accepted type of meat globally as most religious dietary requirements do not limit its consumption; and
- (f) regulatory support for industry advancement. For example, in 2014, ASEAN member countries established an industry standard aimed to prevent or minimise the risks of food safety in commercial poultry industry and facilitate harmonisation of poultry farming practices in the region.

We view these factors as indicators of long term growth opportunities and potential for our Group as they bode well for our strategies and future plans, as follows:

- (a) consolidate and expand our leadership position in Malaysia and Singapore by driving efficiencies and continuing to grow capacity;
- (b) increase use of own Broiler farms in Malaysia, in order to control quality and increase efficiency, with a view to replicating this approach in Indonesia and Vietnam;
- (c) continue to grow our integrated business model in our newer markets, with a focus on expanding our upstream operations; and
- (d) invest in processes, technology, people and facilities to meet our customer requirements while maintaining low-cost structure.

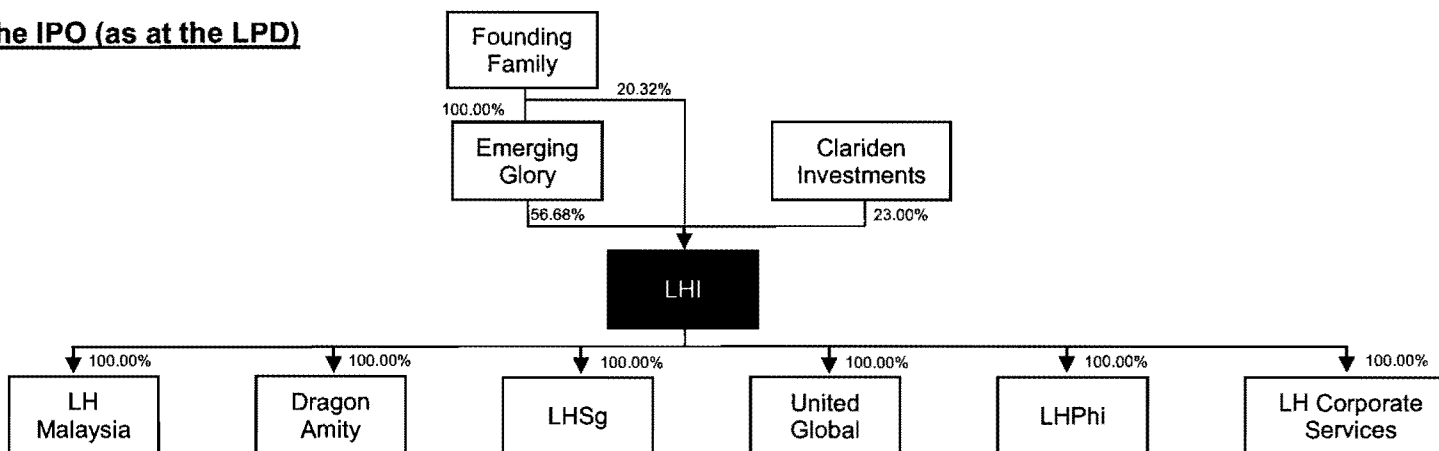
Our IPO is in line with our objective to cement our position as a regional integrated poultry producer, being one of the largest fully integrated poultry companies in Southeast Asia in 2017.

6. INFORMATION ON OUR GROUP (Cont'd)

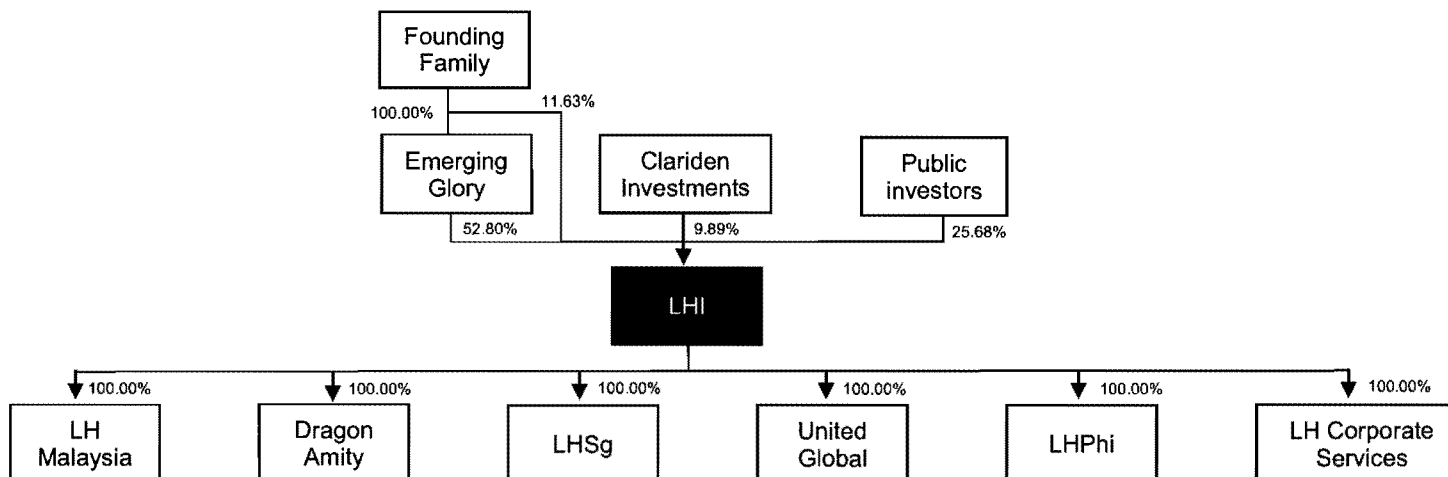
6.2 OUR GROUP STRUCTURE

Our group structure before and after our IPO are set out as below:

Before the IPO (as at the LPD)

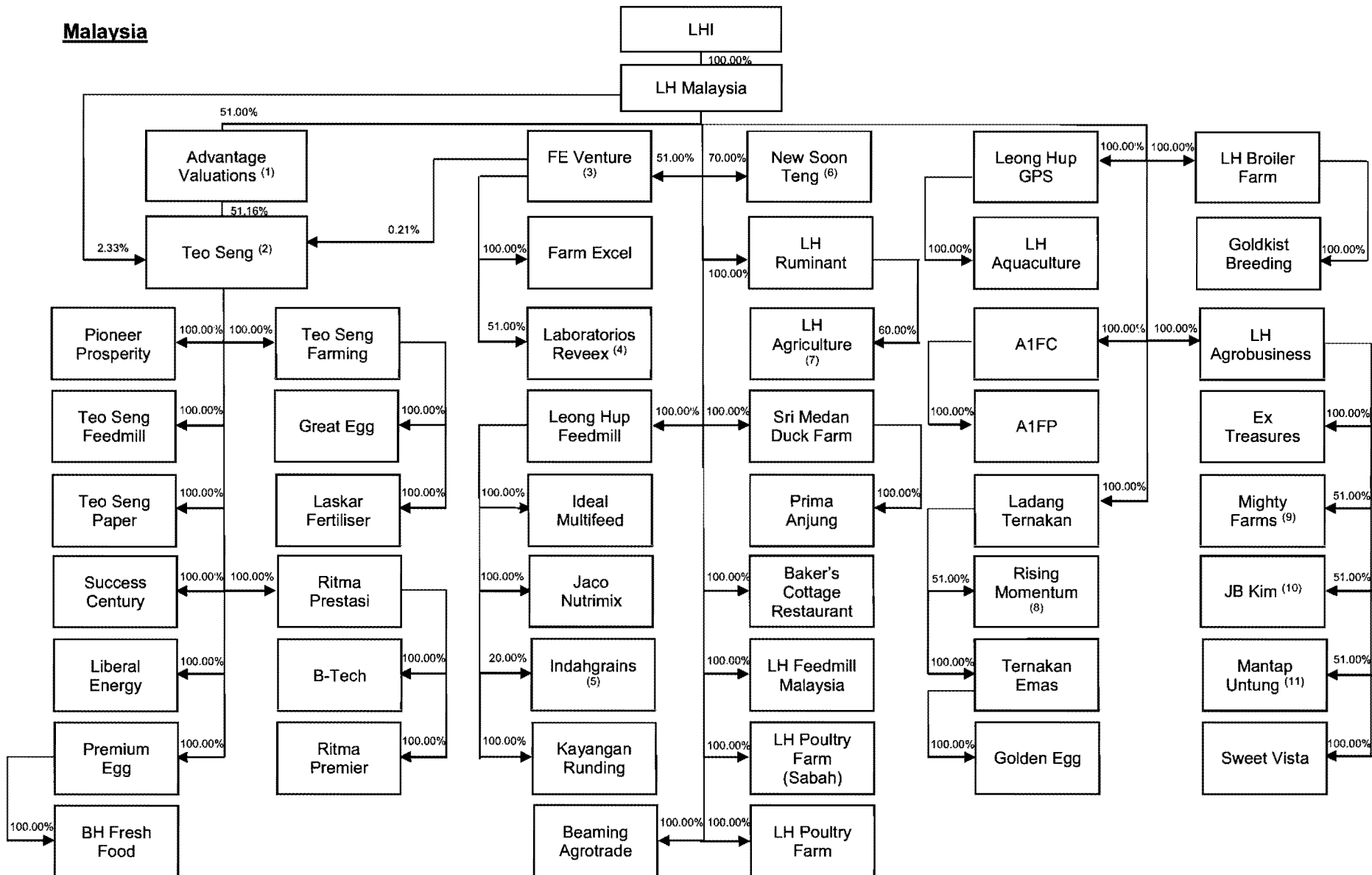


After the IPO (assuming the Over-allotment Option is not exercised)



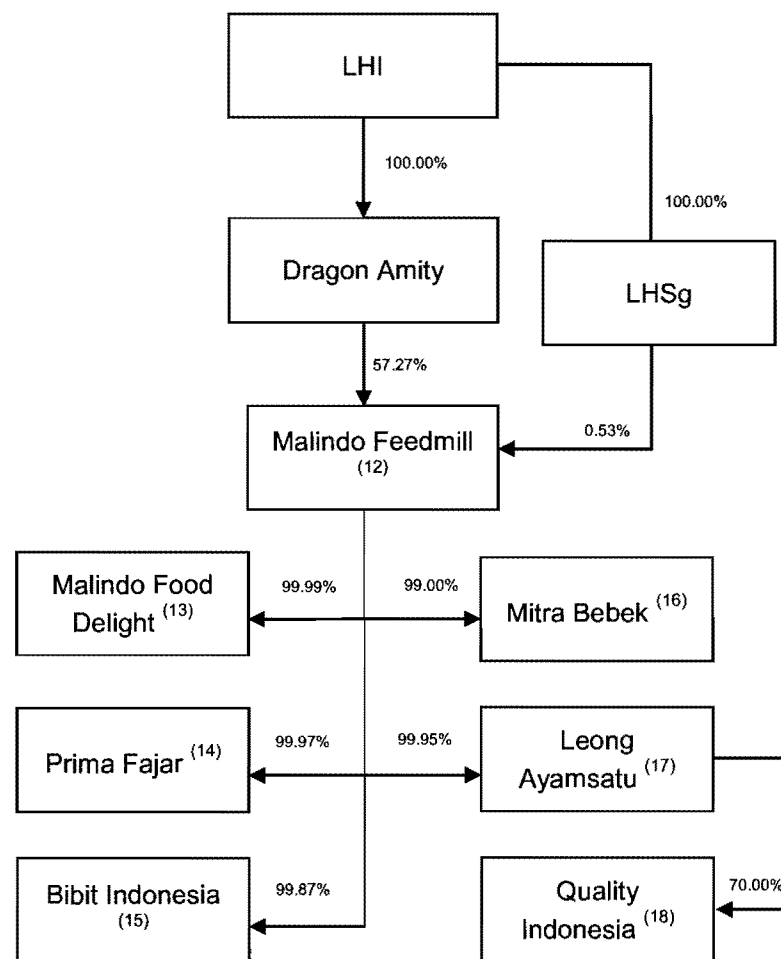
6. INFORMATION ON OUR GROUP (Cont'd)

Malaysia

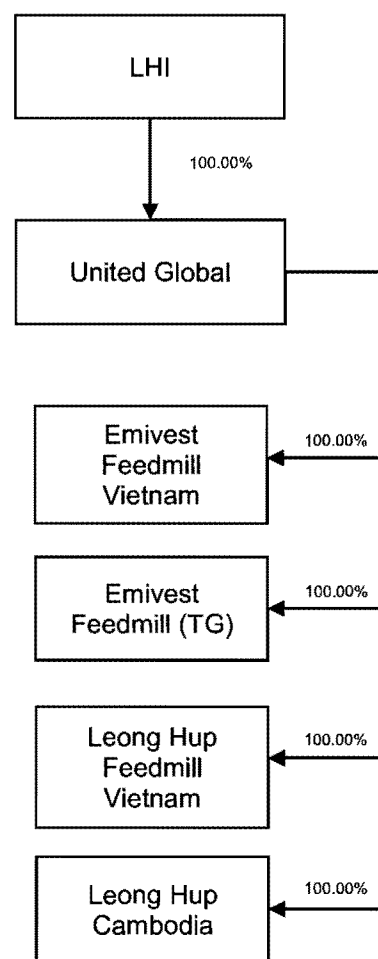


6. INFORMATION ON OUR GROUP (Cont'd)

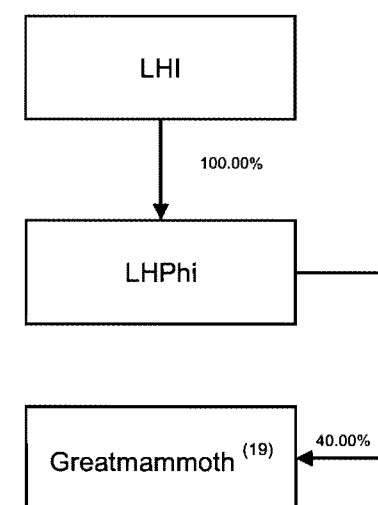
Indonesia



Vietnam

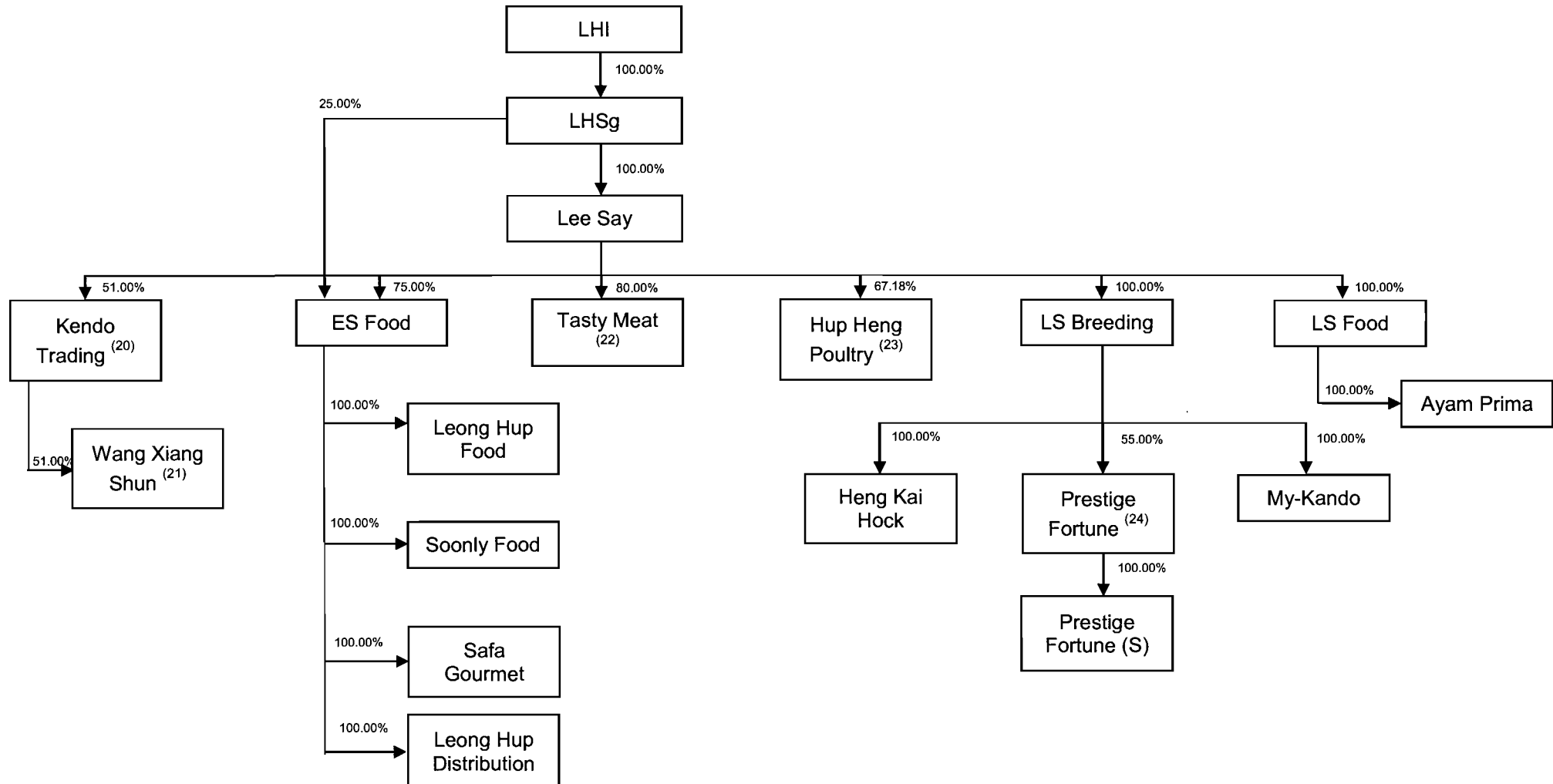


Philippines



6. INFORMATION ON OUR GROUP (Cont'd)

Singapore



6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) *The remaining 49.00% equity interest in Advantage Valuations is held by Unigold Capital Sdn Bhd, the Estate of Dato' Lau Bong Wong, deceased, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang who are nominees of LH Malaysia have equity interest of less than 0.01% respectively.*
- (2) *The remaining 46.30% equity interest in Teo Seng is held by public investors, certain directors and persons connected to Teo Seng and persons connected to LHI.*
- (3) *The remaining 49.00% equity interest in FE Venture is held by Ong Gee Tiong. Tan Sri Lau Tuang Nguang and Dato' Lau Eng Guang who are nominees of LH Malaysia have shareholdings of less than 0.01% respectively.*
- (4) *The remaining 49.00% equity interest in Laboratorios Reveex is held by Carlos Cabanes Royo.*
- (5) *The remaining 80.00% equity interest in Indahgrains is held by Hoe Seng Chan Company Sdn Bhd, Sin Heng Chan Pte Ltd, Lay Hong Bhd, Nam Yong Huat Luen Seng Sdn Bhd, Thye Nam Loong Sdn Bhd, Q.L. Feedingstuffs Sdn Bhd, Charoen Pokphand Jaya Farm (M) Sdn Bhd, Tan Sri Dato' Wira Dr. Goh Teck Chai, Ban Seng Guan Sdn Bhd, North Port Bulk Services Sdn Bhd and Eng Holdings Sdn Bhd with shareholdings of 10.00%, 0.022%, 0.016%, 0.016%, 0.016%, 29.87%, 0.016%, 0.016%, 0.016%, 30.01% and 10.00% respectively.*
- (6) *The remaining 30.00% equity interest in New Soon Teng is held by Tan Bet Beng.*
- (7) *The remaining 40.00% equity interest in LH Agriculture is held by Bio Desaru Sdn Bhd.*
- (8) *The remaining 49.00% equity interest in Rising Momentum is held by Hao Tet Choy and Liew Keng Teck with shareholdings of 24.50% and 24.50% respectively. Tan Sri Lau Tuang Nguang, Lau Jui Peng and Lau Joo Han who are nominees of Ladang Ternakan have shareholdings of less than 0.01% respectively.*
- (9) *The remaining 49.00% equity interest in Mighty Farms is held by Wong Chee Seng, Soh Heng Tean and Lee Hong Yaw with shareholdings of 17.00%, 16.00% and 16.00% respectively. Tan Sri Lau Tuang Nguang, Lau Jui Peng and Lau Joo Han who are nominees of LH Agrobusiness have shareholdings of less than 0.01% respectively.*
- (10) *The remaining 49.00% equity interest in JB Kim is held by Low Kim Seng, Low Kim Tiong and Law Kim Kow with shareholdings of 17.00%, 16.00% and 16.00% respectively. Tan Sri Lau Tuang Nguang, Lau Jui Peng and Lau Joo Han who are nominees of LH Agrobusiness have shareholdings of less than 0.01% respectively.*
- (11) *The remaining 49.00% equity interest in Mantap Untung is held by Sha Jia Tat. Tan Sri Lau Tuang Nguang, Lau Jui Peng and Lau Joo Han who are nominees of LH Agrobusiness have shareholdings of less than 0.01% respectively.*
- (12) *The remaining 42.20% equity interest in Malindo Feedmill is held by public investors.*
- (13) *The remaining 0.01% equity interest in Malindo Food Delight is held by Susilawati Tamrin.*
- (14) *The remaining 0.03% equity interest in Prima Fajar is held by David Siow Ak Heong.*
- (15) *The remaining 0.13% equity interest in Bibit Indonesia is held by Lau Joo Kiang.*
- (16) *The remaining 1.00% equity interest in Mitra Bebek is held by Susilawati Tamrin.*

6. INFORMATION ON OUR GROUP (Cont'd)

- (17) *The remaining 0.05% equity interest in Leong Ayamsatu is held by David Siow Ak Heong.*
- (18) *The remaining 30.00% equity interest in Quality Indonesia is held by Teoh Choon Khee.*
- (19) *The remaining 60.00% equity interest in Greatmammoth is held by Romel C. Villalobos, Bryan P Mariano, Alberto E. Eyaya, Anthony D.P. Carinaga, Christian D.G. Paris, Ferdinand C. Herrera, Marina C. Nuestro, Ma. Dulce G. Mallari with shareholdings of 7.50% respectively. LHPHi holds 99,999 preferred shares and Lau Joo Heng holds 1 preferred share in Greatmammoth.*
- (20) *The remaining 49.00% equity interest in Kendo Trading is held by Lee Chai Soon.*
- (21) *The remaining 49.00% equity interest in Wang Xiang Shun is held by Lim Hock Mow.*
- (22) *The remaining 20.00% equity interest in Tasty Meat is held by Choo Joo Tong.*
- (23) *The remaining 32.82% equity interest in Hup Heng Poultry is held by Ma Chin Chew, Ma Seow Juen, Ma Chin Shun and Tan Koon Seng with shareholdings of 10.32%, 8.75%, 8.75% and 5.00% respectively.*
- (24) *The remaining 45.00% equity interest in Prestige Fortune is held by Wong Wai Meng, Quek Cheaw Kwannng, Tan Koon Seng, Quek Chiaw Hong and Quek Soo Kheng with shareholdings of 20.00%, 12.00%, 5.00%, 4.00% and 4.00% respectively.*

6. INFORMATION ON OUR GROUP (Cont'd)

6.3 OUR SUBSIDIARIES AND ASSOCIATES

Our subsidiaries and associates as at the LPD are as follows:

Name	Date and country of incorporation	Share capital RM (unless otherwise stated)	Our effective equity interest %	Principal activities
Wholly-owned subsidiaries of LHI				
Dragon Amity	6 November 2012 Singapore	SGD283,189,803	100.00	Investment holding
LH Corporate Services	9 September 2014 Malaysia	6,000,002	100.00	Management services provider
LH Malaysia	9 June 2014 Malaysia	313,087,002	100.00	Investment holding
LHPhi	30 July 2015 Philippines	PHP500,000,000	100.00	To engage in the raising, breeding, cross-breeding, fattening and pasturing of poultry and similar stocks
LHSg	16 August 2017 Singapore	SGD41,681,001	100.00	Investment holding
United Global	6 August 2009 Labuan	USD33,623,000	100.00	Investment holding and trading of materials
Subsidiary of Dragon Amity				
Malindo Feedmill	3 December 1997 Indonesia	IDR44,775,000,000	57.80 ⁽¹⁾	Investment holding, poultry feed industry and day old chicks farming
Note:				
<i>(1) 0.53% of which is through the effective equity interest held by LHSg.</i>				
Subsidiaries of Malindo Feedmill				
Bibit Indonesia	3 December 2001 Indonesia	IDR42,940,000,000	57.96	Broiler grandparent stock farming
Leong Ayamsatu	6 March 1996 Indonesia	IDR387,816,000,000	58.00	Day old chicks and broiler chicken farm
Malindo Food Delight	8 April 2011 Indonesia	IDR192,847,000,000	58.02	Processing and preserving of meat
Mitra Bebek	4 September 2017 Indonesia	IDR3,000,000,000	57.45	Duck farming
Prima Fajar	26 October 2007 Indonesia	IDR36,827,000,000	58.01	Trading and service and broiler chicken farm

6. INFORMATION ON OUR GROUP (Cont'd)

Name	Date and country of incorporation	Share capital RM (unless otherwise stated)	Our effective equity interest %	Principal activities
Subsidiary of Leong Ayamsatu				
Quality Indonesia	21 February 2007 Indonesia	IDR913,000,000	40.48	Duck farming
Subsidiaries of LH Malaysia				
A1FC	1 August 1984 Malaysia	28,108,000	100.00	Processing and marketing of chicken and related products and investment holding
Advantage Valuations	12 April 2006 Malaysia	52,570	51.00	Investment holding
Beaming Agrotrade	28 January 2003 Malaysia	500,000	100.00	Trading of materials, warehousing operation and production of animal feed ingredients
FE Venture	27 February 1990 Malaysia	2,500,000	51.00	Trading in animal feeds and veterinary products and investment holding
Ladang Ternakan	16 January 1982 Malaysia	5,090,000	100.00	Contract farming, poultry farming and investment holding
Leong Hup Feedmill	28 November 1981 Malaysia	18,000,000	100.00	Manufacturing and marketing of animal feeds
Leong Hup GPS	30 November 1987 Malaysia	2,501,000	100.00	Broiler grandparent stock farming and investment holding
LH Agrobusiness	21 March 1989 Malaysia	360,137,390 (comprising 50,000,000 ordinary shares and 310,137,390 redeemable preference shares ("RPS"))	100.00	Trading of broiler chickens, day old chicks, poultry feeds, medicine and renting of farm buildings and investment holding
LH Broiler Farm	20 November 1985 Malaysia	4,000,000	100.00	Renting of its broiler farms and rearing broiler chicken for sales and investment holding
LH Feedmill Malaysia	27 September 1988 Malaysia	86,017,000 (comprising 6,800,000 ordinary shares and 79,217,000 RPS)	100.00	Manufacturing and marketing of animal feeds
LH Poultry Farm	15 July 1978 Malaysia	5,000,000	100.00	Breeding of layer and broiler chickens
LH Poultry Farm (Sabah)	10 April 2007 Malaysia	500,000	100.00	Poultry farming and related products
LH Ruminant	5 January 2007 Malaysia	500,000	100.00	Investment holding

6. INFORMATION ON OUR GROUP (Cont'd)

Name	Date and country of incorporation	Share capital RM (unless otherwise stated)	Our effective equity interest %	Principal activities
New Soon Teng	10 October 2013 Malaysia	8,000,000	70.00	Rearing of colour birds
Sri Medan Duck Farm	5 April 1989 Malaysia	1,850,000	100.00	Duck breeder, sale of poultry, eggs and other related products
Baker's Cottage Restaurant	13 January 1995 Malaysia	100,000	100.00	Operating a restaurant dealing with food and beverages
Subsidiary of A1FC				
A1FP	7 August 1989 Malaysia	2,000,000	100.00	Processing chicken foodstuff such as meatball, nuggets, sausages, frankfurters and burgers
Subsidiary of Advantage Valuations				
Teo Seng	8 May 2006 Malaysia	60,001,654	28.43	Investment holding and provision of management services
Subsidiaries of FE Venture				
Farm Excel	23 September 1996 Malaysia	800,000	51.00	Trading of health and beauty products
Laboratorios Reveex	8 November 1996 Malaysia	470,000	26.01	Trading in veterinary products
Subsidiary of Ladang Ternakan				
Rising Momentum	9 November 2012 Malaysia	40,000	51.00	Rearing of broiler chicken for sales
Ternakan Emas	9 September 1994 Malaysia	2	100.00	Dormant
Subsidiaries of LH Agrobusiness				
Ex Treasures	18 October 2010 Malaysia	652,500	100.00	Rearing of broiler chicken for sales
JB Kim	11 May 1996 Malaysia	1,635,003	51.00	Rearing of broiler chicken for sales
Mantap Untung	27 September 2011 Malaysia	40,000	51.00	Rearing of broiler chicken for sales

6. INFORMATION ON OUR GROUP (Cont'd)

Name	Date and country of incorporation	Share capital RM (unless otherwise stated)	Our effective equity interest %	Principal activities
Mighty Farms	18 October 2010 Malaysia	40,000	51.00	Rearing of broiler chicken for sales
Sweet Vista	21 October 2011 Malaysia	40,000	100.00	Rearing of broiler chicken for sales
Subsidiary of LH Broiler Farm				
Goldkist Breeding	14 January 1985 Malaysia	2,500,100	100.00	Rearing of broiler chicken for sales
Subsidiaries of Leong Hup Feedmill				
Kayangan Runding	9 March 1995 Malaysia	2	100.00	Property investment holding
Ideal Multifeed	31 December 1965 Malaysia	15,400,000	100.00	Manufacturing and marketing of animal feed
Jaco Nutrimix	31 July 2002 Malaysia	350,000	100.00	Manufacturing and marketing of feed additive premix and other related business
Subsidiary of Leong Hup GPS				
LH Aquaculture	14 October 1998 Malaysia	5,600,000	100.00	Operator of fish rearing
Subsidiary of LH Ruminant				
LH Agriculture	16 July 2010 Malaysia	1,000,000	60.00	Plantation - cultivation of fruits
Subsidiary of Ternakan Emas				
Golden Egg	13 June 1994 Malaysia	2	100.00	Dormant
Subsidiary of Sri Medan Duck Farm				
Prima Anjung	12 June 1995 Malaysia	34,615,000 (comprising 300,000 ordinary shares and 34,315,000 RPS)	100.00	Poultry farming, sale of poultry and related products and aquaculture
Subsidiaries of Teo Seng				
Liberal Energy	14 January 2010 Malaysia	3,000,000	28.43	General trading and generation of energy by establishment of bio gas plants - Dormant
Premium Egg	5 June 2003 Singapore	SGD500,000	28.43	Wholesaler importers, exporters of egg products
Pioneer Prosperity	26 May 2011 Malaysia	495,000	28.43	Dormant

6. INFORMATION ON OUR GROUP (Cont'd)

Name	Date and country of incorporation	Share capital RM (unless otherwise stated)	Our effective equity interest %	Principal activities
Ritma Prestasi	24 September 2003 Malaysia	3,000,000	28.43	Distribution of pet food, medicine and other animal health related products
Success Century	10 June 1995 Malaysia	6,000,000	28.43	Poultry farming
Teo Seng Farming	22 December 1983 Malaysia	8,834,000	28.43	Poultry farming and investment holding
Teo Seng Feedmill	19 December 1998 Malaysia	3,000,000	28.43	Manufacturing and marketing of animal feeds
Teo Seng Paper	13 May 1994 Malaysia	7,000,000	28.43	Manufacturing and marketing of egg trays
Subsidiary of Premium Egg				
BH Fresh Food	17 August 2001 Singapore	SGD1,659,627	28.43	To carry on business of providing cold room services, and other investment holding including renting of factory space to derive rental income
Subsidiaries of Ritma Prestasi				
B-Tech	25 January 2010 Malaysia	2,200,000	28.43	Dormant
Ritma Premier	24 June 2016 Singapore	SGD100,000	28.43	Distribution of pet food, medicine and other animal health related products
Subsidiaries of Teo Seng Farming				
Great Egg	15 December 2006 Malaysia	250,004	28.43	Dormant
Laskar Fertiliser	11 April 2011 Malaysia	5,000,000	28.43	Waste management services, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produce
Subsidiaries of LHSg				
Lee Say	16 May 1977 Singapore	SGD1,180,500	100.00	Slaughtering, processing and sale of fresh and frozen poultry and investment holding
Subsidiaries of Lee Say				
ES Food	21 August 2012 Singapore	SGD46,504,229	100.00	Investment holding

6. INFORMATION ON OUR GROUP (Cont'd)

Name	Date and country of incorporation	Share capital RM (unless otherwise stated)	Our effective equity interest %	Principal activities
Hup Heng Poultry	7 September 1990 Singapore	SGD2,000,000	67.18	Slaughtering of poultry, wholesale, processing and preserving of meat and meat product
Kendo Trading	1 June 1990 Singapore	SGD2,500,000	51.00	Slaughtering, processing and sale of fresh and frozen poultry products
LS Breeding	16 February 2004 Malaysia	40,000,000	100.00	Poultry farming and related products
LS Food	14 October 1999 Singapore	SGD100	100.00	Investment holding
Tasty Meat	28 September 1985 Singapore	SGD550,000	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Subsidiaries of ES Food				
Leong Hup Food	16 May 1991 Singapore	SGD750,000	100.00	General importers and distributor of chickens and other meat products
Leong Hup Distribution	7 November 1967 Singapore	SGD3,000,000	100.00	General trading of frozen food products and provision of warehousing activities
Safa Gourmet	30 April 2002 Singapore	SGD50,000	100.00	Halal meat processing, manufacturing, wholesale and retail
Soonly Food	6 July 1991 Singapore	SGD1,000,000	100.00	Slaughtering, processing and sale of fresh and frozen poultry
Subsidiary of Kendo Trading				
Wang Xiang Shun	31 August 2009 Singapore	SGD450,000	26.01	Production, processing and preserving of meat and meat products
Subsidiary of LS Food				
Ayam Prima	18 August 2004 Indonesia	IDR 3,881,700,000	100.00	In Liquidation
Subsidiaries of LS Breeding				
Heng Kai Hock	24 June 1992 Malaysia	14,500,000	100.00	Poultry farming and related products
My-Kando	27 July 2000 Malaysia	1,500,000	100.00	Poultry farming, rental of chicken coops and related activities

6. INFORMATION ON OUR GROUP (Cont'd)

Name	Date and country of incorporation	Share capital RM (unless otherwise stated)	Our effective equity interest %	Principal activities
Prestige Fortune	16 March 1990 Malaysia	1,875,000	55.00	Poultry farming operations and the provision of consultancy services relating to poultry farming operations
Subsidiary of Prestige Fortune				
Prestige Fortune (S)	1 September 2011 Singapore	SGD200,000	55.00	Wholesale and distribution of poultry
Subsidiaries of United Global				
Emivest Feedmill (TG)	5 October 2012 Vietnam	VND256,144,360,000	100.00	Producing animal and poultry feed
Emivest Feedmill Vietnam	19 October 2009 Vietnam	VND318,674,500,000	100.00	Operating poultry hatcheries and breeder farms and producing animal poultry feed
Leong Hup Cambodia	18 March 2014 Cambodia	USD3,000	100.00	Trading of animal feed
Leong Hup Feedmill Vietnam	15 December 2014 Vietnam	VND196,338,800,000	100.00	Producing animal and poultry feed
Associate company of Leong Hup Feedmill				
Indahgrains	12 June 1996 Malaysia	6,000,000	20.00	Operating of warehouse and warehouse management
Associate company of LHPHi				
Greatmammoth	26 January 2016 Philippines	PHP250,000 (comprising PHP150,000 ordinary shares and PHP100,000 preferred shares)	40.00	Engaging in the business of acquiring by purchase, lease, or otherwise, and to own, use, improve, manage, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for agricultural, commercial, industrial, investment or other purposes, real estate of all kinds, improve, manage or otherwise dispose of buildings, warehouses, hatcheries, houses, apartments, and other structures of whatever kind, together with their appurtenances

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, our Company does not have any joint ventures.

The details of our material subsidiaries as at the LPD are as follows:

6.3.1 Our material subsidiaries

6.3.1.1 Our material subsidiaries in Malaysia

(i) Advantage Valuations (Company No. 729867-V)

Advantage Valuations was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 12 April 2006 as a private limited company under its present name. Advantage Valuations is principally involved in investment holdings.

The principal place of business of Advantage Valuations is at Lot 2.10, 2nd Floor, Wisma Westcourt, 126, Jalan Kelang Lama, 58000 Kuala Lumpur.

The issued share capital of Advantage Valuations is RM52,570 comprising 10,000 ordinary shares.

There has been no change in the issued share capital of Advantage Valuations for the past three years preceding the LPD.

As at the LPD, the shareholders of Advantage Valuations and their shareholdings in Advantage Valuations are set out below:

Shareholder	No. of ordinary shares	%
LH Malaysia	5,097	51.00
Unigold Capital Sdn Bhd	4,900	49.00
Tan Sri Lau Tuang Nguang*	1	-
Dato' Lau Eng Guang*	1	-
The Estate of Dato' Lau Bong Wong, deceased*	1	-

Note:

* Shareholding of less than 0.01% (holding shares as nominees for LH Malaysia).

As at the LPD, the direct subsidiary of Advantage Valuations is Teo Seng, details of which is set out in Section 6.3.1.1(xviii) of this Prospectus. As at the LPD, Advantage Valuations does not have any associate or joint venture.

(ii) Ex Treasures (Company No. 918689-W)

Ex Treasures was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 18 October 2010 as a private limited company under its present name. Ex Treasures is principally involved in rearing of broiler chicken for sales.

The principal place of business of Ex Treasures is at Suite 3.10, 3rd Floor, Wisma Westcourt, 126, Jalan Kelang Lama, 58000 Kuala Lumpur, Wilayah Persekutuan.

The issued share capital of Ex Treasures is RM652,500 comprising 652,500 ordinary shares.

6. INFORMATION ON OUR GROUP (Cont'd)

There has been no change in the issued share capital of Ex Treasures for the past three years preceding the LPD.

Ex Treasures is a wholly-owned subsidiary of LH Agrobusiness which in turn is a wholly-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, Ex Treasures does not have any subsidiary, associate or joint venture.

(iii) FE Venture (Company No. 194120-U)

FE Venture was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 27 February 1990 as a private limited company under its present name. FE Venture is principally involved in trading in animal feeds and veterinary products.

The principal place of business of FE Venture is at Lot 3 & 5, Jalan PJS 11/8, Bandar Sunway, 46150 Petaling Jaya, Selangor.

The issued share capital of FE Venture is RM2,500,000 comprising 2,500,000 ordinary shares.

There has been no change in the issued share capital of FE Venture for the past three years preceding the LPD.

As at the LPD, the shareholders of FE Venture and their shareholdings in FE Venture are set out below:

Shareholder	No. of ordinary shares	%
LH Malaysia	1,274,996	51.00
Ong Gee Tiong	1,225,000	49.00
Tan Sri Lau Tuang Nguang*	2	-
Dato' Lau Eng Guang*	2	-

Note:

* Shareholding of less than 0.01% (holding shares as nominees for LH Malaysia).

As at the LPD, the direct subsidiaries of FE Venture are Farm Excel and Laboratorios Reveex. As at the LPD, FE Venture does not have any associate or joint venture.

(iv) Heng Kai Hock (Company No. 243004-T)

Heng Kai Hock was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 24 June 1992 as a private limited company under its present name. Heng Kai Hock is principally involved in poultry farming and related products.

The principal place of business of Heng Kai Hock is at No. 37, Jalan Besi, Taman Sri Putri, 81300 Skudai, Johor.

The issued share capital of Heng Kai Hock is RM14,500,000 comprising 14,500,000 ordinary shares.

There has been no change in the issued share capital of Heng Kai Hock for the past three years preceding the LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

Heng Kai Hock is a wholly-owned subsidiary of LS Breeding which in turn is a wholly-owned subsidiary of Lee Say, which in turn is a wholly-owned subsidiary of LHSg, which in turn is our wholly-owned subsidiary. As at the LPD, Heng Kai Hock does not have any subsidiary, associate or joint venture.

(v) Ideal Multifeed (Company No. 6455-V)

Ideal Multifeed was incorporated in Malaysia under the Companies Ordinances 1940 to 1946 and is deemed registered under the Act on 31 December 1965 as a private limited company under the name of Ideal Multifeed (Malaysia) Limited. Ideal Multifeed (Malaysia) Limited changed its name to its present name on 15 April 1966. Ideal Multifeed is principally involved in manufacturing and marketing of animal feed.

The principal place of business of Ideal Multifeed is at 9578, Kawasan Perindustrian Tangga Batu, 76400 Melaka.

The issued share capital of Ideal Multifeed is RM15,400,000 comprising 15,400,000 ordinary shares.

There has been no change in the issued share capital of Ideal Multifeed for the past three years preceding the LPD.

Ideal Multifeed is a wholly-owned subsidiary of Leong Hup Feedmill, which in turn is a wholly-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, Ideal Multifeed does not have any subsidiary, associate or joint venture.

(vi) Jaco Nutrimix (Company No. 588146-X)

Jaco Nutrimix was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 31 July 2002 as a private limited company under the name of Jaco Industries Sdn Bhd. Jaco Industries Sdn Bhd changed its name to its present name on 15 December 2003. Jaco Nutrimix is principally involved in manufacturing and marketing of feed additive premix and other related business.

The principal place of business of Jaco Nutrimix is at Lot 13 (9569), Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.

The issued share capital of Jaco Nutrimix is RM350,000 comprising 350,000 ordinary shares.

There has been no change in the issued share capital of Jaco Nutrimix for the past three years preceding the LPD.

Jaco Nutrimix is a wholly-owned subsidiary of Leong Hup Feedmill, which in turn is a wholly-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, Jaco Nutrimix does not have any subsidiary, associate or joint venture. Pursuant to our Group's internal consolidation exercise, the business of Jaco Nutrimix has transferred to LH Feedmill Malaysia and ceased its operations since January 2019.

6. INFORMATION ON OUR GROUP (Cont'd)

(vii) JB Kim (Company No. 386948-A)

JB Kim was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 11 May 1996 as a private limited company under its present name. JB Kim is principally involved in rearing of broiler chicken for sales.

The principal place of business of JB Kim is at No. 5 Jalan MCA, Kampung Machap, 86200 Simpang Rengam, Johor.

The issued share capital of JB Kim is RM1,635,003 comprising 1,635,003 ordinary shares.

There has been no change in the issued share capital of JB Kim for the past three years preceding the LPD.

As at the LPD, the shareholders of JB Kim and their shareholdings in JB Kim are set out below:

Shareholder	No. of ordinary shares	%
Low Kim Seng	277,951	17.00
Law Kim Kow	261,600	16.00
Low Kim Tiong	261,600	16.00
LH Agrobusiness	833,849	51.00
Tan Sri Lau Tuang Nguang*	1	-
Lau Jui Peng*	1	-
Lau Joo Han*	1	-

Note:

* Shareholding of less than 0.01% (holding shares as nominees for LH Agrobusiness).

As at the LPD, JB Kim does not have any subsidiary, associate or joint venture.

(viii) Laskar Fertiliser (Company No. 939951-U)

Laskar Fertiliser was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 11 April 2011 as a private limited company under the name of Laskar Suria Sdn Bhd. Laskar Suria Sdn Bhd changed its name to Laskar Perikanan Sdn Bhd on 21 September 2011, and subsequently to its present name on 27 February 2012. Laskar Fertiliser is principally involved in the provision of waste management services, dealing in fertiliser, conducting research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produce.

The principal place of business of Laskar Fertiliser is at Lot PTD 25740 Batu 4, Jalan Air Hitam, Yong Peng, 83700 Johor.

The issued share capital of Laskar Fertiliser is RM5,000,000 comprising 5,000,000 ordinary shares.

6. INFORMATION ON OUR GROUP (Cont'd)

Save as disclosed below, there has been no change in the issued share capital of Laskar Fertiliser for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
8 December 2016	3,000,000	Cash	RM5,000,000

Laskar Fertiliser is a wholly-owned subsidiary of Teo Seng Farming which in turn is a wholly-owned subsidiary of Teo Seng, which in turn is a 51.16%-owned subsidiary of Advantage Valuations, which in turn is a 51.00%-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, Laskar Fertiliser does not have any subsidiary, associate or joint venture.

(ix) LH Agrobusiness (Company No. 180014-P)

LH Agrobusiness was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 21 March 1989 as a private limited company under the name of Leong Hup Contract Farming Sdn Bhd. Leong Hup Contract Farming Sdn Bhd changed its name to its present name on 27 November 2015. LH Agrobusiness is principally involved in trading of broiler chickens, day old chicks, poultry feeds, medicine and renting of farm buildings and investment holding.

The principal place of business of LH Agrobusiness is at Lot 3.01, 3rd Floor, Wisma Westcourt, 126, Jalan Kelang Lama, 58000 Kuala Lumpur, Wilayah Persekutuan.

The issued share capital of LH Agrobusiness is RM360,137,390 comprising 50,000,000 ordinary shares and 31,013,739 RPS.

The salient terms of the RPS as set out in LH Agrobusiness's Memorandum and Articles of Association are as follow:

- Maturity date : None.
- Dividend : The holders of RPS shall receive out of profits of LH Agrobusiness a non-cumulative preferential dividend at a rate as may be determined by the Directors from time to time, in priority over the ordinary shares.
- Voting rights : The holders of the RPS are entitled to receive notice of and attend general meetings (either in person or by proxy who need not be a member of LH Agrobusiness) and shall be entitled, on a poll at any general meeting, to one vote for each RPS held provided always that the holders of the RPS will not have the right to vote at any general meetings of LH Agrobusiness except in the following circumstances:
- (a) upon any resolution which varies the rights attaching to the RPS;
 - (b) upon any resolution for any increase, decrease or variation in the issued share capital of LH Agrobusiness, whether by varying the amount, structure or value thereof or the rights attached thereto or any conversion of any of its share capital into stock or by consolidating, dividing or subdividing all or any of its shares or any class thereof; and

6. INFORMATION ON OUR GROUP (Cont'd)

- (c) upon any resolution for the winding up of LH Agrobusiness.

In any of the aforesaid circumstances, the holders of the RPS will have one vote for each RPS held and may demand a poll at a general meeting of LH Agrobusiness on any resolutions on which the holder may vote.

Repayment of Capital : On the return of capital on the winding-up or liquidation of LH Agrobusiness, the holders of the RPS shall have the right to repayment, in priority to the holders of ordinary shares and all other classes of shares in LH Agrobusiness, of all capital paid up on the RPS and all preferential dividend remaining unpaid and thereafter, to participate rateably with the holders of all other classes of shares in the residue (if any) of such surplus assets as shall remain after paying off the capital paid up on all other classes of shares in LH Agrobusiness.

Redemption : (i) The power of redemption may be executed by the board of directors acting on behalf of LH Agrobusiness upon giving 14 days clear notice of the proposed redemption to the holders of the RPS.

Upon redemption of the RPS on the redemption date, all rights, benefits and entitlements accorded to the holders of the RPS, in respect of the RPS which have been redeemed, shall cease.

- (ii) LH Agrobusiness may redeem the RPS in whole or in part at any time after its issuance at a price to be determined by Directors.

Save as disclosed below, there has been no change in the issued share capital of LH Agrobusiness for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
31 May 2016	43,000,000	Cash	RM50,000,000

<u>Date of allotment</u>	<u>No. of RPS</u>	<u>Consideration</u>	<u>RPS</u>
12 April 2018	29,463,739	Otherwise than cash	RM294,637,390
4 October 2018	1,550,000	Otherwise than cash	RM310,137,390

None of the holders of RPS in LH Agrobusiness have redeemed their RPS respectively.

LH Agrobusiness is a wholly-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, the direct subsidiaries of LH Agrobusiness are Ex Treasures, JB Kim, Mantap Untung, Mighty Farms and Sweet Vista, details of which are set out in Sections 6.3.1.1(ii) and (vii) of this Prospectus, respectively. As at the LPD, LH Agrobusiness does not have any associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)

(x) LH Feedmill Malaysia (Company No. 174309-P)

LH Feedmill Malaysia was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 27 September 1988 as a private limited company under the name of Ayam A1 Chicken Shop Sdn Bhd. Ayam A1 Chicken Shop Sdn Bhd changed its name to its present name on 29 January 2018. LH Feedmill Malaysia is principally involved in manufacturing and marketing of animal feeds.

The principal place of business of LH Feedmill Malaysia is at Lot 13A, Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.

The issued share capital of LH Feedmill Malaysia is RM86,017,000 comprising 6,800,000 ordinary shares and 7,921,700 RPS. The salient terms of the RPS as set out in LH Feedmill Malaysia's Memorandum and Articles of Association are as follow:

Maturity date : None.

Dividend : The holders of RPS shall receive out of profits of LH Feedmill Malaysia a non-cumulative preferential dividend at a rate as may be determined by the Directors from time to time, in priority over the ordinary shares.

Voting rights : The holders of the RPS are entitled to receive notice of and attend general meetings (either in person or by proxy who need not be a member of LH Feedmill Malaysia) and shall be entitled, on a poll at any general meeting, to one vote for each RPS held provided always that the holders of the RPS will not have the right to vote at any general meetings of LH Feedmill Malaysia except in the following circumstances:

- (a) upon any resolution which varies the rights attaching to the RPS;
- (b) upon any resolution for any increase, decrease or variation in the issued share capital of LH Feedmill Malaysia, whether by varying the amount, structure or value thereof or the rights attached thereto or any conversion of any of its share capital into stock or by consolidating, dividing or subdividing all or any of its shares or any class thereof; and
- (c) upon any resolution for the winding up of LH Feedmill Malaysia.

In any of the aforesaid circumstances, the holders of the RPS will have one vote for each RPS held and may demand a poll at a general meeting of LH Feedmill Malaysia on any resolutions on which the holder may vote.

6. INFORMATION ON OUR GROUP (Cont'd)

Repayment of Capital : On the return of capital on the winding-up or liquidation of LH Feedmill Malaysia, the holders of the RPS shall have the right to repayment, in priority to the holders of ordinary shares and all other classes of shares in LH Feedmill Malaysia, of all capital paid up on the RPS and all preferential dividend remaining unpaid and thereafter, to participate rateably with the holders of all other classes of shares in the residue (if any) of such surplus assets as shall remain after paying off the capital paid up on all other classes of shares in LH Feedmill Malaysia.

Redemption : (i) The power of redemption may be executed by the board of directors acting on behalf of LH Feedmill Malaysia upon giving 14 days clear notice of the proposed redemption to the holders of the RPS.

Upon redemption of the RPS on the redemption date, all rights, benefits and entitlements accorded to the holders of the RPS, in respect of the RPS which have been redeemed, shall cease.

(ii) LH Feedmill Malaysia may redeem the RPS in whole or in part at any time after its issuance at a price to be determined by Directors.

Save as disclosed below, there has been no change in the issued share capital of LH Feedmill Malaysia for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of RPS</u>	<u>Consideration</u>	<u>RPS</u>
17 July 2018	7,921,700	Otherwise than cash	RM79,217,000

None of the holders of RPS in LH Feedmill Malaysia have redeemed their RPS respectively.

LH Feedmill Malaysia is a wholly-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, LH Feedmill Malaysia does not have any subsidiary, associate or joint venture.

(xi) LH Malaysia (Company No. 1096819-M)

LH Malaysia was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 9 June 2014 as a private limited company under the name of Stratahub Sdn Bhd. Stratahub Sdn Bhd changed its name to its present name on 11 July 2014. LH Malaysia is principally involved in investment holding.

The principal place of business of LH Malaysia is at 2nd Floor, Wisma Westcourt, 126, Jalan Kelang Lama, 58000 Kuala Lumpur.

The issued share capital of LH Malaysia is RM313,087,002 comprising 313,089 ordinary shares.

There has been no change in the issued share capital of LH Malaysia for the past three years preceding the LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

LH Malaysia is our wholly-owned subsidiary. As at the LPD, the direct subsidiaries of LH Malaysia are A1FC, Advantage Valuations, Beaming Agrotrade, FE Venture, Leong Hup Feedmill, LH Agrobusiness, LH Broiler Farm, LH Feedmill Malaysia, Leong Hup GPS, LH Poultry Farm, LH Poultry Farm (Sabah), LH Ruminant, Ladang Ternakan, New Soon Teng, Sri Medan Duck Farm and Baker's Cottage Restaurant, details of which are set out in Sections 6.3.1.1(i), (iii), (ix), (x), and (xv), of this Prospectus, respectively. As at the LPD, LH Malaysia does not have any associate or joint venture.

(xii) LH Aquaculture (Company No. 470234-D)

LH Aquaculture was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 14 October 1998 as a private limited company under the name of Highland Vista Sdn Bhd. Highland Vista Sdn Bhd changed its name to Ladang Tanaman Indah Sdn Bhd on 22 March 2000 and subsequently to its present name on 24 March 2009. LH Aquaculture is principally involved in operating of fish rearing.

The principal place of business of LH Aquaculture is at 203, Jalan Abdullah, 84000 Muar, Johor.

The issued share capital of LH Aquaculture is RM5,600,000 comprising 5,600,000 ordinary shares.

There has been no change in the issued share capital of LH Aquaculture for the past three years preceding the LPD.

LH Aquaculture is a wholly-owned subsidiary of Leong Hup GPS, which in turn is a wholly-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, LH Aquaculture does not have any subsidiary, associate or joint venture.

(xiii) LS Breeding (Company No. 642462-H)

LS Breeding was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 16 February 2004 as a private limited company under the name of Pantas Reaksi Sdn Bhd. Pantas Reaksi Sdn Bhd changed its name to Lee Say Trading Sdn Bhd on 14 May 2004 and subsequently to its present name on 9 December 2009. LS Breeding is principally involved in poultry farming and related products.

The principal place of business of LS Breeding is at No 35 & 37, Jalan Besi, Taman Sri Putri, 81300 Skudai, Johor.

The issued share capital is RM40,000,000 comprising 40,000,000 ordinary shares.

Save as disclosed below, there has been no change in the issued share capital of LS Breeding for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
15 December 2016	30,000,000	Cash	RM40,000,000

6. INFORMATION ON OUR GROUP (Cont'd)

LS Breeding is a wholly-owned subsidiary of Lee Say which in turn is a wholly-owned subsidiary of LHSg, which in turn is our wholly-owned subsidiary. As at the LPD, the direct subsidiaries of LS Breeding are Heng Kai Hock, My-Kando and Prestige Fortune, details of which are set out in Sections 6.3.1.1(iv), (xiv) and (xvi) of this Prospectus, respectively. As at the LPD, LS Breeding does not have any associate or joint venture.

(xiv) My-Kando (Company No. 521771-H)

My-Kando was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 27 July 2000 as a private limited company under its present name. My-Kando is principally involved in poultry farming, rental of chicken coops and related activities.

The principal place of business of My-Kando is at No. 37, Jalan Besi, Taman Sri Putri, 81300 Skudai, Johor.

The issued share capital of My-Kando is RM1,500,000 comprising 1,500,000 ordinary shares.

There has been no change in the issued share capital of My-Kando for the past three years preceding the LPD.

My-Kando is a wholly-owned subsidiary of LS Breeding which in turn is a wholly-owned subsidiary of Lee Say, which in turn is a wholly-owned subsidiary of LHSg, which in turn is our wholly-owned subsidiary. As at the LPD, My-Kando does not have any subsidiary, associate or joint venture.

(xv) New Soon Teng (Company No. 1065672-X)

New Soon Teng was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 10 October 2013 as a private limited company under the name of Morningfield Sdn Bhd. Morningfield Sdn Bhd changed its name to its present name on 19 June 2017. New Soon Teng is principally involved in rearing of colour birds.

The principal place of business of New Soon Teng is at Lot 4082, Batu 28 1/2, Mukim Pengkalan Raja, 81500 Pekan Nenas, Johor.

The issued share capital of New Soon Teng is RM8,000,000 comprising 8,000,000 ordinary shares.

Save as disclosed below, there has been no change in the issued share capital of New Soon Teng for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
29 December 2017	7,999,998	Cash	RM8,000,000

As at the LPD, the shareholders of New Soon Teng and their shareholdings in New Soon Teng are set out below:

<u>Shareholder</u>	<u>No. of ordinary shares</u>	<u>%</u>
LH Malaysia	5,600,000	70.00
Tan Bet Beng	2,400,000	30.00

As at the LPD, New Soon Teng does not have any subsidiary, associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)**(xvi) Prestige Fortune (Company No. 195051-H)**

Prestige Fortune was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 16 March 1990 as a private limited company under its present name. Prestige Fortune is principally involved in poultry farming operations and the provision of consultancy services relating to poultry farming operations.

The principal place of business of Prestige Fortune is at No. 37, Jalan Besi, Taman Sri Putri, 81300 Skudai, Johor.

The issued share capital is RM1,875,000 comprising 1,875,000 ordinary shares.

There has been no change in the issued share capital of Prestige Fortune for the past three years preceding the LPD.

As at the LPD, the shareholders of Prestige Fortune and their shareholdings in Prestige Fortune are as follows:

<u>Shareholder</u>	<u>No. of ordinary shares</u>	<u>%</u>
LS Breeding	1,031,250	55.00
Wong Wai Meng	375,000	20.00
Quek Soo Kheng	75,000	4.00
Quek Cheaw Kwang	225,000	12.00
Quek Chiaw Hong	75,000	4.00
Tan Koon Seng	93,750	5.00

As at the LPD, the direct subsidiary of Prestige Fortune is Prestige Fortune (S), details of which is set out in Section 6.3.1.4(ix) of this Prospectus. As at the LPD, Prestige Fortune does not have any associate or joint venture.

(xvii) Success Century (Company No. 346210-A)

Success Century was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 10 June 1995 as a private limited company under the name of Motif Daya Sdn Bhd. Motif Daya Sdn Bhd changed its name to its present name on 8 February 2005. Success Century is principally involved in poultry farming.

The principal place of business of Success Century is at Lot PTD 25740 Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor.

The issued share capital of Success Century is RM6,000,000 comprising 6,000,000 ordinary shares.

There has been no change in the issued share capital of Success Century for the past three years preceding the LPD.

Success Century is a wholly-owned subsidiary of Teo Seng, which in turn is a 51.16%-owned subsidiary of Advantage Valuations, which in turn is a 51.00%-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary.

As at the LPD, Success Century does not have any subsidiary, associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)

(xviii) Teo Seng (Company No. 732762-T)

Teo Seng incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 8 May 2006 as a private limited company under the name of Teo Seng Capital Sdn Bhd. Teo Seng Capital Sdn Bhd was converted to a public company on 31 May 2006. Teo Seng is principally involved in investment holding and provision of management services.

The principal place of business of Teo Seng is at Lot PTD 25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor.

The issued share capital of Teo Seng is RM60,001,654 comprising 300,001,225 ordinary shares (including treasury shares of 209,000).

Save as disclosed below, there has been no change in the issued share capital of Teo Seng for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
31 January 2017	Amalgamation of share premium account to share capital*		RM60,001,654

Note:

* *In view of the Act which came into force on 31 January 2017 and the abolishment of the par value regime under the Act, the share capital value for the period after 31 January 2017 therefore represents the share capital value of Teo Seng, which includes any premium on such Shares.*

As at the LPD, the shareholders of Teo Seng and their shareholdings in Teo Seng are set out below:

<u>Shareholder</u>	<u>No. of ordinary shares*</u>	<u>%*</u>
Advantage Valuations	153,369,003	51.16
LH Malaysia	7,000,000	2.33
FE Venture	620,000	0.21
Public [^]	138,803,222	46.30

Notes:

* *Based on issued share capital of 299,792,225, which excludes treasury shares of 209,000.*

[^] *Including certain directors and persons connected to Teo Seng and persons connected to LHI.*

As at the LPD, the direct subsidiaries of Teo Seng are Liberal Energy, Premium Egg, Pioneer Prosperity, Ritma Prestasi, Success Century, Teo Seng Farming, Teo Seng Feedmill and Teo Seng Paper, details of which are set out in Sections 6.3.1.1(xvii), (xix), (xx) and (xxi) of this Prospectus, respectively. As at the LPD, Teo Seng does not have any associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)**(xix) Teo Seng Farming (Company No. 111937-P)**

Teo Seng Farming was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 22 December 1983 as a private limited company under its present name. Teo Seng Farming is principally engaged in the business of poultry farming and investment holding.

The principal place of business of Teo Seng Farming is at Lot PTD 25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor.

The issued share capital of Teo Seng Farming is RM8,834,000 comprising 8,000,000 ordinary shares.

There has been no change in the issued share capital of Teo Seng Farming for the past three years preceding the LPD.

Teo Seng Farming is a wholly-owned subsidiary of Teo Seng, which in turn is a 51.16%-owned subsidiary of Advantage Valuations, which in turn is a 51.00%-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, the direct subsidiaries of Teo Seng Farming are Great Egg and Laskar Fertiliser, details of which is set out in Section 6.3.1.1(viii) of this Prospectus. As at the LPD, Teo Seng Farming does not have any associate or joint venture.

(xx) Teo Seng Feedmill (Company No. 474189-H)

Teo Seng Feedmill was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 19 December 1998 as a private limited company under the name of Best Swallow Sdn Bhd. Best Swallow Sdn Bhd changed its name to its present name on 9 March 2000. Teo Seng Feedmill is principally involved in manufacturing and marketing of animal feeds.

The principal place of business of Teo Seng Feedmill is at Lot PTD 25741, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor.

The issued share capital of Teo Seng Feedmill is RM3,000,000 comprising 3,000,000 ordinary shares.

There has been no change in the issued share capital of Teo Seng Feedmill for the past three years preceding the LPD.

Teo Seng Feedmill is a wholly-owned subsidiary of Teo Seng, which in turn is a 51.16%-owned subsidiary of Advantage Valuations, which in turn is a 51.00%-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, Teo Seng Feedmill does not have any subsidiary, associate or joint venture.

(xxi) Teo Seng Paper (Company No. 299992-H)

Teo Seng Paper was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 13 May 1994 as a private limited company under the name of Barisan Data Sdn Bhd. Barisan Data Sdn Bhd changed its name to its present name on 21 July 1994. Teo Seng Paper is principally involved in manufacturing and marketing of egg trays.

The principal place of business of Teo Seng Paper is at Lot PTD 25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor.

The issued share capital of Teo Seng Paper is RM7,000,000 comprising 7,000,000 ordinary shares.

6. INFORMATION ON OUR GROUP (Cont'd)

Save as disclosed below, there has been no change in the issued share capital of Teo Seng Paper for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
8 December 2016	2,000,000	Cash	RM7,000,000

Teo Seng Paper is a wholly-owned subsidiary of Teo Seng, which in turn is a 51.16%-owned subsidiary of Advantage Valuations, which in turn is a 51.00%-owned subsidiary of LH Malaysia, which in turn is our wholly-owned subsidiary. As at the LPD, Teo Seng Paper does not have any subsidiary, associate or joint venture.

(xxii) United Global (Registration No. LL07184)

United Global was incorporated in Labuan under the Labuan Companies Act 1990 on 6 August 2009 as a private limited company under its present name. United Global is principally involved in investment holding and trading of materials.

The registered address of United Global is at Level 15(A1), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia.

The issued share capital of United Global is USD33,623,000 comprising 33,623,000 ordinary shares.

Save as disclosed below, there has been no change in the issued share capital of United Global for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
17 June 2016	10,250,000	Cash	USD33,623,000

United Global is our wholly-owned subsidiary. As at the LPD, the direct subsidiaries of United Global are Emivest Feedmill (TG), Emivest Feedmill Vietnam, Leong Hup Cambodia and Leong Hup Feedmill Vietnam, details of which are set out in Sections 6.3.1.3(i) and (ii) of this Prospectus, respectively. As at the LPD, United Global does not have any associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3.1.2 Our material subsidiaries in Indonesia

(i) Bibit Indonesia (Company No. 8120000751236)

Bibit Indonesia was incorporated in the Republic of Indonesia under the Company Law No. 40 of 2007 on 3 December 2001 as a private limited company under its present name. Bibit Indonesia is principally involved in broiler grandparent stock farming.

The principal place of business of Bibit Indonesia is at Jl.RS. Fatmawati, No. 15, Komplek Golden Plaza Blok G No. 17-22, RT. 006/RW. 002, Kelurahan Gandaria Selatan, Kecamatan Cilandak, Kota Jakarta Selatan, DKI Jakarta.

The issued share capital of Bibit Indonesia is IDR42,940,000,000 comprising 42,940,000 ordinary shares.

Save as disclosed below, there has been no change in the issued share capital of Bibit Indonesia for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
20 July 2016	42,190,000	Cash	IDR42,940,000,000

As at the LPD, the shareholders of Bibit Indonesia and their shareholdings in Bibit Indonesia are set out below:

<u>Shareholder</u>	<u>No. of ordinary shares</u>	<u>%</u>
Malindo Feedmill	42,883,000	99.87
Lau Joo Kiang	57,000	0.13

As at the LPD, Bibit Indonesia does not have any subsidiary, associate or joint venture.

(ii) Malindo Feedmill (Company No. 8120001761284)

Malindo Feedmill was incorporated in the Republic of Indonesia under the Company Law No. 40 of 2007 on 3 December 1997 as a private limited company under the name of PT Gymtech Feedmill Indonesia. PT Gymtech Feedmill Indonesia changed its name into its present name on 4 July 2000. Malindo Feedmill was converted to a public company on 10 February 2006. Malindo Feedmill is principally involved in investment holding, poultry feed industry and day old chicks farming.

The principal place of business of Malindo Feedmill is at Jl.RS. Fatmawati, No. 15, Komplek Golden Plaza Blok G No. 17-22, RT. 006/RW. 002, Kelurahan Gandaria Selatan, Kecamatan Cilandak, Kota Jakarta Selatan, DKI Jakarta.

The issued share capital of Malindo Feedmill is IDR44,775,000,000 comprising 2,238,750,000 ordinary shares.

There has been no change in the issued share capital of Malindo Feedmill for the past three years preceding the LPD:

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, the shareholders of Malindo Feedmill and their shareholdings in Malindo Feedmill are set out below:

Shareholder	No. of ordinary shares	%
Dragon Amity	1,282,143,142	57.27
LHSg	11,967,200	0.53
Public	944,639,658	42.20

As at the LPD, the direct subsidiaries of Malindo Feedmill are Bibit Indonesia, Leong Ayamsatu, Malindo Food Delight, Mitra Bebek and Prima Fajar, details of which are set out in Sections 6.3.1.2(i) and (iii) of this Prospectus, respectively. As at the LPD, Malindo Feedmill does not have any associate or joint venture.

(iii) Malindo Food Delight (Company No. 8120000792232)

Malindo Food Delight was incorporated in the Republic of Indonesia under the Company Law No. 40 of 2007 on 8 April 2011 as a private limited company under the name of Malindo Food Delight. Malindo Food Delight is principally involved in processing and preserving of meat.

The principal place of business of Malindo Food Delight is at Jl. RS. Fatmawati No. 39, Komplek Dutamas Blok A1 No. 30-32, RT. 006/RW. 007, Kelurahan Cipete Utara, Kecamatan Kebayoran Baru, Kota Jakarta Selatan, DKI Jakarta. The issued share capital of Malindo Food Delight is IDR192,847,000,000 comprising 192,847,000 ordinary shares.

Save as disclosed below, there has been no change in the issued share capital of Malindo Food Delight for the past three years preceding the LPD:

Date of allotment	No. of ordinary shares	Consideration	Issued share capital
29 June 2016	190,847,000	Cash	IDR192,847,000,000

As at the LPD, the shareholders of Malindo Food Delight and their shareholdings in Malindo Food Delight are set out below:

Shareholder	No. of ordinary shares	%
Malindo Feedmill	192,824,000	99.99
Susilawati Tamrin	23,000	0.01

As at the LPD, Malindo Food Delight does not have any subsidiary, associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3.1.3 Our material subsidiaries in Vietnam

(i) Emivest Feedmill (TG) (Business Registration Certificate No. 1201418945)

Emivest Feedmill (TG) was incorporated in Vietnam under the laws of Vietnam on 5 October 2012 as a private limited company under its present name. Emivest Feedmill (TG) is principally involved in producing animal and poultry feed.

The principal place of business of Emivest Feedmill (TG) is at Lô AV-1,2,3,4,7 KCN Tân Hương, Xã Tân Hương, Huyện Châu Thành, Tỉnh Tiền Giang, Việt Nam.

The total investment of Emivest Feedmill (TG) is VND826,294,456,700 equivalent to USD38,711,893 and the charter capital is VND256,144,360,000 equivalent to USD11,879,000.

Save as disclosed below, there has been no change in the charter capital of Emivest Feedmill (TG) for the past three years preceding the LPD:

<u>Date of investment</u>	<u>Consideration</u>	<u>Charter capital</u>
20 June 2016	Otherwise than cash	VND256,144,360,000 equivalent to USD11,879,000*

Note:

* As stated in the business registration certificate/investment registration certificate as the case may be.

Emivest Feedmill (TG) is a wholly-owned subsidiary of United Global, which in turn is our wholly-owned subsidiary. As at the LPD, Emivest Feedmill (TG) does not have any subsidiary, associate or joint venture.

(ii) Emivest Feedmill Vietnam (Business Registration Certificate No. 3701642642)

Emivest Feedmill Vietnam was incorporated in Vietnam under the laws of Vietnam on 19 October 2009 as a private limited company under its present name. Emivest Feedmill Vietnam is principally involved in operating poultry and breeder farms and producing animal and poultry feed.

The principal place of business of Emivest Feedmill Vietnam is at Lô A_11A_CN, Khu công nghiệp Bàu Bàng, Xã Lai Uyên, Huyện Bàu Bàng, Tỉnh Bình Dương, Việt Nam.

The total investment of Emivest Feedmill Vietnam is VND532,909,592,400 equivalent to USD27,107,758,44 and the charter capital is VND318,674,500,000 equivalent to USD14,700,000.

6. INFORMATION ON OUR GROUP (Cont'd)

Save as disclosed below, there has been no change in the charter capital of Emivest Feedmill Vietnam for the past three years preceding the LPD:

<u>Date of investment</u>	<u>Consideration</u>	<u>Charter capital</u>
12 July 2016	Otherwise than cash	VND156,769,500,000 equivalent to USD7,100,000*
4 January 2017	Otherwise than cash	VND318,674,500,000 equivalent to USD14,700,000*

Note:

* As stated in the business registration certificate/investment registration certificate as the case may be.

Emivest Feedmill Vietnam is a wholly-owned subsidiary of United Global, which in turn is our wholly-owned subsidiary. As at the LPD, Emivest Feedmill Vietnam does not have any subsidiary, associate or joint venture.

6.3.1.4 Our material subsidiaries in Singapore

(i) Dragon Amity (Registration No. 201227333R)

Dragon Amity was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 6 November 2012 as a private limited company under its present name. Dragon Amity is principally involved in investment holding.

The principal place of business of Dragon Amity is at 233 Pandan Loop, Singapore 128421.

The issued share capital is SGD283,189,803 comprising 283,189,803 ordinary shares.

There has been no change in the issued share capital of Dragon Amity for the past three years preceding the LPD.

Dragon Amity is our wholly-owned subsidiary. As at the LPD, the direct subsidiary of Dragon Amity is Malindo Feedmill, details of which is set out in Section 6.3.1.2(ii) of this Prospectus. As at the LPD, Dragon Amity does not have any associate or joint venture.

(ii) ES Food (Registration No. 201220674G)

ES Food was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 21 August 2012 as a private limited company under its present name. ES Food is an investment holding company.

The principal place of business of ES Food is at 18 Senoko Way, Woodlands East Industrial Estate, Singapore 758040.

The issued share capital is SGD46,504,229 comprising 49,375,933 ordinary shares.

6. INFORMATION ON OUR GROUP (Cont'd)

Save as disclosed below, there has been no change in the issued share capital of ES Food for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
8 December 2016	14,999,900	Otherwise than cash	SGD12,128,296
21 November 2017	34,375,933	Otherwise than cash	SGD46,504,229

As at the LPD, the shareholders of ES Food and their shareholdings in ES Food are set out below:

<u>Shareholder</u>	<u>No. of ordinary shares</u>	<u>%</u>
Lee Say	37,022,236	75.00
LHSg	12,353,697	25.00

As at the LPD, the direct subsidiaries of ES Food are Leong Hup Distribution, Leong Hup Food, Soonly Food and Safa Gourmet, details of which are set out in Sections 6.3.1.4 (vi), (vii) and (x) of this Prospectus, respectively. As at the LPD, ES Food does not have any associate or joint venture.

(iii) Hup Heng Poultry (Registration No.199004442Z)

Hup Heng Poultry was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 7 September 1990 as a private limited company under its present name. Hup Heng Poultry is principally involved in slaughtering of poultry, wholesale, processing and preserving of meat.

The principal place of business of Hup Heng Poultry is at 30 Senoko Crescent, Singapore 758279.

The issued share capital is SGD2,000,000 comprising 2,000,000 ordinary shares.

There has been no change in the issued share capital of Hup Heng Poultry for the past three years preceding the LPD.

As at the LPD, the shareholders of Hup Heng Poultry and their shareholdings in Hup Heng Poultry are set out below:

<u>Shareholder</u>	<u>No. of ordinary shares</u>	<u>%</u>
Lee Say	1,343,530	67.18
Ma Seow Juen	175,000	8.75
Ma Chin Shun	175,000	8.75
Tan Koon Seng	100,000	5.00
Ma Chin Chew	206,470	10.32

As at the LPD, Hup Heng Poultry does not have any subsidiary, associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)

(iv) Kendo Trading (Registration No. 199002650G)

Kendo Trading was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 1 June 1990 as a private limited company under its present name. Kendo Trading is principally involved in slaughtering, processing and sale of fresh and frozen poultry products.

The principal place of business of Kendo Trading is at 233 Pandan Loop, Singapore 128421.

The issued share capital is SGD2,500,000 comprising 2,500,000 ordinary shares.

There has been no change in the issued share capital of Kendo Trading for the past three years preceding the LPD.

Kendo Trading is a 51.00%-owned subsidiary of Lee Say which in turn is a wholly owned subsidiary of LHSg, which in turn is our wholly owned subsidiary. As at the LPD, the direct subsidiary of Kendo Trading is Wang Xiang Shun. As at the LPD, Kendo Trading does not have any associate or joint venture.

(v) Lee Say (Registration No. 197701029W)

Lee Say was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 16 May 1977 as a private limited company under the name of Lee Say Sugar Factory (Pte) Ltd. Lee Say Sugar Factory (Pte) Ltd changed its name to Lee Say Poultry Factory Pte Ltd on 26 April 1991, to Lee Say Sugar Factory (Pte) Ltd on 4 July 1991 and subsequently to its present name on 20 November 2009. Lee Say is principally involved in slaughtering, processing and sale of fresh and frozen poultry and investment holding

The principal place of business of Lee Say is at 18 Senoko Way, Woodlands East Industrial Estate, Singapore 758040.

The issued share capital is SGD1,180,500 comprising 1,180,500 ordinary shares.

There has been no change in the issued share capital of Lee Say for the past three years preceding the LPD.

Lee Say is a wholly-owned subsidiary of LHSg, which in turn is our wholly-owned subsidiary. As at the LPD, the direct subsidiaries of Lee Say are LS Breeding, ES Food, Hup Heng Poultry, Kendo Trading, LS Food and Tasty Meat, details of which are set out in Section 6.3.1.1(xiii), Sections 6.3.1.4(ii), (iii), (iv) and (xi) of this Prospectus, respectively. As at the LPD, Lee Say does not have any associate or joint venture.

(vi) Leong Hup Distribution (Registration No. 196700391C)

Leong Hup Distribution was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 7 November 1967 as a private limited company under the name of Tai Wee Company (Private) Limited. Tai Wee Company (Private) Limited changed its name to Leong Hup Distribution on 2 January 2018. Leong Hup Distribution is principally involved in general trading of frozen food products and provision of warehousing activities.

The principal place of business of Leong Hup Distribution is at 31 Fishery Port Road, Singapore 619741.

The issued share capital is SGD3,000,000 comprising 3,000,000 ordinary shares.

6. INFORMATION ON OUR GROUP (Cont'd)

There has been no change in the issued share capital of Leong Hup Distribution for the past three years preceding the LPD.

Leong Hup Distribution is a wholly-owned subsidiary of ES Food which in turn is a 75.00%-owned subsidiary of Lee Say, which in turn is a wholly owned subsidiary of LHSg, which in turn is our wholly owned subsidiary. As at the LPD, Leong Hup Distribution does not have any subsidiary, associate or joint venture.

(vii) Leong Hup Food (Registration No. 199102277N)

Leong Hup Food was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 16 May 1991 as a private limited company under the name of KSB Holdings Pte Ltd and changed its name to KSB Distribution Pte Ltd on 20 March 1999 and subsequently changed to its present name on 31 July 2018. Leong Hup Food is principally involved in general import and distribution of chickens and other meat products.

The principal place of business of Leong Hup Food is at 4 Senoko Way, Senoko Industrial Estate, Singapore 758028.

The issued share capital is SGD750,000 comprising 750,000 ordinary shares.

There has been no change in the issued share capital of Leong Hup Food for the past three years preceding the LPD.

Leong Hup Food is a wholly-owned subsidiary of ES Food, which in turn is a 75.00%-owned subsidiary of Lee Say, which in turn is a wholly-owned subsidiary of LHSg, which in turn is our wholly-owned subsidiary. As at the LPD, Leong Hup Food does not have any subsidiary, associate or joint venture.

(viii) LHSg (Registration No. 201723332W)

LHSg was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 16 August 2017 as a private limited company under its present name. LHSg is principally involved in investment holding.

The principal place of business of LHSg is at 6 Senoko Way, Senoko Industrial Estate, Singapore 758029.

The issued share capital of LHSg is SGD41,681,001 comprising 41,682 ordinary shares.

Save as disclosed below, there has been no change in the issued share capital of LHSg for the past three years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares</u>	<u>Consideration</u>	<u>Issued share capital</u>
16 August 2017	1	Cash	SGD1
6 December 2017	36,800	Otherwise than cash	SGD36,800,001
8 March 2018	4,881	Otherwise than cash	SGD41,681,001

LHSg is our wholly-owned subsidiary. As at the LPD, the direct subsidiary of LHSg is Lee Say, details of which is set out in Section 6.3.1.4(v) of this Prospectus. As at the LPD, LHSg does not have any associate or joint venture.

6. INFORMATION ON OUR GROUP (Cont'd)

(ix) **Prestige Fortune (S) (Registration No. 201120654W)**

Prestige Fortune (S) was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 1 September 2011 as a private limited company under its present name. Prestige Fortune (S) is principally involved in wholesale and distribution of poultry.

The principal place of business of Prestige Fortune (S) is at 18 Senoko Way, Woodlands East Industrial Estate, Singapore 758040.

The issued share capital is SGD200,000 comprising 200,000 ordinary shares.

There has been no change in the issued share capital of Prestige Fortune (S) for the past three years preceding the LPD.

Prestige Fortune (S) is a wholly-owned subsidiary of Prestige Fortune which in turn is a 55.00%-owned subsidiary of LS Breeding, which in turn is a wholly-owned subsidiary of Lee Say, which in turn is a wholly-owned subsidiary of LHSg, which in turn is our wholly-owned subsidiary. As at the LPD, Prestige Fortune (S) does not have any subsidiary, associate or joint venture.

(x) **Soonly Food (Registration No. 199103305N)**

Soonly Food was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 6 July 1991 as a private limited company under its present name. Soonly Food is principally involved in slaughtering, processing and sale of fresh and frozen poultry.

The principal place of business of Soonly Food is at 4 Senoko Way, Senoko Industrial Estate, Singapore 758028.

The issued share capital is SGD1,000,000 comprising 1,000,000 ordinary shares.

There has been no change in the issued share capital of Soonly Food for the past three years preceding the LPD.

Soonly Food is a wholly-owned subsidiary of ES Food, which in turn is a 75.00%-owned subsidiary of Lee Say, which in turn is a wholly-owned subsidiary of LHSg, which in turn is our wholly-owned subsidiary. As at the LPD, Soonly Food does not have any subsidiary, associate or joint venture.

(xi) **Tasty Meat (Registration No. 198502058Z)**

Tasty Meat was incorporated in Singapore under the Companies Act (Chapter 50) of Singapore on 28 September 1985 as a private limited company under its present name. Tasty Meat is principally involved in manufacturing, importing, exporting, storing and packing of processed meats.

The principal place of business of Tasty Meat is at 13 Tuas Bay Walk, Singapore 637759.

The issued share capital is SGD550,000 comprising 550,000 ordinary shares.

There has been no change in the issued share capital of Tasty Meat for the past three years preceding the LPD.

Tasty Meat is a 80.00%-owned subsidiary of Lee Say, which in turn is a wholly-owned subsidiary of LHSg, which in turn is our wholly-owned subsidiary. As at the LPD, the shareholders of Tasty Meat and their shareholdings in Tasty Meat are set out below:

6. INFORMATION ON OUR GROUP (Cont'd)

Shareholder	No. of ordinary shares	%
Lee Say	440,000	80.00
Choo Joo Thong	110,000	20.00

As at the LPD, Tasty Meat does not have any subsidiary, associate or joint venture.

6.3.1.5 Our material subsidiaries in Philippines

(i) LHPHi (Company No. CS201515154)

LHPHi was incorporated in Philippines under the laws of the Republic of the Philippines on 30 July 2015 as a private limited company. LHPHi is principally involved in raising, breeding, cross-breeding, fattening and pasturing of poultry and similar stocks.

The principal place of business of LHPHi is at Penthouse-06 Landsdale Tower Condominium, 86 Mother Ignacia St, Quezon City.

The issued share capital is PHP500,000,000 comprising 500,000,000 ordinary shares.

Save as disclosed below, there has been no change in the issued share capital of LHPHi for the past three years preceding the LPD:

Date of allotment	No. of ordinary shares	Consideration	Issued share capital
1 March 2017	81,000,000	Cash	PHP90,000,000
17 August 2018	410,000,000	Cash	PHP500,000,000

LHPHi is our wholly-owned subsidiary. As at the LPD, the direct associate of LHPHi is Greatmammoth.

As at the date of the LPD, save for the outstanding 49,998,775 Teo Seng warrants, our Group does not have any other outstanding warrants, options, convertible securities or uncalled capital.

None of our Shares and shares capital in our material subsidiaries were issued and allotted at a discount or have any special terms. Our issued Shares and the issued shares of our material subsidiaries are fully paid-up.

As at the LPD, neither our Company nor our material subsidiaries are involved in any bankruptcy, receivership or similar proceedings.

During the last financial year up to the LPD, there were no:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by our Company in respect of other companies' securities.

7. BUSINESS OVERVIEW

7.1 Overview

We are one of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia. Established in Malaysia in 1978, we now operate in Malaysia, Singapore, Indonesia, Vietnam and the Philippines, which are attractive consumer markets, with a population of over 505.0 million people and significant growth potential. We are the largest integrated poultry producer in Malaysia and one of the top three integrated poultry producers in Indonesia and Vietnam, with a total production in the FYE 31 December 2017 of 495.6 million DOCs, 1.7 billion eggs and almost 2.0 million MT of feed. We also had the largest market share of poultry slaughtered in Singapore in the FYE 31 December 2017. See Section 8 of this Prospectus for further details on the competitive landscape in which we operate. For the FPE 31 October 2018, we produced 414.4 million DOCs, 1.1 billion eggs and 1.8 million MT of feed.

Our markets have significant potential for growth, with forecast GDP growth of between 4.5% (for Singapore) and 9.7% (for Vietnam) from 2018 to 2021 and a rapidly growing, young middle class. Consumption of poultry meat in our markets is low compared to more developed markets, with 13.0 kg per person in Indonesia in 2018, compared to 49.8 kg in the United States. Based on rising levels of disposable income in our markets and the relative affordability and religious neutrality of poultry meat, we believe that poultry consumption in our markets will continue to rise. See Section 7.2.1 of this Prospectus for further details on rising poultry consumption.

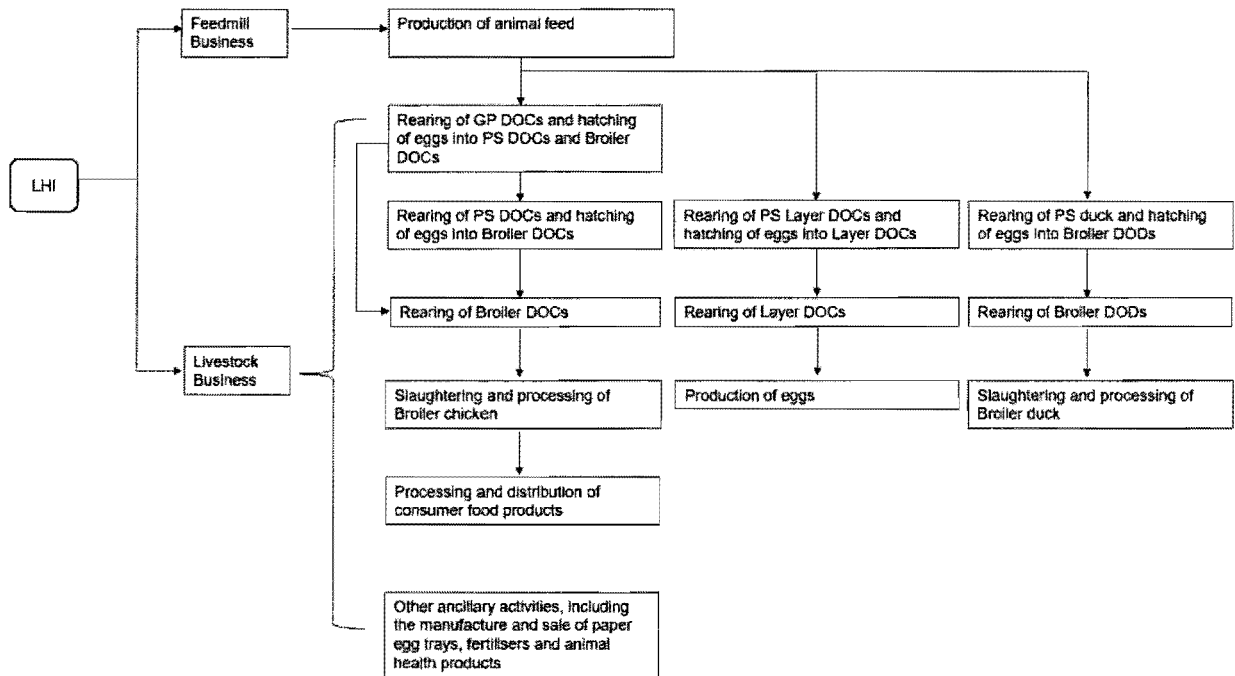
We are fully integrated across the entire poultry value chain. Our operations consist of:

- (i) our Feedmill Business, which consists of the formulation, production and sale of livestock feed for a variety of livestock; and
- (ii) our Livestock Business, which consists of:
 - (a) the rearing of GPS DOCs to produce PS DOCs and Broiler DOCs for internal use and external sale, and the rearing and sale of Broiler chickens;
 - (b) the rearing of PS Layer DOCs to produce Layer DOCs, and the rearing of Layer chickens that produce eggs;
 - (c) the rearing of PS Ducks to produce Broiler DODs, and the rearing and sale of Broiler ducks; and
 - (d) the distribution of fresh and processed downstream consumer food products.

We currently conduct our Feedmill Business in Malaysia, Indonesia and Vietnam and our Livestock Business in all five countries where we operate.

7. BUSINESS OVERVIEW (Cont'd)

The following chart illustrates the fully integrated value chain of our operations. See Section 7.5 of this Prospectus for further details of our operations.

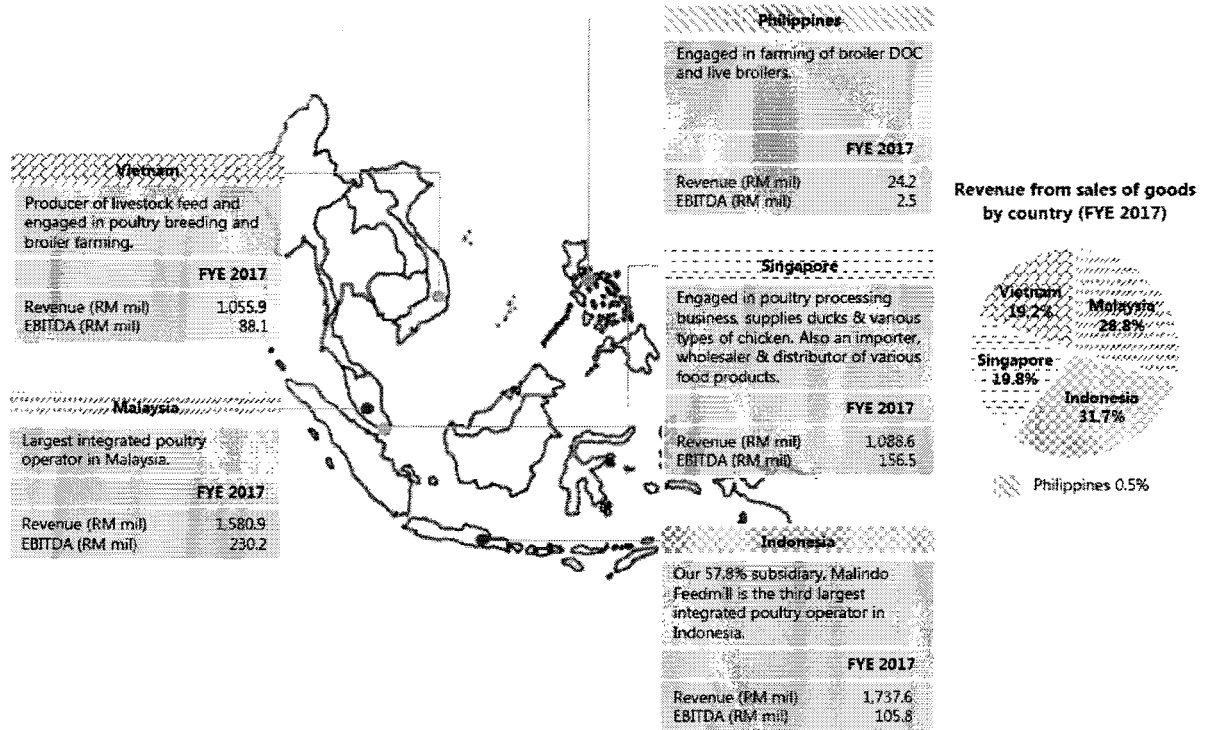


Our business model has been to establish livestock and feedmill operations in one market, starting with Malaysia throughout the 1980's, and then to expand into new markets by replicating those operations in these new markets. When entering new markets, we first establish livestock operations, either organically or through acquisitions, and we then establish feedmill operations once our livestock operations are large enough to ensure that our feedmills run at least at financial break-even levels by meeting the demand from our own livestock operations.

In Malaysia, our listed subsidiary, Teo Seng, is the only subsidiary within our Group that is involved in the business of table eggs production. For as long as Teo Seng remains as our subsidiary and also remains listed on the Main Market of Bursa Securities, we have no intention to venture into the business of table eggs production, other than through the Teo Seng Group, in the markets where the Teo Seng Group has presence.

7. BUSINESS OVERVIEW (Cont'd)

The following map shows the countries where we currently operate and our business activities in each of these countries:



We supply:

- livestock feed externally to distributors, farmers and wholesale agents, as well as internally to entities within our Group;
- PS DOCs and Broiler DOCs externally to farmers and/or distributors, as well as internally to entities within our Group;
- live poultry to wet markets; and
- fresh eggs and processed poultry to supermarkets and QSRs.

The table below sets out certain operational data of our Group for the financial years/period indicated:

	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
Number of DOCs supplied (millions) ⁽¹⁾	452.5	464.0	488.0	422.3
Broiler chicken supplied (millions) ⁽²⁾	103.2	102.3	107.0	102.3
Livestock feed supplied (MT) ⁽³⁾ ..	1,660,994	1,804,920	1,963,370	1,735,590
Eggs sold (millions) ⁽⁴⁾	1,645.9	1,766.6	1,726.1	1,391.4

Notes:

- (1) These figures reflect the total of PS DOCs, Broiler DOCs and Layer DOCs supplied internally and sold externally.
- (2) These figures reflect the total of Broiler chicken supplied internally and sold externally.
- (3) These figures reflect the total of livestock feed supplied internally and sold externally.
- (4) All eggs are sold to third parties.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out details of the contributions of our Feedmill Business and our Livestock Business to our revenue for the financial years/periods indicated:

	FYE 31 December						FPE 31 October			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue from sales of goods										
Livestock and other poultry related products	2,992,566	63.5	3,298,457	62.7	3,349,534	60.9	2,749,823	60.2	2,849,653	60.8
Feedmill	1,693,353	35.9	1,943,202	37.0	2,137,805	38.9	1,808,215	39.6	1,829,012	39.0
Revenue from other sources										
Lease income	13,473	0.3	14,306	0.3	11,888	0.2	9,070	0.2	10,760	0.2
Others	15,174	0.3	1,425	*	2,137	*	967	*	870	*
Total	4,714,566	100.0	5,257,390	100.0	5,501,364	100.0	4,568,075	100.0	4,690,295	100.0

Note:

* *Negligible*

From the FYE 31 December 2015 to FYE 31 December 2017, our revenue grew at a CAGR of 8.0%, with revenue from our Feedmill Business growing at a CAGR of 12.4% and revenue from our Livestock Business growing at a CAGR of 5.8%.

7.2 Competitive strengths

Our competitive strengths are as follows:

7.2.1 Operating in fast-growing ASEAN consumer markets with rising poultry consumption

We operate in attractive consumer markets in Southeast Asia with significant growth potential, whose development is driven by compelling macro-economic fundamentals. These fundamentals include a large, young and growing population; increasing affluence and disposable income, in particular in an expanding middle class; and significant growth potential in the consumption of proteins, especially poultry.

The total population in ASEAN is over 650.5 million people in 2018 and is expected to grow to over 673.5 million people by the end of 2021. With regard to the five countries where we operate, their total population will grow from over 505.0 million people currently to almost 525.9 million people by the end of 2021, with the population of the Philippines growing at a CAGR of 2.0%, Malaysia and Indonesia by 1.3% each, Vietnam by 1.0% and Singapore by 0.9%, during this period. The average age in these countries, meanwhile, ranges from 23.7 years in the Philippines to 34.9 years in Singapore, compared to 43.2 years in the EU and 47.7 years in Japan. These strong macro-economic dynamics drive robust growth in disposable incomes and private consumption across these markets. The forecast CAGR for GDP for the period from 2018 to 2021 is 7.5% for Malaysia, 9.7% for Vietnam, 8.4% for the Philippines, 7.8% for Indonesia and 4.5% for Singapore, compared to 4.1% for the United States and 3.6% for the EU. Growth in disposable income in the markets where we have presence contributes to higher discretionary buying power, particularly in the lower segment of the middle-income bracket, and we expect these brackets to have the biggest impact on growth in poultry consumption in our markets. The forecast CAGR for per capita disposable income from 2018 to 2021 is 5.3% for Malaysia, 3.5% for Indonesia, 4.8% for Vietnam, 2.1% for Singapore and 3.5% for the Philippines. See Section 8 of this Prospectus for further details on the macroeconomic overview of the ASEAN consumer market.

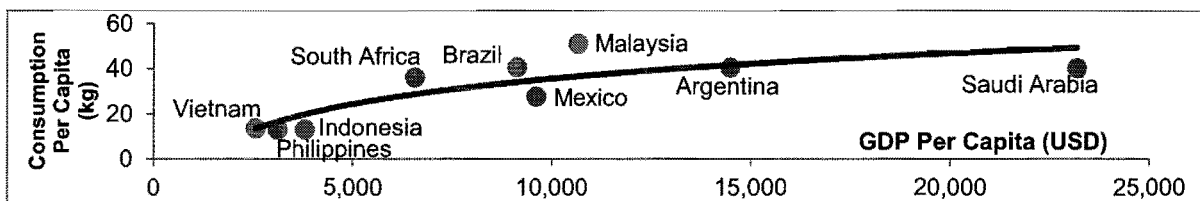
7. BUSINESS OVERVIEW (Cont'd)

The growing affluence (from a low base) of the consumer groups in the middle- and lower-income brackets is expected to drive an increase in protein food consumption in Southeast Asia. For example, the contribution of protein to average daily energy intake per capita increased from 11.5% in 2011 to 11.7% in 2016 in Indonesia and from 14.3% in 2003 to 15.2% in 2014 in Malaysia. Per capita protein consumption is currently low in the markets where we operate, compared to other, more developed markets around the world. In 2018, estimated poultry meat consumption was 13.0 kg per person in Indonesia, 12.8 kg per person in the Philippines and 13.5 kg per person in Vietnam, compared to 49.8 kg per person in the United States. Poultry consumption in Malaysia in 2018 was higher than in our other Southeast Asian markets, at an estimated 51.0 kg per person, mainly as a result of religious practices prohibiting the consumption of swine, historical cultural preferences for poultry and high levels (in absolute terms) of GDP and personal disposable income compared to Indonesia (the market that is most comparable to Malaysia in terms of religious preferences). Nonetheless, the forecast CAGR for poultry meat consumption in Malaysia is 3.1% from 2018 to 2021. Similarly, in 2018, estimated total meat consumption was 29.7 kg per capita in our countries of operations, compared to 101.3 kg in the United States and 69.5 kg in the EU. See Section 8 of this Prospectus for further details on consumption of meat in consumer groups globally.

There is a strong positive correlation between the level of a country's economic development, in particular its levels of per capita disposable income, and the consumption of protein in that country. For example, in Vietnam, per capita disposable income grew at a CAGR of 5.2% from 2012 to 2018, while per capita consumption of poultry meat grew from 12.2 kg in 2012 to 13.5 kg in 2018. See Section 8 of this Prospectus for further details on the increase in consumption of poultry meat. As a result, we expect per capita protein consumption to grow rapidly in the markets where we have presence as personal disposable income increases.

The following chart illustrates the trend of increasing poultry meat consumption with increasing levels of GDP per capita across selected countries:

Consumption of Poultry Meat vs. GDP Per Capita in Selected Countries, 2018 Estimates



Source: OECD; UN; Frost & Sullivan Estimates

Poultry is the preferred animal-based protein with Southeast Asian consumers, given its relative affordability and quality, its religious neutrality and the increasing penetration and popularity of QSRs. The affordability and quality of poultry meat are driven largely by the sophisticated genetics involved in rearing poultry, and by sophisticated breeding and farming practices. It is comparatively cheap and efficient to produce high-quality poultry in Southeast Asia, as compared to other types of animal-based proteins. Frost & Sullivan estimates that chicken is three to four times more affordable than beef in Indonesia, Malaysia, Singapore and Vietnam, based on cost price index. See Section 8 of this Prospectus for further details on the demand drivers in the poultry industry. Poultry has a lower FCR than swine and beef, and constant improvements in the quality of livestock feed contribute to further improvements in productivity and therefore, affordability.

7. BUSINESS OVERVIEW (Cont'd)

Poultry is also the only animal-based protein that is neutral in terms of religion. This is particularly important in our two largest markets, Indonesia and Malaysia, which have large Muslim populations that generally do not consume swine (which is the second-cheapest form of protein after chicken). We believe that with a combined Muslim population of 227.3 million people as of 2010 (and forecast of 289.6 million people by 2050), these two countries alone present a significant opportunity for increased poultry consumption.

In addition, QSRs that focus on poultry are gaining in popularity across the region and are offering a wide variety of chicken dishes to consumers, and we believe that the growth in disposable income and changes in lifestyle for young working adults will drive the opening of more QSR outlets in our markets, including large international restaurant chains such as KFC, Nando's and McDonald's. For example, McDonald's announced in December 2017 that it plans to grow its network in Malaysia by an additional 450 restaurants by 2025, and KFC announced in October 2018 that it plans to add 24 new outlets in 2019 following the opening of 23 outlets in 2018 in Malaysia. We expect the growth of these restaurant chains to continue to contribute to rising demand for poultry products in our markets.

7.2.2 A leading "pure-play" poultry producer, with strong economies of scale and a leading market share in most of our product segments

We are a pure-play poultry producer, with a singular focus on the production of poultry and with sufficient size to achieve meaningful economies of scale in our production processes and raw material procurement. Our focus solely on poultry production has allowed us to build up significant expertise along the entire value chain of this particular industry from the formulation and production of livestock feed to downstream sales of poultry products. We believe that the poultry industry in Southeast Asia has strong growth potential, aided by the shorter life-cycle of poultry compared to beef and swine. Chicken has a shorter slaughter age than beef and swine, with five to seven weeks for chicken, compared to 18 months for cattle and five to six months for swine, which allows for quicker adjustments to market fluctuations of supply and demand.

We are the largest integrated poultry producer in Malaysia and among the top three integrated poultry producers in Indonesia and Vietnam in 2017. See Section 8 of this Prospectus for further details on the competitive landscape in which we operate. Our goal is to be the market leader in the production of livestock and other poultry related products and livestock feed. With an annual production in 2017 of 495.6 million DOCs, 99.1 million of Broiler chicken, almost 2.0 million MT of livestock feed and over 1.7 billion eggs, we have a scale that gives us an advantage over smaller competitors in the sourcing of raw materials and the production and distribution of poultry and livestock feed, as evidenced by our ability to grow our business across different markets. We established our Livestock Business and Feedmill Business in Malaysia and have a proven track record of successfully replicating our systems and best practices in other new markets, such as Indonesia and Vietnam, to gain significant market share.

In addition, we continually invest in our production infrastructure in order to maximise efficiencies and to ensure that our facilities conform to the highest global standards. Over the last three years, we have invested substantial capital expenditures on the maintenance and improvement of our facilities across all stages of the production value chain, including new lines in our existing feedmills, the construction of new feedmills (in Vietnam), the expansion of our farms and the continuous conversion of open-house to closed-house farms. See Section 12 of this Prospectus for further information on our capital expenditures. The construction and operation of large feedmills in particular require significant capital investments and working capital, and we have strong operating cash flows and relationships with banks that enable us to continue making these investments.

7. BUSINESS OVERVIEW (Cont'd)

We believe that our significant size and scale position us well to benefit from the consolidation that we expect to take place in the Asian poultry industry in the coming years, both by taking additional market share when smaller industry participants disappear and through potential acquisitions on an opportunistic basis. For further details on our strategies, see Section 7.3 of this Prospectus.

7.2.3 Industry with significant barriers to entry, such as industry know-how and regulatory restrictions, providing us with a sustained competitive advantage

Our size, experience and scalable platform are difficult for smaller competitors or new market entrants to replicate, and significant barriers to entry in the Southeast Asian poultry markets make it difficult for other poultry companies to penetrate these markets. With more than 40 years of experience in poultry production, across the entire value chain, we have built up substantial institutional knowledge and expertise in all phases of the poultry industry. We are able to manage all aspects of poultry production, from sourcing the right genetics, to continually improving livestock feed formulation and production, to quality control and production of DOCs and Broilers, to relationships with contract farmers and customers. Land ownership for foreign entities is highly regulated and restrictive in some of the countries where we operate, and we have significant expertise in the acquisition and ownership of suitable locations for our farms, hatcheries and feedmills in all of our markets, including access to and management of water resources. It would take significant amount of time, manpower and capital to replicate our expertise in all phases of the poultry value chain and in the various markets where we operate.

In addition, there are strict quality and compliance standards in the countries where we operate, and many QSRs and supermarkets have exacting quality control standards that can be difficult for new market entrants to meet. Our facilities are certified according to international standards, such as ISO FSMS, HACCP and Food Safety Partners, and our poultry meat has the requisite Halal certification wherever required, which is a key element in markets such as Malaysia and Indonesia.

In the countries where we operate, our operations are subject to regulatory restrictions and requirements that can be onerous and voluminous and affect all aspects of our business. This includes the import of raw materials such as corn, state influence on pricing and supply of DOCs, certification requirements for farm and slaughterhouse operations, land ownership, and other licensing requirements that can be cumbersome and that require expertise and experience to manage successfully.

Because of our size, reputation and track record (in particular in matters such as biosecurity and product quality), we also have access to high-quality genetics companies, such as Cobb and Aviagen, and have built up strong relationships with them. These global genetics companies generally work with the largest farms in each geographical area who then distribute the genetic profile to smaller farms. Our access to quality genetics brings with it several advantages, including the creation of hybrid chicken species that grow larger in size, grow faster and lay eggs with better colour and strength and improved chemical composition, compared to chicken with inferior genetics. Poultry with higher-quality genetics also have higher nutrient absorption than other poultry, which means that we also benefit from better FCRs, especially when we are able to combine strong genetics with our experience in livestock feed production and the dynamic optimisation of livestock feed composition as genetics evolve.

7. BUSINESS OVERVIEW (Cont'd)

The quality of our DOCs and our poultry meat is significantly influenced by the quality and consistency of the livestock feed that we use, and we have extensive experience and expertise in developing and producing high quality livestock feed and improving our livestock feed over time as our farming operations have grown. One of the most important benefits of our vertical integration is the internal demand for our livestock feed that comes from our Livestock Business and supports the performance of our Feedmill Business. This integration also facilitates our iterative product development efforts and capabilities where we rely on real-time feedback from our downstream livestock operations to continuously improve the quality of our livestock feed. We are able to identify problems arising from our livestock feed products early, and to adjust our livestock feed formulas and production processes accordingly.

7.2.4 Scalable platform of operations, providing enhanced value creation across geographies and segments

We are well diversified geographically, with operations in five different countries in Southeast Asia, which provides us with strong resilience and risk mitigation and opportunities for scalable growth. We are the only poultry producer with a presence in these five countries which are the key poultry markets in Southeast Asia. As at 31 October 2018, our network of facilities consists of 241 operated and 656 contracted farms and hatcheries in four countries and 13 feedmills in three countries. Additionally, our fourth feedmill in Dong Nai, Vietnam, has commenced operations in January 2019. This balanced geographic spread makes our operations less susceptible to and more resilient against country-specific risks, such as domestic competition, regulatory risk, price volatility or under-performance by any particular market. In addition, within each country, we seek to locate our feedmills, farms and processing facilities conveniently to transportation hubs, our own downstream facilities and the operations of our customers, to help maintain consistent product quality and freshness, but sufficiently spread across different physical regions to help us hedge against location-specific risks, in particular pandemics and other livestock diseases and fire hazards. Our geographic spread also provides us with an attractive proxy to broad consumer demand growth across Southeast Asia. Our presence in five different countries has also provided us with geographical diversification in revenue streams and helped us to achieve stable margins across our Group. For example, in 2017, while poultry prices came under pressure in Indonesia, our revenue increased from 2016.

We have vast experience in running livestock and feedmill operations in Malaysia and across our other markets, and we are able to leverage on this experience in one market as we expand our business in or into other markets. We have the proven ability to transfer and replicate our successful business model into these markets and then tailor it to fit the local environment and adapt our operations as market dynamics change. For example, when we faced a shortage of imported corn in Indonesia, we adjusted our livestock feed production to use a higher percentage of other raw materials with similar nutritional value. We will be able to leverage on this experience in other markets should similar situations occur. Similarly, as developing markets such as Indonesia and Vietnam grow, and their poultry markets become more organised, we are able to bring our experience in the poultry industry in Malaysia to those markets. We have adapted to country-specific dynamics to create value in each of our markets. In Indonesia and Vietnam, for example, which have very large and challenging geographies, we have created extensive networks of dealers who distribute our feeds to our customers and provide after-sale customer service and medical or veterinary advice to farmers. Similarly, in Malaysia and Singapore, we have integrated our farms operations with downstream activities so that we are able to deliver value-added poultry products that meet our customers' specifications, such as chicken that is pre-marinated pursuant to a specific recipe, and to leverage on our distribution network and trading relationships to address customer requirements for the delivery of imported meat such as beef and lamb.

7. BUSINESS OVERVIEW (Cont'd)

We believe that the scalable nature of our operating platform, together with our experience in different markets, gives us a significant advantage when expanding our business within our existing markets and entering into new markets. What we have learned in our incumbent markets helps us replicate our industrialised approach to farming and livestock feed production across Southeast Asia, providing us with a cost-effective model for continued growth. We have successfully executed this strategy in our entry into the poultry market in Vietnam, where we grew our operations from nothing to generating over RM1.0 billion in revenue in less than 10 years, and we are now doing the same in growing our operations in the Philippines and in selling our products in Cambodia. With regard to our Feedmill Business, our strategy is to set up feedmill operations in a country only when our Livestock Business is large enough to take up a sufficient percentage of our feedmills' output to ensure that our feedmill operations will run at least at financial break-even levels. This approach allows us to run our feedmills profitably and scale up our livestock feed operations rapidly. As an example, our newest feedmills in Vietnam were able to contribute positively to our financial results within one year of commencing operations.

7.2.5 Fully integrated business model, providing operating flexibility, synergies and resilience through the economic cycle

Our operations are fully integrated, in terms of both value chain and geographic spread across Southeast Asia, which provides us with a significant competitive advantage over other, non-integrated players in the industry with regard to operating flexibility and resilience. We source our genetics directly from leading providers, such as Cobb and Aviagen, and we formulate and produce our own livestock feed for our poultry. Our presence across the entire poultry production value chain gives us the optionality of selling DOCs at any stage in the production process if the market price is right or we expect prices to decline or of further processing them, to the Broiler stage, if we think that this value addition will be compensated by Broiler market prices. This flexibility helps us counter volatilities in product and raw material prices and improve or stabilise our profitability, in a commoditised industry where producers are generally price takers and exposed to constant market price fluctuations. In the last several years, we have increased the number of our own Broiler farms and reduced our use of contract farms, which increases our flexibility in terms of determining the quantum of birds on our farms, in response to current market conditions. We have leveraged this flexibility in our business model in our international expansion, as we have successfully built our operations in new countries by systematically expanding our vertical integration, starting with our Livestock Business and then following with livestock feed production once livestock production reaches critical scale.

7. BUSINESS OVERVIEW (Cont'd)

In addition, our vertical integration enables us to maintain complete control over our production process and product quality and to ensure traceability across the value chain. In our more established markets, in particular Malaysia, we sell most of our livestock feed internally, as we build up our Livestock Business. We receive real-time feedback from our downstream businesses about the quality and performance of our livestock feed, and we are able to customise livestock feed formulations to suit the age and type of our poultry. This enables us to continuously optimise operations at every stage of the production process and helps us to maintain the highest quality at all parts of the value chain. It also helps us to ensure greater food security and traceability, which is an increasingly important issue in Asia and a key driver for premium pricing in the protein industry, as consumers become more aware of health and safety concerns involving food. Because of our operational expertise, we also tend to keep poultry below a certain grade in-house, as we are in the best position to rear them appropriately and ultimately deliver superior quality Broilers to customers. Furthermore, our consistency of practices and sourcing has enabled us to maintain and control the same quality across our different markets in Southeast Asia and to fulfil demands for customers that require supply of DOCs throughout the region. We believe that this superior quality, along with consistency in quality and reliability in supply, has helped build the strong reputation of our brand, allows us to drive premium prices for our livestock and provides us with a degree of resilience against downward price fluctuations, rather than only being a passive price-taker. As a result, we have successfully established long-standing relationships with several high-profile customers in the region, such as Cold Storage and Nando's in Singapore.

Our vertical integration also allows us to benefit from synergies and efficiencies across business segments. We are able to benefit from bundling various products and services, such as selling livestock feed or vitamins and other services (such as vaccinations) along with our DOCs, which provides us with more opportunities for revenue-generation with existing customers. Our Feedmill Business, which contributed 38.9% of our consolidated revenue in the FYE 31 December 2017, also has more stable margins than livestock, which helps stabilise our financial results across our Group. Our scale and integrated business model also helps us control our cost base and makes us financially one of the best-performing integrated poultry companies in Southeast Asia. As one of the largest poultry players in the region, we are able to benefit from collective sourcing for our various segments and geographies, which enables us to negotiate better prices when sourcing raw materials than we otherwise would. In addition, other than with regard to the distribution of our products, we benefit from cutting out middle men at every step of our integrated value chain, which means we can capture profit margin at every stage of the poultry production process.

Our increased use of own Broiler farms rather than contract farms has also resulted in higher farm efficiency, as we are able to run our farms better than most of our contract farmers, who are smaller and less experienced than we are. It also helps us mitigate price volatility, as we are able to guarantee delivery of large volumes of poultry at fixed prices to large customers. Our integrated "Farm-to-Plate" business model allows us to effectively manage quality while optimising our cost efficiencies across the value chain. As a result, we believe that our profit margins are higher and more stable compared to those of poultry companies that are smaller or not fully integrated. See Section 8 of this Prospectus for the advantage of vertical integration. As we consider expansion opportunities in new markets, our know-how gives us a better understanding of the risks and opportunities involved in each stage of the value chain, meaning that we are better able to target the correct timing for our entry into each new market accordingly.

7. BUSINESS OVERVIEW (Cont'd)

7.2.6 Robust historical financial growth, underpinned by strong track record and established brand

We have been operating in Malaysia since 1978, and the LH Trademark and several of our other brands are leading regional brands with multiple industry awards over the last decade. These awards are a testament to our reputation for selling top-quality livestock and top-quality livestock feed through our brands. We have a long track-record of supplying many of Malaysia's, Singapore's and Indonesia's major retailers, QSR operators, food service distributors and wholesalers with poultry products, and we have many long-term customer relationships. With regard to our Feedmill Business, our Indonesia operations under Malindo Feedmill have in recent years won awards from the likes of Forbes Indonesia. With regard to our Livestock Business, our customers include supermarkets, wholesalers and QSRS such as Econsave in Malaysia; Cold Storage, KFC, Nando's and Jollibee in Singapore; and Carrefour and Aerofood ACS in Indonesia. See Section 7.25 of this Prospectus for the list of awards.

We have established a strong track record of robust operational and financial growth. From the FYE 31 December 2015 to FYE 31 December 2017, we have grown our operations as follows:

- the number of DOCs supplied has increased from 452.5 million per annum to 488.0 million per annum;
- the number of Broiler chickens supplied has increased from 103.2 million per annum to 107.0 million per annum;
- the number of eggs supplied has increased from 1.6 billion per annum to over 1.7 billion per annum; and
- the amount of livestock feed supplied has increased from 1.7 million MT per annum to almost 2.0 million MT per annum.

We are one of a limited number of companies in Southeast Asia that source GPS from Cobb and Aviagen, who provide highly disease-resistant genetics, and we apply modern breeding and Broiler farm practices, such as closed-house farms and an "all-in, all-out" approach on many of our farms. We have improved our FCR by roughly 9% in the last 10 years. From the FYE 31 December 2015 to FYE 31 December 2017, our revenue has grown from RM4.7 billion to RM5.5 billion, while our net profit has grown from RM166.0 million to RM247.4 million. We derived 38.9% of our consolidated revenue from operations in the FYE 31 December 2017 from our Feedmill Business, which has historically seen low volatility in margins. Our proposed capital expenditure, to be partly funded by the proceeds from the Public Issue, will help us ensure that we have a well-invested asset base to support our continued growth and cash flow generation. See Section 4.6 of this Prospectus for details relating to the use of proceeds.

7.2.7 Experienced senior management, supported by seasoned country managers and a prominent investor

Some of the members of our Board of Directors have over 40 years of experience in the animal protein industry, giving them extensive know-how in operations, biology and genetics, and market mechanics in each country where we operate. Our Executive Director/ Group Chief Executive Officer/ President Director of Malindo Feedmill, Tan Sri Lau Tuang Nguang is currently a panel member of the National Agriculture Advisory Council under the MOA.

7. BUSINESS OVERVIEW (Cont'd)

Our Board sets the strategic direction of our Group and guides our country Chief Executive Officers, each of whom has between 15 and 20 years of industry experience and drives the strategy of our operations in each country. Our country Chief Executive Officers, in turn, are supported by operational managers with extensive experience in the day-to-day operations of farms, feedmills, food processing plants and all other aspects of our business in each of our markets. Our operational segment managers have developed modern practices for each of their parts of the business over the years, and they share these competencies across the various Group markets and divisions.

Our management team has driven a strong track record of growth, both organically and through timely acquisitions and is well positioned to steer our Company through our long-term growth plans. The professional know-how of our senior and middle-management teams includes back-end operations such as veterinary medication, pandemic management and livestock feed formulation, as well as consumer-facing elements such as an understanding of regional preferences and consumer behaviour and customer relation management. This operational expertise (coupled with the security of access to high-end genetics) gives us a competitive advantage in our markets. We built our corporate identity around an industrialised approach to farming and poultry operations, and the strength and consistency of this culture facilitates collaboration across business segments, as we apply our processes and policies across our different markets. With this approach, the members of our core management team led our Company through the 1997-98 Asian economic crises, the 2004-2005 Avian Influenza epidemic and the 2008 global financial crisis.

Furthermore, our Group has benefited from the support of a prominent institutional investor in Affinity EPS. Collectively, Affinity EPS and its other branch offices are one of the largest private equity firms in Asia, with over US\$15 billion in aggregate transaction value. Affinity EPS' presence as a key stakeholder has enhanced our Group's profile as a successful player in the integrated poultry market in Southeast Asia.

7.3 Future plans and strategies

We intend to pursue the following strategic initiatives:

7.3.1 Consolidate and expand leadership position in Malaysia and Singapore by driving efficiencies and continuing to grow capacity

We intend to build on our leading market positions in Malaysia and Singapore by continuing to expand our operations and strengthening our existing competitive advantages.

Malaysia and Singapore are the two most developed markets in which we operate and those where we have the longest operating history. We have established strong leadership positions in each of the feedmill and livestock segments in these markets, and our operations in Malaysia and Singapore, which have contributed about half of our consolidated revenue in the past three years, provide the stability and generate the cash to enable us to expand into new markets and new segments. Within these developed markets, we intend to grow our operations by driving efficiencies, continually improving our processes and adding capacity where possible.

7. BUSINESS OVERVIEW (Cont'd)

We intend to leverage on our existing expertise and experience in the construction and operation of large-scale feedmills and poultry farms to continuously improve feedmill efficiencies and farm design and to install modern equipment to reduce labour and other costs. Our track record shows that our industrialised approach to farming makes our business more easily scalable and also facilitates the replication of our business across geographies. We are continuously studying the improvement of our processes and the feasibility of automation in our feedmills and on our farms, and we intend to focus on continuing automation and efficiency improvements in our feedmills in Malaysia, in order to continue to increase our market presence and the scale of our operations. In the short term, we will focus on driving the efficiency and utilisation of our feedmills, including through such initiatives as a computerised weighing system, which has helped us reduce headcount. In the longer term, if and when we reach full capacity, we may also consider adding additional feedmills in strategic locations in Malaysia. Similarly, for our existing farms, we plan to continue replacing remaining open-house farms with closed-house farms, which helps manage headcount and costs, and to improve the efficiency and output of our existing farms through automated systems, such as for environment control. We also expect to buy smaller farms to grow our market share.

In addition, we intend to continue to integrate our downstream food processing operations between Malaysia and Singapore. We expect the QSR market in both Malaysia and Singapore will continue to grow, and we believe that there will be opportunities to market more value-added downstream products, in particular in Singapore. We believe that continued integration and downstream expansion in our developed markets will position us to be able to adapt to changes in the market more quickly and continue to reduce costs and achieve economies of scale.

We also intend to explore acquisitions of other poultry producers or feedmills on an opportunistic basis in order to remain at the forefront of the consolidation that we expect to take place in the industry. As at the LPD, we have not identified any specific acquisition targets. The global poultry industry has undergone consolidation in the past decade, and there were about 100 mergers and acquisitions in the poultry, swine and livestock feed industries in each of 2016 and 2017. In mature markets, such as Malaysia, the share of small-scale farming is shrinking, and we believe that this trend will continue and that the number of small farms will decrease, while larger farms that are able to adopt intensive production systems, capture economies of scale and increase the number of chickens per farm will continue to grow. See Section 8 of this Prospectus for further information relating to industry consolidation. Given our size, our facilities and our scalable platform, we believe that this trend provides us with an opportunity to expand our downstream activities either by taking additional market share organically or through acquisitions on an opportunistic basis.

7.3.2 Increase use of our own Broiler farms in Malaysia, in order to control quality and increase efficiency, with a view to replicating this approach in Indonesia and Vietnam

We intend to continue to reduce our reliance on contract farms in Malaysia by investing in increasing the capacity and efficiency of our own Broiler farm operations. We have allocated approximately RM40.7 million of the proceeds from the Public Issue for the expansion of our Livestock Business in Malaysia, in particular for expansion of our Broiler farms. We have already reduced the number of our contract farms for Broilers in Malaysia to 18 as at 31 October 2018, and while we intend to keep at least some contract farms, we expect their relative importance to decrease further as we expand our Broiler farm business with our own farms.

7. BUSINESS OVERVIEW (Cont'd)

Using our own Broiler farms provides us with greater control over the entire poultry value chain and increases our flexibility in terms of numbers of chickens produced and how and when we sell the chickens to third parties. It also gives us greater control over the quality of our Broiler chickens, because we do not depend on the operations of a contract farmer for the quality of our product. Our own farms tend to be significantly larger and better equipped (such as with closed-houses rather than open-houses) than contract farms, which reduces mortality rates and increases quality and efficiency. We also expect that using our own farms will allow us to capture additional market share in the Broiler farming segment. We also intend to capture more of the margins along the entire value chain of chicken production by reducing our reliance on third-party contract farms. Furthermore, we also intend to increase our sales of livestock feed to customers who already purchase our Broiler DOCs.

In the longer term, and when the markets are ready, we intend to replicate this approach in Vietnam and Indonesia. Initially, when we enter into or expand in a new market, we rely on contract farms because they require significantly less capital expenditure and less time to begin or grow operations. However, as these markets and our operations mature, we expect that we will follow our experience in Malaysia and expand increasingly by building and operating our own farms.

7.3.3 Continue to grow our integrated business model in our newer markets, with a focus on expanding our upstream operations

We intend to expand our upstream production capacities in our newer markets of Vietnam and the Philippines, in order to achieve greater scale and benefit from continuing growth in the market by undertaking the following projects:

- expanding our Dong Nai feedmill in Vietnam (which has commenced operations in January 2019), with an annual production capacity of 285,120 MT. The expansion of this feedmill will therefore increase our annual production capacity in Vietnam from 1,069,200 MT per annum in 2018 to 1,496,880 MT per annum in 2020;
- constructing an aquaculture feedmill plant in Vietnam (which is expected to commence production in the first quarter of 2021), which will have an estimated annual production capacity of 77,760 MT upon completion; and
- expanding our Feedmill Business into the Philippines by building our first feedmill in that market, with an initial annual production capacity of 144,000 MT, with scope to subsequently upgrade annual production capacity to 240,000 MT.

For further details on the expansion plan, see Sections 4.6.1 and 7.11 of this Prospectus.

With capabilities across the entire value chain and a scalable platform in Southeast Asia, we are well positioned to capture market growth. We intend to expand our operations further in our newer markets, through the continued replication of our successful and scalable business model and with the support of our existing operations in Malaysia and Singapore. We expect the adaptability and experience of our management team in dealing with the intricacies and complexities of different types of developed and developing markets to benefit us in implementing these growth plans.

7. BUSINESS OVERVIEW (Cont'd)

In expanding our presence in Vietnam and the Philippines, we intend to apply the best practices of our existing operations to our growth plans. In Vietnam, for example, we intend to expand our operations through the upstream business, as a large portion of economic activity in Vietnam involves household or backyard farming, which generates demand for products such as livestock feed and DOCs, which are more capital-intensive and involve higher technical complexities than small farmers can manage. We intend to identify large, populous sub-markets in Vietnam for additional livestock feed operations in order to continue to build scale, both in our Feedmill Business and in the production of DOCs.

In new markets, such as the Philippines and, potentially, Cambodia, we plan to increase our vertical integration in a systematic manner, in line with our approach of deciding upon entry points that are suitable to the economic configuration of each market. For example, in the Philippines, we entered the market with poultry production and intend to ramp up our livestock feed production gradually in the near term. In Cambodia, we are exploring the market through livestock imports and may enter production there in the future if and when we see sufficient demand from local customers.

7.3.4 Invest in processes, technology, people and facilities to meet customer requirements while maintaining low-cost structure

We intend to invest in processes, technology and people, as well as in our facilities, in order to address market demands and continue our strong cost management. We also intend to focus on innovation in the sales and marketing of valued-added, downstream products in order to adapt to evolving customer preferences and increase our revenue in the downstream segment as an additional growth driver.

We seek to enhance our operational efficiency by incorporating new technologies in our operations. For example, to increase the efficiency of feedmill bagging, we are currently implementing automation in our Dong Nai feedmill in Vietnam through the incorporation of a robotic arm in the production line, which was completed in December 2018. The Dong Nai feedmill has commenced operations in January 2019, and it is our first feedmill in Vietnam to incorporate a robotic arm. The total cost of the Dong Nai feedmill is approximately US\$20.3 million. We have also begun to implement farmhouse information technology systems in Malaysia that enable us to monitor our livestock nearly in real time. We weigh the cages containing mature Broiler birds and can monitor the results online and through mobile applications. The information is then fed directly into our databases, and we can use it to schedule more efficient delivery to customers and to issue delivery notes more efficiently. If this system proves successful in Malaysia, we intend to replicate it in our other markets, and we believe our learning process in Malaysia will facilitate this adoption. We also expect to increase automation throughout all parts of our value chain, in order to reduce our dependence on expensive or scarce labour. In these automation initiatives, we receive support from and collaborate with suppliers of equipment and technology. Our goal with these efforts is to help us maintain our low cost base and our strong market position in Southeast Asia.

In addition, we also intend to invest in our workforce, through intensified training initiatives and through building the relevant work-related infrastructure to increase labour productivity. We intend to continue to recruit and train the best talent in the market, in order to ensure a strong workforce and our competitiveness in the market. When entering new markets, we generally locate some senior management who have gained relevant experience in our established markets into those new markets, but we also actively source talent from the current leading local competitors in order to gain additional market-based expertise and leverage on local operational expertise, both for operating staff and professional workers and for middle and senior management. We plan to continue to recruit actively from local and regional universities and agricultural institutions and to work closely with them in setting up training and recruiting programs.

7. BUSINESS OVERVIEW (Cont'd)

We have established key performance indicators for our employees, including work efficiency, teamwork spirit, professional knowledge and other key areas, and we conduct periodic review of these areas in order to manage and improve our talent pool.

Furthermore, we also intend to invest in information technology, such as our ERP systems and invoicing systems, as well as to enhance the efficiency of our operations. We intend to use approximately RM6.1 million of the proceeds from the Public Issue to partially fund the purchase and installation of an ERP system in our offices in the Philippines.

7.4 Our key milestones

The following table highlights our key milestones:

Year	Key milestone
1960s	The Founding Family commenced Broiler chicken rearing on a “backyard” farming basis in Muar, Johor
1972	Established our first breeder farm in Muar, Johor
1978	Established LH Poultry Farm to take over and assume the Founding Family’s poultry business
1984	Established Bintang Lapan Sdn Bhd (now known as A1FC) for our processing plant operations
1985	Established LH Broiler Farm as a result of further expansion and integration, and for specialising in the rearing of Broiler chicken
1988	Established our first GPS farm in Jementah, Johor
1990	LH Holdings listed on the Main Board of the KLSE
1991	Commenced production at our first Malaysian feedmill plant, with an annual production capacity of 138,000 MT
1994	Acquired 51.00% equity interest in Teo Seng Farming, marking our venture into egg production
1995	Acquired 51.00% equity interest in Lee Say, which owned a processing plant in Singapore
1996	Commenced our first venture in Indonesia through the incorporation of Leong Ayamsatu
1997	Established PT Gymtech Feedmill Indonesia (now known as Malindo Feedmill)
1998	Launched our own premium egg brand, “Happy Egg”
2000	Acquired our first feedmill in Indonesia, with an annual production capacity of 150,000 MT
2001	Acquired our first PS farm in Indonesia, with an annual production capacity of 50.0 million Broiler DOCs
2002	Listing of Emivest on Second Board of the KLSE

7. BUSINESS OVERVIEW (Cont'd)

Year	Key milestone
2006	Listing of Malindo Feedmill on Jakarta Stock Exchange (now known as Indonesia Stock Exchange) Commenced our GPS farm operations in Indonesia Acquired 51.00% equity interest in Kendo Trading, which owned a duck processing plant in Singapore
2007	Commenced our first breeder farm venture in Vietnam
2008	Listing of Teo Seng on the Second Board of Bursa Securities (now known as the Main Market of Bursa Securities following the merger of the Main Board and Second Board of Bursa Securities)
2009	Commenced our operation in manufacturing and marketing of vitamin and mineral premixes for supply to the feedmill industry, with an annual production capacity of over 6,000 MT
2011	Commenced production at our first Vietnam feedmill plant
2013	Established our food processing business in Indonesia
2015	Established our first venture in the Philippines
2016	Commenced our first breeder farm operations in the Philippines
2017	Acquired the remaining 49.00% equity interest from the minority shareholders of Lee Say, via LHSg Commenced operations at our first hatchery in the Philippines with an annual hatching capacity of 12.0 million Broiler DOCs Commenced production of animal medicines and vitamins in our Binh Duong plant in Vietnam
2019	Completed construction and commenced operations of our fully automated cold-storage facility in Singapore

7.5 Our operations

Our operations consist of:

- (i) our Feedmill Business, which comprises the formulation, production and sale of feed for a variety of livestock; and
- (ii) our Livestock Business, which comprises the rearing of GPS DOCs, PS DOCs and Broiler DOCs for internal use and external sale, the sale of Broiler chicken, the production of a fresh range of eggs from Layer chickens, the sale of Broiler duck and the distribution of fresh and processed consumer food products.

As at the LPD, we do not have any new significant products or services that we plan to introduce.

7. BUSINESS OVERVIEW (Cont'd)

For our Feedmill Business, as at 31 October 2018 we own and operate 13 feedmills spread across three countries with total production capacity of 2,602,902 MT. We have since added an additional feedmill line to our Westport feedmill in Malaysia in November 2018, and our fourth feedmill in Dong Nai, Vietnam has commenced operations in January 2019. For our Livestock Business, we operate 241 farms and hatcheries spread across four countries and six slaughtering plants spread across three countries. We also use 656 contract farms across four countries to establish and grow our presence in the countries. We also distribute fresh and processed consumer food products in Malaysia, Indonesia and Singapore.

7.5.1 Feedmill Business

Introduction

We are the largest integrated producer of livestock feed in Malaysia and the third-largest in Indonesia and Vietnam, by annual production output in 2017. In 2017, our market share was approximately 10.5% in Malaysia, 5.5% in Indonesia and 4.0% in Vietnam, by annual production of livestock feed. See Section 8 of this Prospectus.

We produce feed for GPS, PS, Broiler chicken, Layer chicken, Broiler duck, swine, quail, aquatic animals and certain domestic pets. Our livestock feed has high nutritional value, tailored to the type of livestock and rearing stage. For example, chicks will consume feed in mashed or crumbled form while more mature chicken will consume feed in pellet form. The raw materials we use for livestock feed production are subject to stringent quality control testing. We also continuously adjust our livestock feed formulations to maximise nutritional value, improve livestock feed efficiency, performance and optimise cost.

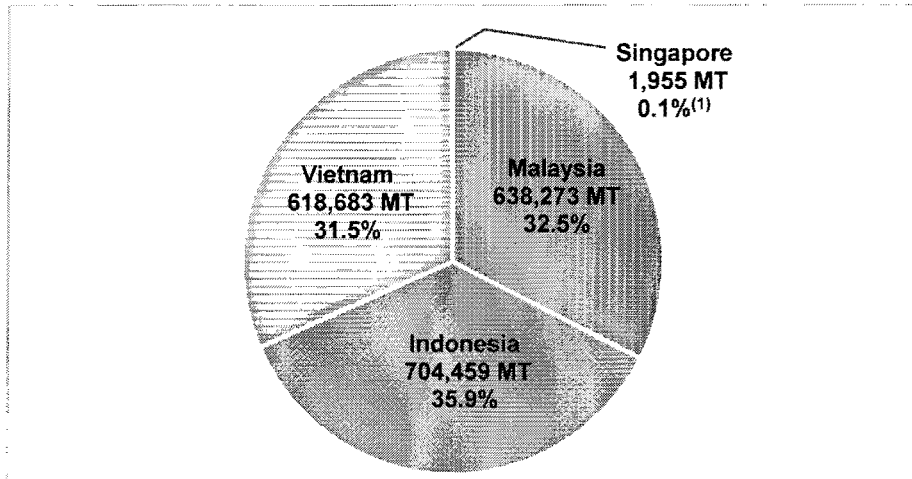
The key brand name we use in Malaysia and Vietnam is "Leong Hup", and the key brand name we use in Indonesia is "Malindo". Other livestock feed brands that we market are "Gymtech" in Vietnam, "Emivest" in Vietnam and "A88" in Indonesia.

As at 31 October 2018, we own and operate five feedmills in Malaysia, five feedmills in Indonesia and three feedmills in Vietnam, and our fourth feedmill in Dong Nai, Vietnam, has commenced operations in January 2019. Our feedmills are strategically located across Malaysia, Indonesia and Vietnam with transportation links to ports and poultry farming areas, thereby increasing efficiency and reducing our transportation costs.

Our Feedmill Business provides almost all of the livestock feed required for our Livestock Businesses in Malaysia, Indonesia and Vietnam. We only purchase a small quantity of livestock feed from third parties. We operate our Indonesia Feedmill Business through Malindo Feedmill, a public company listed on the Indonesia Stock Exchange since 10 February 2006. As at the LPD, we hold an indirect 57.80% interest in Malindo Feedmill through our wholly-owned subsidiaries, being Dragon Amity and LHSg.

In the FYE 31 December 2017, we supplied a total of 1,963,370 MT of livestock feed, approximately 55.8% of which we sold to third parties and approximately 44.2% of which we sold internally to entities within our Group. In Malaysia, all of our third-party sales of livestock feed went to integrated producers of poultry and to distributors and farmers, while in Indonesia and Vietnam, all of our third-party sales of livestock feed went to distributors and farmers. In the FYE 31 December 2017, we sold all of our livestock feed in the same country where we produced it, except in Vietnam, where we exported less than 1.0% of our livestock feed sales into Cambodia. The following chart shows the breakdown of our livestock feed sales volume in each of Malaysia, Indonesia and Vietnam and the percentage these sales volumes represent as a proportion of total livestock feed sales volume in the FYE 31 December 2017:

7. BUSINESS OVERVIEW (Cont'd)

**Note:**

- (1) 1,955 MT of livestock feed was purchased and on-sold by our Malaysian companies which are subsidiaries of LHSg

The table below sets out details of the livestock feed sales (both internally and externally) by countries, for the financial years/period indicated:

	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
	MT	MT	MT	MT
Malaysia	543,659	596,578	638,273	548,849
Indonesia	643,620	642,183	704,459	631,365
Vietnam	460,951	561,627	618,683	552,202
Singapore ⁽¹⁾	12,764	4,532	1,955	3,174
Total	1,660,994	1,804,920	1,963,370	1,735,590

Note:

- (1) We do not produce livestock feed in Singapore, but our Malaysian companies, which are subsidiaries of LHSg, purchases a small quantity of livestock feed from both our Malaysia Feedmill Business and/or from external third parties, which we subsequently on-sell.

The table below sets out the percentage of livestock feed sold to external third parties, for the financial years/periods indicated:

	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
	%	%	%	%
Malaysia	20.0	22.4	22.7	20.7
Indonesia	68.0	70.0	73.0	74.0
Vietnam	56.9	67.1	70.2	73.0
Singapore	100.0	100.0	100.0	99.0
LHI Group⁽¹⁾	49.5	53.4	55.8	56.9

Note:

- (1) Being total livestock feed sold to external third parties over our Group's total livestock feed sales (both internally and externally).

7. BUSINESS OVERVIEW (Cont'd)

Raw Materials

The primary raw materials we use in the production of livestock feed are corn and soybean meal. We use mostly imported corn from South America, except in Indonesia, where we use domestically produced corn. We import all of our soybean meal from South America. Each of our raw materials is a commodity that is priced according to local and international prices, and therefore is subject to fluctuations. See Section 12 of this Prospectus for details on how the price and availability of raw materials have impacted our business and financial condition.

Whether we import raw materials or source them locally depends on (a) whether we can obtain the requisite import permits, (b) the market price of the raw material, and (c) the quality of the raw materials available both locally and abroad.

The following tables set out details on the key raw materials that we use in the production of livestock feed for the financial years/period indicated:

	Quantity Purchased (MT)			
	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
Corn	823,265	743,718	765,029	756,657
Soybean meal	368,453	404,534	418,821	396,576
Others	59,352	345,071	374,256	279,893

Manufacturing Process

Our quality control team inspects and analyses incoming raw materials and ingredients and rejects those that fail the inspection. For those that pass, we weigh them and then store them in our warehouses or silos. All silos are equipped with a blower fan ventilation system to prevent spoilage and extend the period for which the raw materials can be stored.

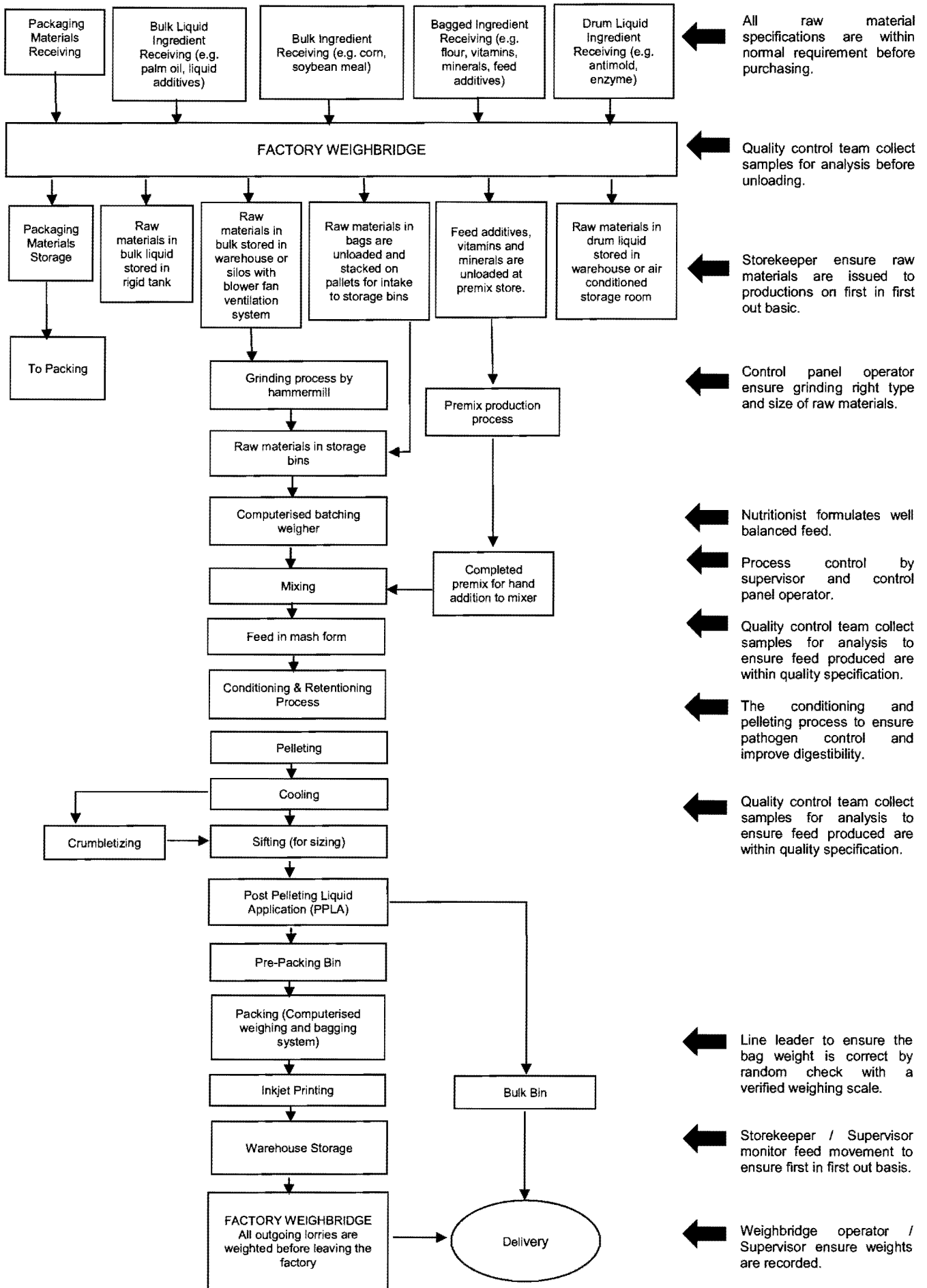
We then grind the raw materials to reduce their size, while we send fine powder materials directly to the batching lines. Small usage items such as vitamins and mineral pre-mixes are sent to the 'pre-mix' department, where they are weighed and combined with other materials to increase their homogeneity.

We use automated computerised batching software, such as Bühler Holding AG and its group of companies' ("**Bühler Group**") WinCos and Muiyang Co.'s MYCOS, to weigh raw materials prior to mixing. Once the raw materials have been mixed, the mashed feed undergoes a conditioning and pelleting process, which seeks to eliminate pathogens and improve the digestibility of the livestock. We then cool the pelleted livestock feed to room temperature for packing and storage before delivery. Alternatively, we grind the pelleted livestock feed that will be used for young poultry to reduce size.

Once cooled, we send livestock feed to packing bins or bulk bins. The livestock feed sent to packing bins is bagged in 25kg or 50kg bags (depending on the jurisdiction) and stored in our warehouses, pending delivery to customers. We transfer the livestock feed sent to bulk bins to bulk tankers, which (depending on the jurisdiction) may be owned by ourselves, by our customers or by third-party logistics companies hired by the customers.

The following chart sets out the typical manufacturing process for our livestock feed operations:

7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)

Capacity and Utilisation Rates

The following table below sets out details of our production capacity, actual production and utilisation rates of our feedmills for the financial periods indicated. Production capacity is calculated based on the cumulative nameplate capacity of the machinery located at the feedmill, assuming 22 operational hours per day, an efficiency ratio ranging between 80.0% and 90.0% (based on the range of products produced at the feedmill in question) and deductions for scheduled maintenance. Utilisation rates are calculated as actual production divided by production capacity.

Production Capacity (MT) / Actual Production (MT) / Utilisation Rates (%) for the												
Jurisdiction	FYE 31 December						FPE 31 October					
	2015			2016			2017			2018		
	Production Capacity (MT)	Actual Production (MT)	%	Production Capacity (MT)	Actual Production (MT)	%	Production Capacity (MT)	Actual Production (MT)	%	Production Capacity (MT)	Actual Production (MT)	%
Malaysia	701,544	546,276	77.9	701,544	600,564	85.6	701,544	642,233	91.5	735,102	551,929	75.1
Indonesia	1,129,920	653,376	57.8	1,172,160	649,961	55.4	1,172,160	712,194	60.8	976,800	641,157	65.6
Vietnam	498,960	464,413	93.1	653,400	563,436	86.2	831,600	627,255	75.4	891,000	564,533	63.4
Total	2,330,424	1,664,065	71.4	2,527,104	1,813,961	71.8	2,705,304	1,981,682	73.3	2,602,902	1,757,619	67.5

Our utilisation rates in Indonesia have historically been lower than those in Malaysia and Vietnam. This is primarily due to (i) the logistical difficulties of transporting livestock feed in Indonesia due to its archipelagos, which means that each feedmill only produces livestock feed to serve customers within a limited range and the feedmills run at a utilisation appropriate for the demand within their respective ranges, and (ii) the two feedmills that were built in Indonesia during the years of 2013 and 2015 respectively, which run at lower utilisation rates than the pre-existing feedmills.

In addition, the utilisation rates in Malaysia and Vietnam decreased for the FPE 31 October 2018 due to a substantial increase in production capacity as compared to the FYE 31 December 2017.

Quality Control

Quality control is of fundamental importance to the continuing operation of our Feedmill Business. The following quality control processes are in place throughout our Feedmill Business:

- seven of our feedmills have received ISO QMS and six of our feedmills have received ISO FSMS. Our nutrition plant in Malaysia has received HACCP accreditation;
- we purchase raw materials and other ingredients from qualified suppliers whom we have approved. Before a supplier is approved, we evaluate them based on a number of criteria including reputation, recommendations from others, price and quality. If a supplier that has been approved provides raw materials/ingredients which do not meet the requisite specifications, we will notify them and give them the opportunity to improve their product quality, safety and/or services. If they fail to do so, they will be removed from our list of qualified suppliers;
- we test the physical and chemical aspects of all raw materials upon arrival at our feedmills against an internal standardised checklist to ensure that the raw materials meet the relevant quality thresholds. We conduct analysis of raw materials using state of the art equipment for timely and accurate results;
- we keep all raw materials which meet the quality thresholds in a tightly controlled and closely monitored storage unit in accordance with stringent quality control programs and quality assurance systems to maintain their quality, while we manage rejected raw materials in accordance with the standard operating procedure approved for ISO QMS/HAACP accreditation;

7. BUSINESS OVERVIEW (Cont'd)

- each feedmill has a modern laboratory where we can analyse and test livestock feed produced for key quality parameters including moisture, bacteria, protein, calcium, salt and toxin levels. We also have a dedicated nutritionist to ascertain whether the livestock feed is of the requisite quality. We analyse and test samples of livestock feed at the intermediate stage of the production process and following production of the livestock feed. This is mandatory before our quality control team approves any livestock feed for sale; and
- we store samples of all livestock feed produced and record them to ensure high product quality in compliance with specifications and for traceability purposes. Therefore, if our livestock do not achieve the desired growth rates following the consumption of our livestock feed, we will be able to readily identify the specific batch of livestock feed.

Packaging and Delivery

We seek to minimise the time for which we hold the livestock feed we produce so that the livestock feed that our customers receive will be as fresh as possible.

In Malaysia and Indonesia, we either package livestock feed into 50kg bags or transfer it into bulk bins with capacities ranging from 8 MT to 24 MT. In Vietnam, we either package livestock feed into 25kg bags or transfer it into 8 MT bulk bins. Livestock feed packaged into bags is known as "Bagged Feed" and livestock feed transferred to bulk bins is known as "Bulk Feed".

In Malaysia, once produced, we store the livestock feed for no more than seven days. We use a semi-automated bagging system to package the Bagged Feed, which we store in our warehouse, and which we then deliver to customers using our trucks. All Bulk Feed is delivered by third-party bulk tankers hired by our customers.

In Indonesia, once produced, we store the livestock feed for an average of five days. We use a semi-automated bagging system to package the Bagged Feed, which we store in our warehouse. For livestock feed sold externally, customers will either send their own trucks or bulk tankers to pick up the livestock feed, or request that we arrange for third party logistics companies to deliver the livestock feed to them (at the customers' cost). For livestock feed supplied to our own farms, we deliver the livestock feed using the three bulk tankers that we own.

In Vietnam, once produced, we store the livestock feed for an average of five days. In all of our feedmills we use a combination of automated machines and manpower to pack the Bagged Feed. Our newest feedmill is however designed to be fully automated, with one person present to monitor the packaging process. Livestock feed are delivered by third party logistics companies to our customers.

7.5.2 Livestock Business

Introduction

Our Livestock Business is vertically integrated and, in combination with our Feedmill Business, covers the entire poultry value chain. Our operations began in Malaysia, where our headquarters remain, and we have expanded across Southeast Asia, replicating our vertically integrated business model in Indonesia, Vietnam and the Philippines. Our core underlying strategy of upstream expansion pervades across all geographies where we operate, but our operations in each country are afforded the flexibility to identify market opportunities and tailor business strategies in accordance with the maturity and unique features of the individual market. Therefore, while strategy is formulated at a group level, decisions regarding the optimum implementation of that strategy occur at a country level. Although we have certain targets regarding (i) internal use and external sales, and (ii) the jurisdictions to which we make external sales, this is subject to fluctuations in market demand and the prevailing social, economic and political conditions in the jurisdictions where we operate and sell to.

7. BUSINESS OVERVIEW (Cont'd)

In accordance with this underlying strategy, when we enter into new markets, we generally do so through our Livestock Business rather than our Feedmill Business.

Using livestock feed produced by our Feedmill Business for the operations of our Livestock Business enables us to ensure that the quality of the livestock feed consumed by our poultry is maintained, providing a substantial degree of confidence in terms of the nutrition, growth and health of our poultry.

In our Livestock Business, we operate 241 farms and hatcheries as at 31 October 2018, including:

- 10 farms for housing GPS DOCs;
- 53 farms for housing PS DOCs;
- 101 farms for housing Broiler DOCs and Broiler chickens;
- six farms for housing Layer DOCs;
- 29 farms for housing Layer chickens;
- 30 hatcheries for the hatching of eggs; and
- 12 farms for housing PS DODs and Broiler ducks.

We also undertake processing activities, which comprise the slaughtering of poultry and food processing. We operate four facilities at which both the slaughtering of poultry and the processing of food occurs, two facilities at which only slaughtering of poultry occurs and two facilities at which only the processing of food occurs.

We also engage contract farmers for the rearing of Broiler DOCs/DODs/Layer DOCs into Broiler chickens/Broiler ducks/Layer chickens. As at 31 October 2018, we utilise 656 contract farms for the housing of livestock, 589 of which house Broiler chickens, 38 of which house Layer chickens and 29 of which house Broiler ducks. Under the contract farming arrangement, we supply contract farms with Broiler DOCs/DODs/Layer DOCs and livestock feed, in addition to (depending on the specific arrangement) materials, supplements, medicines, vaccines, technical advice and veterinary support throughout the lifecycle of the Broiler chickens/Broiler ducks/Layer chickens. The contract farm will then transfer back to us the Broiler chicken, Broiler duck or Layer Chicken upon reaching a specified age and weight.

In Malaysia, we sell the Broiler DOCs and Layer DOCs to the contract farms and then repurchase fully reared Broiler chicken and Layer chicken from the contract farms at a pre-agreed price. In Indonesia, Vietnam and the Philippines, we do not sell the livestock to the contract farms. Instead, we pay the contract farms a fee for rearing the Broiler DOCs, DODs and Layer DOCs on our behalf.

We recruit contract farmers who meet our specifications to increase the scope of our operations. We have in the past recruited farmers who operate open-house and closed-house contract farms, but we now only recruit closed-house contract farms and the majority of our contract farmers operate closed-house farms.

We have stopped using colistin antibiotics in our Livestock Business in Malaysia since the end of November 2018, pursuant to the ban on the use of colistin antibiotics by the Malaysian government effective 1 January 2019. The use of colistin antibiotic, which is commonly used by livestock farmers, is replaced with probiotics and organic acids.

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out details of the farms and slaughtering plants we operate and the number of contract farmers we engage:

Livestock Business	As at 31 October 2018, total number of									Slaughtering plants
	Farms and hatcheries								Total farms & hatcheries	
	GPS DOC farms	PS DOC farms	Broiler chicken farms	Layer DOC farms	Layer chicken farms	PS DOD and Broiler duck farms	Hatcheries	Contract farms		
Malaysia ⁽¹⁾	6	19	44	3	25 ⁽¹⁾	11	8	19 ⁽²⁾	135	1
Indonesia	4	24	29	2	1	1	18	326 ⁽³⁾	405	1
Vietnam	-	4	-	1	3	-	1	303 ⁽⁴⁾	312	-
Singapore ⁽⁵⁾	-	4	26 ⁽⁶⁾	-	-	-	2	1 ⁽⁷⁾	33	4
Philippines	-	2	2	-	-	-	1	7 ⁽⁸⁾	12	-
Total	10	53	101	6	29	12	30	656	897	6⁽⁹⁾

A total of 241 farms and hatcheries operated by the our Group

Notes:

- (1) All of the Malaysia Livestock Business' Layer chicken farms are owned and operated by the Teo Seng Group.
- (2) Of the 19 contract farms, 18 house Broiler chicken and 1 houses Layer chicken.
- (3) Of the 326 contract farms, 297 house Broiler chicken and 29 house Broiler duck.
- (4) Of the 303 contract farms, 266 house Broiler chicken and 37 house Layer chicken.
- (5) All of the Singapore Livestock Business' farms and hatcheries are located in Malaysia. All of the Singapore Livestock Business' slaughtering plants are located in Singapore.
- (6) Includes the 11 coloured birds farms operated by us on land and buildings that we do not own.
- (7) The Singapore Livestock Business' single contract farm houses Broiler chicken.
- (8) Of the 7 contract farms, all 7 house Broiler chicken.
- (9) The breakdown of the 6 slaughtering plants is as follows:

Livestock Business	Slaughtering plants	
	Broiler chicken	Broiler duck
Malaysia	1	-
Indonesia	-	1
Singapore	3	1
Total	4	2

The table below sets out certain key operational data for our Livestock Business:

	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
Number of DOCs supplied (millions) ⁽¹⁾	452.5	464.0	488.0	422.3
Broiler chicken supplied (millions) ⁽²⁾	103.2	102.3	107.0	102.3
Eggs sold (millions) ⁽³⁾	1,645.9	1,766.6	1,726.1	1,391.4

Notes:

- (1) These figures reflect the total of PS DOCs, Broiler DOCs and Layer DOCs supplied internally and sold externally.
- (2) These figures reflect the total of Broiler chicken supplied internally and sold externally.
- (3) All eggs are sold to third parties.

7. BUSINESS OVERVIEW (Cont'd)

In addition, we also produce and sell processed food. For further detail, please see paragraph (1)(G) (*Food Processing Production*) of the operational structure set out below.

The two principal business operations within our Livestock Business are Chicken Production and Egg Production. Chicken production consists of the production of PS DOCs, Broiler DOCs and Broiler chicken, the slaughtering of Broiler chicken and further food processing. Egg Production consists of the production of Layer DOCs and table eggs. In some countries, we also operate other businesses, as described below.

(1) Chicken Production

A. Purchase of GPS

We purchase our GPS DOCs exclusively from Europe. We purchase "Ross" GPS DOCs from Aviagen and "Cobb" GPS DOCs from Cobb. We purchase two different breeds of GPS DOCs so that we are not reliant on a single breed. On average, we purchase approximately 11,000 GPS DOCs per month.

B. Rearing and Breeding of GPS

We purchase GPS DOCs in batches of two genetic lines. GPS DOCs are transported to our GPS farms on the day they hatch. Upon arrival, we sort the GPS DOCs according to genetic lines to avoid problems associated with in-breeding. The GPS DOCs grow for approximately 24 weeks (including three weeks of brooding) and lay eggs for approximately 42 weeks. The eggs take three weeks to hatch. Based on Aviagen and Cobb standards, each Ross GPS produces, on average, 61 DOCs and each Cobb GPS produces, on average, 50 DOCs.

Once the GPS have finished laying eggs, we either transfer them to our slaughtering plants or sell them to third-party slaughtering plant operators.

C. Selection of PS DOCs

We assess each DOC to ascertain whether it meets the requisite standard to be used for breeding purposes. If so, the DOC is classified as a PS DOC (see (D) below). If not, the DOC is classified as a Broiler DOC (see (E) below). This assessment involves the consideration of the genetics of the DOC. For the FPE 31 October 2018, approximately 48.0% to 52.0% of DOCs were classified as PS DOCs.

D. PS DOCs

Following classification, we transport the PS DOCs to our designated PS DOC farms. The PS DOCs grow for approximately 24 weeks, lay eggs for approximately 42 weeks, and the eggs then take three weeks to hatch. Based on Aviagen and Cobb standards, each Cobb PS on average produces 147 DOCs and each Ross PS on average produces 152 DOCs. These DOCs are all classified as Broiler DOCs (see (E) below).

Once the PS have finished laying eggs, we either transfer them to the slaughtering plants that we operate or sell them to third party slaughtering plant operators.

E. Broiler DOCs

Our Broiler DOCs are either (i) DOCs hatched from GPS that have been classified as Broiler DOCs ((C) above), or (ii) DOCs hatched from PS ((D) above). In the FPE 31 October 2018, we sold approximately 59.0% of the Broiler DOCs we produce to third parties, and retained the remaining 41.0% for rearing.

7. BUSINESS OVERVIEW (Cont'd)

We transport the Broiler DOCs which we retain to our Broiler chicken farms and to contract farms, where they are reared. The FCR for our Livestock Business for Broiler DOCs is approximately 1.6 to 1.7 per Broiler DOC. The Broiler DOCs typically achieve maturity in five to seven weeks, following which we either transport the Broiler chickens to wholesalers, wet market traders or the slaughtering plants we own or rent, or we sell them to third-party slaughtering plants.

F. Slaughter

Upon arrival at the slaughtering plants, the Broiler chickens are either slaughtered by trained Muslim slaughterers (if they have been designated as halal) or slaughtered by a machine (if they have not been designated as halal). The Broiler chickens then undergo the scalding process, during which we immerse them in hot water to facilitate the removal of feathers. Once we have de-feathered them, they undergo the evisceration process to remove the internal organs. We then chill the Broiler chickens in the 'spin chilling' tank to eliminate any pathogens and maintain freshness. Following chilling, the Broiler chicken either undergoes food processing production (see (G) below) or packaging and distribution (see (H) below).

G. FPP

We separate the chicken based on weight and quality, before apportioning the chicken either as meat to be used for RTC products, RTE products or for further food processing. For RTC and RTE products we either package the chicken whole or portion and debone the chicken. If we have earmarked chicken for a particular customer, it may undergo a value-add process we have agreed with the relevant customer, such as marinating, smoking and injecting. We produce a number of different products under a number of brands, including:

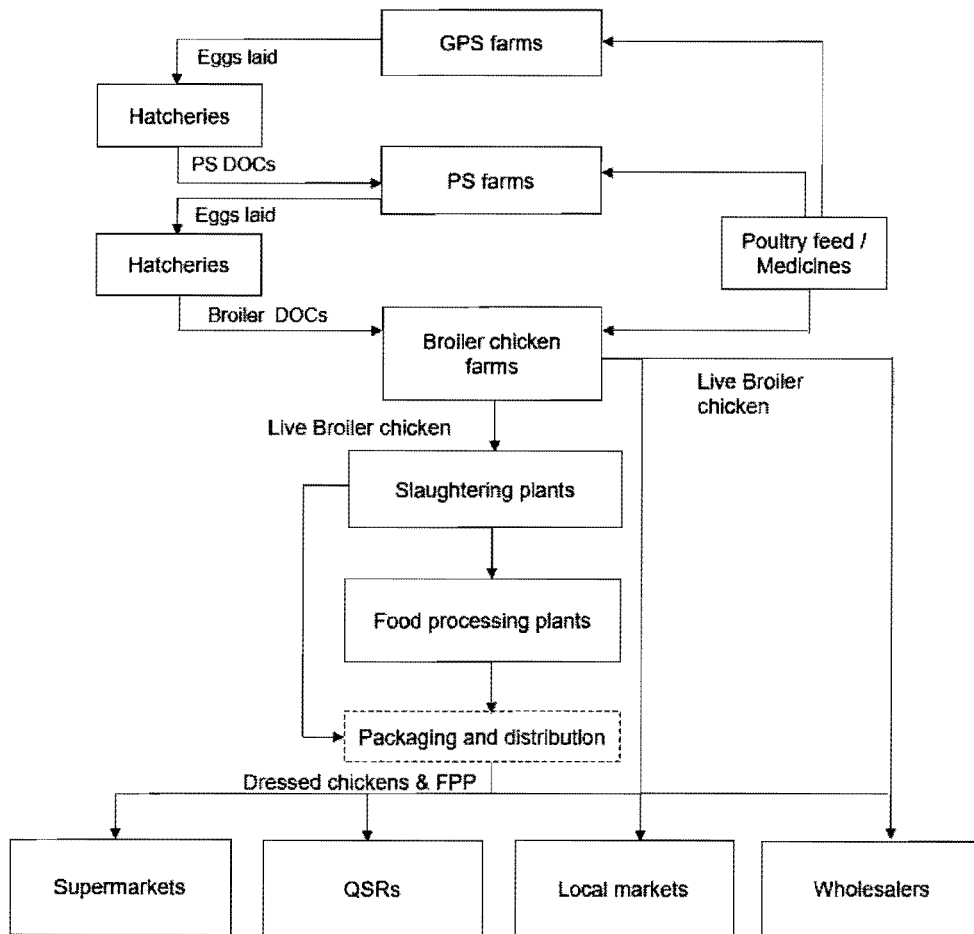
- Ayam A1: chicken nuggets, chicken drumsticks, chicken fingers, chicken patties and chicken frankfurters;
- SunnyGold: chicken nuggets, chicken karaage, chicken tempura, chicken sticks, chicken wings and chicken sausage; and
- Ciki Wiki: chicken nuggets, chicken sticks and chicken sausage.

H. Packaging and Distribution

Following (F) or (G), as applicable, we package the slaughtered chicken or FPP product using our own standard packaging according to weight or customers' requirements. Following packaging, we distribute the packaged slaughtered chicken or FPP product to our customers, which includes supermarkets, wholesalers, QSRs, agents and local markets, by refrigerated truck.

7. BUSINESS OVERVIEW (Cont'd)

The following chart details the operational structure of Chicken Production:



(2) Egg Production

A. PS Layers

We purchase 100.0% of our PS Layer DOCs, of the "Hisex" breed, from Institut de Selection Animale B.V. ("**Hendrix Genetics**"), a company located in the Netherlands.

We house the PS Layer DOCs in our Layer DOC farms. They grow over approximately 20 weeks to become PS Layers. The PS Layers will then lay eggs for approximately 50 weeks. The eggs take three weeks to hatch.

Once the PS Layers have finished laying eggs we sell them to downstream slaughtering plant operators.

B. Layer DOCs

Following hatching, we either sell the Layer DOCs we produce to third parties or we retain and rear them internally. We sell approximately 84.7% of the Layer DOCs sold, to third parties each month.

Of the Layer DOCs that we retain, they grow for approximately 16 weeks to become Layer chickens, before we transport them to one of our Layer chicken farms, where they lay eggs for approximately 58 weeks. Each Layer chicken produces an average of six eggs per week.

Once the Layer chickens have finished laying eggs we sell them to downstream slaughtering plant operators.

7. BUSINESS OVERVIEW (Cont'd)

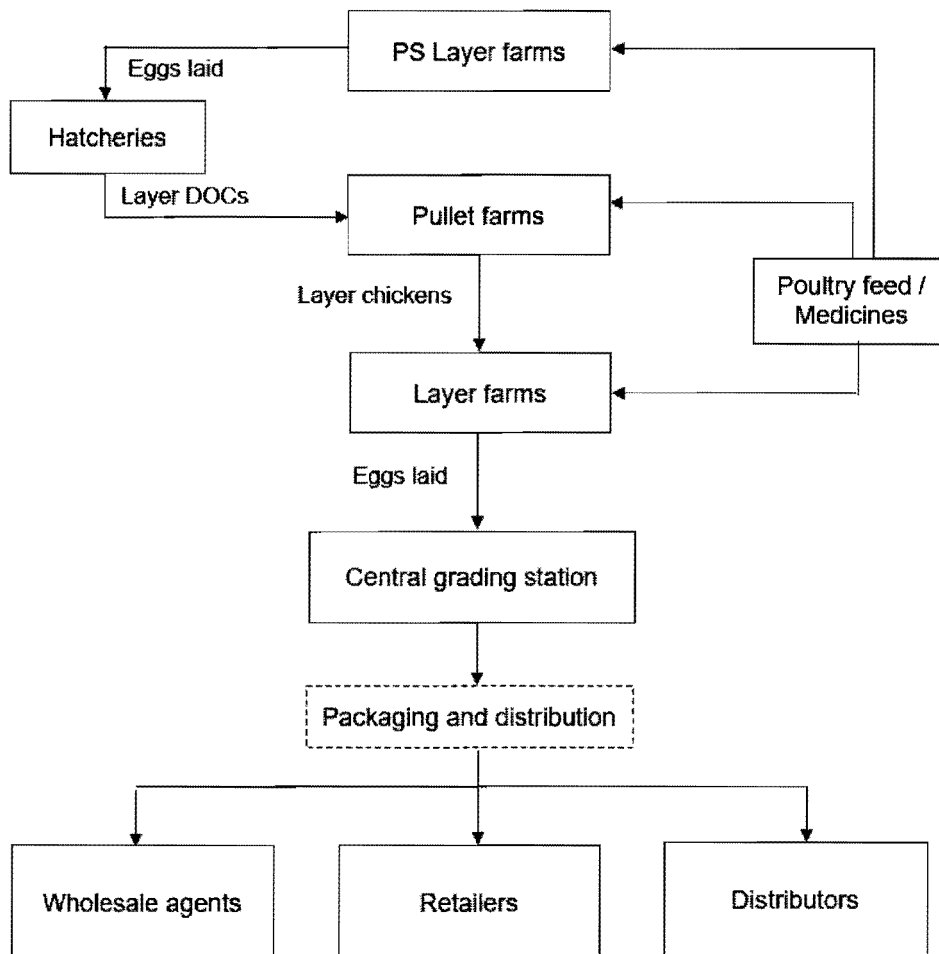
C. Sorting

We collect eggs on a daily basis from our farms and our contract farms. Once collected, we transport the eggs to our central grading station, where they are sorted, graded and packaged based on size and colour. We then sell the eggs to third parties including wholesale agents, retailers and distributors.

D. Packaging

We produce our own egg trays in all jurisdictions other than Indonesia, where all our egg trays are purchased from a third-party.

The following table details the operational structure of Egg Production:



Jurisdictional Specifics

Malaysia

(1) Chicken Production

We are the largest integrated poultry producer in Malaysia by annual sales of DOCs in 2017. See Section 8 of this Prospectus. We have over 40 years of experience in poultry production.

7. BUSINESS OVERVIEW (Cont'd)

As at 31 October 2018, we operate six GPS DOC farms, 19 PS DOC farms and 44 Broiler chicken farms in Malaysia. We also utilise 18 contract farms in Malaysia for housing Broiler chicken. We have the following housing capacity:

- 126,000 GPS DOC;
- 1,943,770 PS DOC; and
- 10,378,000 Broiler chickens (1,270,000 of which are housed in contract farms)

The table below sets out details of certain key operational data for the FYE 31 December 2017 and the FPE 31 October 2018:

Metric	FYE 31 December 2017			FPE 31 October 2018		
	PS DOCs	Broiler DOCs	Broiler chicken	PS DOCs	Broiler DOCs	Broiler chicken
Number produced annually or for the period	3,515,396	156,078,350	45,402,469	3,242,745	139,352,300	39,581,974
Number supplied annually or for the period ⁽¹⁾⁽²⁾ ...	3,236,397 ⁽³⁾	155,134,977	56,854,885 ⁽⁴⁾	3,004,876 ⁽⁵⁾	152,999,016	50,140,793 ⁽⁴⁾

Notes:

- (1) Sales of PS DOCs are to third parties in Malaysia, Vietnam, Bangladesh, Nepal and Myanmar. All sales of Broiler DOCs are to third parties in Malaysia and all sales of Broiler chicken are to third parties in Malaysia and Singapore.
- (2) Where applicable, number supplied is lower than number produced due to the timing of the sale of stock.
- (3) Includes approximately 30,000 PS DOCs supplied to our Vietnam Livestock Business.
- (4) Number supplied is higher than number produced as these supply figures including Broiler chicken purchased and on-sold by the Company.
- (5) Includes approximately 67,000 PS DOCs supplied to our Vietnam Livestock Business.

As at 31 December 2017, we had a domestic market share of 27.1% by annual supply of DOCs. See Section 8 of this Prospectus.

As at 31 October 2018, of the Broiler chicken we produce in Malaysia, we slaughter approximately 3.0% in the slaughtering plant that we operate in Malaysia, transport approximately 24.0% to Singapore for slaughtering and sell the remainder to wholesalers, wet market traders and third-party slaughtering plants. All the Broiler chicken we slaughter in Malaysia is halal.

With regard to our food processing operations in Malaysia, we market branded products including "SunnyGold" and "Ayam A1". We sell our products to supermarkets such as Econsave, as well as distributors.

7. BUSINESS OVERVIEW (Cont'd)

(2) Egg Production

In Malaysia, we operate our Egg Production segment through the Teo Seng Group. We have had a strategic partnership with the Teo Seng Group since 1994 and as at the LPD, we have an effective interest of 28.43% in Teo Seng.

Teo Seng is a public company that was listed on the Second Board of Bursa Securities on 29 October 2008 (now known as the Main Market of Bursa Securities following the merger of Main Board and Second Board of Bursa Securities into a single unified market on 3 August 2009). Teo Seng operates principally as an investment holding company, with its subsidiaries conducting business across five primary categories, namely chicken eggs, livestock feed, paper egg trays, organic fermented fertiliser and animal health products.

Through its subsidiary Teo Seng Feedmill, Teo Seng manufactures livestock feed to supply its Layer chicken farms. As at 31 October 2018, Teo Seng Feedmill has one feedmill plant, with a combined monthly production capacity of approximately 30,000 MT of livestock feed, sufficient to support the production of 3.7 million eggs daily. Currently, Teo Seng Feedmill produces all of the livestock feed required for its Layer chicken farms through its own feedmills.

We operate three Layer DOC farms in Malaysia, all located in Johor. We have housing capacity for 314,360 Layer DOCs for FPE 31 October 2018. We supplied 16,823,700 Layer DOCs in FYE 31 December 2017 and 13,700,630 Layer DOCs in FPE 31 October 2018. Of these Layer DOCs, we supply approximately 3,112,400 to Teo Seng Group. We are the sole provider of Layer DOCs to the Teo Seng Group.

As at 31 October 2018, the Teo Seng Group has 25 Layer chicken farms in Malaysia, all located in Johor. The Teo Seng Group has housing capacity for 6,840,000 Layer chickens (200,000 of which are housed in a contract farm).

In the FYE 31 December 2017, the Teo Seng Group had the second-highest annual production of eggs among the public listed integrated poultry companies in Malaysia. See Section 8 of this Prospectus. The table below sets out the number of eggs produced and sold by Teo Seng Group for the FYE 31 December 2017 and the FPE 31 October 2018:

Metric	FYE 31 December 2017	FPE 31 October 2018
Number of eggs produced annually or for the period.....	1,292,878,000	1,109,229,000
Number of eggs sold annually or for the period.....	1,287,800,000	1,114,935,000 ⁽¹⁾

Note:

(1) *Number of eggs sold is higher than number of eggs produced mainly due to the timing of the sale of stock.*

The Teo Seng Group primarily sells its eggs as table eggs, but also markets premium eggs under the brand "Happy Egg". The eggs are largely sold in Malaysia, Singapore and Hong Kong. Teo Seng Farming has two CPSs, containing four egg grading machines with a cumulative grading capacity of 600,000 eggs per hour.

Once the Layer chickens have finished laying eggs, they are slaughtered. Almost all of the slaughtered Layer chickens are sold by the Teo Seng Group on the open market, with a small percentage (less than 1.0%) sold by the Teo Seng Group to us. There is no formal agreement between us and the Teo Seng Group to purchase any slaughtered Layer chickens.

7. BUSINESS OVERVIEW (Cont'd)

(3) Duck Production

In Malaysia, we also import PS DODs and produce DODs and Broiler duck. Our Duck Production operations represent approximately 2.0% of our revenue from our Malaysia Livestock Business in the FPE 31 October 2018.

As at 31 October 2018, we operate 11 farms designated for our Duck Production operations, with cumulative housing capacity for approximately 21,500 PS DODs and 291,500 Broiler ducks. We do not utilise any contract farms for our duck operations.

As at 31 October 2018, we purchase 100.0% of our PS DOD from Cherry Valley Farms Limited ("**Cherry Valley**"), a company located in the United Kingdom. We purchase a single breed of PS DODs, namely Cherry Valley. Our PS DODs lay eggs from week 25 for approximately 50 weeks. The eggs take four weeks to hatch. Once hatched, we transfer all DODs straight to our Broiler duck farms to be reared. The DODs grow for approximately six to eight weeks to become Broiler duck, before we sell them to our Singapore Livestock Business and transport them to our slaughtering plant in Singapore. We sell an average of 90,941 Broiler ducks per month to our Singapore Livestock Business. We sell approximately 91.9% of the Broiler duck we produce.

(4) Other Operations

We also conduct the following business operations in Malaysia through the Teo Seng Group:

- **Animal Health Products:** the Teo Seng Group sources and supplies animal health products required for operations, including vaccines, anti-parasites, disinfectants, equipment, feed additives, herbal solutions, pesticides and supplements; and
- **Organic Fertiliser:** Laskar Fertiliser, a wholly owned subsidiary of Teo Seng Farming, produces organic fertilizer. The chicken manure from the Teo Seng Group's farms is recycled, and the intermediary product is used as a raw material for conversion into organic fertiliser. Almost all of the fertiliser products are sold to external parties.

Indonesia

We conduct our Indonesia Livestock Business through the Malindo Group.

(1) Chicken Production

The Malindo Group is the third-largest integrated poultry producer in Indonesia by annual supply of DOCs in 2017. See Section 8 of this Prospectus. The Malindo Group has over 20 years of experience in poultry production.

As at 31 October 2018, the Malindo Group operates four GPS DOC farms, 24 PS DOC farms and 29 Broiler chicken farms in Indonesia. The Malindo Group also utilises 297 contract farms for housing Broiler chicken. The Malindo Group has the following housing capacity:

- 96,000 GPS DOC;
- 2,819,086 PS DOC; and
- 5,741,120 Broiler chickens (2,562,120 of which are housed in contract farms).

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out details of certain key operational data for the FYE 31 December 2017 and the FPE 31 October 2018:

Metric	FYE 31 December 2017			FPE 31 October 2018		
	PS DOCs	Broiler DOCs	Broiler chicken	PS DOCs	Broiler DOCs	Broiler chicken
Number produced annually or for the period.....	2,586,078	230,330,892	16,309,087	2,122,955	179,599,458	20,336,484
Number supplied annually or for the period ⁽¹⁾⁽²⁾	2,486,563	225,814,600	16,309,087	2,081,328	176,077,900	20,336,484

Notes:

- (2) Where applicable, number supplied is lower than number produced due to the timing of the sale of stock.
- (3) All sales to third parties are to third parties within Indonesia.

As at 31 December 2017, the Malindo Group had a domestic market share of 7.0% by annual supply of DOCs. See Section 8 of this Prospectus.

The Malindo Group does not have any slaughtering plants for Broiler chicken in Indonesia. All of the Broiler chicken that the Malindo Group produces is sold to external third parties.

To stabilise the market, the Indonesian government sets an annual quota on the number of GPS DOCs that each poultry company may import annually. Although we may appeal to the Indonesian government for an increase in our annual quota, our operations are subject to these limits. We have not been informed by the Indonesian government on the annual quota for the FYE 31 December 2019.

With regard to our food processing operations, in 2011, Malindo Feedmill established Malindo Food Delight (in which Malindo Feedmill holds a 99.99% direct interest) which commenced operations in 2013, marking Malindo Feedmill's entry into the downstream sector of the production of processed food products. The Malindo Group's food processing operations are conducted at its food processing plant.

In Indonesia the Malindo Group markets products under brands such as "Sunny Gold", "Ciki Wiki" and "Sobat". The Malindo Group sells its products to hypermarkets including Carrefour and Aerofood ACS.

(2) Egg Production

As at 31 October 2018, the Malindo Group operates two Layer DOC farms and one Layer chicken farm in Indonesia. The Malindo Group has the following housing capacity:

- 172,210 Layer DOCs; and
- 288,000 Layer chickens.

The Malindo Group supplied 12,640,400 Layer DOC in FYE 31 December 2017 and 10,218,600 Layer DOCs in FPE 31 October 2018. The table below sets out the number of eggs produced and sold by the Malindo Group for the FYE 31 December 2017 and the FPE 31 October 2018:

Metric	FYE 31 December 2017	FPE 31 October 2018
Number of eggs produced annually or for the period.....	55,587,993	42,452,752

7. BUSINESS OVERVIEW (Cont'd)

Metric	FYE 31 December 2017	FPE 31 October 2018
Number of eggs sold annually or for the period.....	53,433,872	42,365,296

The Malindo Group sells all of its eggs, which are marketed as table eggs, within Indonesia.

(3) Duck Production

The Malindo Group has only one farm designated for Duck Production operations in Indonesia, and utilises 29 contract farms in Indonesia for housing Broiler duck. As at 31 October 2018, the Malindo Group has a cumulative housing capacity of 11,783 PS DODs and 395,424 Broiler ducks. Our Duck Production operations in Indonesia represent approximately 3.0% of our revenue from our Indonesia Livestock Business for the FPE 31 October 2018.

Similar to our Malaysia Livestock Business, the Malindo Group purchases 100.0% of its PS DOD from Cherry Valley. Once fully reared, the Malindo Group transports the Broiler duck it rears to a local slaughtering plant that the Malindo Group rents and operates. As at 31 October 2018, the Malindo Group sells an average of 35,572 Broiler ducks per month, with all of the Broiler duck produced sold within Indonesia. The Malindo Group sells 100.0% of the Broiler Duck it produces.

Vietnam

(1) Chicken Production

We are the second-largest integrated poultry producer in Vietnam by annual supply of DOCs in 2017. See Section 8 of this Prospectus. We have been operating in the jurisdiction for over 11 years.

We do not purchase or rear GPS DOCs for our operations in Vietnam. Instead, PS DOCs are supplied by our Malaysia Livestock Business and we also purchase PS DOCs from Aviagen, Cobb and/or “Sasso”, a company located in France. In FYE 31 December 2017, approximately 30,000 PS DOCs were supplied by our Malaysia Livestock Business and we purchased approximately 200,000 PS DOCs from Cobb and “Sasso”. PS DOCs produce Broiler chicken, which has a market value higher than that of our regular Broiler chicken.

As at 31 October 2018, we operate four PS DOC farms in Vietnam. We also utilise 266 contract farms in Vietnam for housing Broiler chicken. We have the following housing capacity:

- 407,100 PS DOC; and
- 8,076,918 Broiler chickens (all of which are housed in contract farms).

The table below sets out details of certain key operational data in relation to Chicken Production in Vietnam for the FYE 31 December 2017 and the FPE 31 October 2018:

Metric	FYE 31 December 2017		FPE 31 October 2018	
	Broiler DOCs	Broiler chicken	Broiler DOCs	Broiler chicken
Number produced annually or for the period..	34,019,907	22,753,204	29,207,959	22,205,766
Number supplied annually or for the period ⁽¹⁾⁽²⁾	33,290,402	20,788,602	28,615,574	20,475,046

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) Number supplied is lower than number produced due to the timing of the sale of stock.
- (2) All sales to third parties are to third parties within Vietnam

As at 31 December 2017, we had a domestic market share of 12.7% by annual supply of DOCs. See Section 8 of this Prospectus.

We do not have any slaughtering or food processing operations in Vietnam. All Broiler chicken produced is sold to external third parties.

(2) Egg Production

As at 31 October 2018, we operate one Layer DOC farm and three Layer chicken farms in Vietnam. We also utilise 37 contract farms in Vietnam for housing Layer chicken. We have the following housing capacity:

- 40,000 Layer DOCs; and
- 2,176,884 Layer chickens (1,672,884 of which are housed in contract farms).

We supplied 2,970,085 Layer DOC in FYE 31 December 2017 and 2,144,081 Layer DOCs in FPE 31 October 2018. The table below sets out the number of eggs produced and sold by us in Vietnam for the FYE 31 December 2017 and the FPE 31 October 2018:

Metric	FYE 31 December 2017	FPE 31 October 2018
Number of eggs produced annually or for the period.....	388,999,440	234,564,330
Number of eggs sold annually or for the period.....	384,884,611	234,074,070

All the eggs produced are sold in Vietnam.

(3) Medication

Since January 2018, we have produced and supplied anti-biotics, vitamins and disinfectants for livestock, with production at our pharmaceutical plant located in Vietnam. We currently supply approximately 51.0% of our medication internally, with the remaining 49.0% sold externally to third parties. We currently have approximately 148 products on the market.

This expansion has enabled us to offer a one-stop service to our third-party customers, whereby we bundle sales of livestock feed, DOCs and medication, providing customers with a comprehensive package to rear DOCs to maturity.

Singapore

(1) Chicken Production

The high market value of land in Singapore means that we have not sought to replicate our traditional Livestock Business in Singapore, as it is not currently economically viable to conduct large-scale farming operations in Singapore. However our Singapore Livestock Business owns several farms, but they are located in Malaysia. As at 31 October 2018, we operate four PS DOC farms and 26 Broiler chicken farms in Malaysia through our Singapore Livestock Business. We also utilise one contract farm in Malaysia for housing Broiler chicken. We have the following housing capacity:

- 327,640 PS DOC; and
- 2,223,925 Broiler chickens (45,100 of which are housed in contract farms)

7. BUSINESS OVERVIEW (Cont'd)

The table below sets out details of certain key operational data for the FYE 31 December 2017 and the FPE 31 October 2018:

Metric	FYE 31 December 2017		FPE 31 October 2018	
	Broiler DOCs	Broiler chicken	Broiler DOCs	Broiler chicken
Number produced annually or for the period.....	30,698,645	13,189,389	25,160,050	9,228,567
Number supplied annually or for the period ⁽¹⁾⁽²⁾	30,685,145	11,613,975	24,891,250	8,459,817

Notes:

- (1) Number supplied is lower than number produced due to the timing of the sale of stock.
(2) All sales to third parties are to third parties in Singapore or Malaysia.

Our Singapore Livestock Business is primarily focused on the slaughtering and distribution of Broiler chicken. As at 31 December 2017, we had a domestic market share of 45.3%, based on number of live chickens imported from Malaysia. See Section 8 of this Prospectus.

For the FPE 31 October 2018, we source approximately 60.0% of our Broiler chicken from our Malaysia Livestock Business (with some of this Broiler chicken initially supplied to our Malaysia Livestock Business from our Singapore Livestock Business). To ensure that we are not wholly reliant on our own production of Broiler chicken, we purchase the remaining 40.0% from third parties based in Malaysia.

We are able to import Broiler chicken from Malaysia by virtue of our farms in Malaysia and the third-party farms from whom we purchase being accredited by the SFA. We transport the Broiler chicken sourced from our Malaysia Livestock Business by truck to Singapore daily, whilst the Broiler chicken we purchase from third parties is transported daily by those third parties (or their agents) to Singapore.

We distribute chicken that has been slaughtered in Singapore as the SFA does not allow the importation of slaughtered Broiler chicken (excluding frozen chicken) into Singapore, as well as because it ensures the freshness of the chicken and reduces transportation costs.

For the FPE 31 October 2018, on average, we process approximately 59,000 Broiler chickens per day across our three slaughtering plants. We also slaughter and distribute approximately 1,770,000 Broiler chickens per month, all of which we sell within Singapore. For the FYE 31 December 2017, we derived approximately 33.2% of the revenue of our Singapore Livestock Business from sales of slaughtered Broiler chicken.

Approximately 56.6% of the Broiler chickens we slaughter in Singapore is halal. We deliver the Broiler chicken daily to over 450 locations in Singapore, 365 days a year where we sell to supermarkets, QSRs and other third-party purchasers, respectively.

With regard to our food processing operations, we market our products under brands including "Sunny Gold" and "SAFA". We sell our products to companies including KFC, Cold Storage, Nando's and Jollibee. All our food processing operations are conducted on-site at designated sections of our slaughtering plants.

We also sell some Broiler DOCs and live Broiler chicken directly from our farms in Malaysia to third parties. For the FYE 31 December 2017, approximately 11.9% of the revenue of the Singapore Livestock Business was derived from the sales of Broiler DOCs and live Broiler chicken.

7. BUSINESS OVERVIEW (Cont'd)*(2) Egg Production*

We do not have any Egg Production facilities in Singapore.

(3) Duck

Our Singapore Livestock Business derives a small portion of revenue from the import, slaughter and distribution of Broiler duck, approximately 50.0% of which we source from our Malaysia Livestock Business and 50.0% we source from third-parties also based in Malaysia. We are able to import Broiler duck from Malaysia by virtue of our farms in Malaysia, and the farms of the third party from whom we purchase, being accredited by the SFA.

As at 31 October 2018, on average, we process approximately 6,000 Broiler ducks per day at our single slaughtering plant, with capacity to increase output to 8,000 ducks per day at maximum capacity. We also slaughter and distribute approximately 182,000 Broiler ducks per month, all of which we sell within Singapore. For the FYE 31 December 2017, approximately 5.2% of the revenue of our Singapore Livestock Business is derived from sales of Broiler duck.

As at 31 October 2018, approximately 8.0% of the Broiler duck we slaughter in Singapore is halal. Approximately 6.0% of sales are made to retailers, with the remaining 94.0% of sales made to other third-party purchasers such as restaurants, shops and hawker centres. We do not sell any duck to QSRs.

(4) Trading and Storage

In 2014 we acquired Tai Wee Company (Pte) Ltd for approximately SGD 9.6 million, and subsequently renamed it Leong Hup Distribution. Through Leong Hup Distribution, we purchase, store, sell and distribute frozen food products (including chicken, beef, lamb and seafood) purchased from third parties located in the United States, Brazil, Argentina and Australia (all of whom have received SFA accreditation) to wholesalers located in Singapore. We purchase frozen chicken from third parties, rather than freezing our own fresh chicken, because it is more cost efficient to do so. As at 31 October 2018, we conduct approximately 45.0% of the distribution of the frozen food products ourselves utilising our fleet of approximately 100 cold-storage trucks, with the remaining 55.0% through third parties.

Our current storage facility in Singapore has a total of 11 cold rooms, with a total storage capacity of 8,650 Pellets. We use between 70.0% and 80.0% of the storage capacity for our own frozen food products and seek to rent the remaining storage capacity to third parties.

In the FYE 31 December 2017, approximately 25.2% of the revenue of our Singapore Livestock Business was derived from our Trading and Storage operations.

We have invested a further SGD 11.0 million (equivalent to approximately RM32.8 million) since July 2017 in the construction of an additional storage facility on the same site as our current storage facility, which has commenced operations in January 2019. This storage facility is fully automated, offers a further 7,800 pellets of storage capacity and will be used to expand current levels of domestic distribution.

(5) Swine

In the FYE 31 December 2017, approximately 16.3% of the revenue of our Singapore Livestock Business was derived from the sale of chilled swine. We have since divested our swine business as of 30 June 2018.

7. BUSINESS OVERVIEW (Cont'd)

Philippines

(1) Chicken Production

Our operations in the Philippines constitute a relatively small portion of our Livestock Business, accounting for approximately 0.4% of our revenue in the FYE 31 December 2017. We do not purchase or rear GPS DOCs for our operations in the Philippines. Instead, we purchase all of our PS DOCs from Phil Malay, in which Leong Hup GPS holds a 10.0% interest and Lau Jui Peng holds a 30.0% interest. As we do not have any feedmills in the Philippines, we satisfy all livestock feed requirements through third-party purchases.

As at 31 October 2018, we operate two PS DOC farms and two Broiler chicken farms in the Philippines. We also utilise seven contract farms in the Philippines for housing Broiler chicken. We have the housing capacity for:

- 146,280 PS DOCs; and
- 675,000 Broiler chickens (528,000 of which are housed in contract farms).

The table below sets out details of certain key operational data for the FYE 31 December 2017 and the FPE 31 October 2018:

Metric	FYE 31 December 2017		FPE 31 October 2018	
	Broiler DOCs	Broiler chicken	Broiler DOCs	Broiler chicken
Number produced annually or for the period.....	4,931,465	1,469,640	8,659,392	2,844,042
Number supplied annually or for the period ⁽¹⁾⁽²⁾	4,920,553	1,396,158	8,535,157	2,843,618

Notes:

- (1) Number supplied is lower than number produced due to the timing of the sale of stock.
 (2) All sales to third parties are to third parties within the Philippines.

We do not have any slaughtering or food processing operations in the Philippines. All Broiler chicken produced is sold locally to external third parties.

(2) Egg Production

We do not have any Egg Production facilities in the Philippines.

7. BUSINESS OVERVIEW (Cont'd)**Operational Data**

The table below sets out certain key operational data for our Livestock Business by jurisdiction:

	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
Malaysia				
Number of DOCs supplied (millions)	163.7	168.1	175.2	169.7
Number of Broiler chicken supplied (millions)	57.1	55.8	56.9	50.1
Eggs sold (millions)	1,149.7	1,244.8	1,287.8	1,114.9
Indonesia				
Number of DOCs supplied (millions)	227.2	232.7	240.9	188.4
Number of Broiler chicken supplied (millions)	12.5	14.6	16.3	20.3
Eggs sold (millions)	39.2	60.9	53.4	42.4
Vietnam				
Number of DOCs supplied (millions)	32.5	33.8	36.3	30.8
Number of Broiler chicken supplied (millions)	21.2	19.4	20.8	20.5
Eggs sold (millions)	456.9	460.9	384.9	234.1
Singapore				
Number of DOCs supplied (millions)	29.1	29.4	30.7	24.9
Number of Broiler chicken supplied (millions)	12.5	12.2	11.6	8.5
Eggs sold (millions)	-	-	-	-
Philippines				
Number of DOCs supplied (millions)	-	-	4.9	8.5
Number of Broiler chicken supplied (millions)	-	0.4	1.4	2.8
Eggs sold (millions)	-	-	-	-

7. BUSINESS OVERVIEW (Cont'd)

Quality Control and Biosecurity

Quality control is of fundamental importance to the continuing operation of our Livestock Business. The following biosecurity measures are in place throughout our Livestock Business:

- *Quality of GPS DOCs, PS Layers and imported products:* We purchase our GPS DOCs exclusively from Aviagen and Cobb, two of the world's leading genetics companies. Our PS Layers are all of the "Hisex" breed, which is one of the leading breeds for PS Layers. With regard to our Singapore Livestock Business, we only purchase frozen food products from companies who have received SFA accreditation;
- *Closed Poultry Houses:* Approximately 77.6% of our poultry houses operate on a closed-house system, which affords a number of advantages over competitors who utilise a higher percentage of 'open house' systems. In particular, in a closed-house system, we have far greater control over a number of climatic factors, including temperature, relative humidity, air composition, air movement and airspeed and light, which affect both the growth and health of poultry, thereby offering improved levels of biosecurity;
- *Monitoring:* at each of our farms, mortality and growth rates are monitored by qualified veterinarians and benchmarked against industry standards to identify any systemic or one-off issues. In addition, the onsite veterinarians conduct pre- and post-mortem inspections at our farms and slaughtering plants, respectively;
- *Temperature Control:* In addition to temperature control within our poultry houses, we maintain consistent temperature control at our slaughtering and processing facilities, ensuring that produce remains fresh. We keep all rooms where poultry is processed within a specified temperature range, and once we have packaged the chicken we freeze it immediately, preventing temperature fluctuations. All freezers are linked to a single hub from which we can control and monitor them; therefore, in the event that any problems arise, key personnel are notified. Moreover, in the event of power failure, back-up generators provide enough power for the freezers to continue to operate for a 48-hour period without further supply;
- *Cross-contamination:* stringent measures are in place to minimise any risks of cross-contamination occurring, particularly with regard to raw / cooked poultry (in accordance with HACCP standards) and RTE and RTC products. In relation to raw / cooked poultry, the facility is structured so that it operates on a one-way system, with a clear delineation throughout the facility, meaning that raw poultry cannot contaminate cooked poultry at any stage. In relation to RTE and RTC products, we store them separately and use separately lifts for moving RTE and RTC products prior to distribution;
- *Halal / non-halal productions:* We keep halal / non-halal products separate, from arrival at the slaughtering facility through to departure from the slaughtering facility; we conduct halal and non-halal slaughtering in two wholly separate 'batches'. Our Singapore Livestock Business has received certification from Majlis Ugama Islam Singapura that our processes are halal-compliant, and our Malaysia Livestock Business has received certification from the Department of Islamic Development Malaysia;
- *Traceability / Sampling:* we tag each chicken or duck that leaves one of our farms to be transported to a slaughtering facility with key identifying information, so that it may be traced back to a particular farm and a particular batch of poultry. Upon arrival at the slaughtering plant, we take samples from each batch of poultry and test those samples, so that we can identify any issues with the specific batch. Moreover, in Singapore we have installed global positioning system trackers on all of our distribution vehicles, so that at all times we have complete visibility on where and when each batch is being delivered;

7. BUSINESS OVERVIEW (Cont'd)

- *Hygiene:*
 - *Farms:* we employ a number of measures to ensure that high hygiene standards are met at our farms. Our closed-house farms offer improved levels of biosecurity as compared to open house farms. We run our farms on an "all-in-all-out" cyclical basis, with each farm being "offline" for approximately three weeks. This decreases the likelihood of disease spreading and also allows us to sanitise the farm while it is offline. We also require persons entering our farms to a thorough sanitisation process prior to entry to mitigate the risk of any disease being brought onto the farm; and
 - *Slaughtering facilities:* we require our employees at our slaughtering facilities to wear specific clothing and all our employees are trained on hygiene standards prior to commencing work. We employ a meticulous cleaning process at our slaughtering facilities every evening. In addition, we clean the entire facility every Sunday, when no slaughtering takes place;
- *Inspection:* our facilities are subject to annual inspections to ensure compliance with our certifications. In particular, our facilities in Singapore are subject to random spot-checks by the SFA, who, on average, visits our facilities bi-weekly to take samples for testing; and
- *Training:* We conduct ongoing staff training in biosecurity measures, which is important to ensure the safe and hygienic operation of our business.

See Section 7.26 of this Prospectus for a description of the key certifications that we have received.

7.6 Sales and marketing

We do not have an overarching sales or marketing strategy that pervades across all jurisdictions in which we operate. Rather, the sales and marketing teams in each jurisdiction retain discretion to formulate strategies for, and adapt to the needs of, their jurisdiction as is necessary. However, we employ the following consistent marketing and sales strategies:

- placing an emphasis on the high quality of our produce, whilst continuing to price our livestock feed competitively;
- seeking to emphasise, and spread the visibility of, our key brands (whether "Leong Hup" in Malaysia, Singapore and the Philippines or "Malindo" in Indonesia); and
- offering excellent levels of customer service.

7.6.1 Malaysia

Our sales and marketing strategy for our operations in Malaysia includes:

In relation to livestock feed:

- ensuring that our sales teams, who represent our most effective marketing and promotion channel, have a comprehensive understanding of our sales strategies and our products and services;
- implementing an active marketing strategy by participating in trade shows, livestock exhibitions and livestock fairs to promote our products and seek new business opportunities, as well as organising forums and seminars for customers to update them on industry trends, product information, technical knowledge and support;

7. BUSINESS OVERVIEW (Cont'd)

- offering extensive ongoing support services to our customers, including guiding them on farm management practices and flock health, monitoring and evaluating performance to achieve optimal results, and providing feedback to customers with concerns to rectify potential problems and/or deficiencies; and
- targeting customers located in states in Malaysia where there is a high density of livestock production and therefore a greater demand for our products.

In relation to livestock:

- emphasising our ability to supply quality livestock in the required quantity and within the required timeframe;
- maintaining close communication with our customers to ensure we remain cognisant of shifts in market appetite / expectation, and in particular with customers with whom we have long-term contracts and long-term relationships; and
- engaging a team of veterinarians to assist our customers with regard to animal health nutrition and farm management.

7.6.2 Indonesia

Our sales and marketing strategy for our operations in Indonesia includes:

- prioritising the sale of high margin products (such as Broiler chicken feed);
- ensuring we continue to offer a diverse product line, including feed for swine, chicken, duck and quail; and
- offering customers promotions such as loyalty discounts, tour incentives, seminars and training.

7.6.3 Vietnam

Our sales and marketing strategy for our operations in Vietnam includes:

- In relation to livestock feed:
 - locating distribution points strategically throughout Vietnam by utilising a small and medium scale dealership system, thereby enhancing the breadth of our market;
 - offering a diverse range of health products in conjunction with the livestock feed sold; and
 - seeking to enhance our well-established reputation for producing a livestock feed product of a consistent quality and physical appearance.
- In relation to livestock:
 - offering daily support to the contract farmers on whom we rely in the form of experienced veterinarians located throughout the northern, south central and southern regions of Vietnam;

7. BUSINESS OVERVIEW (Cont'd)

- emphasising the genetic quality of our products by virtue of the reputable companies from whom we source our PS and PS Layers, including that we are the sole provider of the "Hisex" breed; and
- locating our farms strategically throughout Vietnam, allowing customers easy access and thereby saving costs on transportation.

7.6.4 Singapore

Our sales and marketing strategy for our operations in Singapore includes:

- emphasising our commitment to food safety;
- emphasising our ability to continue supplying our customers in the event that we encounter production issues at one of our facilities, as our other facilities are capable of meeting any shortfall, providing reassuring customers that all orders will be met; and
- relying on our dedicated fleet of approximately 100 cold-storage trucks to ensure prompt delivery for scheduled and ad-hoc deliveries.

7.6.5 Philippines

Our sales and marketing strategy for our operations in the Philippines includes, in relation to the sale of DOCs specifically:

- booking sales approximately one month in advance of actual delivery, which gives us visibility over our future delivery obligations; and
- instituting careful credit control procedures which are closely monitored, including: (a) requiring customers who represent a credit risk to place a cash bond for their confirmed order, which will be used to offset any loss resulting from the customer failing to make payment for that order; and (b) requiring payment within 14 days of delivery.

7.7 Distribution

7.7.1 Malaysia

With regard to our Feedmill Business, we distribute Bagged Feed, both internally and to our customers, using our trucks. All Bulk Feed is delivered to third-party bulk tankers hired by our customers.

With regard to our Livestock Business:

- we outsource the delivery of DOCs to a third-party logistics company, who utilise their fleet of trucks to pick up DOCs from our eight Hatcheries across Malaysia and deliver the DOCs directly to our customers' farms throughout Malaysia; and
- we deliver some Broiler chicken and Broiler duck directly to our customers (utilising our fleet of trucks) and outsource some deliveries to third parties, whilst some customers collect Broiler chicken and Broiler duck from our farms themselves.

7. BUSINESS OVERVIEW (Cont'd)

7.7.2 Indonesia

With regard to our Feedmill Business, for livestock feed supplied internally, the Malindo Group deliver the livestock feed using the three bulk tankers that they own. For livestock feed sold externally, customers will either send their own trucks or bulk tankers to pick up the livestock feed, or request that the Malindo Group arrange for third parties to deliver the livestock feed to them (at the customers' cost).

With regard to our Livestock Business, all distribution is conducted by third parties, as arranged by the customer.

7.7.3 Vietnam

Where produce is being delivered internally or to a related party, we will deliver the produce by truck to the relevant location. By contrast, where the produce is being sold on the open market, the customer will arrange their own transportation of the produce, as the goods are sold ex-factory / ex-farm.

7.7.4 Singapore

Due to Singapore's relatively small size, the location of our facilities is of lesser importance than in the other jurisdictions where we operate.

Of greater importance is our extensive fleet of cold-storage trucks (all of which are fitted with Global Positioning System tracking), which enable us to deliver our produce to customers across Singapore.

7.7.5 Philippines

We deliver DOCs using our own delivery trucks. By contrast, customers will arrange for trucks to attend our farms to pick up any Broiler chicken purchases.

7.8 Major suppliers and customers

7.8.1 Major Customers

The table below sets out details of our five largest customers for the financial years/period indicated.

FPE	Customer	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Sales (RM millions)	% of revenue
31 October 2018	Teratai Agriculture Vietnam Limited	Feedmill	8	Vietnam	116.5	2.5
	PT Mustika Jaya Lestari	Feedmill	7	Indonesia	71.3	1.5
	NTUC Fairprice Co-operative Limited	Livestock	10	Singapore	94.8	2.0
	Worldsign Industries Sdn Bhd	Livestock	6	Malaysia	52.4	1.1

7. BUSINESS OVERVIEW (Cont'd)

FPE	Customer	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Sales (RM millions)	% of revenue
	NB Poultry Processing Industries Sdn Bhd	Livestock	12	Malaysia	51.5	1.1

For the FPE 31 October 2018, our five largest customers contributed RM386.5 million (8.2% of revenue).

FYE	Customer	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Sales (RM millions)	% of revenue
2017	NTUC Fairprice Co-operative Limited	Livestock	10	Singapore	171.4	3.1
	PT Mustika Jaya Lestari	Feedmill	6	Indonesia	155.1	2.8
	Teratai Agriculture Vietnam Limited	Feedmill	7	Vietnam	123.8	2.3
	PYL Farming Sdn Bhd	Feedmill	12	Malaysia	72.2	1.3
	NB Poultry Processing Industries Sdn Bhd	Livestock	12	Malaysia	69.4	1.3

For the FYE 31 December 2017, our five largest customers contributed RM591.9 million (10.8% of revenue).

FYE	Customer	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Sales (RM millions)	% of revenue
2016	NTUC Fairprice Co-operative Limited	Livestock	10	Singapore	151.8	2.9
	Teratai Agriculture Vietnam Limited	Feedmill	7	Vietnam	96.5	1.8
	PT Mustika Jaya Lestari	Feedmill	6	Indonesia	96.1	1.8
	NB Poultry Processing Industries Sdn Bhd	Livestock	12	Malaysia	84.9	1.6
	PYL Farming Sdn Bhd	Feedmill	12	Malaysia	69.0	1.3

7. BUSINESS OVERVIEW (Cont'd)

For the FYE 31 December 2016, our five largest customers contributed RM498.3 million (9.5% of revenue).

FYE	Customer	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Sales (RM millions)	% of revenue
2015	NTUC Fairprice Co-operative Limited	Livestock	10	Singapore	138.0	2.9
	NB Poultry Processing Industries Sdn Bhd	Livestock	12	Malaysia	77.2	1.6
	Teratai Malaysia	Feedmill	27	Malaysia	49.7	1.1
	An Long Food Processing and Trading Company Limited	Livestock	7	Vietnam	43.5	0.9
	Teratai Agriculture Vietnam Limited	Feedmill	7	Vietnam	41.4	0.9

For the FYE 31 December 2015, our five largest customers contributed RM349.8 million or 7.4% of our revenue.

We are not dependent on any of our major customers.

7.8.2 Major Suppliers

The table below sets out details of our five largest suppliers across the jurisdictions where we operate, for the financial years/period indicated.

FPE	Supplier	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Purchases (RM millions)	% of purchases of inventories and livestock
31 October 2018	Marubeni Grain & Oilseeds Trading Asia Pte Ltd	Feedmill	8	Vietnam and Indonesia	270.6	8.2
	Hoe Seng Chan Co., Sdn Bhd	Feedmill	20	Malaysia	137.2	4.1
	Hum Joint Stock Company	Feedmill	3	Vietnam	123.4	3.7
	Enerfo Malaysia Sdn Bhd	Feedmill	2	Malaysia	93.1	2.8
	CJ International Asia Pte Ltd	Feedmill	10	Indonesia	83.9	2.5

For the FPE 31 October 2018, our five largest suppliers represented purchases of RM708.2 million (21.3% of purchases of inventories and livestock).

7. BUSINESS OVERVIEW (Cont'd)

FYE	Supplier	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Purchases (RM millions)	% of purchases of inventories and livestock
2017	Marubeni Grain & Oilseeds Trading Asia Pte Ltd	Feedmill	7	Vietnam and Indonesia	345.9	9.0
	Cargill (Malaysia) Sdn Bhd	Feedmill	20	Malaysia	123.8	3.2
	PT Agristar Grain Indonesia	Feedmill	3	Indonesia	116.3	3.0
	Hoe Seng Chan Co., Sdn Bhd	Feedmill	20	Malaysia	106.3	2.8
	Sats BRF Foods Pte Ltd	Livestock	5	Singapore	83.2	2.2

For the FYE 31 December 2017, our five largest suppliers represented purchases of RM775.5 million (20.2% of purchases of inventories and livestock).

FYE	Supplier	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Purchases (RM millions)	% of purchases of inventories and livestock
2016	Marubeni Grain & Oilseeds Trading Asia Pte Ltd	Feedmill	7	Vietnam and Indonesia	266.6	7.4
	Cargill (Malaysia) Sdn Bhd	Feedmill	20	Malaysia	154.6	4.3
	Hoe Seng Chan Co., Sdn Bhd	Feedmill	20	Malaysia	121.9	3.4
	Sats BRF Foods Pte Ltd	Livestock	5	Singapore	108.9	3.0
	Cargill International Trading Pte Ltd	Feedmill	6	Vietnam	98.3	2.7

For the FYE 31 December 2016, our five largest suppliers represented purchases of RM750.3 million (20.8% of purchases of inventories and livestock).

FYE	Supplier	Feedmill / Livestock	Length of relationship as at 31 October 2018 (years)	Jurisdiction	Purchases (RM millions)	% of purchases of inventories and livestock
2015	Marubeni Grain & Oilseeds Trading Asia Pte Ltd	Feedmill	7	Vietnam and Indonesia	348.7	10.4
	Enerfo Pte Ltd	Feedmill	4	Indonesia	163.5	4.9
	Hoe Seng Chan Co., Sdn Bhd	Feedmill	20	Malaysia	104.3	3.1
	Cargill (Malaysia) Sdn Bhd	Feedmill	20	Malaysia	85.9	2.6
	Linley Valley Pork	Livestock	18	Singapore	48.8	1.5

7. BUSINESS OVERVIEW (Cont'd)

For the FYE 31 December 2015, our five largest suppliers represented purchases of RM751.2 million or 22.5% of purchases of inventories and livestock.

We are not dependent on any of our major suppliers.

7.9 Competition

See Section 8 of this Prospectus for details of the barriers to entry and competition.

7.10 Raw Materials and Procurement

7.10.1 Feedmill

Our Feedmill Business is highly dependent upon the price and availability of raw materials. The raw materials most widely used in our Feedmill Business are corn and soybean meal (imported from South America). See Section 7.5.1 of this Prospectus for details of the raw materials we use in the production of livestock feed.

7.10.2 Livestock

We have not experienced substantial fluctuations in the cost of raw materials required for our Livestock Business. The primary raw materials we source are GPS DOCs, PS DOCs, PS Layer DOCs and PS DODs. We source our GPS DOCs and PS DOCs from Aviagen and Cobb, our PS Layer DOCs from Hendrix Genetics and our PS DODs from Cherry Valley, all of whom are companies with which we have long-standing relationships.

We do see noticeable fluctuations in our Trading operations in our Singapore Livestock Business. The frozen food products that we purchase are imported from countries including the United States, Brazil and Argentina, and the prices of these products can fluctuate regularly and substantially, based on market demand. Consequently, the margin of profit made from our Trading operations fluctuates in tandem.

7.11 Future Plans for Construction, Expansion and Improvement of Plant, Property and Equipment

We have completed the construction of a fourth feedmill in Dong Nai, Vietnam, which has commenced operations in January 2019, with an annual production capacity of 285,120 MT. We have plans to expand our Dong Nai feedmill to include the following:

- construction of one silo and a soybean meal flat warehouse discharging system;
- construction of a third pelleting line, thereby increasing our annual production capacity in Vietnam from 1,069,200 MT per annum in 2018 to 1,496,880 MT per annum in 2020; and
- construction of a spent grain drying facility (a facility to dry grains), and centralisation of premix machinery, thereby providing our Group with additional capacity of 13,200 MT per annum and 24,000 MT per annum respectively.

The above expansion plans will be funded by the proceeds from the Public Issue. Construction of one silo and a soybean meal flat warehouse discharging system is scheduled to commence in the third quarter of 2020 and be completed by the fourth quarter of 2020. Construction of the third pelleting line is scheduled to commence in the third quarter of 2019 and is expected to complete by the fourth quarter of 2019. Construction of the spent grain drying facility has commenced in the first quarter 2019 and is expected to complete by the third quarter of 2019 whereas construction of the centralise premix machinery is expected to commence in the third quarter of 2020 and is expected to complete by the first quarter of 2021.

7. BUSINESS OVERVIEW (Cont'd)

We also plan to construct an animal medicine injection line in the medicine plant located at Bau Bang and install automatic bagging and a robotic pelletiser in both the Bau Bang and Tien Giang feedmills in Vietnam. We expect the expansion in the Dong Nai feedmill and the construction of equipment and machinery for Dong Nai, Bau Bang and Tien Giang feedmill plants to cost approximately RM25.6 million, which we intend to fund using proceeds from the Public Issue.

We have further plans to construct an aquaculture feedmill plant in Vietnam, which will have an annual production capacity of 77,760 MT. Construction is scheduled to commence in the first quarter of 2020 and expected to complete in the first quarter of 2021. We expect the construction to cost approximately RM68.0 million, which we intend to fund using bank borrowings and internally generated funds. As at the LPD, no amount has been paid towards this project.

We have plans to construct our first feedmill in the Philippines, which will have an initial annual production capacity of 144,000 MT, with scope to subsequently upgrade annual production capacity to 240,000 MT. Construction is scheduled to commence in the third quarter of 2019 and complete in the fourth quarter of 2020. We expect the construction to cost approximately RM59.2 million, which we intend to fund using proceeds from the Public Issue.

We are planning on constructing and expanding these feedmills to support the growth of our Livestock Business, as it provides us with security in terms of the supply of livestock feed required within our Livestock Business and greater control over the entire poultry value chain. A higher quantity of livestock feed production increases our flexibility with regards the number of Broiler chicken that we can produce, as we reduce our reliance on external suppliers. This flexibility is crucial when seeking to transition from utilising contract farms to using more of our own farms.

See Section 4.6 of this Prospectus for further details on our Group's future plans for the construction, expansion and improvement of plant, property and equipment that will be paid for with Public Issue proceeds.

7.12 Seasonality

Our Feedmill Business is not subject to seasonal factors.

Our Livestock Business can be subject to certain seasonal factors, such as the weather, festive seasons and school holidays:

- *Weather:* whilst poultry grown in closed-houses are not affected by variations in the weather, poultry grown in open-houses are. When the weather is hotter, poultry tends to grow at a slower rate, thus reducing the supply to the market, and therefore increasing prices. By contrast, when the weather is cooler, poultry tends to grow at a faster rate, thus increasing the supply to the market, and therefore depressing prices. As such, the change in the weather has affected and will affect the production of our Livestock Business.
- *Festive seasons:* Typically, poultry consumption is higher during the festive seasons such as Ramadan and Christmas, and poultry consumption is lowest during the period immediately following Ramadan.
- *School holidays:* during the school holidays we see an increase in sales in each of jurisdictions where we operate, other than in Singapore, where sales are slightly lower.

7. BUSINESS OVERVIEW (Cont'd)

7.13 Research and development

We have long-standing relationships with several internationally renowned universities and research institutions, with whom we collaborate regarding research on nutrition. In addition, our nutritionists attend international conferences, as well as working closely with key industrial partners (such as Cobb and Aviagen) and other livestock feed additive companies. This enables our nutritionists to acquire information regarding innovative nutritional concepts first-hand and ensure that they are aware of the latest developments and issues. We then use this information at our commercial research farms located in Subang, Indonesia, to seek to improve our FCR and the health of our poultry. We are committed to continuous improvement in livestock feed quality and animal health.

7.14 Technology

7.14.1 Feedmill Business

In Malaysia, we have retrofitted our pelleting process with automated pelleting technology produced by the Bühler Group, which reduces the scope for human error and maintains pellet quality control. In Indonesia, we have installed robotic arms for the packaging of livestock feed, increasing efficiency and reducing the amount of labour required. In addition, in each of Malaysia, Indonesia and Vietnam we have successfully linked our production records to the ERP system, eliminating the scope for operators inputting incorrect data as production data will be captured by the ERP system in real-time.

7.14.2 Livestock Business

Within our hatcheries in Malaysia, we utilise "HatchBrood", a system developed by HatchTech Group BV, which balances and controls crucial environmental variables (including air temperatures, floor temperatures, air velocity and humidity levels) during the brooding period, thereby ensuring that the DOCs maintain a uniform and optimum body temperature. This results in higher growth rates, improved health and lower mortality. Whilst HatchBrood is currently used only in Malaysia, we intend to roll this out across the jurisdictions where we have Egg Production operations.

In addition, across the jurisdictions where we operate, we seek to rely on automated machinery to minimise human intervention, which has the dual effect of increased productivity and a reduction in human error, as well as reducing our reliance on the availability of labour. For example, in Malaysia, we have invested in automated chicken manure belts at our Layer chicken farms so that the farms are cleaned more regularly, thereby improving hygiene at the farms. In Indonesia, we have invested in market-leading pelleting systems designed by Bühler Holding AG and CPM Roskamp. In Singapore, we have invested in the construction of a new fully automated cold-storage facility which has commenced operations in January 2019.

7.15 Insurance

We have the following insurance policies in place:

- Property all-risks insurance for our fixed assets and inventory in relation to any damage caused by accidents, fire civil disorder, and/or natural disasters;
- Fire insurance for our fixed assets, inventory, machinery and equipment (including those held in trust by our relevant companies) in relation to any damage caused by fire, explosions, civil disorders and/or natural disasters such as storms, earthquakes, volcanic eruptions and flood;
- Money / burglary insurance in relation to any burglary, robbery or hold up for machinery and equipment stored in the relevant premises and all cash kept locked in the relevant premises and/or in the personal custody by our authorised employee in transit to the banks;

7. BUSINESS OVERVIEW (Cont'd)

- Goods-in-Transit insurance for damage suffered to our goods, stocks, inventory, machinery and equipment during transit to or from our premise to any determined destination within Malaysia and Singapore (whether by land or sea);
- Public Liability insurance for any injury(s) suffered by a third party on or about our premises whether due to fault, negligence or by any defect in the buildings, works or machinery;
- Work injury insurance and medical insurance for our employees in relation to any sickness or injuries suffered during the course of their employment (this insurance is in place for some, but not all, of our subsidiaries); and
- Motor vehicle insurance in relation to any damages to our motor vehicle (this insurance is in place for some, but not all, of our subsidiaries).

The insurance policies that we currently hold are customary in the industry in which we operate, and we will review our insurance coverage annually.

7.16 Major licences and permits

We have various licences and permits for our operations in Malaysia and other jurisdictions where we operate. Details of our major licences and permits are set out in Annexure A of this Prospectus. Save as disclosed in Annexure A of this Prospectus, our Group is not dependent on any major licenses, permits registration and other intellectual property rights for our business operations.

7.17 Business interruption

We did not experience any disruption in business which has a significant effect on our operations for the 12-month period prior to the date of this Prospectus.

7. BUSINESS OVERVIEW (Cont'd)

7.18 Employees

As at 31 October 2018, we have 10,415 employees, of whom 7,676 are permanent employees and 2,739 are contract/temporary employees. The following table sets out the functional areas at these employees as at the dates indicated:

Category	As at 31 December 2017	As at 31 October 2018
Management and Professional	959	998
Technical and Supervisory	802	877
Executive (Support Function)	2,122	1,994
Semi-Skilled & Clerical	3,846	3807
Contracted Workers	2,841	2,739
Total	10,570	10,415

Location	As at 31 December 2017	As at 31 October 2018
Malaysia	4,376	4,362
Indonesia	3,537	3,537
Vietnam	1,520	1,399
Singapore	1,049	959
Philippines	88	158
Total	10,570	10,415

Some of our employees in Indonesia are members of Serikat Pekerja Seluruh Indonesia. None of our employees in Malaysia, Vietnam, Singapore and Philippines are members of any union. We have not experienced labour disputes in the past that have caused a material disruption to and materially affected our operations.

Talent with strong competencies and technical skills and experiences are vital in ensuring an efficient operational performance across our countries of operations. We will continue to seek to attract and retain top talent, as well as to emphasise the strengthening of our human capital to support our future growth. To ensure a pipeline of talented and skilled workers, we focus on retaining and recruiting talent who are familiar with the dynamics of the poultry industry and intend to continue investing in the training and development of our staff.

7. BUSINESS OVERVIEW (Cont'd)


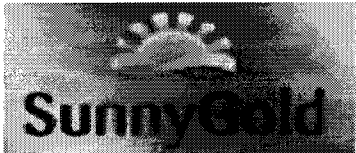
7.19 Intellectual property and trademarks

Save as disclosed below, as at the LPD, we do not have any brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights:

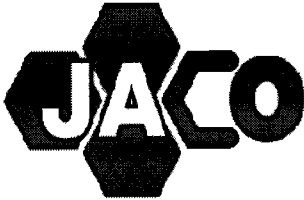

7.19.1 Trademarks

As at the LPD, we have registered the following trademarks which are used for the operation of our business:

Malaysia

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
1.	 <i>• ayam A1 •</i>	LH Agrobusiness	2012050868	Malaysia	16 February 2022	29: Poultry products included in Class 29 ⁽¹⁾ .
2.		LH Agrobusiness	2012050855	Malaysia	16 February 2022	29: Poultry products included in Class 29 ⁽¹⁾ .




7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
3.		Jaco Nutrimix	2014012612	Malaysia	13 November 2024	31: Foodstuffs for animals, vitamin and mineral premixes as well as concentrated vitamins for the livestock industry; all included in class 31 ⁽²⁾ .
4.		LH Agrobusiness	04013678	Malaysia	13 September 2024	29: Sausages, frankfurter, burger, meatball, nuggets, popcorn chicken and vegetarian burger; all included in class 29 ⁽¹⁾ .
5.	<p style="text-align: center;">潮成</p> <p style="text-align: center;">TEO SENG</p>	Teo Seng	(i) 2012059481 (ii) 2012059479 (iii) 2012059480 (iv) 2012059482	Malaysia	2 December 2022	(i) 35: Advertising, business marketing, business management, office function and retailing shop; all included in class 35 ⁽³⁾ .


7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
						(ii) 16: Paper, paper carton, paper packaging, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding materials; photographs; stationery; instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); all included in class 16 ⁽⁴⁾ .
						(iii) 29: Meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats; all included in class 29 ⁽¹⁾ .
						(iv) 39: Transport; packaging and storage of goods; travel arrangement; all included in class 39 ⁽⁵⁾ .



7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
6.		Ritma Prestasi	2012057472	Malaysia	22 September 2022	44: Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture horticulture and forestry services; all included in class 44 ⁽⁶⁾ .
7.		Ritma Prestasi	09006060	Malaysia	14 April 2029	35: Business marketing, business management and advertising; all included in class 35 ⁽³⁾ .
8.		Teo Seng	(i) 2012057836 (ii) 2012057837 (iii) 2012057838 (iv) 2012057835	Malaysia	4 October 2022	(i) 16: Paper, paper carton, paper packaging, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding materials; photographs; stationery; instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); all included in class 16 ⁽⁴⁾ .


7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
						(ii) 29: Meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats; all included in class 29 ⁽¹⁾ . (iii) 31: Agricultural, horticultural and forestry products and grains nor included in other classes; live animals; fresh fruits and vegetables; seeds, natural plants and flowers; foodstuffs for animals, malt; all included in class 31 ⁽²⁾ . (iv) 39: Transport, packaging and storage of goods; all included in class 39 ⁽⁵⁾ .
9.		Teo Seng	09006059	Malaysia	14 April 2029	36: Financial affairs, monetary affairs, real estate affairs; all included in class 36 ⁽⁷⁾ .

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
10.		Teo Seng Farming	08023199	Malaysia	20 November 2028	35: Business management and marketing, promoting public awareness, which including verbal and nonverbal communication, of the need for doing sales or community development, community awareness and academic achievement through the marketing, promoting, sponsoring, facilitating of any educational program through mass media; all included in class 35 ⁽³⁾ .
11.		Laskar Fertiliser	(i) 2014061271 (ii) 2014061269 (iii) 2014061270	Malaysia	2 August 2024	(i) 35: Advertising, business marketing, business management, retailing services connected to fertilizer; all included in class 35 ⁽³⁾ . (ii) 1: Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry included in class 1 ⁽⁶⁾ .

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
						(iii) 16: Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); all included in class 16 ⁽⁴⁾ .
12.		Teo Seng Farming	(i) 2017057510 (ii) 2017057507 (iii) 2017057509	Malaysia	28 April 2027	(i) 16: Paper, cardboard and goods made from these materials, printed matter; bookbinding materials; photographs; stationery; carton box, plastic materials for packaging; all included in class 16 ⁽⁴⁾ .

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
						(ii) 29: Albumen for food, eggs, powdered eggs, white of eggs and yolk of eggs; all included in class 29 ⁽¹⁾ .
						(iii) 35: Business management assistance; business management consultancy; business organization consultancy; demonstration of goods; dissemination of advertising matter; distribution of samples; sales promotion; the bringing together, for the benefit of others, a variety of goods (excluding the transportation thereof) enabling customers conveniently to view and purchase those goods in a retail store; franchising, namely, offering technical assistance in the establishment and/or operation of stores; all included in class 35 ⁽³⁾ .

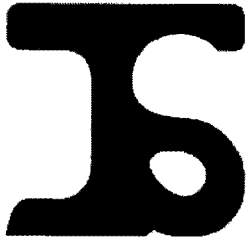
7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
13.	Happy egg	Teo Seng Farming	(i) 2017057516 (ii) 2017057511 (iii) 2017057512	Malaysia	28 April 2027	<p>(i) 16: Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); all included in class 16⁽⁴⁾.</p> <p>(ii) 29: Albumen for food, eggs, powdered eggs, white of eggs and yolk of eggs; all included in class 29⁽¹⁾.</p>

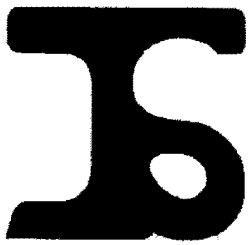

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
						(iii) 35: Business management assistance; business management consultancy; business organization consultancy; demonstration of goods; dissemination of advertising matter; distribution of samples; sales promotion; the bringing together, for the benefit of others, a variety of goods (excluding the transportation thereof) enabling customers conveniently to view and purchase those goods in a retail store; franchising, namely, offering technical assistance in the establishment and/or operation of stores; all included in class 35 ⁽³⁾ .

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
14.		Teo Seng	(i) T1214288H (ii) T1214289F	Singapore	27 September 2022	<p>(i) 16: Paper, paper carton, paper packaging, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding materials; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic material for packaging (not included in other classes).</p> <p>(ii) 29: Meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jams, eggs, milk and milk products; edible oils and fats.</p>


7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
15.		Teo Seng	T1105148Z	Singapore	18 April 2021	<p>35: Advertising; business marketing; business management; and office functions.</p> <p>36: Financial affairs; monetary affairs and real estate affairs.</p>
16.		Teo Seng Farming	40201707898S	Singapore	2 May 2027	<p>16: Printed matter; Printed material; Paper; Paper packing; Packing paper; Paper bags; Packaging boxes of paper; Paper packaging materials; Paper bags; Packaging cartons of paper; Cardboard for packaging; Packaging material of plastic; Plastic wrap; Plastic materials for packaging.</p> <p>29: Eggs; Duck eggs; Hen eggs; Fluid egg; Dried eggs; Egg whites; Quail eggs; Frozen eggs; Salted eggs; Scotch eggs; Meat; Chicken; Cooked chicken; Chicken products; Chicken nuggets; Chicken, not live.</p>

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
17.	Happy egg	Teo Seng Farming	40201707899T	Singapore	2 May 2027	<p>35: Advertising; Business advice relating to marketing; Business management; Hypermarket retailing; Supermarket retailing; Department store retailing; Convenience store retailing; Retailing of goods by any means.</p> <p>16: Printed matter; Printed material; Paper; Paper packing; Packing paper; Paper bags; Packaging boxes of paper; Paper packaging materials; Paper bags; Packaging cartons of paper; Cardboard for packaging; Packaging material of plastic; Plastic wrap; Plastic materials for packaging.</p> <p>29: Eggs; Hen eggs; Duck eggs; Egg yolks; Fluid egg; Dried eggs; Egg whites; Quail eggs; Frozen eggs; Salted eggs; Scotch eggs; Chicken; Cooked chicken; Chicken products; Chicken nuggets; Chicken, not live.</p>

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
18.		BH Fresh Food	T0309399C	Singapore	2 July 2023	35: Advertising; Business advice relating to marketing; Business management; Hypermarket retailing; Supermarket retailing; Department store retailing; Convenience store retailing; Retailing of goods by any means. 29: Meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats.

Notes:

1. Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 29 is defined as: Meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs; milk, cheese, butter, yoghurt and other milk products; oils and fats for food.
2. Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 31 is defined as: Raw and unprocessed agricultural, aquacultural, horticultural and forestry products; raw and unprocessed grains and seeds; fresh fruits and vegetables, fresh herbs; natural plants and flowers; bulbs, seedlings and seeds for planting; live animals; foodstuffs and beverages for animals; malt.
3. Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 35 is defined as: Advertising; business management; business administration; office functions.

7. BUSINESS OVERVIEW (Cont'd)




4. *Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 16 is defined as: Paper and cardboard; printed matter; bookbinding material; photographs; stationery and office requisites, except furniture; adhesives for stationery or household purposes; drawing materials and materials for artists; paintbrushes; instructional and teaching materials; plastic sheets, films and bags for wrapping and packaging; printers' type, printing blocks.*
5. *Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 39 is defined as: Transport; packaging and storage of goods; travel arrangement.*
6. *Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 44 is defined as: Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry service.*
7. *Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 36 is defined as: Insurance; financial affairs; monetary affairs; real estate affairs.*
8. *Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 1 is defined as: Chemicals for use in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; fire extinguishing and fire prevention compositions; tempering and soldering preparations; substances for tanning animal skins and hides; adhesives for use in industry; putties and other paste fillers; compost, manures, fertilizers; biological preparations for use in industry and science.*

7. BUSINESS OVERVIEW (Cont'd)

Indonesia



No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Description of trademark
1.		Malindo Feedmill	IDM000243450	Indonesia	26 October 2020	Livestock feed
2.		Malindo Feedmill	IDM000318861	Indonesia	23 February 2020	Plants seed, animal food, livestock feed
3.		Malindo Food Delight	IDM000387283	Indonesia	25 April 2021	Nugget, stikie, sausage, karage, katsu, meatball, alphabetical nugget, nugget-star, cheese nugget

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Description of trademark
4.		Malindo Food Delight	IDM000399584	Indonesia	10 June 2021	Chicken nugget, fish nugget, squid nugget, shrimp nugget, chicken karage, chicken katsu, chicken sticky, chicken spicy wing, cheese nugget, nugget star, fried chicken skin (crispy crunch), chicken sausage, chicken-cheese sausage, meat sausage, chicken meatballs, meatballs, fish meatballs, squid meatballs, shrimp meatballs, smoked chicken, chicken pau, ham, roasted duck, chicken shumai, fish fillet.
5.		Malindo Food Delight	IDM000403065	Indonesia	19 September 2021	Cookies, bread, ice cubes, ice cream, candy, chocolate, breaded fish
6.		Malindo Food Delight	IDM000594224	Indonesia	30 December 2025	Processed food products from chicken (i.e. sausage, nugget)

7. BUSINESS OVERVIEW (Cont'd)

Vietnam

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Description of trademark
1.		Emivest Feedmill Vietnam ⁽¹⁾	264738	Vietnam	28 November 2024	Animal Poultry Feed
2.		Emivest Feedmill Vietnam ⁽¹⁾	265022	Vietnam	28 November 2024	Animal Poultry Feed

Note:


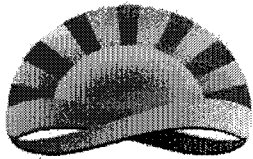


1. *Emivest Feedmill Vietnam has 47 animal feed trade secrets and 62 medicines trade secrets. Emivest Feedmill Vietnam has licensed the right to use the trademarks and the trade secrets to Emivest Feedmill TG and Leong Hup Feedmill Vietnam further to license agreements dated 23 June 2016. This agreement have not been registered with the state administrative body for industrial property rights as prescribed on intellectual property, as such it is not effective against any third party.*

Emivest Feedmill (TG) has the right to use the trade secrets (feed and medicine formula) and trademark belonging to Emivest Feedmill Vietnam further to the License Agreement dated 23 June 2016 between Emivest Feedmill (TG) and Emivest Feedmill Vietnam.




Leong Hup Feedmill Vietnam has the right to use the LH Trademark belonging to Emivest Feedmill Vietnam further to the License Agreement dated 23 June 2016. Pursuant to the TM Licence Agreement, LH Holdings is the ultimate owner of this LH Trademark.

7. BUSINESS OVERVIEW (Cont'd)




Singapore

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
1.		Malindo Food Delight	Trade Mark No. T1311370I	Singapore	17 July 2023	29: Halal meat products such as sausages, chicken and turkey hams, chipolatas, chicken nuggets, karage, and tempura
2.		Malindo Food Delight	Trade Mark No. T1311369E	Singapore	17 July 2023	29: Halal meat products such as sausages, chicken and turkey hams, chipolatas, chicken nuggets, karage, and tempura
3.		Leong Hup Food	Trade Mark No. T0004217D	Singapore	8 March 2020	29: Preserved meat, poultry and game; meat extracts; all included in Class 29
4.		Soonly Food	T9200452E	Singapore	21 January 2022	29: Poultry, not live




7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
5.		LS Poultry	T0411917A	Singapore	21 July 2024	29: Beef, beef products, chicken, chicken products, cold meats, fresh meat, frozen meat, game [dead], meat, meat extracts, meat products, swine, swine products, poultry, poultry products, preserved meat, salted meat, tinned meat, all in Class 29
6.		LS Poultry	T0905446I	Singapore	15 May 2029	29: Beef, beef products, chicken, chicken products, cold meats, fresh meat, frozen meat, game [dead], meat, meat extracts, meat products, swine, swine products, poultry, poultry products, preserved meat, salted meat, tinned meat, coconut milk for cooking, hamburger (meat patties), meat burgers, duck, duck products
7.		LS Poultry	04010466	Malaysia	22 July 2024	29: Meat, fish, poultry and game, meat extracts

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
8.		LS Poultry	04010465	Malaysia	22 July 2024	29: Meat, fish, poultry and game, meat extracts
9.		LS Poultry	T0411915E	Singapore	21 July 2024	29: Beef, beef products, chicken, chicken products, cold meats, fresh meat, frozen meat, game [dead], meat, meat extracts, meat products, swine, swine products, poultry, poultry products, preserved meat, salted meat, tinned meat
10.		Tasty Meat	T04133378F	Singapore	12 August 2024	29: Beef, beef products, chickens, chicken products

7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
11.		Tasty Meat	T04133379D	Singapore	12 August 2024	29: Beef, beef products, chickens, chicken products, cold meats, fish fillets, fish, foods prepared from seafood, fresh meat, frozen meat, frozen seafood products, game [dead], meat, meat extracts, meat products, swine, swine products, poultry, poultry products, preserved meat, preserved seafood, salted meat, seafoods, tinned meat, tinned fish
12.		Kendo Trading	T9207014E	Singapore	15 September 2022	29: Meat, poultry and game
13.		Kendo Trading	T0814812E	Singapore	25 October 2028	29: Meat, fish, poultry and game, meat extracts, preserved, frozen, dried and cooked fruits and vegetables, jellies, jams, compotes, eggs, milk and milk products, edible oils and fats

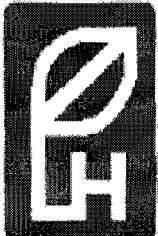
7. BUSINESS OVERVIEW (Cont'd)

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
14.		Kendo Trading	T0814813C	Singapore	25 October 2028	29: Meat, fish, poultry and game, meat extracts, preserved, frozen, dried and cooked fruits and vegetables, jellies, jams, compotes, eggs, milk and milk products, edible oils and fats

7. BUSINESS OVERVIEW (Cont'd)

7.19.2 Trademark licence

We are currently licensed to use a number of trademarks in connection with our business and as at the LPD, we have the right to the use of the following trademarks

No.	Trademark	Registered owner	Registration no.	Place of registration	Expiry Date	Class/ Description of trademark
1.		LH Holdings	2012017226	Malaysia	10 October 2022 ⁽¹⁾	31: Live poultry included in class 31 ⁽²⁾

Note:

- (1) The said mark is registered to LH Holdings for a period of 10 years commencing from 10 October 2012 to 10 October 2022. Pursuant to a Trademark License Agreement (the "**Agreement**") entered into between LH Holdings and LHI dated 1 August 2018, LH Holdings has granted LHI a licence to the use of this LH Trademark. See Section 7.22 of this Prospectus for the salient terms of the Agreement.
- (2) Based on the MyIPO, Intellectual Property Corporation of Malaysia Online Search and Filing System, class 31 is defined as: Raw and unprocessed agricultural, aquacultural, horticultural and forestry products; raw and unprocessed grains and feed; fresh fruits and vegetables, fresh herbs; natural plants and flowers; bulbs, seedlings and seeds for planting; live animals; foodstuffs and beverages for animals; malt.

7.19.3 Patents and other intellectual property

We are not dependent on any patents or other intellectual property for the operation of our business.

7. BUSINESS OVERVIEW (Cont'd)

7.20 Governing laws and regulations

Our business is regulated by, and in some instances required to be licensed under specific laws of Malaysia. The relevant laws and regulations governing our Group and which is material to our operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to.

7.20.1 Governing laws and regulations relating to the Malaysian industry

(i) Poultry Farming Enactments

The Poultry Farming Enactments were enacted by various states in Malaysia, namely, Pahang, Penang, Kedah, Melaka, Negeri Sembilan, Johor, Perak, Kelantan, Perlis and Selangor to control poultry farming in the states.

The enactments aim to regulate poultry farming and its related activities such as the processing of poultry, poultry waste and poultry farm by-products. The enactments require poultry farms to be licensed and for operators of poultry farms to comply with the conditions imposed on the licences issued. Applications for such licences may be refused if the relevant state authorities are of the opinion that the poultry farms pose a health hazard to the public or public property or is likely to pollute the environment surrounding the site of the proposed poultry farms.

The enactments render it an offence to discharge poultry waste and/or by-products into rivers, streams, creeks or other ungazetted waste disposal sites. The emission of unpleasant odours, and/or fumes, the breeding of flies, insects or pests which is a health hazard or public nuisance are offences under the enactments. The enactments also prohibit poultry farms from using banned drugs or any drugs which may pose a hazard to the public.

We are required to maintain certain poultry farming licences issued by the DVS for the relevant states in accordance with the respective state's Poultry Farming Enactment for the operation of our poultry farms. Any breach or material non-compliance with such licences and regulations imposed by the DVS may result in the imposition of fines of not less than RM5,000 per offence and/or an imprisonment term of up to five years, depending on the relevant State Poultry Farming Enactment.

(ii) Animals Act, 1953

The Animals Act, 1953 governs the prevention of spreading diseases of animals and birds into Peninsular Malaysia, the licensing requirement of importation and exportation of animals and birds into or from Peninsular Malaysia, and the control of slaughter of animals and birds.

(iii) Feed Act, 2009

The Feed Act, 2009 ensures that animal feeds are in good quality and safe by controlling the importation, manufacture, sales and use of the feed. The objectives are to assure that the feed satisfied the nutritional requirement of animals, not harmful to animals and is not contaminated so that animals and animal products are safe for human consumption. A licence will have to be obtained from the board established under the Feed Act, 2009 for the importation of feed or feed additive. Feeds that are imported or manufactured in Malaysia will have to comply with the prescribed feed specifications under the legislation.

7. BUSINESS OVERVIEW (Cont'd)

(iv) **Food Act, 1983, Food Regulations, 1985 and Food Hygiene Regulation, 2009**

The Food Act, 1983 and the Food Regulations, 1985 are laws governing the food safety and quality control, including standards, hygiene, import and export, advertisement and accreditation of laboratories. The objective is to protect the public from health hazards and fraud in the preparation, sale and use of foods and for other related matters. The legislation, applies to all foods, locally produced or imported which are sold in the country. It covers a broad spectrum from compositional standards to food additives, nutrient supplements, contaminants, packages and containers, food labelling, procedure for taking samples, food irradiation, provision for food not specified in the regulations and penalty.

The Food Hygiene Regulations 2009 governs and control the hygiene and safety of food sold in Malaysia. The objectives are to ensure food premises are hygienic and satisfactory in terms of design and building, ensure food handlers maintain personal hygiene and avoid practices that can contaminate food, and amongst others to provide for requirement of mandatory food safety assurance programmes in food manufacturing factories. The legislation applies to all food premises including any building, tent or structure in Malaysia.

(v) **Industrial Coordination Act, 1975**

The Industrial Coordination Act, 1975 governs the licensing requirement of manufacturing licenses in Malaysia. The objectives are to co-ordinate and ensure orderly development of manufacturing activities in Malaysia. The legislation requires any person engaging in any manufacturing activity in Malaysia with a shareholders' fund of RM 2.5 million, and above or employing 75 or more full-time paid employees to obtain a manufacturing license. A licence will have to be obtained for the manufacture of specified products at each separate manufacturing site. The licences are typically issued in accordance with national economic and social objectives and to promote the orderly development of manufacturing activities in Malaysia. They are issued by the MITI, subject to conditions of the license and are non-transferable save with the prior approval of MITI.

As our Group is involved in manufacturing of food products, our Group adheres to the laws related.

(vi) **Trade Descriptions Act, 2011, Trade Descriptions (Definition of Halal) Order, 2011 and Trade Descriptions (Certification and Marking of Halal) Order, 2011**

The Trades Description (Definition of Halal) Order, 2011 and the Trade Descriptions (Certification and Marking of Halal) Order, 2011 give specific legal proviso on matters pertaining to halal. It provides protection to traders and consumers from unhealthy trade practices.

The Trade Descriptions Act, 2011 aims to facilitate good trade practices and protect the interest of consumers by eliminating false trade descriptions and false or misleading statements, conducts and practices in relation to the supply of goods and services. Halal certification and surveillance in this country has been assigned to the government bodies by virtue of the act.

The Trade Descriptions Act, 2011 further standardises the issuance of Halal certificates. JAKIM is appointed as the sole issuer of halal certificates for any food, goods or related services.

7. BUSINESS OVERVIEW (Cont'd)

Our Group complies with such regulations and develops products using only Halal ingredients verified by their Shariah Advisory Council. It benefits all consumers and our Muslim consumers especially as Halal certification provides assurance to them that it fulfils the Shariah law.

(vii) Environmental Quality Act, 1974 and Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 2015

The Environmental Quality Act, 1974 restricts pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysian waters without a licence, discharge of wastes into Malaysian waters without a licence and prohibits open burning. The agency responsible for implementing and monitoring Malaysian's environmental regulations and policies is the DOE and the local environmental authority.

The Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 2015 requires any person who intends to carry out any prescribed activities to submit a report on the impact of the activities on the environment to the Director of Environmental Quality for examination. The environmental impact assessment ensures that potential environmental problems are foreseen and addressed at the early stage during project planning and design. Our Group have a general duty to ensure that the environmental impact assessment report have been obtained.

(viii) Trade Marks Act, 1976 and Trade Marks Regulations, 1997

The Trade Marks Act, 1976 and Trade Marks Regulations, 1997 govern the registration of trademarks, including service marks. Any mark used or proposed to be used in relation to goods or services to indicate a connection in the course of trade between the goods or services and the person having the right to use the mark can be registered "Mark" defined in the act includes any device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination of these elements. Marks created in languages other than English or Malay requires prior certified translation and transliteration before registration.

As our Group holds multiple brands which possess distinguishable and recognisable marks, our Group has made effort in protecting and defending our rights against infringement disputes.

(ix) Occupational Safety and Health Act, 1994

Under the Occupational Safety and Health Act, 1994 ("OSHA"), we have a general duty to our employees to provide and maintain the plants and systems of work that are, so far as is practicable, safe and without risks to health, provide information, instruction, training and supervision to ensure, so far as is practicable, the safety and health of our employees at work, and to provide a working environment, which is as far as possible safe, without risks to health, and adequate as regards to facilities for their welfare at work. We also have a duty to ensure, so far as is practicable, that other persons, not being their employees, who may be affected not being our employees, are not exposed to risks to their safety or health.

7. BUSINESS OVERVIEW (Cont'd)

(x) Factories and Machinery Act, 1967

The Factories and Machinery Act, 1967 governs the control of factories operations in relation to safety, health and welfare of persons working in a factory. Furthermore, it regulates the registration and inspection of the machines used in a factory. This act is a supplement to OSHA and focused on industries of manufacturing, mining, quarrying and construction.

Our Group is governed under the act as we employ factory workers in our factories. Hence, the standard of safety, health and welfare of these workers are stipulated under the act and the duty of care of these employees falls under our Group. In addition, our Group must ensure the machineries used are in good condition and must be registered.

(xi) Price Control and Anti-Profiteering Act 2011

The PCAPA empowers the MDTCA to determine the maximum, minimum or fixed price for the manufacturing, producing, wholesaling or retaining of goods.

Any person who sells or offers to sell any price-controlled goods not in accordance with the prices determined by the MDTCA commits an offence under the PCAPA.

Any person who, in the course of trade or business makes an unreasonably high profit in selling or offering to sell or supplying or offering to supply goods also commits an offence under the PCAPA. The mechanism to determine whether profit is unreasonably high is determined by the MDTCA.

(xii) The Control of Supplies Act 1961

The Control of Supplies Act 1961 ("CSA") is enforced by the MDTCA and it provides for the control and rationing of supplies in Malaysia. Under the Control of Supplies (Chicken) Regulations 1996 which was issued pursuant to the CSA, chicken is a controlled article whereby the dealing in chicken in the wholesale and breeding of chicken in the manner or by the method specified therein, requires a license. Specifically, a separate license is required for each and every such place of business of such persons.

Offences under the CSA include the sale of any controlled goods without a license, the sale by person of any controlled goods in excess of the quantity which may be lawfully acquired by the purchaser, the concealment and destruction of any controlled goods in order to withhold the article from the market and false denial of being in possession of, or refusal to sell controlled goods.

(xiii) Malaysian Quarantine and Inspection Services Act, 2011

The Malaysian Quarantine and Inspection Services Act, 2011 governs the licensing requirements for imports and exports, establish and manage quarantine stations, and conduct in inspection and certification of premises of the exporting country. The objectives are to ensure that the plants, animals, carcass, fish and agricultural produce, soils, microorganisms and food that are imported into and exported out of Malaysia complies with the health aspect of human, animals, plants, fish and food safety.

7. BUSINESS OVERVIEW (Cont'd)

(xiv) Street, Drainage and Building Act 1974

The SDBA is enforced by the local authorities of Peninsular Malaysia and it provides for the requirement of having a CCC for the occupation of any building or any part thereof.

Under the Uniform Building By-Laws 1984 ("UBBL") which was issued pursuant to the SDBA, a CCC will only be issued by the local authority upon receipt of certification in relevant forms by a qualified person i.e. an architect, registered building draughtsman or engineer.

A qualified person must be satisfied that, to their best knowledge: (i) the relevant building has been constructed in accordance to UBBL; (ii) any conditions imposed by the local authority have been satisfied; (iii) all essential services has been provided; and (iv) responsibilities have been accepted for the portions that being concerned with.

Any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence punishable with a fine not exceeding RM250,000 or with an imprisonment for a term not exceeding 10 years or with both under the SDBA.

(xv) National Land Code 1965

The National Land Code 1965 ("NLC") is one of the governing laws on land matters within the States of Johor, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Selangor, Terengganu and the Federal Territory of Kuala Lumpur. Pursuant to the NLC, the state authority may alienate land subject to such express conditions and restrictions in interest which shall be determined by the state authority at the time when the land is approved for alienation and every condition or restriction in interest imposed under this section shall be endorsed on or referred to in the document of title to the land.

In the event of breach of conditions, the land administrator has the right to either: (1) impose a fine under Section 127 of the NLC after serving a notice on and requesting the landowner to attend a hearing to show cause to the satisfaction of the land administrator, the reason that a fine should not be imposed in respect of such breach, failing which, the landowner may be liable to pay a fine of not less than RM500 (and in the case of a continuing breach, a further fine of not less than RM100 for each day of the continuing breach); (2) request the landowner to remedy the breach within the time stipulated in the notice served by the land administrator under Section 128 of the NLC, failing which, the land administrator may take action to enforce forfeiture of the land under Section 129 of NLC; or (3) hold an enquiry to forfeit the land under Section 129 of the NLC.

7. BUSINESS OVERVIEW (Cont'd)**7.20.2 Governing laws and regulations relating to the Indonesia industry****(i) Law Number 33 of 2014 concerning Halal Product Assurance**

All products which are brought in, distributed, and sold in Indonesia must obtain halal certification from Security Agency of Halal Products. For the purpose of issuance of this certification, the authorities are required to examine the material and products used, the manufacturing process and slaughtering system including inspection of the premises, equipment and distribution in relation to the product. All products, which have obtained halal certification, should be kept halal. According to Article 56 of Law No. 33/2014, non-compliance to this provision will be imposed with imprisonment for maximum five years or fine of no more than IDR2,000,000,000. However pursuant to Article 26 of Law No. 33/2014, an Indonesian manufacturer who produce any product using non-halal material is exempted from the requirement to apply for Halal Certificate. Instead of the Halal Certificate, such manufacturer is required to attach non-halal label on the product.

(ii) Minister of Agriculture Regulation Number 381 of 2005 regarding Guidelines on Animal-based Food Business Veterinary Control Certification

Every implementation of animal-based food business shall be required to obtain the Veterinary Control Number (*Sertifikat Nomor Kontrol Veteriner – “SKNV”*) by fulfilling the terms of hygiene-sanitation. A new SKNV shall also be obtained for every additional facility for the similar business activity implemented in a different business location. However, there is no known sanction that may be imposed to non-compliance to obtain SKNV. As such, the consequence of any failure to obtain SKNV is only that the products of animal-based food business may be deemed illegal.

(iii) Registration of Processed Food at the Indonesia National Agency of Food and Drug Control (“BPOM”)

In compliance with Regulation of the BPOM Number 27 of 2017 on Registration of Processed Food, all processed food produced in Indonesia or imported to be distributed in Indonesia must be registered at BPOM to obtain distribution permit. Violation to this regulation will be imposed with the following sanction:

- (a) Revocation of distribution permit;
- (b) Suspension of the registration process of the processed food; and/or
- (c) Prohibition to register distribution permit for three consecutive years.

7. BUSINESS OVERVIEW (Cont'd)

(iv) General Manpower Affairs in Indonesia based on the Law No. 13 of 2003 on Manpower and its Implementing Regulations

The employment law in Indonesia imposes the obligation on companies employing more than 10 employees to have a company regulation which shall be effective after ratification by the Ministry of Manpower (“MOM”). The company regulation shall consist of at least the provisions on: (i) rights and obligation of employer; (ii) rights and obligation of worker; (iii) working terms and conditions; (iv) company procedure; and (v) validity period of company regulation. Failure to comply may cause the company to be subject to a fine of between IDR5,000,000 and IDR50,000,000. Such company regulation is to be renewed and re-ratified by the MOM every two years.

Pursuant to Law No. 7 of 1981 on the Mandatory Manpower Report and MOM Regulation No. 18 of 2017 on the Procedures for Online Mandatory Manpower Report, every company shall submit an annual report regarding its manpower issues to MOM through <https://wajiblapor.kemnaker.go.id>. Failure to report may cause the company to be imposed to: (i) fine in the amount of IDR1,000,000; or (ii) detention for up to three months if the employer has failed to comply with its obligation for the second time or more.

(v) Employment Requirements for Foreign Employee

Based on: (i) the employment law, and (ii) Regulation of the MOM No. 10 of 2018 on the Procedures of Expatriate Utilisation, employers must obtain Expatriate Utilisation Plan prior to employing an expatriate to work in Indonesia from the MOM.

Upon which, the employer shall further obtain notification from the MOM for each expatriate based on the Expatriate Utilisation Plan. Employers who employ expatriates without obtaining Expatriate Utilisation Plan may be liable to: (i) imprisonment for at least one year or at maximum for four years; and/or (ii) fine of between IDR100,000,000 and IDR400,000,000.

In addition, Law No. 6 of 2011 on Immigration also requires that expatriates residing in Indonesia to obtain the Limited Stay Visa and Limited Stay Permit.

(vi) Work Health and Safety Requirements based on Employment Law, Law No. 1 of 1970 on Work Health and Safety, and Government Regulation No. 50 of 2012 on Implementation of Work Health and Safety Management

All work place in Indonesia involving machinery and/or any other dangerous tools that may cause harm having 100 or more employees, or whose works may cause harm or work accidents – must implement Work Health and Safety Management System. Non-compliance to the Work Health and Safety requirements may be imposed to the following sanction(s), in stages: (i) notification, (ii) written warning, (iii) limitation of the business activities, (iv) suspension of the business activities, (v) annulment of approval(s), (vi) annulment of registration(s), (vii) temporary termination of all or parts of the production unit, or (viii) license revocation.

7. BUSINESS OVERVIEW (Cont'd)

(vii) **Building Permit (IMB) and Certificates of Building Proper Function (SLF) based on Law Number 28 of 2002 read in conjunction with GR36/2005 and the OSS Regulation**

Every entity/individual who intends to construct a building must firstly obtain IMB, issued by the Regional Government based on application filed by the entity/individual. The applicant of IMB shall enclose the information regarding the evidence of ownership for the land or the land usage agreement (if the applicant is not the owner of the land), the information on the building owner, the technical plan of the building, and the environmental analysis report on the building.

Upon completion of building construction, the building owner shall obtain SLF before occupying/utilising the building. The SLF application shall be submitted through the Online Single Submission Agency and issued by the regional government. In practice, the implementation of obligation to obtain SLF in Indonesia is not optimal yet. However, regulation-wise, if the enforcement of SLF obligation is optimum, any non-compliance of the SLF obligation may be imposed to series of administrative sanction given in sequence and stages.

Should the sanction for building utilisation without SLF be enforced by the regional government, it shall be in the sequence of: (i) issuance of warning letter by regional government for three consecutive times with seven days interval; (ii) temporary building suspension, after the third warning letter; and (iii) permanent building suspension, after 30 days upon the temporary suspension. The building owner may rectify the non-compliance at any time for as long as the building has not been suspended permanently.

(viii) **Environmental Protection based on the Law No. 32 of 2009 on Environmental Protection and Management, Governmental Regulation No. 27 of 2012 on Environmental License and its Implementing Regulations**

The practice of breeder farm and feed industry in Indonesia are not classified as the field of business that are obligated to obtain Environmental Impact Analysis. Therefore, the company conducting its business in the field of breeder farm and feed industry shall obtain the Management Efforts Report and Environmental Monitoring Efforts Report ("UKL-UPL") and Environmental License for compliance purposes. Moreover, for business activity that is not obligated to obtain UKL-UPL, shall obtain the Environmental Management Statement from the Local Environmental Agency.

7.20.3 Governing laws and regulations relating to the Vietnam industry

(i) **Law on Environmental Protection No. 55/2014/QH13 dated 23 June 2014**

Any construction of a factory plant/feedmill with the capacity exceeding 1,000 tons per year or any farm with 20,000 poultry headcount requires an environmental impact assessment report to be obtained and we are under the duty to ensure that we monitor the relevant environmental regulations and conditions imposed on us by the regulators such as waste management.

The law further describes the rights, powers, duties, and obligations of regulatory bodies, agencies, organisations, households, and individual.

7. BUSINESS OVERVIEW (Cont'd)

(ii) **Veterinary Law No. 79/2015/QH13 dated 19 June 2015**

All farm operations have to satisfy requirements pertaining to the control and prevention of animal epidemics, and supervision of animal diseases. Procedures for the inter-provincial transportation of animal/animal products are set and have to be complied with.

This statutory provision stipulates and regulates preventive and control measures to be undertaken in the event of outbreak of animal disease, animal epidemic control, animal quarantine, animal products, sloughing, primary processes, processing, control, hygienic inspection, veterinary drug control, and veterinary profession.

(iii) **Decree No. 39/2017/ND-CP dated 4 April 2017 on managing animal feed and aquaculture**

This decree on managing animal feed and aquaculture regulates business practices relating to the production of animal feeds and commercial fisheries.

As per this Decree, all feedmills must meet the requirements imposed on manufacturing sites, including being located within a walled or fenced enclosure, environmental impact assessment reports are required, the production plant and equipment has to be fit for the types of the production, the technicians' capacity, and a testing laboratory is required.

The control of antibiotic in animal/aqua feeds, the conformity with the national standard for animal/aqua feeds for sale in Vietnam are also stated in this Decree.

(iv) **Decree No. 64/2018/ND-CP dated 7 May 2018 on penalties for administrative violations against regulations on livestock breeds, animal feeds and aqua feeds**

The decree on penalties for administrative violations against regulations of the Decree No. 39/2017/ND-CP on livestock breeds, animal feeds and aqua feeds deals with violations, penalties, fines, remedial measures, the power to impose administrative penalties and the power to record administrative violations against regulations on livestock breeds (including aquatic breeds), animal feeds and aqua feeds.

Depending on the degree of the violations, the fines can be from USD130 to USD8,695, and the additional penalties include suspension of operations for a fixed period; the recall/destruction of livestock breeds; animal feeds and aqua feeds.

(v) **Decision No. 3065/QD-BNN-NN, dated 7 November 2005, effective from 7 November 2005 until 24 December 2014**

Stipulates conditions of animal husbandry production, hatchery, and transportation, slaughtering, and marketing of poultry and poultry products, including the requirement for farms to be walled or fenced, have clean water source, poultry to be separated from other livestock, farm sterilisation and disease control for poultry. This Decision is applicable to all farms which came into existence between 7 November 2005 and 24 December 2014 only.

7. BUSINESS OVERVIEW (Cont'd)

(vi) **Decision No. 397/ QD-CN-MTCN dated 4 April 2017 promulgating guidance on environmental protection schemes in concentrated livestock areas**

All poultry/animal farms must satisfy the stipulated requirements on farm location, farm facilities and equipment, environmental protection measures, measures of animal waste treatment, solid waste treatment, wastewater treatment, waste gas treatment, and noise treatment in livestock as stated in this Decision.

(vii) **Occupational Safety and Hygiene Law No. 84/2015/QH 13 dated 25 June 2015**

Every employer has the obligation to assure occupational safety and hygiene at the workplace within their responsibility for employees and relevant persons, including pay insurance premiums for employees, provide training in regulations, internal regulations, and measures for occupational safety and hygiene, provide adequate occupational equipment or tools to ensure occupational safety and hygiene; provide healthcare and occupational disease check-ups; and carry out adequate policies applicable to victims.

7.20.4 Governing laws and regulations relating to the Singapore industry

(i) **Wholesome Meat and Fish Act**

The Wholesome Meat and Fish Act (Chapter 349A) of Singapore ("**WMFA**") requires any person who uses premises or permits any premises to be used as a processing establishment or a cold store for meat products or fish products to apply for a licence ("**Processing and Cold Store Licence**") from the Director-General of SFA.

The WMFA also requires any person who imports any meat product or fish product into Singapore to apply for a licence ("**Import Licence**") from the Director-General of the SFA. In addition, any person who imports any meat products or fish products for sale, supply or distribution in Singapore must obtain a permit from the Director-General of the SFA for each consignment of meat products or fish products to be imported by him and the import of each such consignment must be carried out in accordance with the conditions of the permit.

The WMFA also requires any slaughtering of animals to be carried out at premises that have been licensed by the Director-General of the SFA ("**Slaughterhouse Licence**") or if the Director-General of the SFA has granted a permit to such person allowing him to slaughter the animal on those premises for any special reason and the slaughter of the animal is carried out in accordance with the rules and conditions of the permit.

Processing and Cold Store Licence holders, and Import Licence and Slaughterhouse Licence holders must also comply with additional requirements set out in the relevant subsidiary legislation pursuant to the WMFA.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Sale of Food Act

The Sale of Food Act (Chapter 283) of Singapore requires any person who operates or uses a food establishment to obtain a licence ("**Food Processing Establishment Licence**") from the Director-General of SFA.

Under the Sale of Food Act, "food establishment" includes a food processing establishment where food is manufactured, processed, prepared or packed for the purpose of distribution to wholesalers and retailers, whether or not the food processing establishment also consists of a retail food establishment or a catering establishment, and also means a food establishment that is used as a cold store.

(iii) Workplace Safety and Health Act

The Workplace Safety and Health Act (Chapter 354A) of Singapore ("**WSHA**") is administered by the Ministry of Manpower of Singapore. Under the WSHA, every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

(iv) Employment Act

The Employment Act (Chapter 91) of Singapore ("**EA**") is also administered by the MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA ("**relevant employees**").

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding SGD4,500 a month and employees (other than workmen) who receive salaries not exceeding SGD2,500 a month. Section 38(8) of the EA provides that a relevant employee is not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, section 38(5) of the EA limits the extent of overtime work that a relevant employee can perform to 72 hours a month.

The Employment (Amendment Act) 2018 ("**Employment Amendment Act**") was passed by the Singapore Parliament on 20 November 2018 to amend the EA with changes to take effect from 1 April 2019.

Prior to 1 April 2019, managers and executives with a monthly basic salary of more than SGD4,500 are not covered under the EA. However, pursuant to the Employment (Amendment) Act, managers and executives with a monthly basic salary of more than SGD4,500 will be covered under the core provisions under the EA such as minimum days of annual leave, paid public holidays and sick leave, timely payment of salary and statutory protection against wrongful dismissal.

7. BUSINESS OVERVIEW (Cont'd)

The Employment Amendment Act also introduced changes to Part IV of the EA such that employees (other than workmen) who receive salaries not exceeding SGD2,600 a month will be covered.

(v) Employment of Foreign Manpower Act

The availability and the employment cost of skilled and unskilled foreign workers are affected by the government's policies and regulations on the immigration and employment of foreign workers in Singapore. We are subject to such policies and regulations as we employ foreigners for our business operations in Singapore. The policies and regulations are set out in, among others, the Employment of Foreign Manpower Act (Chapter 91A) of Singapore ("**EFMA**") and the relevant Government Gazettes.

Under the EFMA, no person shall employ a foreign employee and no foreign employee shall be in the employment of an employer unless the foreign employee has a valid work pass. In relation to the employment of semi-skilled or unskilled foreign workers, employers must ensure that such persons apply for a "Work Permit". In relation to the employment of foreign mid-level skilled workers, employers must ensure that such persons apply for an "S Pass". In relation to the employment of foreign professionals, employers must ensure that such persons apply for an "Employment Pass".

(vi) Work Injury Compensation Act

The Work Injury Compensation Act, Chapter 354 of Singapore, which is regulated by the MOM, applies to all employees in all industries engaged under a contract of service in respect of injury suffered by them in the course of their employment and sets out, among others, the amount of compensation they are entitled to and the method(s) of calculating such compensation.

7.21 Material properties and material equipment

Details of material properties owned by our Group or leased/tenanted by our Group and material equipment are set out in Annexure B of this Prospectus.

7.22 Material dependency on commercial contracts, agreements or other arrangements

As at the LPD, there are no contracts, agreement and other arrangements or other matters which have been entered into by or issued to us or which we are materially dependent and is material to our Group's business and profitability save as below:

The TM Licence Agreement dated 1 August 2018 between LH Holdings and us, whereby LH Holdings, being the registered owner of the LH Trademark in Malaysia, the particulars of such registration is particularly described in Section 7.19.2 of this Prospectus, had granted an exclusive licence for an annual royalty fee calculated at the rate of 0.02% of the annual turnover of our Group to use the LH Trademark on an exclusive basis worldwide for an initial period of 10 years commencing from the date of the TM Licence Agreement ("**Term**") and renewable for successive periods of 10 years each at our option subject to mutual agreement on the royalty fee for the renewed terms.

Pursuant to LH Holdings' express consent, the LH Trademark has been registered in Vietnam in the name of our wholly-owned subsidiary, Emivest Feedmill Vietnam. The registrations in Malaysia and Vietnam shall be renewed and kept valid by LH Holdings and Emivest Feedmill Vietnam respectively to give effect to the TM Licence Agreement.

7. BUSINESS OVERVIEW (Cont'd)

LH Holdings had warranted that they have not registered the LH Trademark in any jurisdiction outside Malaysia. We had however, acknowledged LH Holdings' ownership of the LH Trademark worldwide, whether it has been registered or otherwise. Where consent is given by LH Holdings, we may register the LH Trademark in other jurisdictions in our name, but the beneficial ownership of the LH Trademark remains with LH Holdings.

Both parties to the TM Licence Agreement have agreed to indemnify each other from and against all liabilities, whether arising during or after the Term, for any personal injury, illness or death to any person or damage to any property or claim or other assertion of liability or potential liability by any person or any other loss or damage of any kind whatsoever, whether arising during or after the Term to the extent caused by, arising out of, or connected in any way with (1) a material breach of the TM Licence Agreement or (2) a party's omission or negligence, save and except where such liabilities are not caused solely by the negligence or wilful misconduct of the other party.

If a party is in default of the TM Licence Agreement, the non-defaulting party may give a written notice to the defaulting party and if such default remains unremedied for a period of 30 days thereof, the TM Licence Agreement shall terminate without any further action or notice. The TM Licence Agreement is automatically terminated if:

- (i) we cease to do business, or otherwise ends its business operations, without a successor;
- (ii) we liquidate or intends to liquidate a substantial portion of our assets;
- (iii) we become insolvent; or
- (iv) we seek protection under any bankruptcy, receivership, trust deed, creditors arrangement, composition, or comparable proceeding, or if any such proceeding is instituted against us and not dismissed within 90 days.

7.23 HSE matters

In each of the jurisdictions where we operate, we are committed to ensuring that HSE matters are appropriately addressed.

We have implemented health and safety plans and practices across the jurisdictions where we operate and we provide HSE training for all employees, including safety training, first-aid training, technical training and hygiene training. We have also implemented a number of biosecurity measures at our farms, including closed-house systems, which seek to prevent poultry being affected by disease. In addition:

- in Malaysia, we use preventative measures, including antimicrobials and supplements to maintain the health of animals, in addition to ensuring our veterinarians regularly visit customers to check on the health status of their flock, provide advice and, where necessary, suggest remedial measures to combat issues that have arisen;
- in Indonesia, a number of the Malindo Group's farms and feedmills have received "Zero Accident" awards. The Malindo Group has also implemented a monitoring system (UKL/UPL) that reports to the government every six months regarding HSE matters, particularly in relation to issues regarding air, noise and water quality;
- in Vietnam, our safety officer monitors safety issues arising out of our operations, and reports directly to management regarding any key issues encountered;
- in Singapore, we comply with all SFA requirements regarding food manufacturing. In this regard, we have been awarded an "A" grade under the SFA's Food Safety Excellence Scheme for 15 years consecutively. We also provide regular briefings and awareness on food and work safety to staff; and

7. BUSINESS OVERVIEW (Cont'd)

- in the Philippines, farm supervisors monitor safety issues and report directly to management in the event that key issues are encountered.

Moreover, we have implemented the following practices to mitigate the environmental impact of our operations:

- in Malaysia, we seek to mitigate the pollution risk arising from organic by-products of our activities, including collecting chicken manure and selling it as an organic fertiliser;
- in Indonesia, we contract with an authorised third-party to regularly check and ensure that our waste management processes are compliant with local regulations. We have also been awarded a Blue "PROPER" Achievement of Environmental and Social Management at our Cikande plant (the second highest category);
- in Vietnam, we comply with regulations regarding the proper disposal of production waste and engage third parties to collect and dispose of hazardous waste appropriately. We are also subject to bi-annual checks by the Environmental Department at our feedmills and farms;
- in Singapore, we comply with all NEA requirements and we monitor, evaluate and seek to improve our environmental management practices to ensure our environmental objectives and targets are achieved. All waste from our slaughterhouses is collected by a NEA approved contractor for disposal; and
- in the Philippines, all our staff undergo training courses on environmental law and management of pollution, and our designated control officers receive certification from the Environmental Practitioners Association, in collaboration with the EMB. Moreover, all our farms in the Philippines have received an ECC from the DENR. We also engage external consultants to ensure that we are in compliance with any conditions specified under the ECC and any applicable statutory regulations.

7.24 Sustainability and CSR

We are committed to growing our business in a sustainable manner and have formulated a number of strategies in order to achieve this goal.

(i) Economic sustainability

Across the jurisdictions where we operate, we have implemented stringent biosecurity measures in order to mitigate the risk of disease, including closed-house systems and all-in-all out systems. In addition, we have sought to minimise our reliance on human labour, promoting the adoption of automated machinery so as to minimise human error and mitigate the risk of labour shortage.

(ii) Workforce sustainability

We seek to ensure that our employees acquire the requisite skills and experience through targeted training sessions to assist their career development. We have also implemented health and safety policies, and offered health and safety training across our feedmills, farms and plants to reduce the risk of injury to our employees.

7. BUSINESS OVERVIEW (Cont'd)

(iii) Environmental sustainability

We seek to minimise the impact of pollution arising from our farm operations by prioritising waste management. We engage third parties to govern our waste management processes (including the proper disposal of production and hazardous waste). In Malaysia we collect chicken manure and sell it as an organic fertiliser. The Teo Seng Group has also established a fertiliser plant to convert vast quantities of chicken manure to organic fertiliser on a daily basis. In Indonesia, the Malindo Group run environmental awareness campaigns and cooperate with local bodies to conserve and protect the environment.

(iv) Social and community sustainability

We have been involved in a number of CSR activities, including:

- health campaigns (such as the chicken and egg nutrient campaign run by the Malindo Group in Indonesia, where approximately one million eggs were distributed to improve awareness about the consumption of animal protein amongst the underprivileged, school children and orphans;
- donations, of both livestock feed and money, to those impacted by national disasters;
- provide internship/visiting opportunities to students;
- blood donation drives; and
- in collaboration with the Singapore government, offering short-term employments opportunities to prisoners shortly before their release from prison to assist their reintegration into society.

7.25 Awards

We have won numerous awards, such as:

Awards			
Year	Recipient	Award	Awarded By
2003	Tan Sri Lau Tuang Nguang	Outstanding Contribution made in Management Excellent and Best Practices to The Livestock Industry	DVS
2009	Teo Seng	Outstanding Layer Farm Award	DVS
2009	A1FP	Outstanding Meat Processor Award	DVS
2011 – 2014	Malindo Feedmill	Best of the Best Award	Forbes Indonesia
2011	A1FP	Outstanding Product Innovation in Food Product	DVS
2011	LH Poultry Farm	Outstanding Breeder Farm Award	DVS

7. BUSINESS OVERVIEW (Cont'd)

Awards			
Year	Recipient	Award	Awarded By
2012	Malindo Feedmill	Runner up of Best Asian Feedmiller Award 2012	Asian Feed Magazine
2013	Tan Sri Lau Tuang Nguang	Lifetime Achievement Award	DVS
2013	Malindo Feedmill	Best Quality Feedmill Company of the Year	Inspire Magazine Indonesia
2013	Malindo Feedmill	Top Performing Listed Companies	Investor Magazine
2013	Malindo Feedmill	Trifecta Award (Winning Best of the Best for 3 consecutive years)	Forbes Indonesia
2013	Teo Seng Farming	Outstanding Layer Farm Award	DVS
2013	Leong Hup Feedmill	Outstanding Feed Miller Award	DVS
2014	Malindo Feedmill	The Best Emiten Company in Basic and Chemical Industry	Bisnis Indonesia
2014	Malindo Feedmill	Best Listed Companies 2014	Investor Magazine
2015	Teo Seng Farming	Outstanding Product Innovation – Farm Product	DVS
2015	Kendo Trading	Singapore Prestige Brand Award – Established Brands	Association of Small & Medium Enterprises
2015	Malindo Feedmill	Blue Rated Proper Award for Company Performance to Manage Environment	Ministry of Environment and Forestry of the Republic of Indonesia
2015	Lau Chia Nguang	Asia Pacific Entrepreneur Award (APEA)	Enterprise Asia
2016	Emivest Feedmill Vietnam	Top Parent Flock Award	Cobb-Vantress, USA
2016	Emivest Feedmill Vietnam	Outstanding Feed Product Innovation	Vietstock Exhibition
2017	"Happy Egg" brand	The BrandLaureate Best Brand Award in Product Branding (Consumer Eggs)	The BrandLaureate
2017	Malindo Feedmill	Best of The Best Award	Forbes Indonesia
2018	Malindo Food Delight	The Trusted Company in The Best Product Quality	Indonesian Achievement Centre

7. BUSINESS OVERVIEW (Cont'd)

Awards			
Year	Recipient	Award	Awarded By
2018	LHI	Outstanding Industry Achievement – ASEAN	DVS

7.26 Key certifications

Certifications achieved by our operations include GMP, HACCP, ISO FSMS, ISO QMS and halal.

In Malaysia, LH Agrobusiness has received ISO QMS and HACCP certification from Intertek Certification International Sdn Bhd, while Success Century and Teo Seng Farming have both received HACCP and ISO FSMS certification from DQS Certification (M) Sdn Bhd.

In Indonesia, Malindo Food Delight and Malindo Feedmill have both received ISO FSMS and ISO QMS certification from SAI Global. Malindo Feedmill have also received GMP certification from the Ministry of Agriculture of Indonesia.

In Vietnam, Leong Hup Feedmill Vietnam, Emivest Feedmill (TG) and Emivest Feedmill Vietnam have received ISO QMS and HACCP certification, in addition to the product certification pursuant to Vietnam national technical regulations or QCVN certification as it is known from the Vinacert Certification and Inspection Joint Stock Company. Our medicine plant located in Bau Bang has also received GMP certification.

In Singapore, we have received ISO FSMS and HACCP certification from TUV SUD PSB Pte. Ltd. In addition, we have received a certificate of commendation for achieving Grade A status for excellence in food hygiene, sanitation and processing from the SFA.

8. INDUSTRY OVERVIEW

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Date: 10 April 2019

Board of Directors
Leong Hup International Berhad
3rd Floor, Wisma Westcourt
No. 126, Jalan Klang Lama
58000 Kuala Lumpur
Malaysia

Dear Sirs / Madams,

Independent Market Research Report on the Integrated Poultry Industry in Key ASEAN Countries (Malaysia, Indonesia, Singapore, Vietnam and Philippines) for Leong Hup International Berhad ("LHI" or the "Company")

We, Frost & Sullivan GIC Malaysia Sdn Bhd ("**Frost & Sullivan**"), have prepared this Independent Market Research ("**IMR**") report on the Integrated Poultry Industry in Key ASEAN Countries ("**Report**") for inclusion in LHI's Prospectus dated 25 April 2019 ("**Prospectus**") in relation to the initial public offering of ordinary shares in LHI in conjunction with the listing of and quotation for the entire enlarged ordinary shares in LHI ("**Shares**") on the Main Market of Bursa Malaysia Securities Berhad comprising an offer for sale of existing Shares and a public issue of new Shares.

We are aware that this Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act, 2007.


We acknowledge that if we are aware of any significant changes affecting the content of this Report between the date hereof and the issue date of the Prospectus, we have an on-going obligation to either cause this Report to be updated for the changes and, where applicable, cause LHI to issue a supplementary prospectus, or withdraw our consent to the inclusion of this Report in the Prospectus.

Frost & Sullivan has prepared this Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this Report. We believe that this Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this Report. This Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this Report or otherwise.

For and on behalf of Frost & Sullivan GIC Malaysia Sdn Bhd:


Keith Lee Chung Fong
Director
Business and Financial Services, Asia Pacific

8. **INDUSTRY OVERVIEW (Cont'd)**

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Profile of Frost & Sullivan GIC Malaysia Sdn Bhd

FROST & SULLIVAN is a global independent industry research and consulting organisation headquartered in the United States of America with over 60 years of establishment. In Malaysia, FROST & SULLIVAN's subsidiary, Frost & Sullivan GIC Malaysia Sdn Bhd, operates two offices (Kuala Lumpur and Iskandar Malaysia) with more than 200 employees offering market research, marketing and branding strategies and business advisory services across 12 industries. FROST & SULLIVAN is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other related fund-raising and corporate exercises.

Profile of the IMR signee, Keith Lee Chung Fong

Keith Lee is the Director, Business & Financial Services division, for Frost & Sullivan GIC Malaysia Sdn Bhd. Keith Lee possesses over 15 years of experience in market research and consulting, including over 12 years in independent market research and due diligence exercise for capital markets across the Asia Pacific region. Keith Lee holds a Bachelor of Business (major in Accounting) from RMIT University, Australia.

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8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

1 MACROECONOMIC OVERVIEW OF THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN) (FOCUS ON MALAYSIA, INDONESIA, PHILIPPINES, SINGAPORE, VIETNAM)

ASEAN has the third-largest population globally, after China and India, and it is the fifth-largest economy. It comprises 10 countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Among them, Indonesia, Malaysia, the Philippines, Singapore, and Vietnam (LHI's focus countries) comprise approximately 80.0% of the regional Gross Domestic Product (GDP) and 77.6% of the population.

ASEAN's population totalled 650.5 million as of 2018, and the International Monetary Fund (IMF) projects it to reach 673.5 million in 2021. As of 2018, the cumulative population of Indonesia, Malaysia, the Philippines, Singapore, and Vietnam was 505.0 million and it is expected to reach 525.9 million by 2021. ASEAN also has a young population with a median age at 29.8 as of 2018. The population dynamics in ASEAN are favourable compared to that of some of the other largest markets globally.

Table 1-1: Population and Average Age in Selected ASEAN Countries, 2018E–2021F

	Indonesia	Malaysia	Philippines	Singapore	Vietnam
Population (Millions) (2018E)	265.3	32.4	107.0	5.7	94.6
CAGR (2018E–2021F)	1.3%	1.3%	2.0%	0.9%	1.0%
Average age (2018E)	30.5	28.7	23.7	34.9	30.9

Source: IMF, World Economic Outlook (WEO) October 2018; Central Intelligence Agency (CIA)

Table 1-2: Population and Average Age in ASEAN and Selected Markets, 2018E–2021F

	United States of America (US)	European Union (EU)	Japan	China	ASEAN
Population (Millions) (2018E)	328.1	510.9	126.4	1,397.0	650.5
CAGR (2018E–2021F)	0.6%	0.1%	-0.3%	0.4%	1.2%
Average age (2018E)	38.2	43.2	47.7	37.7	29.8

Source: IMF, WEO October 2018; ASEAN; CIA

ASEAN countries are undergoing a rapid development and urbanisation process, which is correlated to change in consumer preference and lifestyle.

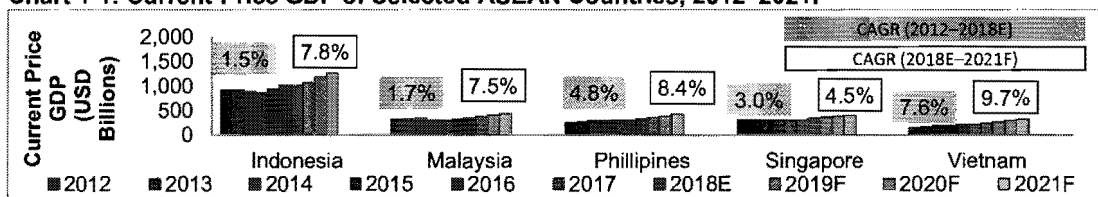
Table 1-3: Urbanisation Rate in Selected ASEAN and Developed Regions / Countries, 2012–2021F

	Indonesia	Malaysia	Philippines	Singapore	Vietnam	ASEAN	US	EU	Japan	China
2012	51.3%	72.3%	45.7%	100.0%	31.8%	45.5%	81.1%	74.4%	91.1%	51.8%
2018E	55.3%	76.0%	46.9%	100.0%	35.9%	49.0%	82.3%	75.7%	91.6%	59.2%
2021F	57.3%	77.7%	47.7%	100.0%	38.1%	50.7%	82.9%	76.3%	91.9%	62.5%

Source: United Nations (UN)

ASEAN countries have a combined GDP of USD2,891.0 billion as at 2018 and it is forecast to reach USD3,575.2 billion by 2021, growing at a CAGR of 7.3%.

Chart 1-1: Current-Price GDP of Selected ASEAN Countries, 2012–2021F



Source: IMF, WEO October 2018; Frost & Sullivan

ASEAN is likely to remain an attractive economic region poised to achieve favourable GDP growth. ASEAN countries are likely to outperform historical economic results and surpass the expected growth rates of some of the largest global economies, including the US and the EU.

Table 1-4: GDP for ASEAN and Selected Markets, 2012, 2018E, 2021F

	US	EU	Japan	China	ASEAN
GDP (USD Trillions) (2012)	16.2	17.3	6.2	8.6	2.4
GDP (USD Trillions) (2018E)	20.5	18.8	5.1	13.5	2.9
GDP (USD Trillions) (2021F)	23.1	20.9	5.5	16.8	3.6
CAGR (2012–2018E)	4.0%	1.4%	-3.2%	7.8%	3.2%
CAGR (2018E–2021F)	4.1%	3.6%	2.5%	7.6%	7.5%

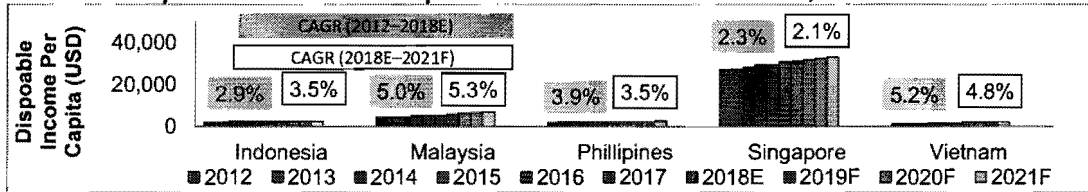
Source: IMF, WEO October 2018

The positive economic situation in ASEAN is contributing to rising income.

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

Chart 1-2: Disposable Income Per Capita in Selected ASEAN Countries, 2012–2021F



Note: Based on constant 2018 prices.
Source: IMF, WEO October 2018; Frost & Sullivan

Table 1-5: Growth of Disposable Income Per Capita in Selected Markets, 2012–2018E, 2018E–2020F

	US	EU	Japan	United Kingdom	Australia	ASEAN
CAGR (2012–2018E)	1.3%	1.2%	0.0%	1.2%	-0.2%	3.4%
CAGR (2018E–2020F)	1.4%	1.4%	0.3%	1.3%	0.6%	3.7%

Note: Based on constant 2018 prices.
Source: Organisation for Economic Co-operation and Development (OECD); IMF, WEO October 2018; Frost & Sullivan

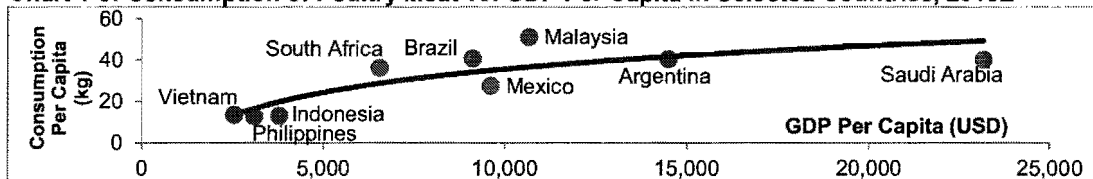
Table 1-6: Population by Income Group in Selected ASEAN Countries, 2012–2021F

Share of population	Indonesia		Malaysia		Philippines		Singapore		Vietnam	
	2012	2021F	2012	2021F	2012	2021F	2012	2021F	2012	2021F
< USD 5,000	40%	20%	18%	6%	54%	29%	2%	1%	71%	44%
USD5,001–USD 10,000	32%	29%	26%	14%	26%	29%	7%	4%	19%	28%
USD10,001–USD 20,000	19%	30%	30%	28%	13%	24%	21%	14%	7%	18%
USD20,001–USD30,000	5%	11%	12%	18%	3%	8%	19%	17%	1%	5%
>USD30,001	4%	11%	14%	35%	3%	9%	51%	65%	2%	5%

Note: data based on income at purchasing power parity (PPP); data may not add up due to rounding.
Source: IMF, WEO October 2018; Frost & Sullivan

While the world average GDP growth in 2018 was 3.7%, the ASEAN economy was estimated to grow by 5.0% in the same year. The favourable economic growth has led to the growth in disposable income, which is forecast to continue from 2018 to 2021. The combined disposable income per capita in Indonesia, Malaysia, the Philippines, Singapore, and Vietnam is forecast to continue increasing at a CAGR of 3.7% from USD2,777 in 2018 to USD3,097 in 2021. Comparatively, the US is expected to grow at a CAGR of 1.4% from USD46,442 to USD48,433 while the EU is expected to grow at a CAGR of 1.4% from USD21,608 to USD22,553, during the same period. According to the World Health Organisation, the growth in level of annual disposable income leads to higher meat consumption, including poultry.

Chart 1-3: Consumption of Poultry Meat vs. GDP Per Capita in Selected Countries, 2018E



Source: OECD; UN; Frost & Sullivan Estimates

The growth in disposable income is contributing to a higher discretionary buying power in ASEAN, particularly for people in the lower segment of the middle-income group. Meat is becoming essential to dietary consumption. For example, Indonesia's contribution of protein to average daily energy intake per capita increased from 11.5% in 2011 to 11.7% in 2016¹. Similarly, Malaysia, which is more economically advanced, has also experienced a growth trend whereby the contribution of protein to average daily energy intake per capita has increased from 14.3% in 2003 to 15.2% in 2014². Apart from being the most consumed meat, poultry is also one of the fastest-growing among all meat categories.

Table 1-7: Poultry Meat Consumption in Selected ASEAN Countries, 2012, 2018E, and 2021F

	Indonesia	Malaysia	Philippines	Singapore	Vietnam	
Poultry Meat Consumption	2012	8.4	44.4	10.6	36.0	12.2
	2018E	13.0	51.0	12.8	33.3	13.5

¹ Indonesia National Socio-economic Survey, "Consumption of calorie and protein of Indonesia and province", 2011 and 2016 editions

² Malaysian Adult Nutrition Survey, 2014

8. INDUSTRY OVERVIEW (Cont'd)

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		Indonesia	Malaysia	Philippines	Singapore	Vietnam
per capita (kg)	2021F	16.0	55.9	14.8	37.1	15.3
CAGR	2012–2018E	7.6%	2.3%	3.2%	-1.3%	1.7%
	2018E–2021F	7.2%	3.1%	5.0%	3.7%	4.3%

Note: Historical per capita consumption data for Malaysia (MY), the Philippines (PH), Singapore (SG) and Vietnam (VN) were obtained from the local authorities and OECD (OECD data are extracted on 18th March 2019). Indonesia is estimated by Frost & Sullivan based on data sources from the OECD, USDA.

Source: OECD & USDA (Indonesia, Philippines, Vietnam); Department of Veterinary Services (DVS) (Malaysia); AVA (Singapore); forecast by Frost & Sullivan

Collectively, poultry meat consumption per capita in Indonesia, Malaysia, the Philippines, Singapore, and Vietnam is estimated to be above the average global consumption level in 2018 and is gradually increasing towards the level of developed regions, such as the OECD countries.

Table 1-8: Poultry Meat Consumption of Selected Countries or Economic Groups, 2012–2021F

Poultry Meat Consumption Per Capita (kg)	2012	2018E	2021F	CAGR (2012-2018E)	CAGR (2018E-2021F)	Total meat consumption per capita ⁽²⁾ (2018E)
US	44.6	49.8	49.7	1.8%	0.0%	101.3
OECD	27.2	30.6	31.0	2.0%	0.4%	70.3
EU	21.3	24.5	24.9	2.4%	0.6%	69.5
Japan	15.1	17.2	17.2	2.1%	0.1%	40.0
World	13.2	14.2	14.4	1.3%	0.4%	34.7
China	11.6	12.2	12.8	0.9%	1.8%	49.9
ID, MY, PH, SG, VN	12.2	15.7	18.4	4.4%	5.4%	29.7
Developing Asia⁽¹⁾	8.2	8.9	9.3	1.4%	1.4%	27.2

Notes: (1) Developing Asia includes China, India, Indonesia, Iran, Korea, Malaysia, Pakistan, the Philippines, Saudi Arabia, Thailand, Turkey and Vietnam. (2) Total meat consumption includes poultry, swine, beef, lamb.

Source: OECD (2018, accessed 18 March 2019); DVS (Malaysia); AVA (Singapore); Frost & Sullivan analysis

2 ANALYSIS OF THE INTEGRATED POULTRY INDUSTRY IN ASEAN COUNTRIES

ASEAN is a multi-racial region, where each member country hosts a different religious background and cultural practices, and hence, imposes customary prohibitions of specific meat consumption. In this context, poultry meat becomes the most widely accepted meat for consumption in the region.

2.1 DEMAND DRIVERS

Growing preference towards healthier white meat: Chicken benefits from the trend of higher consumption of white meat rather than red meat³ due to perceived health benefits, since red meats are reported to be higher in saturated fat, which may have higher tendency to contribute to chronic diseases.

Affordability of poultry meat and increase in price of substitute products: Greater economies of scale have contributed over time to make chicken more affordable. While the annualised global commodity price of beef grew at a CAGR of 2.5% from January 2008 to May 2018, the annualised global commodity price of chicken meat only increased at a CAGR of 1.5% during the same period⁴. The rise in price of meat from swine and beef cattle has also led to consumers' shift towards more chicken meat consumption. Based on cost price index, chicken meat is estimated to be 3 to 4 times more affordable than meat beef from beef cattle in Indonesia, Malaysia, Singapore and Vietnam and about 2 to 3 times more affordable than meat from swine in Vietnam and Singapore in 2017⁵.

The higher affordability of chicken is partly due to its lower feed conversion ratio⁶. For example, the average feed conversion ratio in the US in 2017 was about 1.83⁷ for chickens, compared to nearly 2.75 for swine⁸ and 4.50 to 7.50 for beef cattle⁹. This may also be correlated to the shorter slaughter age of chicken compared to other livestock, whereby broiler breed chickens typically have a significantly shorter slaughter age of approximately 5 to 7 weeks, compared to swine (5 to 6 months) and cattle (18 months)¹⁰.

³ White meat refers to pale-coloured meat, generally classified as poultry (chicken and turkey), while red meat commonly refers to beef cattle, swine, and lamb.

⁴ World Bank: Commodity Price Data (The Pink Sheet), June 2018

⁵ Caterwings Meat Price Index; Data for Philippines is not available

⁶ The efficiency of animal feed in creating the desired output

⁷ US National Chicken Council: US broiler performance, accessed March 2019

⁸ Swine Management Services' data for "wane to finish", extracted from The National Hog Farmer: What is the most important number in growing pigs?, May 2018

⁹ Dan Shike, University of Illinois, "Beef Cattle Feed Efficiency"

¹⁰ The Aussie Farms Repository, "Age of Animals Slaughtered"

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

Increase in food & beverage (F&B) outlets: Population growth and economic development in ASEAN have supported the expansion of the F&B industry. Collectively, the F&B industry in Malaysia, Indonesia, Singapore, Vietnam and Philippines has grown at a CAGR of 9.7% from 2012 to 2017 and is expected to grow at a CAGR of 8.4% from 2017 to 2020. Comparatively, the US and EU have only grown at 1.8% and 2.4% CAGR respectively from 2012 to 2020 and are expected to garner 3.2% and 3.3% CAGR respectively from 2017 to 2020¹¹. The number of modern and general retail stores, as well as the number of food services outlets, is increasing rapidly. Furthermore, the rapid growth of online retail, including groceries and ready-to-eat meals delivery, is complementing the growth of the overall F&B industry.

Growing quick-service restaurants (QSR) penetration: Among the leading brands globally, as of 2014, McDonald's had a penetration (outlets per million people) of 8.7 in Malaysia and 0.6 in Indonesia, compared to 24.8 in Japan and 45.1 in the US¹². The growth in disposable income and change in lifestyle for busy working adults are encouraging the opening of more QSRs outlets, not only in Malaysia and Indonesia, but also in Singapore, Vietnam and the Philippines. Recognising the growing market demand, major QSRs, such as McDonald's announced in December 2017 to establish 450 additional outlets by 2025 in Malaysia, while KFC has announced in October 2018 to add 24 new outlets in 2019 following the opening of 23 outlets in 2018 in Malaysia¹³.

Change in consumer preferences: Dietary habits are changing from a high consumption of rice and vegetables to including more meat in daily meals¹⁴. On top of the ease of preparation, the preparation time for chicken-based products is shorter than other meats. Furthermore, as it is more versatile than meats from other livestock like swine and beef cattle, it is used to prepare a wide variety of meals. Chicken also benefits from the trend of higher consumption of white meat rather than red meat¹⁵ due to perceived health benefits.

Growth of the export market: With production of chicken rapidly expanding, ASEAN countries are progressing towards a level of self-sufficiency with increasing excess quantities ready for export to foreign markets. Outside ASEAN, global poultry demand is predicted to increase by 20% from 2017 to 2037, with 30% and 40% of the demand from Latin America and Asia respectively¹⁶. In addition, large-producing Muslim countries such as Malaysia and Indonesia have the opportunity to meet the growing demand for halal products at a global level.

Religiously, chicken is the most widely accepted type of meat globally: Most religious dietary requirements do not limit chicken meat consumption. Instead, consumption of swine is strictly forbidden for Muslims, while Hinduism generally refrains from beef consumption. Hence, chicken is an acceptable dish to most individuals and communities, making it the preferred choice for multicultural consumer groups. The Muslim population at global level is estimated to grow from 23.2% of the total in 2010 to 29.7% by 2050, reaching 2,761.5 million people¹⁷. In ASEAN, the Muslim population was estimated at 239.6 million people as of 2010 (40.5% of total) and projected to reach 309.9 million people by 2050. With a combined Muslim population of 227.3 million people as of 2010 (and forecast 289.6 million people by 2050), Malaysia and Indonesia alone present a significant market opportunity for poultry demand.

Regulatory support for industry advancement: The lower and middle-income groups are registering the fastest growth rate in ASEAN countries, contributing to a higher demand for chicken meat. For those with lower disposable incomes, chicken is the most affordable option of protein intake. Recognising this fact, governments in the region are establishing action plans to support this industry. In 2014, the ASEAN Good Animal Husbandry Practices for Layers and Broilers Food Safety Module was jointly developed by the ASEAN countries to establish an industry standard aimed to prevent or minimise risks of food safety in commercial poultry industry and facilitate harmonisation of poultry farming practices in the region¹⁸.

2.2 SUPPLY DYNAMICS

Shift of operation from labour-intensive to capital-intensive: The shift from free-range¹⁹ to confined-poultry operations has propelled the industry towards capital-intensive operation model. Capital-intensive

¹¹ Frost & Sullivan analysis

¹² The Economist, Fast-food outlets by country and per person, 2015

¹³ The Star, QSR plans to open 24 new KFC outlets in 2019, October 2018

¹⁴ ASEAN: Regional report on nutrition security in ASEAN, December 2016

¹⁵ White meat refers to pale-coloured meat, generally classified as poultry (e.g. chicken and turkey), while red meat commonly refers to meat such as beef cattle, swine, and lamb.

¹⁶ WattAgNet.com: Asia's poultry consumption to increase 20 percent by 2037, September 2017

¹⁷ Pew Research: The Future of World Religions: Population Growth Projections, 2010-2050, April 2015

¹⁸ Australian Aid, "ASEAN Good Animal Husbandry Practices for Layers and Broilers – Strategic Plan 2014 – 2016"

¹⁹ Free-range farming refers to chicken grown in a wide environment (limited by fences) with access to outdoor spaces.

8. INDUSTRY OVERVIEW (Cont'd)

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operations feature in-house cage systems to accommodate internal feed systems, water supply, humidity control, and air and waste management. Whereas, in labour-intensive operations, birds are free to roam and scavenge for food in a compound without any systematic procedures or hygiene standards of poultry farming. The shift to capital-intensive operations has allowed farmers to rear a larger flock. It also led to an improvement in labour productivity, with less manpower required to manage a specific flock.

Improved technologies and management techniques: The segregation of chickens in confined poultry operations has reaped various benefits. The use of battery cages for layer chicken expedites egg collection with the use of the conveyor belt. Also, this has eased curbing disease outbreaks and allows the tending of larger flocks than before. Furthermore, the transition from an open-house to closed-house system has improved biosecurity control and reduces the likelihood of disease outbreak.

Industry consolidation: The poultry industry has undergone consolidation over the years, particularly in developed markets. For example, in Europe, the number of specialist poultry holdings²⁰ declined in the period 2005-2013 from 723,620 in 2005 to 589,110 in 2013, while the value of their output increased. Meanwhile in Thailand, the number of commercial broiler farms declined in the period 2008-2012, from 8,030 to 6,082, while the average farm size (number of chickens per farm) nearly tripled, from 12,683 in 2008 to 37,147 in 2012. Growing industry consolidation is part of a long-term trend impacting the poultry industry globally, gradually creating fewer but larger farms that are able to adopt intensive production systems (increased number of poultry per farm), and achieve economies of scale. As a result, apart from small un-organised poultry companies exiting the market, the industry has seen numerous consolidation activities in the past years. As an indication, 103 and 94 major mergers and acquisitions globally were recorded in the poultry, swine and animal feed industries, respectively in the years 2016 and 2017²¹.

Vertical integration²²: Vertical integration model allows better control of the resources required throughout the value chain for poultry players, thus supporting the quality assurance of the end products. Such model will also allow lower production cost due to economies of scale. Integrated poultry operations also allows better management of price fluctuations amid volatile commodity prices and currency exchange rates compared to companies purchasing and importing feed or grandparent stock. Being involved in multiple business lines also allows integrated poultry companies to react flexibly to changing market demand and conditions by maximising their value by producing the product with the most attractive margin at the prevailing market conditions and are being able to cross-sell their products to the smaller poultry players. Vertical integration also enables integrated poultry players to control the quantum of DOC supplies into the broiler farms as opposed to being solely dependent on DOC sales. Being involved in the feedmill business also allows sustainable supply and guaranteed uptake of feeds for the integrated poultry players' own farming operations. In Malaysia, for example, due to business and operational benefits, integrated poultry players, including LHI, are gradually shifting farming operations from contract farming to farming through direct ownership to gain better control of the value chain and being able to fulfill supply commitment at fixed price to large F&B customers, such as the QSR segment.

Advancements in superior poultry genetics: Advancements genetically improved breeding methods have led to the creation of hybrid species that grow larger and faster, and lay better-quality eggs (e.g. improved colour, strength, and chemical composition). Furthermore, producers benefit from an improved feed conversion ratio (FCR)²³, as improved genetics have a higher nutrient absorption. Among the improved genetics are the Cobb and Ross chickens, which are better suited to be bred as broiler chickens, and Hisex chickens, more suitably bred as layer chickens. For example, genetically advanced Cobb 500 and Ross 308 commercial broilers reach weights of about 2.9 kg and 2.7 kg respectively after 42 days while, as a benchmark, the AMC 1978 non-commercial line weigh only about 1.16 kg in the same period. At the 42nd day of breeding, Cobb 500 and Ross 308 have a more efficient cumulative FCR of 1.68 and 1.67 respectively, compared to a FCR of 1.90 for the AMC 1978 non-commercial line^{24,25}. LHI, together with CP Malaysia, are the only authorised distributors of Cobb products in Malaysia.

Veterinary science improvements: Advancements in veterinary science for poultry has improved the farmer's ability to curb disease outbreaks using vaccines and other pharmaceutical products, thus ensuring more sustainable production.

²⁰ Defined as agricultural holdings for animal production activities, specifically for poultry-related activities (Includes: Specialist layers, Specialist poultry-meat, Layers and poultry-meat combined) by the European Union

²¹ wtagnet.com: Poultry, animal feed, pig mergers and acquisitions


²² Including production of poultry feed, grandparent and parent stocks, and further processing the chicken

²³ Kg of feed required to increase the weight of a bird by one kg. The lower the FCR, the less feed is required

²⁴ Poultry Science Association, "Growth, efficiency, and yield of commercial broilers from 1957, 1978, and 2005"

²⁵ Cobb-Vantress, "Broiler Performance & Nutrition Supplement – Cobb 500"

8. INDUSTRY OVERVIEW (Cont'd)

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2.3 BARRIERS TO ENTRY

High capital requirements: Entering the integrated poultry business involves multiple cost considerations, including those for land, construction and poultry equipment.

Importance of vertical integration: A producer would need to be vertically integrated and achieve significant economies of scale to be cost efficient and compete successfully in the market. A non-integrated company may experience lower profitability (due to limited control on the value chain) and be subject to uncertainties in input prices, such as prices for animal feed.

Knowledge and competencies: To be successful in the integrated poultry industry, and minimise operation cost, a company must have very specific knowledge and competencies to have efficient operations and efficiently manage the productivity of superior genetics. The right mix of raw materials to feed the chicken at different phases of the life cycle, farm management best practices to ensure the health and wellbeing of chickens, and established husbandry operations, are only some of the aspects that require precise knowledge. Such know-how is a culmination of multiple years of experience and core competencies built over time.

Certification and licensing: To sell its products, a poultry company must have the proper certifications and licences, which take time and investments to be acquired. For example, Muslim countries such as Malaysia and Indonesia have defined Halal requirements for the production and import of poultry products in the country, with Indonesia planning to make the Halal certification mandatory by 2019. Furthermore, in Singapore, the AVA monitors the entire poultry production, and only traders with AVA-certified licence are allowed to sell their products.

2.4 RESTRAINTS

Dependency on import of animal feed ingredients: Many ASEAN countries are small producers of raw materials used for animal feed, and therefore have to rely on import. On top of less control on the raw materials and the higher price, feed producers and poultry farmers are vulnerable to raw material price and currency fluctuations, causing prices of the feed and of the final products to be unstable. However, countries such as Indonesia are planning or already adopting measures to become more self-sufficient in producing animal feed.

Protectionist policies on imports: In order to develop the local industry to be more self-sufficient in producing animal feed, some ASEAN countries such as Indonesia are adopting protectionist policies on the import of feed ingredients. For example, to regulate international agricultural trade, the Government of Indonesia appointed the National Food Logistics Agency as the sole authorised corn and poultry importer and imposed tight restrictions on feed ingredient import since 2000. At least in the short term, such protectionist measures may restrict the availability of price-competitive feed ingredients for the local poultry feed industry.

Disease outbreaks: While veterinary science advancements and improvement in farm management are supporting the production of safe poultry meat, the market is at times affected by disease outbreaks. Among the recent cases, a H5N1 outbreak in March 2017 in Kelantan (Malaysia), approximately 57,000 chickens were culled and 17,531 eggs destroyed by the authorities²⁶, and the outbreak was confined in the state of Kelantan. This temporarily impacted the market for Malaysian produced chickens, both locally and overseas, due to health concerns. To alleviate the farmers' losses, the Kelantan Veterinary Services Department disbursed more than RM400,000 in compensation to more than 1,000 farmers in the state and provided assistance for poultry re-breeding²⁷. In January 2019 a H5N1 outbreak in Vietnam resulted in some countries suspending the import of Vietnamese poultry from the affected provinces²⁸, and caused Vietnam to temporarily increase the quantity of poultry imported, including from Malaysia.

High popularity for swine produce: Despite the fast growth of poultry consumption in ASEAN, some countries have historically been larger consumer base of swine. As of 2018, swine is estimated to be the most popular type of livestock for meat consumption in the Philippines and Vietnam. While the consumption of poultry is growing, particularly due to its affordable price, in the event of any disease outbreak involving poultry, consumers may easily switch to consume alternative meat, including swine.

Land restrictions: Poultry farming activities are partly restricted to specific geographical areas by the local authorities due to environmental concerns. Livestock farming may produce waste beyond recycling

²⁶ The Star, "Poultry Import Ban May Be Lifted Soon", July 2017

²⁷ The Sunday Daily, "More than RM400,000 in compensation to H5N1-affected poultry farmers: Exco", 12 July 2017

²⁸ Government of Hong Kong: Import of poultry meat and products from Long An Province in Vietnam suspended, 11 January 2019

8. INDUSTRY OVERVIEW (Cont'd)

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capacity, resulting in inappropriate discharge and deterioration of water and soil. This creates a risk both for the livestock population and for public health in the vicinity. Among recent cases, in October 2017 in Johor (Malaysia), the pollution caused by an illegal poultry farm due to non-compliant discharge practices caused other poultry farms in the area to temporarily close operations to avoid risks due to polluted water.

Scarcity of land and higher land cost for farming activities: With poultry activities restricted to specific geographical areas, land for agriculture purpose is likely to become more limited. In Singapore, for example, land scarcity and higher cost are limiting the opportunity to increase the local production. In Malaysia, land cost has been increasing with the average value of agricultural land transactions increasing at a CAGR of 2.9% from 2014 to 2017, which is higher than the 2.1% increase in average development land transactions value and the 1.9% rise in the average value of residential properties transactions during the same period²⁹, resulting in higher land acquisition costs for local poultry operators.

Logistics challenges: While, in line with economic development, selected ASEAN countries are quickly developing their infrastructural systems, their geographical characteristics may pose a restraint on the logistical front, by creating challenges to the import of inputs for production and to the distribution of the end product to the market. Such challenges are particularly prevalent in archipelagic countries such as Indonesia and Philippines, as well as East Malaysia.

Reliance on foreign labour: The ongoing economic development in ASEAN is supporting the transition of the economies from being driven by the agricultural sector to the industrial and tertiary sectors. Improvement in economic conditions is likely to result the decline of local workforce engaging in agricultural activities, which may subsequently result to increasing reliance on the foreign labours.

2.5 INDUSTRY SIZE AND GROWTH

Feed Mill Industry: In ASEAN, the majority of raw materials for producing poultry feed, such as corn, wheat and soybean are imported from the US and Latin American countries. This is mainly due to the shortage of domestic production to fulfil the growing demand from poultry feed manufacturing in ASEAN. Nevertheless, ASEAN countries like Indonesia and Philippines have established several protective measures to mitigate market dependence on imported corn through trade regulation enactments and plans to increase domestic production. However, majority of ASEAN countries, including Malaysia, Philippines, Vietnam and Indonesia are still dependent on the import of animal feed raw materials or ingredients as of 2018.

Meanwhile, backed by the entry and expansion of international players, as well as strong regulatory support on the domestic feedmill industry, Vietnam and Indonesia have also become major producers of animal feed in ASEAN. Indonesia's regulation of Antibiotic Growth Promoters usage in commercial farming since January 2018³⁰, coupled with the Government of Indonesia's protectionist policy, are likely to continually drive the growth of domestic feed production. Vietnam's feedmill industry, on the contrary, has experienced a slowed growth in 2017 caused by the weaker swine production due to its weakened meat pricing, and is expected to recover gradually towards 2020³¹.

The total number of registered feed producers has increased significantly from 2012 to 2017, as the production of poultry feed grew with the expansion of the livestock industry.

Table 2-1: Production of Animal Feed / Import of Animal Feed Ingredients in Selected ASEAN Countries, 2012–2017 and 2020F

Country	2012	2013	2014	2015	2016	2017	CAGR (2012-2017)	2020F	CAGR (2017-2020F)
ANIMAL FEED PRODUCTION (in million MT)⁽¹⁾									
Indonesia ⁽²⁾	7.8	8.6	9.0	10.0	11.0	12.2	9.3%	16.4	10.2%
Vietnam ⁽³⁾	11.1	11.7	12.2	13.3	15.0	15.5	7.0%	17.7	4.5%
ANIMAL FEED INGREDIENTS IMPORT (in million MT)⁽⁴⁾									
Malaysia	4.1	4.2	5.0	4.9	5.0	5.1	4.7%	5.8	4.2%
Indonesia	7.9	9.9	10.7	10.7	11.7	12.0	8.5%	13.3	3.6%
Philippines	3.1	2.8	3.4	3.8	5.4	5.9	13.4%	7.9	10.0%
Vietnam	4.0	4.0	6.8	10.0	13.2	12.4	25.1%	14.2	4.5%

Notes: (1) Annual animal feed production data is not publicly available for Malaysia and Philippines, hence the growth of annual feed ingredients import volume is adopted as a proxy for growth in annual feed production. The estimation using feed ingredient

²⁹ Valuation and Property Services Department Malaysia: Property Market Report 2017 (The average price value is derived from total value of property transactions in the year divided by the number of transactions in the year)

³⁰ All About Feed, "Outlook – Indonesian Protein Market", 8 November 2017

³¹ USDA FAS, GAIN Report, "Vietnam Grain and Feed Annual, 2018", Gain Report No. VM8019

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import excludes locally sourced feed ingredients due to non-availability of data; (2) Indonesia data is estimated by Frost & Sullivan based on reported animal feed capacity by USDA and derived based on estimated feed mill utilisation reported by USDA and excludes production for aquaculture feed; (3) 2012 to 2017 data based on animal & poultry industrial feed production data reported by General Statistics Office (GSO), of which the 2017 data is preliminary; (4) Derived based on HS96 code 1001 "Wheat and meslin" and HS96 code 1005 "Maize (corn)".

Source: Historical data from the UNComtrade for Animal feed ingredient import; United States Department of Agriculture (USDA) (Indonesia) and GSO (Vietnam) for animal feed production; forecast by Frost & Sullivan

Poultry Industry: Rapid economic development in the ASEAN region is contributing to the increase in disposable incomes and change of consumer preference towards a higher intake of protein food (including meat). As of 2018, the consumption of white meat and high-protein products (broiler meats and eggs) is considered as mainstream in the ASEAN region due to their high nutrition content and affordability. The overall broiler meat intake is growing sustainably at present and in the foreseeable future. Accordingly, the total livestock population in selected ASEAN countries is consistently growing.

Table 2-2: Consumption of Meat in Selected ASEAN & Developed Countries, 2018E

Consumption in Kg per capita (Consumption Share in %)	Poultry	Swine	Beef	Lamb	Total
Indonesia⁽¹⁾	13.0 (89%)	0.6 (4%)	1.0 (7%)	N/A	14.6
Malaysia⁽²⁾	51.0 (77%)	7.4 (11%)	6.7 (10%)	1.4 (2%)	66.5
Philippines	12.8 (40%)	15.6 (49%)	3.2 (10%)	0.5 (2%)	32.1
Singapore	33.3 (57%)	20.0 (34%)	2.0 (3%)	3.0 (5%)	58.3
Vietnam	13.5 (25%)	31.3 (57%)	10.1 (18%)	0.1 (0%)	55.0
Total (5 ASEAN countries)	15.7 (53%)	10.2 (34%)	3.6 (12%)	0.2 (1%)	29.7
US	49.8 (49%)	24.0 (24%)	27.1 (27%)	0.4 (0%)	101.3
OECD	30.6 (44%)	23.5 (33%)	14.8 (21%)	1.4 (2%)	70.3
EU	24.5 (35%)	32.3 (46%)	10.8 (16%)	1.9 (3%)	69.5
Japan	17.2 (43%)	15.5 (39%)	7.1 (18%)	0.1 (0%)	40.0
World	14.2 (41%)	12.3 (35%)	6.5 (19%)	1.7 (5%)	34.7
China	12.2 (24%)	30.6 (61%)	4.1 (8%)	3.1 (6%)	49.9
Developing Asia⁽⁴⁾	8.9 (33%)	13.5 (50%)	3.1 (11%)	1.7 (6%)	27.2

Note: (1) Frost & Sullivan estimates based on contribution of fresh meat consumption by meat categories reported by Ditjen PKH's Livestock and Animal Health Statistics, 2017; (2) Estimates by DVS as retrieved from DVS website on 18 March 2019; (3) Other estimates are by Frost & Sullivan based on latest statistics from OECD and AVA as at 18 March 2019; (4) Developing Asia includes China, India, Indonesia, Iran, Korea, Malaysia, Pakistan, the Philippines, Saudi Arabia, Thailand, Turkey and Vietnam, (5) Percentage and total may not add up due to rounding.

Source: Ditjen PKH; DVS; OECD; AVA; Frost & Sullivan

Table 2-3: Poultry Meat Consumption in Selected ASEAN Countries, 2012-2021F

in Million Kg	2012	2013	2014	2015	2016	2017E	2018E	CAGR (2012- 2018E)	2021F	CAGR (2018E- 2021F)
Indonesia	2,061.6	2,239.4	2,446.0	2,656.8	2,897.5	3,143.9	3,450.8	9.0%	4,415.7	8.6%
Malaysia	1,301.5	1,390.7	1,519.2	1,568.2	1,700.2	1,605.8	1,651.4	4.0%	1,884.3	4.5%
Philippines	1,022.9	1,070.3	1,148.6	1,218.7	1,311.1	1,326.8	1,369.8	5.0%	1,678.2	7.0%
Vietnam	1,083.5	1,104.0	1,188.5	1,339.0	1,195.7	1,217.4	1,276.8	2.8%	1,490.3	5.3%
Singapore	187.1	185.7	184.8	192.3	208.8	180.5 ⁽¹⁾	189.6	0.2%	215.3	4.3%

Note: (1) The lower poultry meat consumption per capita in Singapore in 2017 is due to a market adjustment after a high increase in imports in 2016. (2) 2018E for Malaysia are estimates by DVS as retrieved from DVS website on 18 March 2019; (3) Other estimates are by Frost & Sullivan based on latest statistics from OECD and AVA as at 18 March 2019.

Source: Frost & Sullivan (Indonesia, Philippines, Vietnam); OECD; DVS (Malaysia); AVA (Singapore); GSO (Vietnam); FAO; Forecast by Frost & Sullivan

2.6 INDUSTRY OUTLOOK AND PROSPECTS

Malaysia: The poultry industry in Malaysia is among the most developed compared to other ASEAN countries, and it is expected to continue growing, aided by growing population with growing disposable income and the fast expansion of retail stores and food services outlets (including by large international QSR brands). Frost & Sullivan also envisage more broiler sales to be generated from long-term contracts with customers in an effort by the poultry operators to stabilise selling price from fluctuations. The poultry industry in Malaysia benefits from a well-established ecosystem of large established organisations, which allows the country to achieve self-sufficiency and allows for excess poultry production to be exported. The growth of poultry consumption in ASEAN as well as overseas, and the growing demand for Halal meat globally, provide opportunities for the growth of Malaysian exports of poultry.

Singapore: Growing demand driven by the expansion of the F&B sector, while the growth in supply is driven by the continuous efforts by the AVA to diversify the sources of poultry imports. However, due to its geographical proximity, Malaysia is expected to remain a major supplier of poultry products to Singapore in the near future.

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

Indonesia: It is the fourth most populous country globally, and it has a higher birth rate compared to the average in Southeast Asia and overall in Asia, contributing to favourable population growth, and therefore to the growing demand for meat products. Furthermore, the positive economic environment is supporting the favourable growth in middle-class households and the rise in disposable income, thus contributing to higher meat consumption.

Vietnam: Traditionally a second-choice type of livestock meat compared to the more widely consumed swine, the consumption of poultry has been growing consistently. Growing population and disposable income as well as affordable price are contributing to the growing consumption of poultry. The continuous expansion of retail stores in both rural and urban centres, with greater presence of refrigerated environments, is contributing to the wide availability of meat products. In addition, large local and foreign players in the food services industry (including QSRs) are expanding in the country.

Philippines: Swine is the most preferred type of livestock for meat consumption in the Philippines, the consumption of poultry is growing at a faster rate, aided also by the government's initiatives to further develop the industry. Due to its better affordability, poultry is considered as the most appropriate type of quality protein product to fulfill the protein intake demand for the majority of the population.

3 COMPETITIVE LANDSCAPE

3.1 MARKET BENCHMARKING

Among the public-listed integrated poultry companies (at parent company or subsidiary level) in LHI's countries of operation as of 31 December 2017, only Charoen Pokphand (CP)³², Japfa Limited (Japfa) and QL Resources Berhad (QL) operate in at least two of the countries of focus for LHI (Malaysia, Singapore, Indonesia, Vietnam)³³. Among the selected companies, LHI is the only company with significant poultry business operation in Singapore, of which the production of poultry supplies is supported by its operation in Malaysia. The analysis below also excludes the Philippines, since Leong Hup (Philippines) Inc. was established in 2015, and as of FYE2017, it represents less than 1% of LHI's total revenue.

Table 3-1: Comparison of LHI and Public-Listed Integrated Poultry Companies, 2017

	LHI rank ⁽¹⁾	LHI	CP	Japfa	QL
Malaysia					
Feed Mills ⁽⁷⁾	N/A	4	3		N/A ⁽⁴⁾
Poultry Farms ⁽²⁾ and Processing Plants ⁽³⁾	N/A	193	N/A		N/A
Annual Feed Mill Production ('000 MT) ⁽⁷⁾	1 st	628	313 ⁽⁶⁾	N/P ⁽⁴⁾	270
Annual Egg Production (million units)	2 nd	1,293	169 ⁽⁵⁾		1,460⁽⁶⁾
Annual DOCs Volume supplied (million birds) ⁽²⁾	1 st	206	59 ⁽⁵⁾		21
Annual Broilers Volume supplied (million birds) ⁽²⁾	1 st	70	23 ⁽⁵⁾		11
Indonesia					
Feed Mills ⁽⁷⁾	N/A	4	8	17	N/A
Poultry Farms and Processing Plants ⁽³⁾	N/A	253	N/A	9,203 ⁽⁵⁾	N/A
Annual Feed Mill Production ('000 MT) ⁽⁷⁾	3 rd	670	3,780⁽⁹⁾	2,520 ⁽⁶⁾	90
Annual Egg Production (million units)	N/A	56	N/A	N/A	297 ⁽⁶⁾
Annual DOCs Volume supplied (million birds)	3 rd	241	1,281⁽⁹⁾	705 ⁽⁶⁾	17
Annual Broilers Volume supplied (million birds)	N/A	17	N/A	327 ⁽⁵⁾	7
Vietnam					
Feed Mills ⁽⁷⁾	3 rd	3	6	5	1
Poultry Farms and Processing Plants ⁽³⁾	N/A	760	N/A	320 ⁽⁵⁾	N/A
Annual Feed Mill Production ('000 MT) ⁽⁷⁾	3 rd	627	2,660⁽⁹⁾	680 ⁽⁵⁾	40
Annual Egg Production (million units)	N/A	389	N/A	N/A	297 ⁽⁶⁾
Annual DOCs Volume supplied (million birds)	2 nd	36	88⁽⁵⁾	28 ⁽⁵⁾	N/P
Annual Broilers Volume supplied (million birds)	N/A	21	N/A	N/A	N/P

Notes: (1) "LHI rank" is based on the analysis of the four selected integrated poultry companies. For each indicator, the value of the largest company where available for all four companies has been highlighted and font changed to bold; (2) LHI's Malaysia's poultry farms and hatcheries supplying LHI's Malaysian poultry farms and processing plants, DOC and broiler include those poultry farms

³² In this analysis CP is referred to as CP Foods PCL and PT CP Indonesia Tbk

³³ SEA public-listed integrated poultry companies with market capitalisation above USD600 million as of July 2018 are: CP Foods PCL, PT CP Indonesia Tbk, San Miguel Corporation, Japfa Limited, Japfa Comfeed Indonesia Tbk, QL Resources, Thaifoods Group PCL. Among these companies, only CP, Japfa Limited and QL Resources operate in at least two of the countries of focus for LHI and derive more than 50% of revenue from livestock farming. Thaifoods Group PCL does not compete directly with LHI in any of the market where LHI is present, it operates only in Thailand.

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

and hatcheries that are part of LHI's Singaporean business but located in Malaysia; (3) Include LHI operated breeder and broiler farms, hatcheries, slaughterhouse & primary processing plants as well as contract farms; (4) N/A indicates that data are "not available". N/P indicates the company is "not present" in the country; (5) Frost & Sullivan estimates based on publicly available information and primary interviews; (6) Annual data is derived based on estimated utilisation of the daily (365 days) or monthly (12 months) capacity, or estimated based on latest available information. (7) Excluding feed for aquaculture.

Source: Respective Companies' annual reports and website; Frost & Sullivan

Table 3-2: Market Share of LHI and Public Listed Integrated Poultry Companies, 2017

	Total	LHI	CP	Japfa	QL
Malaysia					
Annual Feed Mill Production ('000 MT)	6,000	10.5%	5.2%	N/P	4.5%
Annual DOCs Volume supplied (million)	759	27.1%	7.7%	N/P	2.7%
Indonesia					
Annual Feed Mill Production ('000 MT)	12,218	5.5%	30.9%	20.6%	0.7%
Annual DOCs Volume supplied (million)	3,447	7.0%	37.2%	20.5%	0.5%
Vietnam					
Annual Feed Mill Production ('000 MT)	15,518	4.0%	17.1%	4.4%	0.3%
Annual DOCs Volume supplied (million)	285 ⁽¹⁾	12.7%	31.0%	9.8%	N/P
Malaysia + Indonesian + Vietnam					
Annual Feed Mill Production ('000 MT)	33,736	5.7%	20.0%	9.5%	1.2%
Annual DOCs Volume supplied (million)	4,490	10.8%	31.8%	16.3%	0.8% ⁽²⁾
Singapore					
Live Chicken Imported from Malaysia (million)	47	45.3%	N/P	N/P	N/P

Notes: (1) Data excludes DOC supplied from state-owned companies and sales or own consumption from home-based farming; (2) N/P for Vietnam.

Source: DVS; USDA; AVA; International Enterprise Singapore; Companies' annual reports and investor relations publication; Frost & Sullivan

Overall, LHI is the largest integrated poultry producer in Malaysia and among the top three integrated poultry producers in Indonesia and Vietnam in 2017.

3.2 FINANCIAL BENCHMARKING

Table 3-3: Performance Comparison of LHI³⁴ and Selected Poultry Companies³⁵, 2017

	LHI rank	LHI	CP Foods	Japfa	QL
Revenue CAGR (2011-17) ⁽¹⁾	2 nd	14.6%	16.0%	7.8%	9.1%
EBITDA margin (2017) ⁽²⁾	2 nd	10.6%	6.5%	8.9%	12.4%
Return on Equity (2017) ⁽³⁾	1 st	15.4%	10.1%	0.2%	11.8%

Note: (1) LHI 2011 revenue is based on combination of Leong Hup Holdings Berhad and Emivest Berhad as of Calendar Year 2011 before privatisation. LHI's revenue is based on quarterly unaudited financial statements for March, June, September and December 2011, other players are based on revenue for Calendar Year (January to December); (2) Operating profit before depreciation and amortisation based on reported EBITDA for Calendar Year (January to December) where available; (3) Profit after tax and minority interests for FYE2017 over average shareholders' equity for FYE2016 and FYE2017; (4) All calculations are based on local currency.

Source: Respective Company's website; Frost & Sullivan

In addition, while most of the other listed industry players' revenues based on the latest available financial reports are concentrated in a single country of operation³⁶, LHI's geographical coverage is more diversified and is supported by a balanced revenue contribution for its key countries of operation.

Table 3-4: Revenue Contribution of LHI and Selected Poultry Companies by Countries, 2017

	LHI	CP Foods	Japfa	QL
Revenue Contribution by countries (%)	Indonesia: 31.7 Malaysia: 28.8 Singapore: 19.8 Vietnam: 19.2	Thailand: 35.5 China: 25.7 Vietnam: 12.5	Indonesia: 74.2 Vietnam: 9.5	Malaysia: 79.7 Indonesia: 17.2
Others (%) ⁽¹⁾	0.5	26.3	16.3	3.1

Note: (1) Revenue contribution from other countries for the respective companies include: LHI - Philippines, CP Foods - Taiwan, USA, India, Turkey, Russia, UK, Cambodia, Philippines, Malaysia, Laos, Belgium, Sri Lanka and Poland; Japfa - China, India, Myanmar, Singapore and other countries; QL - Vietnam and other countries

Source: LHI's Accountant's Report, Respective Company's annual reports and Investors' presentation; Frost & Sullivan

³⁴ Data for LHI are from the Accountant's Report 2017

³⁵ The companies in this analysis have been selected among the largest listed poultry companies in ASEAN. Data are shown only for the companies that shared publicly their results, specifically for the poultry or poultry related businesses, and for which information are comparable, on a best effort. "Integrated Poultry Participants" refers to companies which are involved in both poultry feed and poultry farming. Negative financial results are excluded from this analysis.

³⁶ E.g. PT CP Indonesia Tbk, which is among the largest three SEA public-listed integrated poultry companies by market capitalisation, derives 100% of its revenue only from the Indonesian market.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

9.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Profiles of our Promoters and substantial shareholders

(i) Emerging Glory as Promoter and substantial shareholder

Emerging Glory was incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 31 May 2010 as a private limited company.

The principal activity of Emerging Glory is investment holding.

As at the LPD, the issued share capital of Emerging Glory is RM100,000.

The shareholders of Emerging Glory and their respective shareholdings in Emerging Glory as at the LPD are as follows:

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Shareholder	Registration no./ NRIC no.	Age	Current address	Direct		Indirect	
				No. of Emerging Glory Shares	%	No. of Emerging Glory Shares	%
Lau Chia Nguang	520108-01-5597	67	No. 28, Jalan Simpoh, Country Height Damansara 60000 Kuala Lumpur	14,999	15.00	-	-
Dato' Lau Eng Guang	550221-01-5211	64	12B, Bangsar Hill, No. 26, Jalan Medang Serai, Bukit Bandaraya 59100 Kuala Lumpur	14,999	15.00	-	-
Tan Sri Lau Tuang Nguang	580914-01-5211	60	No. 6, Jalan Keranji 2, Off Jalan Kedondong, Ampang Hilir, 55000 Kuala Lumpur	14,999	15.00	-	-
Lau Joo Han	750204-01-6219	44	No. 31, Jalan TR 8/3, Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor	20,002	20.00	-	-
CWL&S	355137-H	N/A	Lot 2.08, 2 nd Floor, Wisma Westcourt 126, Jalan Kelang Lama 58000 Kuala Lumpur	20,002	20.00	-	-
HNL&S ⁽¹⁾	308008-P	N/A	Lot 2.08, 2 nd Floor, Wisma Westcourt 126, Jalan Kelang Lama 58000 Kuala Lumpur	14,999	15.00	-	-
Lau Joo Hong	700624-01-5209	48	No. 50, Jalan Majidi, 84000 Muar Johor	-	-	20,002 ⁽²⁾	20.00
Lau Jui Peng	710612-01-5235	47	No. 50, Jalan Majidi, 84000 Muar Johor	-	-	20,002 ⁽²⁾	20.00
Lau Joo Heng	740513-01-6045	44	No. 50, Jalan Majidi, 84000 Muar Johor	-	-	20,002 ⁽²⁾	20.00

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Notes:

- (1) HNL&S is a private limited company and incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 15 July 1994 under the name Pangkal Anika Sdn Bhd and assumed its current name on 4 September 2002. The principal activity of HNL&S is investment holding and it holds shares in companies principally involved in property, plantation, hotel, poultry farming feedmilling, manufacturing, confectionary and trading businesses.

As at the LPD, the issued share capital of HNL&S is RM100. The shareholders of HNL&S and their respective shareholdings in HNL&S as at the LPD are as follows:

Name	Direct	
	No. of ordinary shares	%
Lau Hai Nguan	20	20.00
Lau Joo Keat	20	20.00
Lau Joo Ping	20	20.00
Lau Joo Hau	20	20.00
Lai Chong Koo	20	20.00

- (2) Deemed interested by virtue of his shareholdings in CWL&S pursuant to Section 8(4) of the Act.

(ii) Lau Joo Hong as Promoter and substantial shareholder

Lau Joo Hong, a Malaysian, is our Non-Independent Executive Director and Chief Executive Officer of our Group's Vietnam operations. For details of Lau Joo Hong's profile, see Section 9.2.1 of this Prospectus.

(iii) Lau Joo Han as Promoter and substantial shareholder

Lau Joo Han, a Malaysian, is our Non-Independent Executive Director as well as the Chief Executive Officer of our Group's Malaysia operations. For details of Lau Joo Han's profile, see Section 9.2.1 of this Prospectus.

(iv) Lau Jui Peng as Promoter and substantial shareholder

Lau Jui Peng, a Malaysian, is our Group Breeder Chief Executive Officer. For details of Lau Jui Peng's profile, see Section 9.3.1 of this Prospectus.

(v) Lau Joo Heng as Promoter and substantial shareholder

Lau Joo Heng, a Malaysian, is the Chief Executive Officer of our Group's Philippines operations. For details of Lau Joo Heng's profile, see Section 9.3.1 of this Prospectus.

(vi) Lau Chia Nguang as Promoter

Lau Chia Nguang, a Malaysian, is our Non-Independent Executive Chairman as well as President Commissioner of Malindo Feedmill. For details of Lau Chia Nguang's profile, see Section 9.2.1 of this Prospectus.

(vii) Dato' Lau Eng Guang as Promoter

Dato' Lau Eng Guang, a Malaysian, is our Non-Independent Executive Director and Group Business Strategist. For details of Dato' Lau Eng Guang's profile, see Section 9.2.1 of this Prospectus.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(viii) **Tan Sri Lau Tuang Nguang as Promoter**

Tan Sri Lau Tuang Nguang, a Malaysian, is our Non-Independent Executive Director, Group Chief Executive Officer and President Director of Malindo Feedmill. For details of Tan Sri Lau Tuang Nguang's profile, see Section 9.2.1 of this Prospectus.

(ix) **Lau Joo Keat as Promoter**

Lau Joo Keat, a Malaysian, is the Non-Independent Executive Director and Country Head of our Group's Indonesian operations. For details of Lau Joo Keat's profile, see Section 9.2.1 of this Prospectus.

(x) **Lau Joo Hwa as Promoter**

Lau Joo Hwa, a Malaysian, is the Chief Executive Officer of our Group's Singapore operations. For details of Lau Joo Hwa's profile, see Section 9.3.1 of this Prospectus.

(xi) **Clarinden Investments as substantial shareholder**

Clarinden Investments is a private limited company incorporated in Singapore on 1 November 2012. Concordant Investments owns 90,000,000 preference shares and 10,000,000 ordinary shares, representing the entire ordinary shares and issued preference shares of Clarinden Investments. Clarinden Investments is a wholly-owned subsidiary of Concordant Investments which is held by Affinity APF IV, Affinity APF IV2 and Keystone Investment Foresight LP holding 51.50%, 47.03% and 1.47% equity interest in Concordant Investments respectively. Affinity APF IV, Affinity APF IV2 and Keystone Investment Foresight LP are exempted limited partnerships.

The principal activity of Clarinden Investments is to hold passive investments in companies.

(xii) **Concordant Investments as substantial shareholder**

Concordant Investments is a private limited company incorporated in Singapore on 25 October 2013. Affinity APF IV owns 2,549,533,945 preference shares and 5,149,534 ordinary shares (representing 51.50% each of the aggregate preference shares and aggregate ordinary shares) of Concordant Investments. Affinity APF IV2 owns 2,328,298,568 preference shares and 4,702,683 ordinary shares (representing 47.03% each of the aggregate preference shares and aggregate ordinary shares) of Concordant Investments. Keystone Investment Foresight LP owns 73,167,487 preference shares and 147,783 ordinary shares (representing 1.47% each of the aggregate preference shares and aggregate ordinary shares) of Concordant Investments. Affinity APF IV, Affinity APF IV2 and Keystone Investment Foresight LP are exempted limited partnerships.

The principal activity of Concordant Investments is to make private equity investments (directly or indirectly) in Asia and Australasia.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(xiii) Affinity APF IV as substantial shareholder

Affinity APF IV is an exempted limited partnership established in the Cayman Islands on 16 August 2012.

None of the investors of Affinity APF IV are entitled to exercise or control the exercise of 20.00% or more of the voting securities of Affinity APF IV.

The principal activity of Affinity APF IV is to make private equity investments (directly or indirectly) in Asia and Australasia.

(xiv) Affinity APF IV2 as substantial shareholder

Affinity APF IV2 is an exempted limited partnership established in the Cayman Islands on 16 August 2012.

None of the investors of Affinity APF IV2 are entitled to exercise or control the exercise of 20.00% or more of the voting securities of Affinity APF IV2.

The principal activity of Affinity APF IV2 is to make private equity investments (directly or indirectly) in Asia and Australasia.

(xv) CWL&S as substantial shareholder

CWL&S is a private limited company and incorporated in Malaysia under the Companies Act, 1965 and is deemed registered under the Act on 14 August 1995 under the name Sri Medan Food Processing Sdn Bhd and assumed its current name on 13 August 2002.

The principal activity of CWL&S is investment holding and it holds shares in companies principally involved in property, plantation, hotel and poultry farming feedmilling, manufacturing, confectionary and trading businesses.

As at the LPD, the issued share capital of CWL&S is RM100.

The shareholders of CWL&S and their respective shareholdings in CWL&S as at the LPD are as follows:

Name	Direct	
	No. of ordinary shares	%
Lau Joo Hong	36	36.00
Lau Jui Peng	32	32.00
Lau Joo Heng	32	32.00

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.1.2 Shareholdings of our Promoters and substantial shareholders

The following table sets forth the direct and indirect shareholdings of our Promoters and substantial shareholders before and after our IPO:

Name	Before our IPO				After our IPO							
	Direct		Indirect		Assuming the Over-allotment Option is not exercised				Assuming the Over-allotment Option is fully exercised			
	No. of Shares (^{'000})	% ⁽¹⁾	No. of Shares (^{'000})	% ⁽¹⁾	No. of Shares (^{'000})	% ⁽²⁾	No. of Shares (^{'000})	% ⁽²⁾	No. of Shares (^{'000})	% ⁽²⁾	No. of Shares (^{'000})	% ⁽²⁾
Promoters and substantial shareholders												
Emerging Glory	1,927,201	56.68	-	-	1,927,201	52.80	-	-	1,927,201	52.80	-	-
Lau Joo Hong	49,751	1.46	1,927,201 ⁽³⁾	56.68	30,041	0.82	1,927,201 ⁽³⁾	52.80	24,840	0.68	1,927,201 ⁽³⁾	52.80
Lau Joo Han	138,174	4.06	1,927,201 ⁽⁴⁾	56.68	83,424	2.29	1,927,201 ⁽⁴⁾	52.80	68,976	1.89	1,927,201 ⁽⁴⁾	52.80
Lau Jui Peng	44,211	1.30	1,927,201 ⁽³⁾	56.68	26,691	0.73	1,927,201 ⁽³⁾	52.80	22,068	0.60	1,927,201 ⁽³⁾	52.80
Lau Joo Heng	44,211	1.30	1,927,201 ⁽³⁾	56.68	26,691	0.73	1,927,201 ⁽³⁾	52.80	22,068	0.60	1,927,201 ⁽³⁾	52.80
Promoters												
Lau Chia Nguang	-	-	103,613 ⁽⁵⁾	3.05	-	-	63,463 ⁽⁵⁾	1.74	-	-	52,868 ⁽⁵⁾	1.45
Dato' Lau Eng Guang	103,613	3.05	-	-	63,463	1.74	-	-	52,868	1.45	-	-
Tan Sri Lau Tuang Nguang	-	-	103,613 ⁽⁶⁾	3.05	-	-	67,113 ⁽⁶⁾	1.84	-	-	57,480 ⁽⁶⁾	1.57
Lau Joo Keat	-	-	103,613 ⁽⁷⁾	3.05	-	-	63,463 ⁽⁷⁾	1.74	-	-	52,868 ⁽⁷⁾	1.45
Lau Joo Hwa	-	-	-	-	-	-	-	-	-	-	-	-

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name	After our IPO											
	Before our IPO				Assuming the Over-allotment Option is not exercised				Assuming the Over-allotment Option is fully exercised			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
('000)		('000)		('000)		('000)		('000)		('000)		
Substantial shareholders												
Clarinden Investments	782,000	23.00	-	-	360,950	9.89	-	-	290,638	7.96	-	-
Concordant Investments	-	-	782,000 ⁽⁸⁾	23.00	-	-	360,950 ⁽⁸⁾	9.89	-	-	290,638 ⁽⁸⁾	7.96
Affinity APF IV	-	-	782,000 ⁽⁹⁾	23.00	-	-	360,950 ⁽⁹⁾	9.89	-	-	290,638 ⁽⁹⁾	7.96
Affinity APF IV2	-	-	782,000 ⁽⁹⁾	23.00	-	-	360,950 ⁽⁹⁾	9.89	-	-	290,638 ⁽⁹⁾	7.96
CWL&S	-	-	1,927,201 ⁽¹⁰⁾	56.68	-	-	1,927,201 ⁽¹⁰⁾	52.80	-	-	1,927,201 ⁽¹⁰⁾	52.80

Notes:

- (1) Based on our issued share capital of 3,400,000,000 Shares after the Pre-IPO Exercise.
- (2) Based on our enlarged issued share capital of 3,650,000,000 Shares.
- (3) Deemed interested by virtue of his interest in Emerging Glory through his shareholding held in CWL&S pursuant to Section 8(4) of the Act.
- (4) Deemed interested by virtue of his shareholding in Emerging Glory pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his shareholding in CN Lau Holdings pursuant to Section 8(4) of the Act.
- (6) Deemed interested by virtue of his shareholding in TN Lau Holdings pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his shareholding in HNL&S pursuant to Section 8(4) of the Act.
- (8) Deemed interested by virtue of its shareholding in Clarinden Investments pursuant to Section 8(4) of the Act.
- (9) Deemed interested by virtue of its interest in Clarinden Investments through its shareholdings held in Concordant Investments pursuant to Section 8(4) of the Act.
- (10) Deemed interested by virtue of its shareholding in Emerging Glory pursuant to Section 8(4) of the Act.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.1.3 Changes in our Promoters' and substantial shareholders' shareholdings in our Company for the past three years

Save for the issuance of Shares to the Promoters and the substantial shareholders pursuant to the Pre-IPO Exercise as detailed in Section 6.1.4 of this Prospectus, there has been no change in our Promoters' and the substantial shareholders' shareholdings in our Company for the past three years up to the LPD.

9.2 BOARD OF DIRECTORS

Our Board acknowledges and takes cognisance of the MCCG which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and culture of such companies. The MCCG is specifically targeted for large companies i.e. companies on the FTSE Bursa Securities Top 100 Index or companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year ("**Large Companies**"). Once a company is under the category of Large Companies, it will remain as one for the entire financial year regardless of the change in its status during the financial year.

Currently, our Company has yet to adopt the recommendations under MCCG to have a Board comprising a majority of Independent Directors. In this regard, we endeavour to comply with this practice within two years from our Listing by appointing two additional independent directors. Our Board will also provide a statement on the extent of compliance with the MCCG in our first annual report as a listed entity.

Our Board has at least 30% women directors, a Senior Independent Non-Executive Director and our Audit and Risk Committee comprises solely of Independent Directors. With that, our Board believes that our Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern our Group effectively. Our Board is also committed to achieving and sustaining high standards of corporate governance.

Within the limits set by our Constitution, our Board is responsible for the governance and management of our Company. To ensure the effective discharge of its functions, our Board endeavours to follow the MCCG and have set out the following responsibilities in the board charter:

- (i) to review, challenge and approve our annual corporate plan, which includes our overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;
- (ii) to oversee the conduct of our businesses and to determine whether our businesses are being properly managed;
- (iii) to identify principal risks and ensure the implementation of appropriate internal controls and mitigation risks to effectively monitor and manage these risks;
- (iv) to develop succession planning, including appointing, training, fixing the remuneration of, and where appropriate, replacing key management;
- (v) to oversee the development and implementation of a shareholder communications policy for our Company; and
- (vi) to review the adequacy and integrity of our management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines (including Listing Requirements, securities laws and the Act).

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

In addition, the roles and responsibilities of our Executive Chairman and Group Chief Executive Officer are clearly segregated to further enhance and preserve a balance of authority and accountability. Our Executive Chairman is primarily responsible for the following:

- (i) ensuring orderly conduct of the Board meetings;
- (ii) providing leadership to our Board in its collective oversight of management; and
- (iii) ensuring effectiveness of our Board.

On the other hand, our Group Chief Executive Officer is primarily responsible for the following:

- (i) focuses on the business and day-to-day management of our Group;
- (ii) holds the primary executive responsibility for our Group's business performance and manages our Group in accordance with the strategies and policies approved by the Board; and
- (iii) to lead the senior management of our Company in making, implementing and managing the day-to-day decisions on our business operations, our Group's resources and the associated risks involved in pursuing our Group's corporate objectives.

Under Clause 127 of our Constitution, at each AGM, one-third of our Directors for the time being, or if their number is not a multiple of three, then the number nearest to one-third with a minimum of one, shall retire from office and an election of Directors shall take place PROVIDED ALWAYS that each Director shall retire from office at least once in every three years but shall be eligible for re-election. The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment. A retiring Director shall be eligible for re-election.

Under Clause 132 of our Constitution, the Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director, provided that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with our Constitution. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The number of Directors shall not be less than two but not more than 20. At least two of our Directors or one-third of our Board, whichever is higher, must also at all times be Independent Directors. As at the date of this Prospectus, our Board consists of 13 Directors and one Alternate Director, six of our Directors are Independent Directors.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

The details of the members of our Board, and the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office as at the LPD are as follows:

Director	Age	Date of appointment	Date of expiration of the current term of office	No. of years and months office
Lau Chia Nguang	67	9 September 2014	Subject to retirement by rotation at the AGM in 2019	4 years 6 months
Dato' Lau Eng Guang	64	1 July 2014	Subject to retirement by rotation at the AGM in 2019	4 years 9 months
Tan Sri Lau Tuang Nguang	60	23 November 2018	Subject to retirement at the AGM in 2019	4 months
Lau Joo Hong	48	9 September 2014	Subject to retirement by rotation at the AGM in 2020	4 years 6 months
Lau Joo Han	44	1 October 2018	Subject to retirement at the AGM in 2019	6 months
Lau Joo Keat	39	9 September 2014	Subject to retirement by rotation at the AGM in 2020	4 years 6 months
Benny Lim Jew Fong	46	9 September 2014	Subject to retirement by rotation at the AGM in 2020	4 years 6 months
Datin Paduka Rashidah Binti Ramli	59	1 August 2018	Subject to retirement at the AGM in 2019	8 months
Mahani Binti Amat	64	1 August 2018	Subject to retirement at the AGM in 2019	8 months
Chu Nyet Kim	63	1 August 2018	Subject to retirement at the AGM in 2019	8 months
Goh Wen Ling	39	1 August 2018	Subject to retirement at the AGM in 2019	8 months
Low Han Kee	59	1 August 2018	Subject to retirement at the AGM in 2019	8 months
Tay Tong Poh	57	1 August 2018	Subject to retirement at the AGM in 2019	8 months
Tee Yock Siong (as Alternate Director to Benny Lim Jew Fong)	37	1 August 2018	Nil	8 months

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

None of our other Directors represent any corporate shareholder on our Board except for Benny Lim Jew Fong and his Alternate Director, Tee Yock Siong, who are representatives of Clarinden Investments on our Board. Further, save as disclosed below, there are no family relationships between our Directors:

- (i) Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang are brothers; and
- (ii) Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang are the uncles of Lau Joo Hong, Lau Joo Han and Lau Joo Keat.

For details of the associations or family relationship between our Promoters, substantial shareholders, Directors and key senior management, see Section 9.5 of this Prospectus.

9.2.1 Profiles of our Directors

(i) Lau Chia Nguang

Lau Chia Nguang, a Malaysian aged 67, is our Non-Independent Executive Chairman and President Commissioner of Malindo Feedmill. He completed his primary school education in 1964. He has over 40 years of experience and expertise in the integrated livestock industry.

He began his career in the late 1960s as a vegetable wholesaler. In 1978, he joined LH Poultry Farm. He led our Group's broiler business in Malaysia from 1985 to 2002.

He led the expansion of LH Holdings' poultry business to Jakarta in 1996 with the incorporation of Leong Ayamsatu and thereafter, he founded Malindo Feedmill in 1997 as the vehicle for expanding our Group's poultry business in Indonesia to tap into the market potential and opportunities of the Indonesian poultry industry. Malindo Feedmill was listed on the Jakarta Stock Exchange (now known as Indonesia Stock Exchange) in 2006.

He served as president director of Malindo Feedmill from 2014 to June 2018 and is currently the President Commissioner of Malindo Feedmill since June 2018.

His notable achievements, aside from leading the listing of Malindo Feedmill, include being recognised by Enterprise Asia in 2013 and 2015 upon receiving the Asia Pacific Entrepreneurship Award.

He was appointed to our Board on 9 September 2014 and re-designated as our Executive Chairman on 1 October 2018. Currently, he also sits on the boards of various subsidiaries of our Group and several other private limited companies as disclosed in Section 9.2.3 of this Prospectus.

(ii) Dato' Lau Eng Guang

Dato' Lau Eng Guang, a Malaysian aged 64, is our Non-Independent Executive Director and Group Business Strategist. He completed his secondary school education in 1972 and South Australian matriculation in 1974. He has over 40 years of experience and expertise in integrated livestock industry.

In 1978, he joined LH Poultry Farm where he oversaw its finances and corporate affairs.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He is responsible for our Group's business strategies and risk management and has been involved in various aspects of our Group's operations. He served as a director in LH Holdings and Emivest when both companies were listed on the Main Board of Bursa Securities. He was a director of both companies since 1989 and 2002, respectively.

He was appointed to our Board on 1 July 2014. Currently, he also sits on the boards of various subsidiaries of our Group and several other private limited companies as disclosed in Section 9.2.3 of this Prospectus.

(iii) **Tan Sri Lau Tuang Nguang**

Tan Sri Lau Tuang Nguang, a Malaysian aged 60, is our Non-Independent Executive Director, Group Chief Executive Officer and President Director of Malindo Feedmill. He completed his secondary school education in 1975. He has over 35 years of experience and expertise in integrated livestock industry.

He began his career in the family farm business at LH Poultry Farm in 1978 where he gained experience through the operations and running of the GPS and breeder farms and was director from 1978 to October 2018. He has been a director of LH Holdings since 11 January 1986 to present date. He sat on our Board from 2014 until his resignation on 1 August 2018. He was appointed as our Group Chief Executive Officer on 13 June 2018 and was re-appointed to our Board on 23 November 2018.

As the Group's Chief Executive Officer, he oversees the entire business operations of our Group covering Malaysia, Singapore, Indonesia, Vietnam and Philippines.

He sat on the board of Teo Seng from 2009 to August 2018 and he is currently the President Director of Malindo Feedmill, both being our listed subsidiaries.

He served as a panel advisor to the MOA in 2004 and currently sits as a panel member of the National Agriculture Advisory Council to the MOA. From 2005 to 2006, he was the former President of the Federation of Livestock Farmers' Association of Malaysia, an association instituted for the safeguarding of livestock farming community's interest and the betterment of the livestock industry and presently sits on its advisory panel.

His notable achievements include receiving the Life Achievement Award in 2013 during the 7th Malaysian Livestock Industry Award and being appointed as a panel member of National Agriculture Advisory Council, under the purview of the MOA in 2018.

He was appointed to our Board on 23 November 2018. Currently, he also sits on the boards of various subsidiaries of our Group and several other private limited companies as disclosed in Section 9.2.3 of this Prospectus.

(iv) **Lau Joo Hong**

Lau Joo Hong, a Malaysian aged 48, is our Non-Independent Executive Director and Chief Executive Officer for our Group's Vietnam operations. He completed his secondary school education in 1988. He has over 20 years of experience and expertise in the integrated livestock industry and retail market.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He began his career in the family poultry business in 1991 when he joined Bintang Lapan Sdn Bhd (now known as A1FC) which was previously a subsidiary of LH Holdings principally involved in processing and marketing of chicken and related products, where he oversaw the entire operations of A1FC. In 1994, he was also assigned the responsibility of overseeing the entire operations of A1FP. He was transferred to Astaka Shopping Centre (Muar) Sdn Bhd ("**Astaka**"), another family business in 1996 where he was responsible for the overall operations of Astaka until the family's decision to venture into Vietnam's poultry business in 2007 where he planned and executed the expansion plan. He led our Vietnam operations as Deputy Chief Executive Officer until his promotion in 2014 to Chief Executive Officer. He also led the expansion of our Vietnam operations since its incorporation.

He is a director of both LH Holdings and Emivest since 2008 and 2010, respectively (including the period whilst both companies were listed on the KLSE).

He was appointed to our Board on 9 September 2014. Currently, he also sits on the boards of various subsidiaries of our Group and several other private limited companies as disclosed in Section 9.2.3 of this Prospectus.

(v) **Lau Joo Han**

Lau Joo Han, a Malaysian aged 44, is our Non-Independent Executive Director and Chief Executive Officer for our Group's Malaysia operations. He has over 19 years of experience in the livestock industry.

He graduated with a degree in International Trade from Victoria University, Melbourne, Australia in 1999.

He began his career in 2001 at Leong Hup Contract Farming Sdn Bhd (now known as LH Agrobusiness) in charge of the marketing and operations of LH Agrobusiness. He rose through the ranks and has been the Chief Executive Officer of LH Malaysia since 2014, in-charge of overseeing the business and full operations of LH Malaysia. He was duly appointed and has served as a director of LH Malaysia since 2014.

He has extensive expertise in the upstream and downstream activities of livestock production, operation, development and marketing areas of the poultry industry. He has contributed to our Group's marketing strategies and spearheaded many business expansion projects at LH Malaysia which contributed to the growth of LH Malaysia. He served as a non-executive director of Teo Seng from 2008 until he was re-designated to the position of executive director in 2013 until his resignation on 31 July 2018.

He was appointed to our Board on 1 October 2018. Currently, he also sits on the board of directors of various subsidiaries of our Group and several other private limited companies as disclosed in Section 9.2.3 of this Prospectus.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(vi) Lau Joo Keat

Lau Joo Keat, a Malaysian aged 39, is our Non-Independent Executive Director. He has approximately 16 years of experience and expertise in the integrated livestock industry.

In 2002, he obtained his Bachelor of Marketing from University of Kentucky, United States.

He began his career in 2002 when he joined the Malindo Feedmill as Production Manager of the breeding, hatchery and broiler farms. In 2007, he served as Head of Production of the breeding, hatchery and broiler farms. He has served as a director of Malindo Feedmill since 2015 and has been the Country Head of our Group's Indonesian business since 2017.

He was appointed to our Board on 9 September 2014. Currently he also sits on the board of Malindo Feedmill as well as various subsidiaries of our Group and several other private limited companies as disclosed in Section 9.2.3 of this Prospectus.

(vii) Benny Lim Jew Fong

Benny Lim Jew Fong, a Singaporean aged 46, is our Non-Independent Non-Executive Director. He has over 22 years of experience and expertise in private equity, corporate and investment banking.

He obtained a Bachelor of Commerce from Monash University, Australia in 1995 and qualified as a Chartered Financial Analyst in 2001.

He began his career with Southern Bank Berhad as a corporate banking officer from 1996 to 2000. Thereafter, he joined DBS Bank Ltd in 2001 where he held various positions in corporate and investment banking in Malaysia and Singapore. In 2009, he joined United Overseas Bank Ltd in Singapore where he oversaw the origination activities in Malaysia for the bank's strategic client coverage team until he left in 2011 to join Affinity EPS at its Singapore office. He is currently the Managing Director in Affinity EPS where he is responsible for originating, executing and managing investments for Affinity EPS.

He was appointed to our Board on 9 September 2014. Currently, he also sits on the board of the portfolio companies as representative of Affinity EPS as disclosed in Section 9.2.3 of this Prospectus.

(viii) Datin Paduka Rashidah Binti Ramli

Datin Paduka Rashidah Binti Ramli, a Malaysian aged 59, is our Independent Non-Executive Director.

She obtained her Bachelor of Arts (Honours) in South East Asian Studies from University of Malaya, Kuala Lumpur in 1982.

She began her career in 1984 as an Administrative and Diplomatic Officer and served at various senior levels in the Ministry of Foreign Affairs, among them being the Southeast Asia Division, Development Division and Chief of Inspectorate. She also had foreign postings in Singapore and Canada, and was Ambassador (in residence) to the Republic of Ecuador and the Republic of Colombia. In 2010, she was appointed as the Director General of the Southeast Asia Regional Centre for Counter-Terrorism (SEARCCT), Ministry of Foreign Affairs until her retirement in 2017.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

She was conferred the Selangor State Award of Datuk Paduka Mahkota Selangor in 2008 which carries the title 'Datin Paduka'.

She was appointed to our Board on 1 August 2018.

(ix) Mahani Binti Amat

Mahani Binti Amat, a Malaysian aged 64, is our Independent Non-Executive Director. She has over 27 years of working experience in the banking industry.

She obtained her Bachelor in Economics (majoring in Business Administration) from University of Malaya in 1977.

She began her career with BNM in 1977 as an officer in the Foreign Investment and Foreign Loans Division and her last position when she left in 1984 was Section Head of Export Credit Refinancing Facilities. She joined the Singapore Branch of United Malayan Banking Corporation Berhad, the predecessor of RHB in 1984 as Head of Asian Currency Unit, Treasury and thereafter RHB, Head Office in Kuala Lumpur from 2001 until 2004. She held various senior management positions in RHB as head of premium banking, international division and with her last designation as Executive Vice President of operations and services. She went on sabbatical after leaving RHB.

In 2006, she joined the investment committee of Opus Asset Management Sdn Bhd, a boutique fund house investing in Malaysian fixed-income securities, where she has since remained as a member. She was also a non-executive director of Sinesinga Sdn Bhd, a special purpose vehicle investing in distressed assets of financial institutions until her resignation in 2014.

She has served as chairman of various taskforce and committees at bank working levels including asset liability management, information technology steering committee, delivery channels transformation and various ad hoc project committees. She was also then a member of the Association of Banks, Fraud Risk Committee.

She was appointed to our Board on 1 August 2018. Currently, she is also an independent director on two public listed companies on the Main Market of Bursa Securities, namely Unisem (M) Bhd and Scicom (MSC) Bhd since 2016 and 2017 respectively.

(x) Chu Nyet Kim

Chu Nyet Kim, a Malaysian aged 63, is our Independent Non-Executive Director. She has more than 30 years of working experience in the field of taxation, finance and accounting functions.

She obtained her Diploma in Accounting (Honours) from Algonquin College of Applied Arts and Technology, Canada in 1977. She became an associate member of the Chartered Association of Certified Accountants, United Kingdom (now known as Association of Chartered Certified Accountants, United Kingdom) ("**ACCA**") in 1995 and she has been a Fellow member of the ACCA since 2000. She became a member of the Malaysian Institute of Accountants ("**MIA**") in 2018.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

She began her career in Harrisons & Crosfield (Sabah) Sdn Bhd in 1977 as an accounts executive until 1980 before leaving the company to study full time for her ACCA. She then joined Houw Hing Co., Singapore, a trading company and served as an accountant from 1984 to 1987. Thereafter, she moved to Indonesia and went on sabbatical before re-entering the workforce when she joined Deloitte Indonesia (“**Deloitte**”) in Jakarta, Indonesia in 1989. She was admitted as a partner in Deloitte in 1997 and later became a senior partner of Deloitte Southeast Asia Cluster until her retirement in 2016. In the 27 years that she was with Deloitte, she held various positions, specialising in taxation with her last designation as the Leader of Global Employer Services (a tax service line) and Tax Risk Leader/Deputy Tax Managing Partner of Deloitte Indonesia. As the Tax Risk Leader of Deloitte Indonesia, she worked closely with Deloitte Southeast Asia Tax Risk Leader to build up the tax risk management team in Indonesia.

She was appointed to our Board on 1 August 2018. She has been a Commissioner of PT PZ Cussons Indonesia (“**PT PZ Cussons**”) since 2016. PT PZ Cussons is a subsidiary of PZ Cussons PLC, a company listed on the London Stock Exchange and a constituent of the FTSE 250 Index.

(xi) **Goh Wen Ling**

Goh Wen Ling, a Malaysian aged 39, is our Independent Non-Executive Director. She has over 14 years of working experience in the legal industry encompassing direct real estate acquisitions and divestments, retail banking and various aspects of financing, various areas of corporate and commercial legal practice.

She graduated with a Bachelor of Laws (Honours) degree from University of Hull in 2000. She obtained her Postgraduate Diploma from City University London, Inns of Court School of Law in 2001. She was called to the Bar of England and Wales in 2001 as a Barrister-at-Law of the Honourable Society of the Middle Temple in 2001. In 2002, she was admitted to the High Court of Malaya as an advocate and solicitor.

She began her professional career in 2002 as an associate in the intellectual property department of Messrs. Shook Lin & Bok where her main area of practice was in intellectual property litigation, reviewing and advising on trade mark, patents and industrial design registration and general advisory work relating to intellectual property rights.

She left legal practice in 2003 and started her own event management company, Aldrea Dream Media Sdn Bhd. In 2004, she returned to legal practice and joined Messrs. Andrew T.S. Goh & Khairil as a junior partner and head of the conveyancing, corporate and banking department and is still currently active in legal practice.

She was appointed to our Board on 1 August 2018.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(xii) Low Han Kee

Low Han Kee, a Malaysian aged 59, is our Senior Independent Non-Executive Director.

He qualified as a certified public accountant with the Malaysian Association of Certified Public Accountants ("**MACPA**") (now known as Malaysian Institute of Certified Public Accountants) in 1984.

He began his career with Ernst & Whinney (now known as Ernst and Young) in 1980 as an audit trainee by signing a 4 year articleship with the firm to undertake the professional examinations of MACPA. He joined Mulpha International Berhad ("**Mulpha**"), a group involved in trading, construction and engineering which is a listed company on the KLSE from 1985 until 1990 with his last position as the Group Chief Accountant. In 1990, he joined Amway (Malaysia) Sdn Bhd ("**AMSB**"). He held various senior management positions whilst at AMSB including as Divisional Manager of the Finance & Administration Division, General Manager responsible for Amway operations in Malaysia and Brunei with his last designation as managing director when he retired in 2016. He has served as managing director and President of Amway South East Asia, Australia & New Zealand where he had led the successful opening of Amway's group business in South East Asia including Singapore, Brunei and Vietnam. He also served as managing director of Amway (Malaysia) Holdings Berhad ("**AMHB**") which is listed on the Main Market of Bursa Securities from 1998 until his retirement in 2016.

He has more than 30 years of financial expertise, having held senior finance positions in public listed companies, namely AMHB and Mulpha.

He was appointed to our Board on 1 August 2018. Currently, he is also a non-independent, non-executive director of AMHB since 1996.

(xiii) Tay Tong Poh

Tay Tong Poh, a Malaysian aged 57, is our Independent Non-Executive Director.

He obtained a Bachelor of Science in Electrical Engineering from the University of Southern California Viterbi School of Engineering, United States in 1984 and a Master of Business Administration (Finance) from the University of Chicago Booth School of Business, United States in 1986.

He has 17 years of experience in corporate banking, corporate finance, project finance, leveraged finance and debt capital markets in J.P Morgan Securities (Asia Pacific) Limited ("**JP Morgan**"). He began his career with Chase Manhattan Bank, Singapore ("**CMB**") as an associate in 1987 and transferred to Chase Manhattan Asia Limited, Hong Kong ("**CMAL**") in 1993. Both CMB and CMAL were the predecessors of JP Morgan. He held various senior management positions in JP Morgan with his last designation as managing director of Debt Capital Markets, Asia Pacific where he was responsible for the loan syndication business of JP Morgan in Asia Pacific and aided in establishing JP Morgan as one of the market leaders in leveraged finance in the region.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

He took a career break after he left JP Morgan in 2004 and relocated to Singapore in 2005. He joined United Overseas Bank Limited, Singapore ("**UOB**") as Head of Investment Banking and Executive Vice President from 2006 to 2011. Whilst in UOB, he served as a member of UOB's management committee and investment committee and reported directly to the Chief Executive Officer of UOB.

He joined Affinity EPS in 2011 as managing director and Head of Portfolio Management and was responsible for various functions, including performing due diligence and opining on the Affinity group of companies' investment opportunities, monitoring of investment portfolios, performing portfolio valuation, and supervising the Affinity group of companies' responsible investment policy. He also represented the Affinity group of companies on the board of directors of several portfolio companies. He retired from Affinity EPS in June 2018 and resigned from the board of directors of several portfolio companies and other Affinity group entities.

He was appointed to our Board on 1 August 2018.

(xiv) Tee Yock Siong

Tee Yock Siong, a Singaporean aged 37 is the Alternate Director to Benny Lim Jew Fong. He holds a Bachelors of Business Management and a Bachelor of Science (Economics) from the Singapore Management University in 2006 and subsequently, a Master of Business Administration ("**MBA**") from the Wharton School at the University of Pennsylvania, United States in 2012.

He has almost 12 years of experience and expertise in private equity and corporate finance. He began his career in 2006 at McKinsey & Company in Singapore, where he was involved in advisory works on topics relating to corporate finance and business strategy. In 2008, he joined Temasek Holdings Pte Ltd ("**Temasek**"), state-owned holding company that can be characterised as a national wealth investment company owned by the Government of Singapore.

He left Temasek in 2010 to pursue his MBA. Upon obtaining his MBA in 2012, he joined Affinity EPS, where he is now an executive director, in charge of originating, executing and managing investments for the Affinity EPS.

He was appointed as Alternate Director to Benny Lim Jew Fong on 1 August 2018. As at present and in the past 5 years preceding the date of this Prospectus, he does not hold any directorship in any other public or private companies.

Our Directors also hold directorships in other companies, as disclosed in Section 9.2.3 of this Prospectus.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.2 Shareholding of our Directors

The following table sets out the direct and indirect shareholding of our Directors before and after our IPO (assuming full subscription of the IPO Shares allocated to the Eligible Persons):

Director	After our IPO ⁽²⁾											
	Before our IPO				Assuming the Over-allotment Option is not exercised				Assuming the Over-allotment Option is fully exercised			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽³⁾	No. of Shares ('000)	% ⁽³⁾	No. of Shares ('000)	% ⁽³⁾	No. of Shares ('000)	% ⁽³⁾
Lau Chia Nguang	-	-	103,613 ⁽⁴⁾	3.05	-	-	63,463 ⁽⁴⁾	1.74	-	-	52,868 ⁽⁴⁾	1.45
Dato' Lau Eng Guang	103,613	3.05	-	-	63,463	1.74	-	-	52,868	1.45	-	-
Tan Sri Lau Tuang Nguang	-	-	103,613 ⁽⁵⁾	3.05	-	-	67,113 ⁽⁵⁾	1.84	-	-	57,480 ⁽⁵⁾	1.57
Lau Joo Hong	49,751	1.46	1,927,201 ⁽⁶⁾	56.68	30,041	0.82	1,927,201 ⁽⁶⁾	52.80	24,840	0.68	1,927,201 ⁽⁶⁾	52.80
Lau Joo Han	138,174	4.06	1,927,201 ⁽⁷⁾	56.68	83,424	2.29	1,927,201 ⁽⁷⁾	52.80	68,976	1.89	1,927,201 ⁽⁷⁾	52.80
Lau Joo Keat	-	-	103,613 ⁽⁸⁾	3.05	-	-	63,463 ⁽⁸⁾	1.74	-	-	52,868 ⁽⁸⁾	1.45
Benny Lim Jew Fong	-	-	-	-	-	-	-	-	-	-	-	-
Datin Paduka Rashidah Binti Ramli	-	-	-	-	500	0.01	-	-	500	0.01	-	-
Mahani Binti Amat	-	-	-	-	500	0.01	-	-	500	0.01	-	-
Chu Nyet Kim	-	-	-	-	500	0.01	-	-	500	0.01	-	-
Goh Wen Ling	-	-	-	-	500	0.01	-	-	500	0.01	-	-
Low Han Kee	-	-	-	-	500	0.01	-	-	500	0.01	-	-
Tay Tong Poh	-	-	-	-	500	0.01	-	-	500	0.01	-	-
Tee Yock Siong	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

- (1) Based on our issued share capital of 3,400,000,000 Shares after the Pre-IPO Exercise.
- (2) Excludes Shares they may subscribe under the Malaysian Public's portion and assuming they fully subscribe for their respective entitlements under the Pink Form Allocations.
- (3) Based on our enlarged issued share capital of 3,650,000,000 Shares.
- (4) Deemed interested by virtue of his shareholding in CN Lau Holdings pursuant to Section 8(4) of the Act.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (5) Deemed interested by virtue of his shareholding in TN Lau Holdings pursuant to Section 8(4) of the Act.
- (6) Deemed interested by virtue of his interest in Emerging Glory through his shareholdings held in CWL&S pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his shareholding in Emerging Glory pursuant to Section 8(4) of the Act.
- (8) Deemed interested by virtue of his shareholdings in HNL&S pursuant to Section 8(4) of the Act.

9.2.3 Principal business activities performed by our Directors outside our Group in the past five years

The principal business activities outside our Group performed by our Directors as at the LPD and the directorships of our Directors outside our Group at present and in the past five years preceding the LPD are as follows:

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
Lau Chia Nguang	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> CNL&S 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in plantation, property and hotel business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> CN Lau Holdings 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in plantation, property and hotel business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Dastan Sdn Bhd 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Emerging Glory 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in poultry farming, feedmilling, manufacturing, trading property, plantation, confectionary and trading businesses 	<ul style="list-style-type: none"> Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Emerging Success Pte Ltd 	<ul style="list-style-type: none"> Investment holding company holding shares in LH Jayaindo, as disclosed in Section 11.1. LH Jayaindo is principally involved in feedmill business and distribution of feed additive and animal health products in Indonesia 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Emivest 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in property business 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Harvasto Sdn Bhd 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in property and plantation business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Lau Leng Yeaw Welfare and Education Foundation 	<ul style="list-style-type: none"> Receiving and administering of funds for education and charitable purposes for public welfare 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> LH Holdings 	<ul style="list-style-type: none"> Investment holding and management services company holding shares in companies principally involved in property and plantation business 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Leong Hup Management Sdn Bhd 	<ul style="list-style-type: none"> Investment holding, business of property letting and provision of management services holding shares in companies principally involved in property, supermarket, plantation and hotel business 	<ul style="list-style-type: none"> Shareholder (Direct) and Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Muar Avenue Sdn Bhd 	<ul style="list-style-type: none"> Property investment 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Muar Regent 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in trading swine products 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Raffles Star Pte Ltd 	<ul style="list-style-type: none"> Corporate finance advisory services, investment holding, general wholesale trade (including general importers and exporters) 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Sindo Overseas Investments Pte Ltd 	<ul style="list-style-type: none"> Investment holding company holding shares in Emerging Success Pte Ltd, which in turn holds shares in LH Jayaindo as disclosed in Section 11.1. LH Jayaindo is principally involved in feedmill business and distribution of feed additive and animal health products in Indonesia 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Sri Mahamal Development Sdn Bhd (resigned on 3 February 2015) 	<ul style="list-style-type: none"> Investment and property holdings 	<ul style="list-style-type: none"> Nil
Dato' Lau Eng Guang	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> Alam Muhibah Sdn Bhd 	<ul style="list-style-type: none"> Investment holding and oil palm plantation 	<ul style="list-style-type: none"> Substantial shareholder (Direct and Indirect)
	<ul style="list-style-type: none"> Comfort Rubber Gloves Industries Sdn Bhd 	<ul style="list-style-type: none"> Manufacturing and trading of latex gloves and subsidiary of Comfort Gloves Berhad, a company listed on the Main Market of Bursa Securities 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Danau Hartamas Sdn Bhd 	<ul style="list-style-type: none"> Buying, selling renting and operating of self-owned or leased real estate – residential buildings, activities of holding companies, export and import of a variety of goods without any particular specialisation N.E.C. 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Darma Canggih Sdn Bhd 	<ul style="list-style-type: none"> Property investment 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Emerging Glory 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in poultry farming feedmilling, manufacturing, trading property, plantation, confectionary and trading businesses 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Emerging Success Pte Ltd 	<ul style="list-style-type: none"> Investment holding company holding shares in LH Jayaindo, as disclosed in Section 11.1. LH Jayaindo is principally involved in feedmill business and distribution of feed additive and animal health products in Indonesia 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Emivest 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in property business 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Excel Crescent Sdn Bhd 	<ul style="list-style-type: none"> Property development 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Gabungan Mayang Plantation Sdn Bhd 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in plantation and oil mill 	<ul style="list-style-type: none"> Substantial shareholder (Direct and Indirect)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Gallant Quality Sdn Bhd 	<ul style="list-style-type: none"> Trading of latex gloves and subsidiary of Comfort Rubber Gloves Industries Sdn Bhd which in turn is a subsidiary of Comfort Gloves Berhad, which is listed on the Main Market of Bursa Securities 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Goldhill Melody Sdn Bhd 	<ul style="list-style-type: none"> Real estate activities with own or leased property N.E.C 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Gorgeous Ambience Sdn Bhd 	<ul style="list-style-type: none"> Plantation of banana durian and etc. 	<ul style="list-style-type: none"> Substantial shareholder (Direct and Indirect)
	<ul style="list-style-type: none"> Hiap Ann Development Sdn Bhd 	<ul style="list-style-type: none"> Letting of site for billboard, property investment and car park letting business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Ikatan Kayangan Sdn Bhd 	<ul style="list-style-type: none"> Engaged in the operation of oil palm and other agro-forestry plantation 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Kayangan Mawar Sdn Bhd 	<ul style="list-style-type: none"> Manufacture of crude palm oil 	<ul style="list-style-type: none"> Substantial shareholder (Direct and Indirect)
	<ul style="list-style-type: none"> Keen Setup Sdn Bhd 	<ul style="list-style-type: none"> Investment holding company with investments in Comfort Gloves Bhd 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Lau Eng Guang Dialysis Charitable Foundation 	<ul style="list-style-type: none"> To establish, operate and manage dialysis centres, to receive and administer donation, funds and various forms of financial support for charitable purpose, and to promote, create public awareness and education of kidney disease 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Lau Leng Yeaw Welfare and Education Foundation 	<ul style="list-style-type: none"> Receiving and administering of funds for education and charitable purposes for public welfare 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> LH Holdings 	<ul style="list-style-type: none"> Investment holding and management services holding shares in companies principally involved in property and plantation business 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Leong Hup Industries Sdn Bhd 	<ul style="list-style-type: none"> Housing development business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Leong Hup Management Sdn Bhd 	<ul style="list-style-type: none"> Investment holding, business of property letting and provision of management services, holding shares in companies principally involved in property, supermarket, plantation and hotel business 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Majumas Pasifik Sdn Bhd 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Melewar Agresif Sdn Bhd 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in oil palm plantations 	<ul style="list-style-type: none"> Substantial shareholder (Direct and Indirect)
	<ul style="list-style-type: none"> Peninsular Forest Management Sdn Bhd 	<ul style="list-style-type: none"> Nursery forest planning, designing and landscaping works and operation of rubber estate in Malaysia 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Safari Bird Park & Wonderland Sdn Bhd 	<ul style="list-style-type: none"> Managing and operating bird park 	<ul style="list-style-type: none"> Substantial shareholder (Direct and Indirect)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Sindo Overseas Investments Pte Ltd 	<ul style="list-style-type: none"> Investment holding company holding shares in Emerging Success Pte Ltd, which in turn holds shares in LH Jayaindo as disclosed in Section 11.1. LH Jayaindo is principally involved in feedmill business and distribution of feed additive and animal health products in Indonesia 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Sungguh Abadi Sdn Bhd 	<ul style="list-style-type: none"> Investment holding in properties 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Nil 		
Tan Sri Lau Tuang Nguang	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> Agroterm Sdn Bhd 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Alam Muhibah Sdn Bhd 	<ul style="list-style-type: none"> Investment holding and oil palm plantation 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Ananas Premium Sdn Bhd 	<ul style="list-style-type: none"> Harvesting and trading of pineapples and its related products 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Atlas Ice (Cambodia) Co., Ltd 	<ul style="list-style-type: none"> Manufacturing ice 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Atlas Ice (Philippines), Inc 	<ul style="list-style-type: none"> Manufacturing and sale of ice and cold storage 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Bio Idaman Sdn Bhd 	<ul style="list-style-type: none"> Cultivation of rubber estate 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Danau Hartamas Sdn Bhd 	<ul style="list-style-type: none"> Buying, selling renting and operating of self-owned or leased real estate – residential buildings, activities of holding companies, export and import of a variety of goods without any particular specialisation N.E.C. 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Emerging Glory 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in poultry farming feedmilling, manufacturing, trading property, plantation, confectionary and trading businesses 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Fokus Bonanza Sdn Bhd 	<ul style="list-style-type: none"> Operation of oil palm plantation 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Ikatan Kayangan Sdn Bhd 	<ul style="list-style-type: none"> Engaged in the operation of oil palm and other agro-forestry plantation 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Kelola Maju Sdn Bhd 	<ul style="list-style-type: none"> Oil palm plantation 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> KPF Farming Sdn Bhd 	<ul style="list-style-type: none"> Production and sales of chicken eggs 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Lau Leng Yeaw Welfare and Education Foundation 	<ul style="list-style-type: none"> Receiving and administering of funds for education and charitable purposes for public welfare 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> LH Holdings 	<ul style="list-style-type: none"> Investment holding and management services company holding shares in companies principally involved in property and plantation business 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Director	Directorships	Principal activities	Involvement in business activities other than as a director
	<ul style="list-style-type: none"> • Leong Hup Management Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding, business of property letting and provision of management services, holding shares in companies principally involved in property, supermarket, plantation and hotel business 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • LTN Holdings Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding company holding shares in a company principally involved in property business 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • LTN Plantation Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding with investment in plantation 	<ul style="list-style-type: none"> • Shareholder (Direct)
	<ul style="list-style-type: none"> • LTN Properties Sdn Bhd 	<ul style="list-style-type: none"> • Property development 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • LTN Resources Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding company holding shares in companies principally involved in property plantation and hotel business 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Majumas Pasifik Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Pangkal Budiman Sdn Bhd 	<ul style="list-style-type: none"> • Oil palm plantation and property development 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Pengangkutan Mekar Sdn Bhd 	<ul style="list-style-type: none"> • Transportation agency 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Peninsular Forest Management Sdn Bhd 	<ul style="list-style-type: none"> • Nursery forest planning, designing and landscaping works and operation of rubber estate in Malaysia 	<ul style="list-style-type: none"> • Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Director	Directorships	Principal activities	Involvement in business activities other than as a director
	<ul style="list-style-type: none"> • PBAC 	<ul style="list-style-type: none"> • Breeding and trading of poultry, fishes and their by-products on a wholesale basis 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Pertama Premium Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Phil Malay Development Co., Inc 	<ul style="list-style-type: none"> • To acquire by purchase, lease, donation or otherwise and to own, use, improve, manage, develop, subdivide, sell, mortgage, exchange, lease develop and hold for agricultural, commercial, industrial, investment or other purposes, real estate 	<ul style="list-style-type: none"> • Shareholder
	<ul style="list-style-type: none"> • Phil Malay 	<ul style="list-style-type: none"> • To develop, manage, lease and operate agricultural and pasture lands, fishponds, fishpens, foreshore lands and fishing rights or concession; and to engage in the raising breeding of poultry and similar stocks 	<ul style="list-style-type: none"> • Shareholder
	<ul style="list-style-type: none"> • Popular Yield Sdn Bhd 	<ul style="list-style-type: none"> • Cultivation of oil palm and rubber estate development 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Prosper Green Plantation Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding with investments in oil palm plantation 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Sejahtera Ferry Services Sdn Bhd 	<ul style="list-style-type: none"> • Provision of express boat services and transporting passengers on board Malaysia vessels 	<ul style="list-style-type: none"> • Substantial shareholder (Direct and indirect)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Director	Directorships	Principal activities	Involvement in business activities other than as a director
	<ul style="list-style-type: none"> • Sekretariat Prihatin Malaysia 	<ul style="list-style-type: none"> • Implementation of activities and programme relating to welfare, community development, environment, health, sports, youth, education, entrepreneurs development 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Semarak Sistemik Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Sindo Investments Pte Ltd Overseas 	<ul style="list-style-type: none"> • Investment holding company holding shares in Emerging Success Pte Ltd, which in turn holds shares in LH Jayaindo as disclosed in Section 11.1. LH Jayaindo is principally involved in feedmill business and distribution of feed additive and animal health products in Indonesia 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Solid Fulfillment Holdings Sdn Bhd 	<ul style="list-style-type: none"> • Property investment 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • TN Lau Holdings 	<ul style="list-style-type: none"> • Investment holding company holding shares in companies principally involved in plantation, property and hotel business 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Tresor Management Sdn Bhd Global 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Unggul Abadi Premium Sdn Bhd 	<ul style="list-style-type: none"> • Growing , harvesting and trading of pineapples and related products 	<ul style="list-style-type: none"> • Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> • Yayasan Budi Penyayang Malaysia (Penyayang) 	<ul style="list-style-type: none"> • Foundation incorporated for the purposes of receiving donations and to administer such funds for education, public welfare, research, health, medical and other charitable purposes for the benefit of needy Malaysians 	<ul style="list-style-type: none"> • Nil
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> • Aispuri Sdn Bhd (resigned on 23 August 2018) 	<ul style="list-style-type: none"> • Hotel business operation and investment holding 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Atlasprise Sdn Bhd (resigned on 23 August 2018) 	<ul style="list-style-type: none"> • Plantation owner and housing developer 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Binary Rhythm Sdn Bhd (resigned on 23 August 2018) 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Cahaya Tegas Sdn Bhd (resigned on 23 August 2018) 	<ul style="list-style-type: none"> • Activities of holding companies, buying, selling, renting and operating of self-owned or leased real estate – residential buildings export and import of a variety of goods without any particular specialisation N.E.C. 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Gabungan Mayang Plantation Sdn Bhd (resigned on 27 August 2018) 	<ul style="list-style-type: none"> • Investment holding company holding shares in companies principally involved in plantation and oil mill operations 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Greenlane Plantations Sdn Bhd (resigned on 17 August 2018) 	<ul style="list-style-type: none"> • Investment holding company holding shares in companies principally involved in plantation 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Jaya Belembang Sdn Bhd (<i>resigned on 27 August 2018</i>) 	<ul style="list-style-type: none"> Property investment 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Kayangan Mawar Sdn Bhd (<i>resigned on 12 October 2018</i>) 	<ul style="list-style-type: none"> Manufacture of crude palm oil 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Leong Hup Corporation Sdn Bhd (<i>resigned on 19 September 2018</i>) 	<ul style="list-style-type: none"> Letting of properties and provision of management services 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Leong Hup Industries Sdn Bhd (<i>resigned on 22 October 2018</i>) 	<ul style="list-style-type: none"> Housing development business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Marvellous Sonata Sdn Bhd (<i>resigned on 16 August 2018</i>) 	<ul style="list-style-type: none"> Property investment 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Melewar Agresif Sdn Bhd (<i>resigned on 8 August 2018</i>) 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in oil palm plantations 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Muar Avenue Sdn Bhd (<i>resigned on 3 January 2019</i>) 	<ul style="list-style-type: none"> Property investment 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Pangkal Murni Sdn Bhd (<i>resigned on 4 September 2018</i>) 	<ul style="list-style-type: none"> Investment in properties 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Tunas Agresif Sdn Bhd (<i>resigned on 22 September 2018</i>) 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in property investment 	<ul style="list-style-type: none"> Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
Lau Joo Hong	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> • Aispuri Sdn Bhd • Aneka Flora Sdn Bhd • Astaka Shopping Centre (Muar) Sdn Bhd • Atlasprise Sdn Bhd • Altas Ice (Cambodia) Co., Ltd • Budaya Zaman Sdn Bhd • CWL&S • Emerging Glory 	<ul style="list-style-type: none"> • Hotel business operation and investment holding • Real estate activities with own or leased property N.E.C. • Business of supermarket, emporium and departmental stores, selling fresh and roasted chicken and related products through retail outlets, wholesale of sundry goods and restaurant business • Plantation owner and housing developer • Manufacturing ice • Dormant • Investment holding company holding shares in companies principally involved in property, plantation, hotel and poultry farming feedmilling, manufacturing, confectionary and trading businesses • Investment holding company holding shares in companies principally involved in poultry farming feedmilling, manufacturing, trading property, plantation, confectionary and trading businesses 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect) • Substantial shareholder (Indirect) • Nil • Substantial shareholder (Indirect) • Substantial shareholder (Direct) • Substantial shareholder (Indirect) • Substantial shareholder (Direct) • Substantial shareholder (Indirect)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Eminvest 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in a property business 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Falcon Meadow Sdn Bhd 	<ul style="list-style-type: none"> Activities of holding companies, export and import of a variety of goods without any particular specialisation N.E.C.; and buying, selling renting and operating of self-owned or leased real estate – residential buildings. 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Irama Bangsawan Sdn Bhd 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Joint Honest International Enterprise Ltd 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in swine farming 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Kwandong Holdings Berhad 	<ul style="list-style-type: none"> Property holdings for rental 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Lau Leng Yeaw Welfare and Education Foundation 	<ul style="list-style-type: none"> Receiving and administering of funds for education and charitable purposes for public welfare 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> LH Holdings 	<ul style="list-style-type: none"> Investment holding and management services company holding shares in companies principally involved in property and plantation business 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Director	Directorships	Principal activities	Involvement in business activities other than as a director
	<ul style="list-style-type: none"> Leong Hup Management Sdn Bhd 	<ul style="list-style-type: none"> Investment holding, business of property letting and provision of management services, holding shares in companies principally involved in property, supermarket, plantation and hotel business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Pangkal Murni Sdn Bhd 	<ul style="list-style-type: none"> Investment in properties 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Pedoman Ikhlas Sdn Bhd 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Ratuan Sutera Sdn Bhd 	<ul style="list-style-type: none"> Real estate activities with own or leased property N.E.C. 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Sindo Overseas Investments Pte Ltd 	<ul style="list-style-type: none"> Investment holding company holding shares in Emerging Success Pte Ltd, which in turn holds shares in LH Jayaindo as disclosed in Section 11.1. LH Jayaindo is principally involved in feedmill business and distribution of feed additive and animal health products in Indonesia 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Nil 		

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
Lau Joo Han	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> • Aispuri Sdn Bhd 	<ul style="list-style-type: none"> • Hotel business operation and investment holding 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Astaka Shopping Centre (Muar) Sdn Bhd 	<ul style="list-style-type: none"> • Business of supermarket, emporium and departmental stores, selling fresh and roasted chicken and related products through retail outlets, wholesale of sundry goods and restaurant business 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)#
	<ul style="list-style-type: none"> • Atlasprise Sdn Bhd 	<ul style="list-style-type: none"> • Plantation owner and housing developer 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Austin Marketing Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Binary Rhythm Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Bio-Ferti Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Shareholder (Direct) and Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Chiap Hup Holdings Sdn Bhd 	<ul style="list-style-type: none"> • Property and investment holding company with investments principally involved in sales and cultivation of seeds; sales of fertilisers and pesticides; manufacturing and sale of P.E. plastic covers, and other agricultural equipment 	<ul style="list-style-type: none"> • Shareholder (Direct) and Substantial shareholder (Indirect)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> • Chiap Hup Known You Agriculture Sdn Bhd 	<ul style="list-style-type: none"> • Sales and cultivation of vegetable seeds; sales of fertilisers and pesticides; manufacturing of P.E. plastic covers, nursery trays, strings, dripper tubes and paper fruit cover; and property of development 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Chiap Hup Known You Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding company holding shares in companies principally involved in sales and cultivation of vegetable seed, sale of fertilisers and pesticide, manufacturing of P.E. plastic covers, nursery trays, strings, dipper tubes and paper fruit cover and property development 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Danau Hartamas Sdn Bhd 	<ul style="list-style-type: none"> • Buying, selling renting and operating of self-owned or leased real estate – residential buildings, activities of holding companies, export and import of a variety of goods without any particular specialisation N.E.C. 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Dimensi Alam Sdn Bhd 	<ul style="list-style-type: none"> • General trading and property investment 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Falcon Meadow Sdn Bhd 	<ul style="list-style-type: none"> • Activities of holding companies, export and import of a variety of goods without any particular specialisation N.E.C.; and Buying, selling renting and operating of self-owned or leased real estate – residential buildings. 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Galaxy Boulevard Sdn Bhd 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in sales and cultivation of vegetable seed, sale of fertilisers and pesticide, manufacturing of P.E. plastic covers, nursery trays, strings, dipper tubes and paper fruit cover and property development 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Indahgrains 	<ul style="list-style-type: none"> Operating of warehouse and warehouse management 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Jaya Belembang Sdn Bhd 	<ul style="list-style-type: none"> Property investment 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Ji He Agriculture (Sarawak) Sdn Bhd 	<ul style="list-style-type: none"> Trading of agricultural seeds, plastic cover and organic fertilizers 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Joint Honest International Enterprise Ltd 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in swine farming 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Kemajuan Mariwan Sdn Bhd 	<ul style="list-style-type: none"> Hotelier and restaurant business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Lau Bong Wong & Family Sdn Bhd 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Layar Idaman Sdn Bhd <i>(Striking off in process)</i> 	<ul style="list-style-type: none"> Aquaculture farming and sales of aquaculture products 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)[#]
	<ul style="list-style-type: none"> Leong Hup Industries Sdn Bhd 	<ul style="list-style-type: none"> Housing development business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> MSQ Management Sdn Bhd 	<ul style="list-style-type: none"> Management of real estate on a fee or contract basis 	<ul style="list-style-type: none"> Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Pangkal Murni Sdn Bhd 	<ul style="list-style-type: none"> Investment in properties 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Poly-Yarn Industries Sdn Bhd 	<ul style="list-style-type: none"> Investment holding, manufacturing and trading of polypropylene woven products, baker, manufacturer and dealer of pastry, confectionary and other foodstuff, cafeterias 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)#
	<ul style="list-style-type: none"> Selasih Prospek Sdn Bhd 	<ul style="list-style-type: none"> Bakery, cafeteria and restaurant and retailing of confectionary food products 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Taman Seri Orchid Management Sdn Bhd 	<ul style="list-style-type: none"> Other service activities N.E.C. 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Taman Seri Orkid Homeowners Berhad 	<ul style="list-style-type: none"> Undertaking the management and maintenance of the community area as set out in the deed of mutual covenants in respect of the Taman Seri Orkid, Muar project 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Teratai Malaysia 	<ul style="list-style-type: none"> Breeding and supply of animals and investment holding company 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Teratai Danbred International A/S Pte Ltd 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Unizone Trade Sdn Bhd 	<ul style="list-style-type: none"> Operation of an investment holding company and a car park operator 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Emerging Glory (<i>ceased as Alternate Director to Dato' Lau Bong Wong on 23 September 2018</i>) 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in poultry farming feedmilling, manufacturing, trading property, plantation, confectionary and trading businesses 	<ul style="list-style-type: none"> Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Emivest (<i>ceased as Alternate Director to Dato' Lau Bong Wong on 23 September 2018</i>) 	<ul style="list-style-type: none"> Investment holding company holding shares in a company principally involved in property business 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Indahgrains (<i>ceased as Alternate Director to Dato' Lau Bong Wong on 23 September 2018</i>) 	<ul style="list-style-type: none"> Operating of warehouse and warehouse management 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Leong Hup Corporation Sdn Bhd (<i>ceased as Alternate Director to Dato' Lau Bong Wong on 23 September 2018</i>) 	<ul style="list-style-type: none"> Letting of properties and provision of management services 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> LH Holdings (<i>ceased as Alternate Director to Dato' Lau Bong Wong on 23 September 2018</i>) 	<ul style="list-style-type: none"> Investment holding and management services company holding shares in companies principally involved in property and plantation business 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Leong Hup Management Sdn Bhd (<i>ceased as Alternate Director to Dato' Lau Bong Wong on 23 September 2018</i>) 	<ul style="list-style-type: none"> Investment holding, business of property letting and provision of management services, holding shares in companies principally involved in property, supermarket, plantation and hotel business 	<ul style="list-style-type: none"> Substantial shareholder (Direct)[#]
	<ul style="list-style-type: none"> Majumas Pasifik Sdn Bhd (<i>ceased as Alternate Director to Dato' Lau Bong Wong on 23 September 2018</i>) 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> YS City Point Shopping Galleria Sdn Bhd (<i>resigned on 1 August 2016</i>) 	<ul style="list-style-type: none"> Renting out shoplots in the shopping complex to various tenants 	<ul style="list-style-type: none"> Nil

Note:

[#] Interested by virtue of his shareholding in the company and also deemed interested by virtue of the shareholding held by the Estate of Dato' Lau Bong Wong, deceased, to which he is the sole beneficiary of.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Lau Joo Keat	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> Emerging Glory 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in poultry farming, feedmilling, manufacturing, trading property, plantation, confectionary and trading businesses 	<ul style="list-style-type: none"> Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> Hai Chong Capital Sdn Bhd 	<ul style="list-style-type: none"> Investment holding company with investments principally involved in the business of harvesting and trading of pineapples and its related products and property investment 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> HNL&S 	<ul style="list-style-type: none"> Investment holding company holding shares in companies principally involved in property, plantation, hotel, poultry farming, feedmilling, manufacturing, confectionary and trading businesses 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Jubin GLL Sdn Bhd 	<ul style="list-style-type: none"> Other retail sale in non-specialised stores N.E.C. 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Lau Leng Yeaw Welfare and Education Foundation 	<ul style="list-style-type: none"> Receiving and administering of funds for education and charitable purposes for public welfare 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Leong Hup Management Sdn Bhd 	<ul style="list-style-type: none"> Investment holding, business of property letting and provision of management services, holding shares in companies principally involved in property, supermarket, plantation and hotel business 	<ul style="list-style-type: none"> Shareholder
	<ul style="list-style-type: none"> PT Warisan Jaya 	<ul style="list-style-type: none"> Trading in moon cakes 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<ul style="list-style-type: none"> Sindo Overseas Investments Pte Ltd 	<ul style="list-style-type: none"> Investment holding company holding shares in Emerging Success Pte Ltd, which in turn holds shares in LH Jayaindo as disclosed in Section 11.1. LH Jayaindo is principally involved in feedmill business and distribution of feed additive and animal health products in Indonesia 	<ul style="list-style-type: none"> Substantial shareholder (Direct)
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Nil 		
Benny Lim Jew Fong	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> Comprehensive Care Sdn Bhd 	<ul style="list-style-type: none"> Investment holding establishment, development and operation of healthcare facilities, provision of healthcare support services 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Comprehensive Tertiary Education Sdn Bhd 	<ul style="list-style-type: none"> Investment advisory services; and college and university education (private) 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Coronation Springs Sdn Bhd 	<ul style="list-style-type: none"> Property development 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> IMC Hospitality Sdn Bhd 	<ul style="list-style-type: none"> Hotels or retain business 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Island Hospital Sdn Bhd 	<ul style="list-style-type: none"> Rendering hospital and healthcare services 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Island Medisuite Sdn Bhd 	<ul style="list-style-type: none"> To carry on the business of property development 	<ul style="list-style-type: none"> Nil
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Nil 		
Datin Paduka Rashidah Binti Ramli	<i>Present directorship:</i>		
	<ul style="list-style-type: none"> Nil 		
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Nil 		
Mahani Binti Amat	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> SCICOM (MSC) Bhd 	<ul style="list-style-type: none"> Investment holding and the provision of customer contact centre within the business process outsourcing (BPO) space, which is a company listed on the Main Market of Bursa Securities 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Unisem (M) Berhad 	<ul style="list-style-type: none"> Manufacturing of semiconductor devices, which is a company listed on the Main Market of Bursa Securities 	<ul style="list-style-type: none"> Nil
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Sinesinga Sdn Bhd (resigned on 15 April 2014) 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
Chu Nyet Kim	<p><i>Present directorship:</i></p> <ul style="list-style-type: none"> • Fast Gallant (M) Sdn Bhd <p><i>Previous directorship:</i></p> <ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • Property investment 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
Goh Wen Ling	<p><i>Present directorship:</i></p> <ul style="list-style-type: none"> • Nil <p><i>Previous directorship:</i></p> <ul style="list-style-type: none"> • Nil 		
Low Han Kee	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> • Amway (Malaysia) Holdings Bhd • Heritage Creations Sdn Bhd • Parkcity Development Sdn Bhd (<i>Winding up</i>) 	<ul style="list-style-type: none"> • Investment holding company holding shares in companies principally involved in the distribution of consumer products principally under the "Amway" trademark, which is a company listed on the Main Market of Bursa Securities • Management consultancy services • Nil 	<ul style="list-style-type: none"> • Shareholder • Substantial shareholder (Direct) • Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> Amway (Malaysia) Sdn Bhd (<i>resigned on 1 February 2016</i>) 	<ul style="list-style-type: none"> Distribution of consumer products principally under the "Amway" trademark and subsidiary of Amway (Malaysia) Holdings Bhd which is listed on the Main Market of Bursa Securities 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Amway (B) Sdn Bhd (<i>resigned on 1 February 2016</i>) 	<ul style="list-style-type: none"> Distribution of consumer products principally under the "Amway" trademark which is a subsidiary of Amway (Malaysia) Sdn Bhd which in turn is a subsidiary of Amway (Malaysia) Holdings Bhd which is listed on the Main Market of Bursa Securities 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Amway (Singapore) Pte. Ltd. (<i>resigned on 1 February 2016</i>) 	<ul style="list-style-type: none"> Distribution of consumer products principally under the "Amway" trademark 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> P.T. Amway Indonesia (<i>resigned on 1 February 2016</i>) 	<ul style="list-style-type: none"> Distribution of consumer products principally under the "Amway" trademark 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> P.T. Amindoway Jaya (<i>resigned on 1 February 2016</i>) 	<ul style="list-style-type: none"> Engaged in the distribution and sale of "Amway" products 	<ul style="list-style-type: none"> Nil
Tay Tong Poh	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> Nil 		
	<i>Previous directorships:</i>		
	<ul style="list-style-type: none"> Affinity EPS* (<i>resigned on 2 July 2018</i>) 	<ul style="list-style-type: none"> Investment advisory 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Argo Holdings Co. Ltd* (<i>resigned on 10 November 2015</i>) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	• Capital Advantage Ltd* (resigned on 16 August 2017)	• Investment holding	• Nil
	• Caribbean Sea Holdings* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Carillon (Sakura) General Partner Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Carillon Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Cascade Investments Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Clarindale Investments* Pte Ltd (resigned on 30 June 2018)	• Investment holding	• Nil
	• Claris Investments Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Clarity Investments Ltd* (resigned on 14 March 2016)	• Investment holding	• Nil
	• Clearadvantage Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Clearpanorama Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Clearsky Horizon Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Clearstream Investments Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Clearview Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Clinical Technology Holdings Pty Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	• Clinical Technology Systems Pty Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• CNC Consolidated Ltd* (resigned on 3 March 2018)	• Investment holding	• Nil
	• CNC Corporation Ltd* (resigned on 3 March 2018)	• Investment holding	• Nil
	• CNC Investment Ltd* (resigned on 3 March 2018)	• Investment holding	• Nil
	• Complete Logistic Solutions Ltd* (resigned on 31 January 2017)	• Investment holding	• Nil
	• Complete Logistic Systems Ltd* (resigned on 31 January 2017)	• Investment holding	• Nil
	• Complete LPI Ecosystem Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Comprehensive Education Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Comprehensive Care Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Comprehensive Care Sdn Bhd* (resigned on 10 July 2018)	• Investment holding, establishment, development and operation of healthcare facilities, provision of healthcare support services	• Nil
	• Concordant Group Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Concordant Investments* Pte Ltd (resigned on 30 June 2018)	• Investment holding	• Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	• Concordant Partners Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Concorde Healthcare Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Connect Growth Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Connect Improvement Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Connectivity Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Consistent Returns Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Consumer Advantage Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Consumer Interchange Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Consumer Preferred Choice Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Consumer Strength Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Continuity Capital Pte Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Continuity CNC Capital Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Convenient Food (Sakura) Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Convenient Food (Sakura) S.A.R.L* (resigned on 30 June 2018) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Convenient Food Network Co Ltd* (resigned on 29 June 2016) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Convenient Retail Consolidated B.V.* (resigned on 1 April 2017) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> CS Bidco Pty Ltd* (resigned on 7 February 2015) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> CS Finco Pty Ltd* (resigned on 7 February 2015) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> CS Mezzco Pty Ltd* (resigned on 7 February 2015) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> CS Topco Pty Ltd* (resigned on 7 February 2015) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> CVFS (1) Pte Ltd* (resigned on 30 June 2018) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> CVFS (2) Pte Ltd* (resigned on 30 June 2018) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Dutch Savings Holdings B.V* (resigned on 15 August 2016) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Global A&T Electronics Ltd* (resigned 23 July 2018) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Global A&T Finco Ltd* (resigned on 14 March 2018) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Global A&T Holdings Ltd* (resigned on 23 July 2018) 	<ul style="list-style-type: none"> Investment holding 	<ul style="list-style-type: none"> Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	• Guardian Holdings Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• HJT Investment (HK) Ltd* (resigned on 19 April 2017)	• Investment holding	• Nil
	• Island Hospital Sdn Bhd* (resigned on 10 July 2018)	• To carry on the business of rendering hospital and healthcare services	• Nil
	• Lessington Investment Management Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Live Entertainment Holdings Pty Ltd* (resigned on 31 July 2015)	• Investment holding	• Nil
	• Live Entertainment Investments I Pty Ltd* (resigned on 31 July 2015)	• Investment holding	• Nil
	• Live Entertainment Investments II Pty Ltd* (resigned on 31 July 2015)	• Investment holding	• Nil
	• Live Entertainment Investments III Pty Ltd* (resigned on 31 July 2015)	• Investment holding	• Nil
	• Lux Savings S.A.R.L.* (resigned on 14 July 2017)	• Investment holding	• Nil
	• Morninglight Investments S.A.R.L.* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Motto Investments Ltd (resigned on 30 June 2018)	• Investment holding	• Nil
	• Newton Generation Holdings Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Director	Directorships	Principal activities	Involvement in business activities other than as a director
	• PPF Cayman GP Ltd* (resigned on 30 June 2018)	• General partner of an investment holding company	• Nil
	• Ross Group Enterprises Ltd* (resigned on 30 March 2016)	• Investment holding	• Nil
	• Ross Group Holdings Ltd* (resigned on 3 February 2016)	• Investment holding	• Nil
	• (SIH) Star Invest Holdings Ltd* (resigned on 30 June 2018)	• Investment holding	• Nil
	• S.I.H. (Stella Investment Holdings) B.V.* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Serra Holdings S.A.R.L* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Serra Investment Holdings* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Silenus Holding B.V.* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Silenus Holding Cooperatief U.A.* (resigned on 30 June 2018)	• Investment holding	• Nil
	• Tegel Foods Ltd* (resigned on 30 March 2016)	• Meat processing	• Nil
	• Tegel Group Holdings Ltd* (resigned on 30 March 2016)	• Investment holding	• Nil
	• UTAC Holdings Ltd* (resigned on 23 July 2018)	• Investment holding	• Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Director</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
Note:			
* <i>Tay Tong Poh represented Affinity Equity Partners Limited ("Affinity"), a regional private equity firm in Asia Pacific, on the board of directors of all these companies, which are primarily the investment holding companies and portfolio companies of the investments made by the Affinity group in the Asia Pacific region. He retired from Affinity EPS in June 2018 and resigned from the board of directors of these companies.</i>			
Tee Yock Siong	<i>Present directorship:</i> <ul style="list-style-type: none"> • Nil <i>Previous directorship:</i> <ul style="list-style-type: none"> • Nil 		

The involvement of our Directors mentioned above in other principal business activities outside our Group will not affect their commitment and responsibilities to our Group in their respective roles as our Directors.

9.2.4 Service contracts with our Directors

As at the date of this Prospectus, there are no existing or proposed service contracts between our Directors and us which provide for benefits upon termination of employment.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.5 Remuneration and material benefits in-kind of our Directors

The aggregate remuneration and material benefits in-kind (including any contingent or deferred remuneration) paid or proposed to be paid to our Directors for services rendered to us in all capacities to our Group for the FYE 31 December 2018 and FYE 31 December 2019:

FYE 31 December 2018 (Paid) Director	Salaries RM'000	Fees RM'000	Bonus RM'000	EPF and Social Security Organisation RM'000	Allowances RM'000	Benefits-in- kind RM'000	Total RM'000
Lau Chia Nguang	2,657	469	84	-	777	-	3,987
Dato' Lau Eng Guang	2,199	-	988	596	-	-	3,783
Tan Sri Lau Tuang Nguang	1,820	193	1,022	331	-	-	3,366
Lau Joo Hong	1,745	-	2,063	542	-	-	4,350
Lau Joo Han	874	81	631	299	248	98	2,231
Lau Joo Keat	1,849	-	43	18	167	-	2,077
Benny Lim Jew Fong	-	-	-	-	-	-	-
Datin Paduka Rashidah Binti Ramli	-	50	-	-	8	-	58
Mahani Binti Amat	-	50	-	-	8	-	58
Chu Nyet Kim	-	54	-	-	8	-	62
Goh Wen Ling	-	67	-	-	8	-	75
Low Han Kee	-	71	-	-	8	-	79
Tay Tong Poh	-	54	-	-	8	-	62
Tee Yock Siong	-	-	-	-	-	-	-

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

FYE 31 December 2019 (Proposed) Director	Salaries RM'000	Fees RM'000	Bonus RM'000	EPF and Social Security Organisation RM'000	Allowances RM'000	Benefits-in- kind RM'000	Total RM'000
Lau Chia Nguang	3,000	-	2,000	-	800	100	5,900
Dato' Lau Eng Guang	2,200	-	1,800	760	-	100	4,860
Tan Sri Lau Tuang Nguang	2,250	-	1,900	790	-	100	5,040
Lau Joo Hong	2,200	-	1,800	760	800	100	5,660
Lau Joo Han	2,200	-	1,800	760	-	100	4,860
Lau Joo Keat	2,200	-	1,800	-	800	100	4,900
Benny Lim Jew Fong	-	-	-	-	-	-	-
Datin Paduka Rashidah Binti Ramli	-	120	-	-	12	-	132
Mahani Binti Amat	-	120	-	-	12	-	132
Chu Nyet Kim	-	130	-	-	12	-	142
Goh Wen Ling	-	160	-	-	12	-	172
Low Han Kee	-	170	-	-	12	-	182
Tay Tong Poh	-	130	-	-	12	-	142
Tee Yock Siong	-	-	-	-	-	-	-

The remuneration of our Directors, which includes Directors' fees, bonus and such other allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently approved by our Board. Our Directors' fees must be further approved/endorsed by our shareholders at a general meeting.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.2.6 Audit and Risk Committee

Our Audit and Risk Committee was formed by our Board on 9 August 2018. Our Audit and Risk Committee currently comprises the following members, all of whom are Independent Non-Executive Directors:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Low Han Kee	Chairman	Senior Independent Non-Executive Director
Chu Nyet Kim	Member	Independent Non-Executive Director
Goh Wen Ling	Member	Independent Non-Executive Director

The duties and functions of our Audit and Risk Committee comprise among others, the following:

- (i) Risk & internal control
- (a) consider the adequacy and effectiveness of risk management function and internal control system within our Group;
 - (b) review risk management report on interval basis;
 - (c) discuss any significant risk or exposure and mitigation plan undertaken by our Group;
 - (d) understand the scope of internal and external auditors' review of internal control over:
 - reliability and accuracy of financial reporting;
 - effectiveness and efficiency of operation;
 - compliance with applicable laws and regulation; and
 - safeguarding of assets;
 - (e) evaluate new risks identified by our management including the likelihood of emerging risks happening in the future and consider the need to put in place the appropriate controls;
 - (f) review and recommend our Group's level of risk tolerance and actively identify, assess and monitor key business risks;
 - (g) recommend for our Board's approval our Group's risk management framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto; and
 - (h) evaluate the effectiveness of the risk management framework, risk management processes and support system to identify, assess, monitor and manage our Group's key risks.
- (ii) Internal audit function
- (a) review and approve the annual internal audit plan;
 - (b) review the adequacy of the scope, functions, authority and resources of the Internal Audit function, and that it has the necessary authority to carry out its work;

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (c) review any significant observations from the internal audit reports and the management's action plan arising from audit recommendation;
- (d) review any major findings of internal investigations and management's response; and
- (e) approve the appointment of senior staff members of internal audit function, review performance appraisal and be informed of resignations and providing the resigning staff an opportunity to submit his/her reason for resigning.
- (iii) External auditor and financial reporting
- (a) consider the appointment of the external auditor, audit fees as proposed by external auditor and any question of resignation or dismissal;
- (b) discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) review the adequacy of the scope, functions and resources of the external auditor, and that it has the necessary authority to carry out its work;
- (d) review the quarterly and annual financial statements of our Group prior to our Board approval, focusing particularly on:
- any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;
- (e) discuss problems and reservations arising from the interim and final audits, and any matter both internal and external auditor may wish to discuss (in the absence of management where necessary); and
- (f) review the external auditor's management letter and response from management.
- (iv) Other matters
- (a) review any related party transactions;
- (b) report to our Board on the committee's activities, issues conflict of interest situation that may arise within our Group, including any transaction, procedure or course of conduct that raises question of management integrity and meetings' resolution; and
- (c) undertake any other responsibilities as agreed by the committee and our Board.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.2.7 Nomination Committee

Our Nomination Committee was established by our Board on 9 August 2018. Our Nomination Committee currently comprises the following members, of which the majority are Independent Non-Executive Directors:

Name	Designation	Directorship
Tay Tong Poh	Chairman	Independent Non-Executive Director
Mahani Binti Amat	Member	Independent Non-Executive Director
Benny Lim Jew Fong	Member	Non-Independent Non-Executive Director

Our Nomination Committee undertakes, among others, the following functions:

- (i) review the succession plans for directors and senior management to ensure and maintain an appropriate balance of skills, experience and knowledge, necessary for our Company's business and the Committee will make recommendations to our Board;
- (ii) review annually, the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to our Board and thereafter, recommend its findings to our Board;
- (iii) apply the process as determined by our Board, for assessing the effectiveness of our Board as a whole, the committees of the Board, and for assessing the contribution of each individual director, including independent non-executive directors, as well as the key management personnel where all assessments and evaluations carried out by the committee in the discharge of all its functions should be properly documented and recommend its findings to our Board;
- (iv) develop, maintain and review the criteria to be used in the recruitment process, in making its recommendations, candidates for directorships proposed by senior executive or any director or shareholder to our Board for election/appointment to our Board or to fill board vacancies as and when they arise.
- (v) evaluate the candidate's ability to discharge such responsibilities/functions as expected from independent non-executive directors;
- (vi) recommend to our Board concerning the retirement and re-appointment of director to our Board pursuant to the provisions in our Constitution;
- (vii) review the induction and training needs of directors under the continuing education programmes; and
- (viii) provide, in its report, a statement on its activities for the financial year in compliance with the Listing Requirements and/or any relevant regulations.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.2.8 Remuneration Committee

Our Remuneration Committee was formed by our Board on 9 August 2018. Our Remuneration Committee currently comprises the following members, all of whom are Independent Non-Executive Directors:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Goh Wen Ling	Chairman	Independent Non-Executive Director
Datin Paduka Rashidah Binti Ramli	Member	Independent Non-Executive Director
Low Han Kee	Member	Senior Independent Non-Executive Director

Our Remuneration Committee undertakes, among others, the following functions:

- (i) review and assess the remuneration packages of our Board members, and executive director, senior management in all forms, with or without other independent professional advice to reflect our Board's responsibilities, expertise and complexity of our Company's activities and recommend the same to our Board. The executive director shall play no part in decisions on their own remuneration;
- (ii) ensure the levels of remuneration be sufficiently attractive, and competitive but fair and be able to retain directors needed to run our Company successfully;
- (iii) structure the component parts of remuneration so as to align with the business strategy and long-term objectives of our Company and to link rewards to individual performance and to assess the needs of our Company for talent at Board level at a particular time;
- (iv) ensure that a fair differential between the remuneration of executive director, senior management and other levels of management is maintained;
- (v) review and recommend the remuneration of non-executive director to our Board; and
- (vi) act in line with the directions of our Board.

9.2.9 Executive Committee

Our Executive Committee was formed by our Board on 9 August 2018 as a sub-committee of our Board and its general purpose is to provide an effective oversight of the business of our Group and to ensure that our Group's operations are aligned with the strategy approved by our Board and implemented within the framework and agreed financial limits as approved by our Board from time to time.

Subject to the framework and financial limits, our Executive Committee has primary authority for the close oversight of our Group's operations except those matters which are reserved to our Board, Audit and Risk Committee, Remuneration Committee and Nomination Committee.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Our Executive Committee currently comprises the following members:

<u>Name</u>	<u>Designation</u>	<u>Directorship/ Designation in our Group</u>
Tan Sri Lau Tuang Nguang	Chairman	Executive Director/ Group Chief Executive Officer/ President Director of Malindo Feedmill
Lau Chia Nguang	Member	Executive Chairman/ President Commissioner of Malindo Feedmill
Dato' Lau Eng Guang	Member	Executive Director/ Group Business Strategist

Our Executive Committee undertakes, among others, the following functions:

- (i) to review the Group's business strategy and make recommendation to our Board, and monitor the implementation of our Group's business strategy;
- (ii) to review the business plans and budgets and to monitor the progress and performance of the business plan and budgets, including performance against agreed key performance indicators in all aspect of our Group's operations; and
- (iii) to provide support and direction in all aspect of the business strategy and plans as assigned or delegated by the Board and take any action or assume any other powers and responsibilities that may from time to time be assigned or delegated by our Board to implement such strategy and business plans as approved by the Board of Executive Committee.

Any issue or question arising at any meeting of our Executive Committee shall require the majority decision of the members of our Executive Committee present and voting at the meeting. If any issue or question does not receive such decision of our Executive Committee, then such issue or question shall be determined by our Board.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.3 KEY SENIOR MANAGEMENT

Our key senior management is responsible for the day-to-day management and operations of our Group. The members of our key senior management as at the date of this Prospectus are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Age</u>	<u>Designation</u>
Tan Sri Lau Tuang Nguang	Malaysian	60	Executive Director/ Group Chief Executive Officer/ President Director of Malindo Feedmill
Lau Chia Nguang	Malaysian	67	Executive Chairman/ President Commissioner of Malindo Feedmill
Dato' Lau Eng Guang	Malaysian	64	Executive Director/ Group Business Strategist
Lau Joo Hong	Malaysian	48	Executive Director/ Chief Executive Officer of our Group's Vietnam operations
Lau Joo Han	Malaysian	44	Executive Director/ Chief Executive Officer of our Group's Malaysia operations
Lau Joo Keat	Malaysian	39	Executive Director/ Country Head of our Group's Indonesian operations
Lau Jui Peng	Malaysian	47	Group Breeder Chief Executive Officer
Lau Joo Heng	Malaysian	44	Chief Executive Officer of our Group's Philippines operations
Lau Joo Hwa	Malaysian	40	Chief Executive Officer of our Group's Singapore operations
Chew Eng Loke	Malaysian	50	Chief Financial Officer

The management and operations of our Company is led by Tan Sri Lau Tuang Nguang, our Executive Director/ Group Chief Executive Officer/ President Director of Malindo Feedmill.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.3.1 Profiles of our key senior management

The profiles of our Executive Directors who are also part of our key senior management are set out in Section 9.2.1 of this Prospectus.

(i) Lau Jui Peng

Lau Jui Peng, a Malaysian aged 47, is our Group Breeder Chief Executive Officer. He has approximately 19 years of experience and expertise in the production processes and management of poultry companies.

He graduated in 1996 with a Bachelor's degree in Business Administration from the Hawaii Pacific University, United States.

He began his career in 1999 when he joined the LH Poultry Farm as the Head of breeder operation. He has held various management positions in LH Poultry Farm including General Manager, Deputy Chief Executive Officer and he was promoted to Chief Executive Officer in 2013, a position which he holds until today. As Chief Executive Officer, he was in charge of the production, operation and administration of LH Poultry Farm. He was also appointed a director of Leong Hup GPS since 2007, a position which he holds until today, where he is in-charge of the production, operations and administration of Leong Hup GPS.

He was appointed as Non-Executive Chairman of Teo Seng in 2008 and was re-designated as the Executive Chairman, a position which he has held since 2013 until his subsequent re-designation as Non-Executive Chairman on 29 January 2019. Currently, he also sits on the board of CWL&S and various subsidiaries of our Group and several private limited companies as disclosed in Section 9.3.3 of this Prospectus.

He is also a substantial shareholder of CWL&S, which in turn is a substantial shareholder of Emerging Glory.

(ii) Lau Joo Heng

Lau Joo Heng, a Malaysian aged 44, is the Chief Executive Officer of our Group's Philippines operations. He has 15 years of experience in the operational activities of integrated livestock industry and exposure in retail and export businesses.

He graduated from Western Michigan University, United States with a Bachelor and Master's degree in Finance in 1996 and 1998 respectively.

He began his career in 1998 when he joined Arab-Malaysian Merchant Bank Berhad as Risk Management Officer until he left to join the family business, Evergrade Healthcare Products Sdn Bhd from 1999 until he was transferred to Baker's Cottage in 2003 as its Chief Executive Officer. He held positions at various management level in the family business and our subsidiaries. He left Baker's Cottage to join our Group's livestock business in 2015 and expanded our livestock business to Philippines. He has since led our Philippines operations.

Currently, he also sits on the board of LHPhi and several other private limited companies.

He is also a substantial shareholder of CWL&S, which in turn is a substantial shareholder of Emerging Glory.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(iii) Lau Joo Hwa

Lau Joo Hwa, a Malaysian aged 40, is the Chief Executive Officer of our Group's Singapore operations. He has approximately 16 years of experience in the operational activities of integrated livestock industry and exposure in retail and export businesses.

He graduated from Victoria University of Melbourne, Australia in 2002 with a Bachelor degree in Business.

He began his career in 2002 as a Marketing Manager at Malindo Feedmill and was re-designated as its Operational Manager in 2008. He was promoted to the position of Deputy Chief Executive Officer of Malindo Feedmill in charge of marketing and overall administration. He was also appointed as Deputy Chief Executive Officer of Leong Hup Food in 2014. He has been the Chief Executive Officer of our Group's Singapore operations since 2017.

Currently, he also sits on the boards of various subsidiaries of LHI Group and several other private limited companies as disclosed in Section 9.3.3 of this Prospectus.

(iv) Chew Eng Loke

Chew Eng Loke, a Malaysian aged 50, is our Group Chief Financial Officer. He has over 25 years of experience in management and financial roles at numerous companies.

He obtained a Bachelor of Economics in 1991 from Monash University, Australia and Master of Business Administration from University of Strathclyde, United Kingdom in 1998. He is a member of the MIA since 2005, a Certified Practising Accountant of CPA Australia since 2002 and a Chartered Accountant of the Chartered Accountants Australia and New Zealand since 2004.

He began his career with The Asia Life Assurance Society Limited (now known as Tokio Marine Life Assurance Singapore) in 1991 as an Executive Assistant and assumed the position of Executive Officer until 1992 when he joined Ayamas Food Corporation Berhad (now known as Ayamas Food Corporation Sdn Bhd) ("**Ayamas**"). Whilst at Ayamas, he held several general management and finance roles, including Assistant Management Accountant, Management Accountant and Operations Support Manager. He left Ayamas in 1999 to join Universal Nutribeverage (M) Sdn Bhd as Chief Operating Officer and was appointed as General Manager of Green Spot Beverage (M) Sdn Bhd in 2000 until 2002. He was a director of Prinsip Mahir Sdn Bhd from 2003 until 2008. Thereafter, he joined Texchem Resources Berhad and assumed the position of Assistant General Manager before moving to its subsidiary, Seapack Food Sdn Bhd (now known as Sea Master Food Sdn Bhd), as General Manager (Operations) in 2006 until 2007.

Subsequently, from 2007 to 2014, he was the Chief Financial Officer of Ogawa World Berhad, which was previously listed on the Main Market of Bursa Securities, with operations across Asia including China, which distributes healthcare equipment and supplementary appliances through its subsidiaries. He then joined AirAsia X Berhad, a long-haul budget airline company listed on Bursa Securities, in 2014 as its Chief Financial Officer, responsible for corporate finance and treasury matters, financial planning and analysis, external reporting and investor relations. He then left AirAsia X Berhad in 2015 and joined our Company as Chief Financial Officer on 1 March 2015, responsible for all of our Group's overall financial operations.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.3.2 Shareholding of our key senior management

The direct and indirect shareholding before and after our IPO of:

- (i) our Executive Directors who are also part of our key senior management are set out in Section 9.2.2 of this Prospectus; and
- (ii) the other key senior management of our Group are as follows:

	Before our IPO		After our IPO									
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised							
	Direct	Indirect	Direct	Indirect	Direct	Indirect						
	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	
	% ⁽¹⁾	% ⁽¹⁾	% ⁽²⁾	% ⁽²⁾	% ⁽²⁾	% ⁽²⁾	% ⁽²⁾	% ⁽²⁾	% ⁽²⁾	% ⁽²⁾	% ⁽²⁾	
	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	
Lau Jui Peng	44,211	1.30	1,927,201 ⁽³⁾	56.68	26,691	0.73	1,927,201 ⁽³⁾	52.80	22,068	0.60	1,927,201 ⁽³⁾	52.80
Lau Joo Heng	44,211	1.30	1,927,201 ⁽³⁾	56.68	26,691	0.73	1,927,201 ⁽³⁾	52.80	22,068	0.60	1,927,201 ⁽³⁾	52.80
Lau Joo Hwa	-	-	-	-	-	-	-	-	-	-	-	-
Chew Eng Loke	-	-	-	-	100 ⁽⁴⁾	*	-	-	100 ⁽⁴⁾	*	-	-

Notes:

* *Negligible.*

(1) *Based on our issued share capital of 3,400,000,000 Shares after the Pre-IPO Exercise.*

(2) *Based on our enlarged issued share capital of 3,650,000,000 Shares.*

(3) *Deemed interested by virtue of his interest in Emerging Glory through his shareholding in CWL&S pursuant to Section 8(4) of the Act.*

(4) *Assuming he fully subscribe for his entitlement under the Pink Form Allocations*

9.3.3 Principal business activities performed by our key senior management outside our Group in the past five years

The principal business activities outside our Group performed by our Executive Directors as at the LPD and the directorships of our Executive Directors outside our Group at present and in the past five years preceding the LPD are set out in Section 9.2.3 of this Prospectus.

The principal business activities outside our Group performed by our key senior management, other than our Executive Directors, as at the LPD and the directorships of our key senior management, other than our Executive Directors, outside our Group at present and in the past five years preceding the LPD are as follows:

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Name</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
Lau Jui Peng	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> • Astaka Shopping Centre (Muar) Sdn Bhd 	<ul style="list-style-type: none"> • Business of supermarket, emporium and departmental stores, selling fresh and roasted chicken and related products through retail outlets, wholesale of sundry goods and restaurants business 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Beringin Farm Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • CWL&S 	<ul style="list-style-type: none"> • Investment holding company holding shares in companies principally involved in property, plantation, hotel and poultry farming feedmilling, manufacturing, confectionary and trading businesses 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Dimensi Alam Sdn Bhd 	<ul style="list-style-type: none"> • General trading and property investment 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Layar Idaman Sdn Bhd (<i>Striking off in process</i>) 	<ul style="list-style-type: none"> • Aquaculture farming and sale of aquaculture products 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Leong Hup Corporation Sdn Bhd 	<ul style="list-style-type: none"> • Letting of properties and provision of management services 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Leong Hup Management Sdn Bhd 	<ul style="list-style-type: none"> • Investment holding, business of property letting and provision of management services, holding shares in companies principally involved in property, supermarket, plantation and hotel business 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • MSQ Management Sdn Bhd 	<ul style="list-style-type: none"> • Management of real estate on a fee or contract basis 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • PBAC 	<ul style="list-style-type: none"> • Breeding and trading of poultry, fishes and their by-products on a wholesale basis 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Name</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> • Phil Malay Development Co., Inc 	<ul style="list-style-type: none"> • To acquire by purchase, lease, donation or otherwise and to own, use, improve, manage, develop, subdivide, sell, mortgage, exchange, lease develop and hold for agricultural, commercial, industrial, investment or other purposes, real estate 	<ul style="list-style-type: none"> • Substantial shareholder (Direct and indirect)
	<ul style="list-style-type: none"> • Phil Malay 	<ul style="list-style-type: none"> • To develop, manage, lease and operate agricultural and pasture lands, fishponds, fishpens, foreshore lands and fishing rights or concession; and to engage in the raising breeding of poultry and similar stocks 	<ul style="list-style-type: none"> • Substantial shareholder (Direct and indirect)
	<ul style="list-style-type: none"> • Sri Mahamal Development Sdn Bhd 	<ul style="list-style-type: none"> • Investment and property holdings 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Teratai Agriculture (Nucleus Farm) Sdn Bhd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Nil
	<i>Previous directorship:</i>		
	<ul style="list-style-type: none"> • Joint Honest International Enterprise Ltd (resigned on 7 April 2016) 	<ul style="list-style-type: none"> • Investment holding company holding shares in a company principally involved in swine farming 	<ul style="list-style-type: none"> • Nil
Lau Joo Heng	<i>Present directorships:</i>		
	<ul style="list-style-type: none"> • CWL&S 	<ul style="list-style-type: none"> • Investment holding company holding shares in companies principally involved in property, plantation, hotel and poultry farming feedmilling, manufacturing, confectionary and trading businesses 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name	Directorships	Principal activities	Involvement in business activities other than as a director
	<ul style="list-style-type: none"> • Greatmammoth 	<ul style="list-style-type: none"> • Engaging in the business of acquiring by purchase, lease, donation, or otherwise, and to own, use, improve, manage, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for agricultural, commercial, industrial, investment or other purposes, real estate of all kinds, improve, manage or otherwise dispose of buildings, warehouses, hatcheries, houses, apartments, and other structures of whatever kind, together with their appurtenances 	<ul style="list-style-type: none"> • Shareholder (Direct) and Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Pangkal Budiman Sdn Bhd 	<ul style="list-style-type: none"> • Oil palm plantation and property development 	<ul style="list-style-type: none"> • Substantial shareholder (Indirect)
	<ul style="list-style-type: none"> • Popular Yield Sdn Bhd 	<ul style="list-style-type: none"> • Cultivation of oil palm and rubber estate development 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Sri Mahamal Development Sdn Bhd 	<ul style="list-style-type: none"> • Investment and property holdings 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Teratai Danbred International A/S Pte Ltd 	<ul style="list-style-type: none"> • Dormant 	<ul style="list-style-type: none"> • Nil
	<i>Previous directorships:</i>		
	<ul style="list-style-type: none"> • Bio Idaman Sdn Bhd (resigned on 3 January 2017) 	<ul style="list-style-type: none"> • Cultivation of rubber estate 	<ul style="list-style-type: none"> • Nil
	<ul style="list-style-type: none"> • Hybrid Transform Sdn Bhd (resigned on 23 January 2017) 	<ul style="list-style-type: none"> • Rubber and macuna seedlings and plantation related products 	<ul style="list-style-type: none"> • Substantial shareholder (Direct)
	<ul style="list-style-type: none"> • Poly-Yarn Industries Sdn Bhd (resigned on 4 April 2018) 	<ul style="list-style-type: none"> • Investment holding, manufacturing and trading of polypropylene woven products, baker, manufacturer and dealer of pastry, confectionary and other foodstuff, cafeterias 	<ul style="list-style-type: none"> • Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name	Directorships	Principal activities	Involvement in business activities other than as a director
Lau Joo Hwa	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> • Leong Hup Management Sdn Bhd • CNL&S • CN Lau Holdings • Harvasto Sdn Bhd <p><i>Previous directorship:</i></p> <ul style="list-style-type: none"> • LH Jayaindo (<i>resigned on 31 July 2018</i>) 	<ul style="list-style-type: none"> • Investment holding, business of property letting and provision of management services, holding shares in companies principally involved in property, supermarket, plantation and hotel business • Investment holding company holding shares in companies principally involved in plantation, property and hotel business • Investment holding company holding shares in companies principally involved in plantation, property and hotel business • Investment holding company holding shares in companies principally involved in property and plantation business • Feedmill operations 	<ul style="list-style-type: none"> • Nil • Substantial shareholder (Direct) • Substantial shareholder (Direct) • Substantial shareholder (Direct) • Nil
Chew Eng Loke	<p><i>Present directorship:</i></p> <ul style="list-style-type: none"> • Nil <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> • Ogawa Health Care International (HK) Limited (<i>resigned on 15 August 2014</i>) • Ogawaworld Philippines, Inc (<i>resigned on 15 August 2014</i>) • Ogawa Vietnam Company Limited (<i>resigned on 15 August 2014</i>) 	<ul style="list-style-type: none"> • Distributor and retailer of relaxant products • Importer and distributor of relaxant products • Distributor and retailer of relaxant products 	<ul style="list-style-type: none"> • Nil • Nil • Nil

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Name</u>	<u>Directorships</u>	<u>Principal activities</u>	<u>Involvement in business activities other than as a director</u>
	<ul style="list-style-type: none"> Ogawa Vietnam Sdn Bhd (<i>resigned on 15 August 2014</i>) 	<ul style="list-style-type: none"> Marketing and sales of health care equipment and supplementary appliances 	<ul style="list-style-type: none"> Nil
	<ul style="list-style-type: none"> Xiamen Comfort Ogawa Trade Co. Ltd (<i>resigned on 15 August 2014</i>) 	<ul style="list-style-type: none"> Dormant 	<ul style="list-style-type: none"> Nil

The involvement of our key senior management mentioned above in other principal business activities outside our Group will not affect their continued contribution to the management and day-to-day operations of our Group.

9.3.4 Service contracts with our key senior management

As at the date of this Prospectus, there are no existing or proposed service contracts between our key senior management and us which provide for benefits upon termination of employment.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.3.5 Remuneration and material benefits in-kind of our key senior management

The remuneration and material benefits in-kind of the Executive Directors who are also part of our key senior management are set out in Section 9.2.5 of this Prospectus. The aggregate remuneration and benefits in-kind (including any contingent or deferred remuneration) paid or proposed to be paid to our other key senior management (who are not also the Executive Directors) for services rendered to us in all capacities to our Group for the FYE 31 December 2018 and FYE 31 December 2019:

Key senior management	Remuneration Band	
	FYE 31 December 2018 (Paid)	FYE 31 December 2019 (Proposed)
	RM'000	RM'000
Lau Joo Hwa	3,300 – 3,350	4,900 – 4,950
Lau Jui Peng	2,050 – 2,100	3,650 – 3,700
Lau Joo Heng	1,300 – 1,350	3,050 – 3,100
Chew Eng Loke	1,100 – 1,150	1,400 – 1,450

The remuneration of our key senior management, which includes salaries, bonus, fees and allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently approved by our Board.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

9.4 MANAGEMENT REPORTING STRUCTURE

Our management reporting structure is as follows:



Note:

(1) The Exco comprises Tan Sri Lau Tuang Nguang, Lau Chia Nguang and Dato' Lau Eng Guang. They are responsible for overseeing all affairs of our Group's business within the approved budget and business plan except decisions that will require approval of our entire Board.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.5 ASSOCIATIONS OR FAMILY RELATIONSHIP BETWEEN OUR SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Save as disclosed below there are no associations or family relationships between our substantial shareholders, Promoters, Directors and key senior management:

- (i) Lau Chia Nguang, who is our Promoter, Non-Independent Executive Chairman and President Commissioner of Malindo Feedmill, is:
- a director and shareholder of Emerging Glory;
 - brother of Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang;
 - father of Lau Joo Hwa, our key senior management; and
 - uncle of Lau Joo Hong, Lau Joo Keat, Lau Joo Han, Lau Jui Peng and Lau Joo Heng.
- (ii) Dato' Lau Eng Guang, who is our Promoter, Non-Independent Executive Director and Group Business Strategist, is:
- a director and shareholder of Emerging Glory;
 - brother of Lau Chia Nguang and Tan Sri Lau Tuang Nguang; and
 - uncle of Lau Joo Hong, Lau Joo Keat, Lau Joo Han, Lau Jui Peng, Lau Joo Heng and Lau Joo Hwa
- (iii) Tan Sri Lau Tuang Nguang, who is our Promoter, Non-Independent Executive Director, Group Chief Executive Officer and President Director of Malindo Feedmill, is:
- a director and shareholder of Emerging Glory;
 - brother of Lau Chia Nguang and Dato' Lau Eng Guang; and
 - uncle of Lau Joo Hong, Lau Joo Keat, Lau Joo Han, Lau Jui Peng, Lau Joo Heng and Lau Joo Hwa.
- (iv) Lau Joo Hong, who is our Promoter, Non-Independent Executive Director and Chief Executive Officer of our Group's Vietnam operations, is:
- our substantial shareholder by virtue of his indirect shareholding in Emerging Glory through CWL&S, which in turn is our substantial shareholder;
 - a director of Emerging Glory;
 - nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang;
 - brother of Lau Jui Peng and Lau Joo Heng; and
 - cousin of Lau Joo Keat, Lau Joo Han and Lau Joo Hwa.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (v) Lau Joo Keat, who is our Promoter, Non-Independent Executive Director and Country Head of our Group's Indonesia operations, is:
- a director of Emerging Glory;
 - nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and
 - cousin of Lau Joo Hong, Lau Joo Han, Lau Jui Peng, Lau Joo Heng and Lau Joo Hwa
- (vi) Lau Joo Han, who is our Promoter, Non-Independent Executive Director and Chief Executive Office of our Group's Malaysia operations:
- our substantial shareholder by virtue of his shareholding interest in Emerging Glory;
 - nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and
 - cousin of Lau Joo Hong, Lau Joo Keat, Lau Jui Peng, Lau Joo Heng and Lau Joo Hwa.
- (vii) Lau Jui Peng, who is our Promoter and Group Breeder Chief Executive Officer, is our substantial shareholder by virtue of his indirect shareholding in Emerging Glory through his substantial shareholding in CWL&S, which in turn is our substantial shareholder. He is the nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang. Lau Joo Han, Lau Joo Keat and Lau Joo Hwa are his cousins. Lau Joo Hong and Lau Joo Heng are his brothers.
- (viii) Lau Joo Heng, who is our Promoter and Chief Executive Officer of our Group's Philippines operations is our substantial shareholder by virtue of his indirect shareholdings in Emerging Glory through his substantial shareholding in CWL&S, which in turn is our substantial shareholder. He is the nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang. He is the cousin of Lau Joo Han, Lau Joo Keat and Lau Joo Hwa. Lau Joo Hong and Lau Jui Peng are his brothers.
- (ix) Lau Joo Hwa is our Promoter and Chief Executive Officer of our Group's Singapore operations. He is the son of Lau Chia Nguang and nephew of Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang. Lau Joo Hong, Lau Joo Keat, Lau Joo Han, Lau Jui Peng and Lau Joo Heng are his cousins.
- (x) Benny Lim Jew Fong, who is our Non-Independent Non-Executive Director together with his alternate, Tee Yock Siong are representatives of our substantial shareholder, Clarinden Investments on our Board.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

9.6 DECLARATION BY OUR DIRECTORS, KEY SENIOR MANAGEMENT AND PROMOTERS

As at the LPD, none of our Directors, key senior management or Promoters is and has been involved in any of following events (whether in or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which such person was a director or member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;
- (vii) the subject of any current investigation or disciplinary proceeding, or in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) any unsatisfied judgment against such person.

9.7 OTHER MATTERS

- (i) Save as disclosed in Sections 9.2.5 and 9.3.5 of this Prospectus, no other amounts or benefits has been paid or intended to be paid or given to our Promoters, Directors and substantial shareholders within the two years preceding the date of this Prospectus, except for remuneration received by our Directors in the course of their employment and directors' fees, and dividends paid to our shareholders.
- (ii) There is no arrangement which operation may result in the change in control of our Company at a date subsequent to our IPO and our Listing.
- (iii) Our Promoters and substantial shareholders do not have different voting rights from our other shareholders.

10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Material related party transactions entered into over the historical financial period

Save as disclosed below, there are no other material related party transactions entered into by our Group which involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the past three FYEs 31 December 2015, 31 December 2016 and 31 December 2017, FPE 31 October 2018 and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
1.	LHI Group and Emerging Glory and its subsidiaries ("Emerging Glory Group")	<p>Interested Major Shareholders and Directors</p> <ul style="list-style-type: none"> • Lau Joo Han • Lau Joo Hong <p>Interested Major Shareholders</p> <ul style="list-style-type: none"> • Emerging Glory • CWL&S • Lau Joo Heng • Lau Jui Peng <p>Interested Director</p> <ul style="list-style-type: none"> • Lau Chia Nguang • Dato' Lau Eng Guang • Tan Sri Lau Tuang Nguang • Lau Joo Keat 	<p>Disposal of Baker's Cottage by LH Malaysia (vendor) to Emerging Glory (purchaser)</p> <p>This transaction was a one-off to rationalise our Group's businesses</p> <p>Refer to Note (1)(b) for details of this transaction</p>	-	-	RM20,331	-	-
						(Represents 1.24% of our NA as at 31 December 2017)		

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
		Refer to Note (1)(a) for details of their relationship with our Directors, major shareholders and/or persons connected with them	Interest at the rate of 5.3% per annum charged on the disposal of Baker's Cottage charged by LH Malaysia (lender) to Emerging Glory (borrower)	-	-	-	RM915	RM189
			The outstanding sum has been fully settled as at the LPD				(Contributed 0.02% to our Group's revenue)	
		Rental payable by LHI Group (tenants) to Emerging Glory Group (landlords)	(Represents 7.55% of our Group's rental expenses)	RM1,270	RM1,271	RM1,602	RM1,377	RM285
			This transaction is recurrent in nature		(Represents 6.36% of our Group's rental expenses)	(Represents 10.50% of our Group's rental expenses)	(Represents 10.57% of our Group's rental expenses)	
		Refer to Note (1)(c) for the salient terms of the tenancy agreements entered into between our Group and the Emerging Glory Group						

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
2.	Teo Seng Farming and KPF Farming Sdn Bhd ("KPF Farming")	Interested Directors <ul style="list-style-type: none"> Lau Chia Nguang Dato' Lau Eng Guang Tan Sri Lau Tuang Nguang <p>Refer to Note (2)(a) for details of their relationship with our Directors, major shareholders and/or persons connected with them</p>	Sale of pullet, egg tray, livestock feed and veterinary products from Teo Seng Farming (vendor) to KPF Farming (purchaser) <p>This transaction is recurrent in nature</p> <p>Refer to Note (2)(b) for details of this transaction</p>	RM10,224 (Contributed 0.22% to our Group's revenue)	RM11,773 (Contributed 0.22% to our Group's revenue)	RM10,535 (Contributed 0.19% to our Group's revenue)	RM9,722 (Contributed 0.21% to our Group's revenue)	RM5,905
			Purchase of eggs and old hen from KPF Farming (vendor) by Teo Seng Farming (purchaser) <p>This transaction is recurrent in nature</p> <p>Refer to Note (2)(b) for details of this transaction</p>	RM13,960 (Represents 0.35% of our Group's cost of sales ("COS"))	RM11,888 (Represents 0.28% of our Group's COS)	RM9,391 (Represents 0.20% of our Group's COS)	RM12,784 (Represents 0.33% of our Group's COS)	RM4,057

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
3.	LHI Group and Pengangkutan Mekar Sdn Bhd ("Pengangkutan Mekar")	<p>Interested Directors</p> <ul style="list-style-type: none"> • Lau Chia Nguang • Dato' Lau Eng Guang • Tan Sri Lau Tuang Nguang <p>Refer to Note (3)(a) for details of their relationship with our Directors, major shareholders and/or persons connected with them</p>	<p>Management services and internal audit services provided by LH Poultry Farm/LH Corporate Services (supplier) to Pengangkutan Mekar (recipient)</p> <p>As at the LPD, this transaction has ceased</p> <p>Transportation charges provided by LHI Group (supplier) to Pengangkutan Mekar (recipient)</p> <p>This transaction is ad-hoc in nature</p>	-	RM60	-	RM14	-
				(Negligible contribution to our Group's revenue)	(Negligible contribution to our Group's revenue)	(Negligible contribution to our Group's revenue)	(Negligible contribution to our Group's revenue)	(Negligible contribution to our Group's revenue)
				RM30	RM15	RM66	-	-
				(Negligible contribution to our Group's revenue)	(Negligible contribution to our Group's revenue)	(Negligible contribution to our Group's revenue)		

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Transportation and related services provided by Pengangkutan Mekar (supplier) to LHI Group (recipient) with a credit term of 60 days	RM14,192 (Represents 0.36% of our Group's COS)	RM9,360 (Represents 0.22% of our Group's COS)	RM13,431 (Represents 0.29% of our Group's COS)	RM10,821 (Represents 0.28% of our Group's COS)	RM5,776
			This transaction is still ongoing as Pengangkutan Mekar is our Group's outsourced transportation and related services provider in Malaysia					
			Refer to Note (3)(b) for details of this transaction					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
4.	LHI Group and Teratai Malaysia	<p>Interested Shareholders and Directors</p> <ul style="list-style-type: none"> • Lau Joo Han • Lau Joo Hong <p>Interested Shareholders</p> <ul style="list-style-type: none"> • Lau Joo Heng • Lau Jui Peng <p>Interested Directors</p> <ul style="list-style-type: none"> • Lau Chia Nguang • Dato' Lau Eng Guang • Tan Sri Lau Tuang Nguang • Lau Joo Keat <p>Refer to Note (4) for details of their relationship with our Directors, major shareholders and/or persons connected with them</p>	<p>Major and Major</p> <p>Sale of livestock feed, veterinary products and provision of laboratory services by LHI Group (supplier) to Teratai Malaysia (recipient)</p> <p>This transaction is recurrent in nature</p> <p>Disposal of a piece of agricultural land by LH Agrobusiness (vendor) to Teratai Malaysia (purchaser)</p> <p>This transaction is one-off in nature</p>	<p>RM50,888</p> <p>(Contributed 1.08% to our Group's revenue)</p> <p>-</p>	<p>RM52,912</p> <p>(Contributed 1.01% to our Group's revenue)</p> <p>-</p>	<p>RM61,016</p> <p>(Contributed 1.11% to our Group's revenue)</p> <p>-</p>	<p>RM52,258</p> <p>(Contributed 1.11% to our Group's revenue)</p> <p>RM1,050</p> <p>(Represents 0.06% of our NA as at 31 October 2018)</p>	<p>RM27,074</p> <p>-</p>

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
5.	LHI Group and Emerging Success Group	Interested Shareholders and Directors • Lau Joo Han • Lau Joo Hong	Major Sale of raw material by LH Jayaindo (vendor) to Malindo Group (purchaser) with a credit term of 30 days	IDR7,515,888 (equivalent to RM2,197) (Represents 0.06% of our Group's COS)	IDR4,453,991 (equivalent to RM1,385) (Represents 0.03% of our Group's COS)	IDR4,904,670 (equivalent to RM1,566) (Represents 0.03% of our Group's COS)	IDR1,853,224 (equivalent to RM523) (Represents 0.01% of our Group's COS)	-
	("Emerging Success Group" shall refer to Emerging Success Pte Ltd ("Emerging Success"), LH Jayaindo and PT Sehat Cerah ("SCI"))	Interested Shareholders • Lau Joo Heng • Lau Jui Peng Interested Directors • Lau Chia Nguang • Dato' Lau Eng Guang • Tan Sri Lau Tuang Nguang • Lau Joo Keat	Major This transaction is recurrent in nature Refer to Note (5)(c) for details of this transaction Sale of raw material by Malindo Group (vendor) to LH Jayaindo (purchaser) with credit term of 30 days This transaction is recurrent in nature Refer to Note (5)(c) for details of this transaction	IDR11,115,232 (equivalent to RM3,249) (Contributed 0.07% to our Group's revenue)	IDR19,862,687 (equivalent to RM6,175) (Contributed 0.12% to our Group's revenue)	IDR5,248,678 (equivalent to RM1,676) (Contributed 0.03% to our Group's revenue)	IDR3,054,919 (equivalent to RM862) (Contributed 0.02% to our Group's revenue)	IDR302,413 (equivalent to RM88)

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Sale of livestock feed (aqua) by Malindo Feedmill (vendor) to LH Jayaindo (purchaser) with credit term of 30 days	IDR247,206,439 (equivalent to RM72,258)	IDR258,275,237 (equivalent to RM80,298)	IDR267,419,976 (equivalent to RM85,396)	IDR232,779,581 (equivalent to RM65,667)	IDR121,797,851 (equivalent to RM35,285)
				(Contributed 1.53% to our Group's revenue)	(Contributed 1.53% to our Group's revenue)	(Contributed 1.55% to our Group's revenue)	(Contributed 1.40% to our Group's revenue)	
			This transaction is recurrent in nature					
			Refer to Note (5)(d) for details of this transaction					
			Purchase of livestock feed by Malindo Group (purchasers) from LH Jayaindo (vendor) with credit term of 30 days	IDR166,095,037 (equivalent to RM48,550)	IDR187,916,591 (equivalent to RM58,423)	IDR209,094,355 (equivalent to RM66,771)	IDR185,845,933 (equivalent to RM52,427)	IDR102,773,908 (equivalent to RM29,774)
				(Represents 1.23% of our Group's COS)	(Represents 1.39% of our Group's COS)	(Represents 1.46% of our Group's COS)	(Represents 1.36% of our Group's COS)	
			This transaction is recurrent in nature					
			Refer to Note (5)(e) for details of this transaction					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Purchase of animal healthcare products and premix by Malindo Group (purchasers) from SCI (vendor) with credit term of 14 days	IDR71,222,110 (equivalent to RM20,818)	IDR142,263,248 (equivalent to RM44,230)	IDR145,505,154 (equivalent to RM46,465)	IDR260,519,541 (equivalent to RM73,493)	IDR117,334,269 (equivalent to RM33,992)
			This transaction is recurrent in nature	(Represents 0.53% of our Group's COS)	(Represents 1.05% of our Group's COS)	(Represents 1.01% of our Group's COS)	(Represents 1.90% of our Group's COS)	
			Laboratory services provided by SCI (supplier) to Malindo Group (recipients)	IDR2,500,970 (equivalent to RM731)	IDR2,736,862 (equivalent to RM851)	IDR3,766,518 (equivalent to RM1,203)	IDR3,154,479 (equivalent to RM890)	IDR1,426,402 (equivalent to RM413)
			This transaction is recurrent in nature	(Represents 0.02% of our Group's COS)	(Represents 0.02% of our Group's COS)	(Represents 0.03% of our Group's COS)	(Represents 0.02% of our Group's COS)	

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Sale of premix from Jaco Nutrimix and LH Feedmill Malaysia (vendor) to SCI (purchaser) with credit term of 60 days	RM10,565 (Contributed 0.22% to our Group's revenue)	RM11,269 (Contributed 0.21% to our Group's revenue)	RM14,846 (Contributed 0.27% to our Group's revenue)	RM23,572 (Contributed 0.50% to our Group's revenue)	RM8,326
			This transaction is recurrent in nature					
			Sale of animal healthcare product from Emivest Feedmill Vietnam (vendor) to SCI (purchaser) with credit term of 30 days	-	-	-	-	USD18 (equivalent to RM73)
			This transaction is recurrent in nature					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Sale of swine product from Leong Hup Distribution (vendor) to Emerging Success (purchaser) with credit term of 30 days	-	-	-	-	SGD4,515 (equivalent to RM13,650)
			This transaction was a one-off to rationalise our Group's businesses					
			Rental payable by Emerging Success (lessee) to Leong Hup Distribution (lessor) in respect of the rental of cold storage space. The rental is short term in nature and charged based on pallet occupied	-	-	-	-	SGD399 (equivalent to RM1,206)
			This transaction is recurrent in nature					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Balance outstanding of a non-interest bearing loan from Emerging Success (lender) to Leong Ayamsatu (borrower)	IDR16,198,274 (equivalent to RM5,046)	IDR16,198,274 (equivalent to RM5,394)	IDR16,198,274 (equivalent to RM4,827)	IDR16,198,274 (equivalent to RM4,570)	IDR16,198,274 (equivalent to RM4,693)
			This loan does not have a fixed repayment term	(Represents 0.30% of our NA as at 31 December 2015)	(Represents 0.27% of our NA as at 31 December 2016)	(Represents 0.29% of our NA as at 31 December 2017)	(Represents 0.27% of our NA as at 31 October 2018)	
			Refer to Note (5)(f) for details of this loan					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
6.	LHI Group and Joint Honest Group	Interested Shareholders and Directors	Major Sale of livestock feed from Emivest Feedmill (TG) (vendor) to Teratai Vietnam (purchaser) with a credit term of 120 days	-	VND9,420,035 (equivalent to RM1,743)	VND43,076,653 (equivalent to RM8,107)	VND192,754,192 (equivalent to RM33,597)	VND94,937,724 (equivalent to RM16,670)
	("Joint Honest Group" are collectively Joint Honest International Enterprise Limited ("Joint Honest") and Teratai Agriculture Vietnam Limited ("Teratai Vietnam"))	Interested Shareholders • Lau Joo Han • Lau Joo Hong Interested Shareholders • Lau Joo Heng • Lau Jui Peng	This transaction is recurrent in nature	(Contributed 0.03% to our Group's revenue)	(Contributed 0.15% to our Group's revenue)	(Contributed 0.72% to our Group's revenue)		
		Refer to Note (6)(a) for details of their relationship with our Directors, major shareholders and/or persons connected with them	Sale of medicine and livestock feed from Emivest Feedmill Vietnam (vendor) to Teratai Vietnam (purchaser) with a credit term of 120 days	VND232,863,262 (equivalent to RM41,543)	VND512,264,555 (equivalent to RM94,769)	VND614,586,099 (equivalent to RM115,665)	VND436,838,310 (equivalent to RM76,141)	VND387,683,548 (equivalent to RM68,194)
			This transaction is recurrent in nature	(Contributed 0.88% to our Group's revenue)	(Contributed 1.80% to our Group's revenue)	(Contributed 2.10% to our Group's revenue)	(Contributed 1.62% to our Group's revenue)	

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Sale of livestock feed from Leong Hup Feedmill Vietnam (vendor) to Teratai Vietnam (purchaser) with a credit term of 120 days	-	-	-	VND38,557,369 (equivalent to RM6,721) (Contributed 0.14% to our Group's revenue)	VND9,388,850 (equivalent to RM1,651)
			This transaction is recurrent in nature					
			Balance outstanding of short-term advances granted by United Global (lender) to Teratai Vietnam (borrower) as at the end of each financial year/period	USD850 (equivalent to RM3,649)	-	-	-	-
			These advances had been fully repaid					
			Refer to Note (6)(b) for details of these advances					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Interest outstanding on the short-term advances granted by United Global (lender) to Teratai Vietnam (borrower) as at the end of each financial year/period	USD17 (equivalent to RM73) (Negligible contribution to our Group's NA as at 31 December 2015)	-	-	-	-
			The interest on these advances had been fully paid					
			Refer to Note (6)(b) for details of these advances					
			Balance outstanding of short-term advances granted by United Global (lender) to Joint Honest (borrower) as at the end of each financial year/period	USD4,700 (equivalent to RM20,179) (Represents 1.19% of our NA as at 31 December 2015)	-	USD3,300 (equivalent to RM13,357) (Represents 0.81% of our NA as at 31 December 2017)	-	-
			These advances had been fully paid					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Refer to Note (6)(c) to (6)(e) for details of these advances					
			Interest outstanding on the short-term advances granted by United Global (lender) to Joint Honest (borrower) as at the end of each financial year/period	-	-	USD63 (equivalent to RM254) (represents 0.02% of our NA as at 31 December 2017)	-	-
			The interests on these advances had been fully paid					
			Refer to Note (6)(c) to (6)(e) for details of these advances					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
7.	LHI Group and Muar Regent	Interested Directors <ul style="list-style-type: none"> • Lau Chia Nguang • Dato' Lau Eng Guang • Tan Sri Lau Tuang Nguang <p>Refer to Note (7)(a) for details of their relationship with our Directors, major shareholders and/or persons connected with them</p>	Acquisition of 25% equity interest in ES Food by LHSg (purchaser) from Muar Regent (vendor) This transaction was a one-off to fully consolidate the results of ES Food Refer to Note (7)(b) for details of this transaction	-	-	SGD32,000 (equivalent to RM104,353) (Represents 6.36% of our NA as at 31 December 2017)	-	-
			Disposal of 51% equity interest in Jordon by Kendo Trading (vendor) to Muar Regent (purchaser) This transaction was a one-off to rationalise our Group's businesses Refer to Note (7)(c) for details of this transaction	-	-	-	SGD10,250 (equivalent to RM30,370) (Represents 1.77% of our NA as at 31 October 2018)	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000		
			Sale of fresh chicken, fresh duck and meat products from LHSg's group of companies (vendor) to Jordon (purchaser) with a credit term of 30 days	-	-	-	SGD5,798 (equivalent to RM17,287) (Contributed 0.37% to our Group's revenue)	SGD3,873 (equivalent to RM11,708)
			This transaction is recurrent in nature					
			Rental payable by LS Poultry and Hup Heng Poultry (lessees) to Jordon (lessor) in respect of the rental of cold storage space. The rental is short term in nature and charged based on pallet occupied	-	-	-	SGD323 (equivalent to RM962) (Represents 7.38% of our Group's rental expenses)	SGD251 (equivalent to RM759)
			This transaction is recurrent in nature					

10. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			FPE 31 October 2018	Between 1 November 2018 and the LPD
				2015	2016	2017		
				'000	'000	'000	'000	'000
			Purchase of swine product by LHSg's group of companies (purchasers) from Jordon (vendor) with a credit term of 30 days	-	-	-	SGD26 (equivalent to RM79) (Represents 0.002% of our Group's COS)	SGD20 (equivalent to RM60)
			This transaction is recurrent in nature					

Notes:(1) *Emerging Glory Group*

(a) *LH Malaysia is our subsidiary whereas Emerging Glory is our major shareholder.*

Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang and Lau Joo Han are the major shareholders and directors of Emerging Glory. Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang and Lau Joo Han are also our Directors.

Lau Joo Hong, Lau Joo Heng and Lau Jui Peng are brothers and major shareholders of Emerging Glory through CWL&S. Lau Joo Hong is also our Director.

Lau Joo Keat is a major shareholder of Emerging Glory through HNL&S. Lau Joo Keat is also our Director.

The abovementioned Founding Family members have directorships in various subsidiaries of our Group.

(b) *Baker's Cottage was disposed by our Group as part of a reorganisation prior to our Listing as it was not involved in integrated poultry operations. The consideration of RM20,330,751 for the disposal of Baker's Cottage by LH Malaysia is equivalent to the NA of Baker's Cottage as at the date of disposal. As a result, our Group did not recognise a gain or loss on the disposal of Baker's Cottage.*

For the salient terms of this transaction, see Section 14.5.2 of this Prospectus.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (c) The salient terms of the tenancy agreements between our Group and Emerging Glory Group are as follows:
- (i) in respect of the tenancy agreement dated 28 December 2018 made between LH Agrobusiness and LH Holdings for the rental of the premise known as Wisma Westcourt, the tenure of the tenancy is for two years and one month commencing from 1 December 2018 to 31 December 2020 at the monthly rental rate of RM56,723 excluding taxes;
 - (ii) in respect of the tenancy agreement dated 13 August 2014 which was subsequently renewed by the tenancy agreement dated 5 June 2018 between LH Agrobusiness and Gemini Glory Sdn Bhd for the rental of the lands held under Geran 65169, Lot 4429, Geran 65260, Lot 4230, Geran 65261, Lot 4231 all located at Mukim Sentul, Daerah Seremban, Negeri Sembilan, the tenure of the tenancy is for three years commencing from 1 August 2017 to 31 July 2020 with an option to renew for a further three years. The monthly rental rate from 1 August 2017 to 31 July 2018 is RM2,600 whereas the monthly rental rate from 1 August 2018 to 31 July 2020 is RM2,850;
 - (iii) in respect of the tenancy agreement dated 13 August 2014 which was subsequently renewed by the tenancy agreement dated 5 June 2018 between LH Agrobusiness and Wealthy Approach Sdn Bhd for the rental of the land held under Geran 225607, Lot 5691, Mukim Kulai, Daerah Kulaijaya, Negeri Johor, the tenure of the tenancy is for three years commencing from 1 August 2017 to 31 July 2020 with an option to renew for a further three years. The monthly rental rate from 1 August 2017 to 31 July 2018 is RM5,100 whereas the monthly rental rate from 1 August 2018 to 31 July 2020 is RM5,600;
 - (iv) in respect of the tenancy agreement dated 13 August 2014 which was subsequently renewed by the tenancy agreement dated 5 June 2018 between LH Agrobusiness and Platinum Epitome Sdn Bhd for the rental of the land held under EMR 3137, Lot 1260, Mukim Sepang, Daerah Sepang, Negeri Selangor, the tenure of the tenancy is for three years commencing from 1 August 2017 to 31 July 2020 with an option to renew for a further three years. The monthly rental rate from 1 August 2017 to 31 July 2018 is RM5,000 whereas the monthly rental rate from 1 August 2018 to 31 July 2020 is RM5,500;
 - (v) in respect of the tenancy agreement dated 13 August 2014 which was subsequently renewed by the tenancy agreement dated 5 June 2018 between LH Agrobusiness and Plenitude Hectares Sdn Bhd for the rental of the lands held under GM 27, Lot 121, GM 35, Lot 123 all located at Mukim Senai, Daerah Kulaijaya, Negeri Johor, the tenure of the tenancy is for three years commencing from 1 August 2017 to 31 July 2020 with an option to renew for a further three years. The monthly rental rate from 1 August 2017 to 31 July 2018 is RM5,050 whereas the monthly rental rate from 1 August 2018 to 31 July 2020 is RM5,550; and
 - (vi) in respect of the tenancy agreement dated 13 August 2014 which was subsequently renewed by the tenancy agreement dated 5 June 2018 between LH Agrobusiness and Stable Discovery Sdn Bhd for the rental of the lands held under Geran 86235, Lot 581, Geran 86238, Lot 582 all located at Mukim Ulu Sungai Johor, Daerah Kota Tinggi, Negeri Johor, the tenure of the tenancy is for three years commencing from 1 August 2017 to 31 July 2020 with an option to renew for a further three years. The monthly rental rate from 1 August 2017 to 31 July 2018 is RM6,300 whereas the monthly rental rate from 1 August 2018 to 31 July 2020 is RM6,950.

(rental agreements 1(c)(ii) to 1(c)(vi) are collectively referred to as "**Farm Rental Agreements**")

10. RELATED PARTY TRANSACTIONS (Cont'd)

(2) KPF Farming

- (a) *Teo Seng Farming is our subsidiary. Tan Sri Lau Tuang Nguang, our Director, holds 10.00% direct equity interest and is a director of KPF Farming. He is the brother of our Directors, Lau Chia Nguang and Dato' Lau Eng Guang.*
- (b) *Teo Seng Farming has engaged KPF Farming as its contract farmer pursuant to an agreement dated 26 September 2011 which was subsequently supplemented by agreements dated 17 September 2013, 11 January 2016 and 1 September 2017, pursuant to which the contract is valid until 31 August 2021 ("KPF Farming Contract"). Under the KPF Farming Contract, Teo Seng Farming agrees to sell to KPF Farming pullet, egg tray, livestock feed and veterinary products, and purchase from KPF Farming eggs and old hens. The salient terms of the KPF Farming Contract are as follows:*

(i) *The agreed buy-back price payable by Teo Seng Farming to KPF Farming are as follows:*

(i) *ungraded/ quality eggs (transportation cost included subjected to maximum 50km radius) at RM0.2675 per egg;*

(ii) *2nd grade/ poor quality eggs at RM0.1350 per egg; and*

(iii) *all spent hens (layers) at RM1.50 per kg per bird.*

(ii) *The agreed purchase price payable by KPF Farming to Teo Seng Farming are as follows:*

(i) *pullet at RM13.50 per bird;*

(ii) *livestock feed (poultry) at RM1.35 per kg;*

(iii) *egg trays at RM0.165 per tray; and*

(iv) *medicines/ vaccines/ animal health supplements as per contracted price list.*

Teo Seng Farming is entitled to a variance of up to 5.00% on the agreed purchase price of pullet payable by KPF Farming.

(iii) *The KPF Farming Contract may be terminated by either party in any of the following events:*

(i) *if either party is wound up; or*

(ii) *by either party giving six months prior notice in writing to the other party.*

In the event of termination of the KPF Farming Contract, all outstanding amounts are to be paid off within three months immediately after the termination date.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (iv) *If KPF Farming wishes to renew the KPF Farming Contract, KPF Farming is required to give Teo Seng Farming not less than six months' notice in writing before the expiration of the term. The renewal is subject to, at the expiry of the term, KPF Farming paying or having paid the purchase price in full and having performed and observed the covenants contained in the KPF Farming Contract.*
- (v) *In the event of a breach of any of the terms, conditions or covenants by KPF Farming (save for where the KPF Farming Contract expressly provides otherwise), KPF Farming shall upon receipt of notice from Teo Seng Farming remedy the breach within reasonable time. In the event KPF Farming fails to remedy the breach within such reasonable time, the KPF Farming Contract may be determined unilaterally by Teo Seng Farming without prejudice to the rights of Teo Seng Farming as set out in the KPF Farming Contract.*

(3) Pengangkutan Mekar

- (a) *Tan Sri Lau Tuang Nguang is our Director and holds 25.00% direct equity interest in Pengangkutan Mekar. He is the brother of our Directors, Lau Chia Nguang and Dato' Lau Eng Guang.*
- (b) *The price charged by Pengangkutan Mekar to our Group is dependent on the number of DOCs and feed delivered. There is no written contract between Pengangkutan Mekar and our Group for this arrangement.*

(4) Teratai Malaysia

The following shareholders of Teratai Malaysia are the related parties of the Founding Family members and respectively hold 16.67% effective equity interest in Teratai Malaysia:

- (a) *Datin Chua Ah Nia @ Chua Kah Nui is the mother of our major shareholder and Director, Lau Joo Han.*
- (b) *Datin Heng Ah Pee is the mother of our major shareholders, Lau Joo Hong, Lau Jui Peng and Lau Joo Heng. Lau Joo Hong is also our Director.*
- (c) *Goh Cha Boh @ Goh Hui Siang is the spouse of our Director, Lau Chia Nguang.*
- (d) *Datin Goh Kim Kooi is the spouse of our Director, Dato' Lau Eng Guang.*
- (e) *Lai Chong Koo is the mother of our Director, Lau Joo Keat.*
- (f) *Puan Sri Wong Kee Choo is the spouse of our Director, Tan Sri Lau Tuang Nguang.*

10. RELATED PARTY TRANSACTIONS (Cont'd)

(5) Emerging Success Group

- (a) SCI and LH Jayaindo are the subsidiaries of Emerging Success. The ultimate shareholders of Emerging Success Group are Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Lau Joo Hong, Lau Joo Keat and the Estate of Dato' Lau Bong Wong, deceased. Lau Joo Han is deemed interested by virtue of the equity interest in Emerging Success held by the Estate of Dato' Lau Bong Wong, deceased, to which Lau Joo Han is the sole beneficiary. Dato' Lau Eng Guang sits on the board of commissioners of LH Jayaindo.*
- (b) Lau Joo Han and Lau Joo Hong are our major shareholders and Directors. Lau Chia Nguang, Dato' Lau Eng Guang and Lau Joo Keat are our Directors. Lau Jui Peng and Lau Joo Heng, our major shareholders are brothers to Lau Joo Hong.*
- (c) Purchase or sale of raw materials between LH Jayaindo and Malindo Group which is based on a credit term of 30 days. Purchaser to bear the cost of delivery. Raw materials are sold at cost.*
- (d) Production and sale of livestock feed (aqua) by Malindo Feedmill to LH Jayaindo which is based on a credit term of 30 days.*
- (e) Purchase of livestock feed by the Malindo Group from LH Jayaindo through purchase orders which are based on a credit term of 30 days for farms located in North Sumatra.*
- (f) Prior to Leong Ayamsatu becoming our subsidiary following its acquisition by Malindo Feedmill in 2008, Emerging Success had provided an unsecured, non-interest bearing loan with no fixed repayment term to Leong Ayamsatu in 2007. As at the LPD, the said loan has been fully utilised by Leong Ayamsatu for its working capital requirements.*

As at the LPD, Leong Ayamsatu has not made any repayment of the said loan to Emerging Success as the said loan is subordinated to other loans undertaken by Malindo Feedmill. No repayments can be made towards the said loan to Emerging Success until either (i) the unsubordinated loans of Malindo Feedmill have been repaid, or (ii) the financial institutions providing the said unsubordinated loans waive the subordination clause.

10. RELATED PARTY TRANSACTIONS (Cont'd)*(6) Joint Honest Group*

- (a) Teratai Vietnam is the subsidiary of Joint Honest. The ultimate beneficial shareholders of the Joint Honest Group are Lau Joo Han and Lau Joo Hong who are also our major shareholders and Directors.*
- (b) United Global had entered into short term loan agreements with Teratai Vietnam prior to and in the FYE 31 December 2015, of which an outstanding balance of USD850,000 (equivalent to RM3,649,000) remained unpaid as at 31 December 2015. The advances are unsecured, bearing interest rates ranging from 3.89% - 4.36% per annum and payable on demand. These advances had been fully repaid in the FYE 31 December 2016.*
- (c) United Global had entered into short term loan agreements with Joint Honest prior to and in the FYE 31 December 2015, of which an outstanding balance of USD4,700,000 (equivalent to RM20,179,000) remained unpaid as at 31 December 2015. The advances are unsecured, bearing interest rates ranging from 3.89% - 4.36% per annum and repayable on demand. These advances had been fully repaid in the FYE 31 December 2016.*
- (d) United Global had entered into short term loan agreements with Joint Honest in the FYE 31 December 2017, of which an outstanding balance of USD3,300,000 (equivalent to RM13,357,000) remained unpaid as at 31 December 2017. The advances are unsecured, bearing interest rates ranging from 4.70% - 5.39% per annum and repayable on demand. These advances had been fully repaid in the FPE 31 October 2018.*
- (e) United Global had entered into a short term loan agreement with Joint Honest in the FPE 31 October 2018 which had been fully repaid in the FPE 31 October 2018.*

(7) Muar Regent

- (a) Lau Chia Nguang is our Director and he is also the sole shareholder of Muar Regent. He is the brother of our Directors, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang.*
- (b) For the salient terms of this transaction, see Section 14.5.4 of this Prospectus.*
- (c) Kendo Trading disposed its entire equity interest in Jordon to Muar Regent (51.00%) and an individual, Lee Chai Soon (49.00%) on 30 June 2018. Jordon, a company primarily involved in the trading of swine products, was disposed as part of a reorganisation prior to our Listing to be in line with our Group's focus on integrated poultry operations. Our Group made a gain of RM78,000 based on the total consideration payable by Muar Regent and Lee Chai Soon of RM75,850,000, calculated as NA of RM80,450,000 as at the date of disposal less foreign exchange loss of approximately RM4,678,000.*

For the salient terms of the disposal of Jordon to Muar Regent, see Section 14.5.5 of this Prospectus. For the salient terms of the disposal of Jordon to Lee Chai Soon, see Section 14.5.6 of this Prospectus.

10. RELATED PARTY TRANSACTIONS (Cont'd)

Our Directors confirm that all the above related party transactions were transacted on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to our non-interested shareholders, save for the following:

(a) Transactions between our Group and the Emerging Glory Group in relation to the following:**Disposal of Baker's Cottage**

The disposal of Baker's Cottage was not considered by our Directors to be on an arm's length basis as it was undertaken on a negotiated basis to exclude Baker's Cottage, a loss-making company which is not involved in poultry business, from our Group prior to our Listing without our Group recognising a loss from the disposal. In view of this, the total consideration for the disposal of RM20,330,751 is equivalent to the NA of Baker's Cottage as at the date of disposal.

Our Directors are of the view of that the disposal of Baker's Cottage at NA is on terms not detrimental to our Group or our non-interested shareholders as Baker's Cottage was loss-making and the disposal of Baker's Cottage is in line with our Group's objective of streamlining our operations towards the integrated poultry business.

Farm Rental Agreements

The terms of the Farm Rental Agreements were not considered by our Directors to be on an arm's length basis as the rental rates charged were lower than those that would generally be available to third parties due to lower credit risk since the landlords and LH Agrobusiness share the same shareholder, Emerging Glory. Had the terms of the Farm Rental Agreements been on an arms' length basis for the FYEs 31 December 2015, 2016, 2017 and FPE 31 October 2018, the additional rental cost that would have been incurred would not have been material to our Group. Further, if the terms of the Farm Rental Agreements are on an arms' length basis going forward, the additional rental cost would not be material to our Group.

Our Directors are of the view that the salient terms of the Farm Rental Agreements are not detrimental to our Group or our non-interested shareholders as the rental rates charged by the Emerging Glory Group are lower than third party rates. In the event the rental rates charged by the Emerging Glory Group are materially higher than third party rates, we have the option of relocating our operations to other farms or expanding our other existing farms to make up for any loss in capacity. The decision will be made after conducting a cost benefit analysis of relocation and/or expansion as well as the incremental rental.

10. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Transactions between our Group and the Emerging Success Group in relation to the following:**Non-interest bearing loan from Emerging Success to Leong Ayamsatu**

Prior to Leong Ayamsatu becoming our subsidiary prior to its acquisition by Malindo Feedmill in 2008, Emerging Success had provided an unsecured, non-interest bearing loan with no fixed repayment term to Leong Ayamsatu in 2007.

This loan was not considered by our Directors to be on an arm's length basis as it was provided by Emerging Success on terms more favourable to our Group than those that would generally be available to third parties. Had Leong Ayamsatu obtained equivalent financing on an arm's length basis for the FYEs 31 December 2015, 2016, 2017 and FPE 31 October 2018, the additional cost of financing that would have been incurred would not have been material to our Group. Further, should Leong Ayamsatu need to obtain equivalent financing on an arm's length basis going forward, the additional cost of financing would not be material to our Group.

Our Directors are of the view that the terms of the non-interest bearing loan from Emerging Success to Leong Ayamsatu are not detrimental to our Group or our non-interested shareholders as the loan is non-interest bearing.

(c) Transactions between our Group and Muar Regent in relation to the following:**Disposal of Jordon by Kendo Trading to Muar Regent**

The disposal of Jordon was not considered by our Directors to be transacted on an arm's length basis as it was undertaken on a negotiated basis to exclude Jordon, formerly a wholly-owned subsidiary of Kendo Trading (our 51%-owned subsidiary) primarily involved in trading of swine products, from our Group prior to our Listing without our Group recognising a loss from the disposal. In view of this, our Group made a gain of RM78,000 based on the total consideration for the disposal of RM75,850,000, calculated based on NA as at the date of disposal of RM80,450,000 less foreign exchange loss of approximately RM4,678,000.

Our Directors are of the view that the disposal at NA was on terms not detrimental to our Group or our non-interested shareholders as the disposal is in line with our Group's objective of streamlining our operations towards the integrated poultry business.

10. RELATED PARTY TRANSACTIONS (Cont'd)

In addition to the material related party transactions, our Group has also entered into various related party transactions of trading or revenue nature with the Founding Family and/or persons connected to them. The nature of such transactions include but not limited to the following:

- (i) sale and purchase of raw materials, livestock feeds, materials relating to the poultry and food industry and chicken products to/from related parties;
- (ii) purchase of packing materials and sundries from related parties;
- (iii) sale of eggs, egg trays and veterinary products;
- (iv) provision of management services and internal audit services to related parties; and
- (v) transportation services and rental charges to/from related parties.

The aggregate value of all the related party transactions with the Founding Family and/or persons connected to them for the past three FYEs 31 December 2015, 31 December 2016 and 31 December 2017, FPE 31 October 2018 and up to the LPD are as follows:

	FYE 31 December 2015	FYE 31 December 2016	FYE 31 December 2017	FPE 31 October 2018	Between 1 November 2018 and the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
(a) Sales/ Income	209,121	279,653	310,095	296,819	208,647
	(Contributed 4.4% to our Group's revenue)	(Contributed 5.3% to our Group's revenue)	(Contributed 5.6% to our Group's revenue)	(Contributed 6.3% to our Group's revenue)	
(b) Purchases/ Expenses	111,894	138,835	153,422	188,493	87,598
	(Represents 2.8% of our Group's COS)	(Represents 3.3% of our Group's COS)	(Represents 3.3% of our Group's COS)	(Represents 4.9% of our Group's COS)	
(c) Others					
– Non-trade receivables ⁽¹⁾	23,901	-	33,942	31,420	-
	(Represents 1.4% of our NA as at 31 December 2015)		(Represents 2.1% of our NA as at 31 December 2017)	(Represents 1.8% of our NA as at 31 October 2018)	
– Non trade payable ⁽²⁾	5,046	5,394	109,180	4,570	4,693
	(Represents 0.3% of our NA as at 31 December 2015)	(Represents 0.3% of our NA as at 31 December 2016)	(Represents 6.6% of our NA as at 31 December 2017)	(Represents 0.3% of our NA as at 31 October 2018)	

10. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

- (1) *Including considerations from disposals of Baker's Cottage and Jordon as well as balance outstanding of advances (including interests) granted to related parties.*
- (2) *Including purchase consideration for acquisition of 25% shares in ES Food as well as balance outstanding of a non-interest bearing loan granted by related party to our subsidiary.*

Our Directors also confirm that there are no other material related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

After our Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements, including re-entering the above related party transactions not transacted on an arm's length basis and are not on normal commercial terms moving forward, if required. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Committee will, among others, supervise and monitor any recurrent transaction and the terms thereof and report to our Board for further action, as set out in Section 10.2.1 of this Prospectus. Where necessary, our Board would make the appropriate disclosure in our annual report with regard to any recurrent transaction entered into by us.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

10.1.2 Related party transactions entered into that are unusual in their nature or conditions

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we were a party in respect of the past three FYEs 31 December 2015, 31 December 2016 and 31 December 2017, FPE 31 October 2018 and up to the LPD.

10.1.3 Material outstanding loans and financial assistance (including guarantees of any kind) to or for the benefit of a related party

There are no material outstanding loans or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of our related parties in respect of the past three FYEs 31 December 2015, 31 December 2016 and 31 December 2017, FPE 31 October 2018 and up to the LPD.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit and Risk Committee review

The Audit and Risk Committee reviews related party transactions and conflicts of interest situations that may arise within our Company or Group and any related parties outside our Group. The Audit and Risk Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts. In reviewing the related party transactions, the following, amongst other things will be considered:

- (a) the rationale and the cost/benefit to our Company is first considered;
- (b) where possible, comparative quotes will be taken into consideration;
- (c) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis; and
- (d) that the transactions are not detrimental to our Company's minority shareholders.

All reviews by the Audit and Risk Committee are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the officers and the Directors of our Group are also officers, directors and in some cases, shareholders of the related parties of our Group, as disclosed in this Prospectus and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to the public dealing at arm's length with our Group and are not to the detriment of our minority shareholders.

10. RELATED PARTY TRANSACTIONS (Cont'd)

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation and intend for the framework to be guided by the Listing Requirements and the MCCG upon our Listing. The procedures which may form part of the framework including, amongst other things, the following:

- (i) our Board shall ensure that majority of our Board's members are independent directors and will undertake an annual assessment of our Independent Directors;
- (ii) our Directors will be required to immediately make full disclosure of any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction without Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

11. CONFLICTS OF INTEREST

11.1 INTEREST IN ENTITIES CARRYING ON A SIMILAR TRADE OR CUSTOMERS AND/OR SUPPLIERS OF OUR GROUP

11.1.1 Involvement of our Directors and substantial shareholders in entities which carry on a similar trade as that of our Group or which are our customers or suppliers

As at the LPD, save as disclosed below, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which are carrying on a similar trade as that of our Group or who are our customers and/or suppliers:

No.	Businesses/ Corporations	Directors and/or Substantial shareholders	Nature	Principal activity	Nature of interest
(I)	LH Jayaindo	Lau Joo Han, Lau Joo Hong, Lau Joo Heng, Lau Jui Peng, Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Lau Joo Keat	Similar trade as that of our Group	Manufacturing and marketing of animal feed	SCI and LH Jayaindo are the subsidiaries of Emerging Success. The ultimate shareholders of the Emerging Success Group are Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Lau Joo Hong, Lau Joo Keat and the Estate of Dato' Lau Bong Wong, deceased. Lau Joo Han is deemed interested by virtue of the equity interest in Emerging Success held by the Estate of Dato' Lau Bong Wong, deceased, to which Lau Joo Han is the sole beneficiary. Dato' Lau Eng Guang sits on the board of commissioners of LH Jayaindo.
(II)	SCI	Lau Joo Han, Lau Joo Hong, Lau Joo Keat	(i) Similar trade as that of our Group; and (ii) Our supplier	Distributor of feed additive and animal health products	<p>Lau Joo Han and Lau Joo Hong are our substantial shareholders and Directors.</p> <p>Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang are our Directors.</p> <p>Lau Joo Heng and Lau Jui Peng are our substantial shareholders and are brothers to Lau Joo Hong.</p> <p>Lau Joo Keat is a substantial shareholder of our controlling shareholder, Emerging Glory, through HNL&S. Lau Joo Keat is also our Director.</p>

11. CONFLICTS OF INTEREST (Cont'd)

No.	Businesses/ Corporations	Directors and/or Substantial shareholders	Nature	Principal activity	Nature of interest
(III)	Phil Malay	Lau Joo Hong, Lau Joo Heng, Lau Jui Peng, Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang	(i) Similar trade as that of our Group; and (ii) Our supplier	Poultry farming	<p>Leong Hup GPS and Lau Jui Peng are direct substantial shareholders of Phil Malay whereas Ladang Ternakan is an indirect substantial shareholder of Phil Malay. Tan Sri Lau Tuang Nguang and Estate of Dato' Lau Bong Wong, deceased hold 1 share each in Phil Malay. Both Tan Sri Lau Tuang Nguang and Lau Jui Peng are directors of Phil Malay.</p> <p>Lau Jui Peng together with his brothers Lau Joo Hong and Lau Joo Heng, are all our substantial shareholders. Lau Joo Hong is also our Director.</p> <p>Tan Sri Lau Tuang Nguang is our Director. He is the brother of Lau Chia Nguang, and Dato' Lau Eng Guang, who are also our Directors.</p>
(IV)	PBAC	Lau Joo Hong, Lau Joo Heng, Lau Jui Peng, Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang	(i) Similar trade as that of our Group; and (ii) Our supplier	Poultry medicine	<p>Tan Sri Lau Tuang Nguang and Lau Jui Peng hold 60% and 40% equity interest in PBAC and are both directors of PBAC.</p> <p>Tan Sri Lau Tuang Nguang is our Director. He is the brother of Lau Chia Nguang, and Dato' Lau Eng Guang, who are also our Directors.</p> <p>Lau Jui Peng together with his brothers Lau Joo Hong and Lau Joo Heng, are all our substantial shareholders. Lau Joo Hong is also our Director.</p>

11. CONFLICTS OF INTEREST (Cont'd)

Our Board is of the view that the interests of our Directors and substantial shareholders in other businesses and corporations which carry on similar trade as that of our Group or who are our suppliers do not give rise to a conflict of interest situation on the following basis:

(I) LH Jayaindo

- (a) LH Jayaindo is involved in the manufacturing and marketing of animal feed in Medan and Pekanbaru area in Indonesia (North Sumatra) and is not in competition with our operations as they do not operate their business and market their animal feed in the same location as our feedmills.
- (b) LH Jayaindo is not a major supplier to our Group and neither is our Group dependent on LH Jayaindo's products for the operation of our Group.
- (c) All the sales to and purchases from LH Jayaindo are carried out on arm's length basis and on normal commercial terms which are not more favourable to LH Jayaindo than those generally available to third parties.

(II) SCI

- (a) SCI is a 99%-owned subsidiary of LH Jayaindo. SCI is involved in the supply of feed additives and other health products to our farms in Indonesia. SCI procures its feed additives and other health products from, amongst others, Jaco Nutrimix and LH Feedmill Malaysia, our subsidiaries in Malaysia. However, SCI is not in competition with our operations as none of our subsidiaries in Indonesia are involved in the supply of feed additives and other animal health products.
- (b) Our Group is not dependent on SCI for their products as there are other suppliers in the market.
- (c) All the sales and purchases from SCI are carried out on arm's length basis and on normal commercial terms which are not more favourable to SCI than those generally available to third parties.

(III) Phil Malay

- (a) Phil Malay supplies PS DOC to LHPHi. They are currently the only supplier of PS DOC for our operation in Philippines. However, they are not in competition with our current operations in Philippines as we are currently involved in the supply of broilers in Philippines.
- (b) Currently, there are other suppliers of PS DOC in Philippines and we are not dependent on Phil Malay for the supplies of PS DOC.
- (c) All purchases from Phil Malay are carried out on an arm's length basis and on normal commercial terms which are not more favourable to Phil Malay than those generally available to third parties.

(IV) PBAC

- (a) PBAC is involved in the supply of poultry medicine products to our farms in Philippines. However, PBAC is not in competition with our operations in Philippines as LHPHi is not involved in the supply of poultry medicine products in Philippines.

11. CONFLICTS OF INTEREST (Cont'd)

- (b) LHPi is not dependent on PBAC for the supplies of poultry medicine products as there are other suppliers in the market.
- (c) All purchases from PBAC are carried out on an arm's length basis and on normal commercial terms which are not more favourable to PBAC than those generally available to third parties.

As set out in Section 10.2.1 of this Prospectus, our Audit and Risk Committee will review such conflict of interest situation that may arise within our Company or Group including such transaction, procedure or course that raises questions of management integrity. Our Audit and Risk Committee will also ensure that any such transactions are carried out on terms that are not detrimental to our Group.

Notwithstanding, the interests that are held by our Directors and substantial shareholders and the interests that may be held by our Directors and substantial shareholders in the future in other businesses or corporations which are carrying on a similar trade as our Group and/or our customers or suppliers may give rise to a conflict of interest situation with our businesses. Although such interests may give rise to a conflict of interest situation, our Directors and substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests. Such transactions will be carried out on arm's length basis and on normal commercial terms.

In conjunction with our Listing, our Promoters have, where relevant, provided a first right of refusal to LHI to receive a first offer to acquire any or all of the shares held by our Promoters in businesses whose operations are of a similar trade or business to LHI, namely LH Jayaindo, SCI, Phil Malay and PBAC.

In the event our Promoters are desirous to sell or transfer for value their interests in any of the abovementioned companies to a third party outside of the members of the founding family, the relevant Promoters shall first offer to LHI the same interests in the said company at consideration:

- (a) equal to that offered by such third party, or
- (b) in the case where there is no such third party, at a price to be agreed upon between them and LHI (or if no price is agreed, then at a fair value to be determined by a mutually appointed independent valuer),

subject to the approval of the shareholders of our Company, if required.

The first right of refusal shall remain valid and in force for so long as our Promoters are the beneficial owners of the said companies.

11. CONFLICTS OF INTEREST (Cont'd)

11.2 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

11.2.1 Declaration by Maybank IB

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other, and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, the Maybank Group has extended credit facilities to our Group in our ordinary course of business.

Maybank IB is of the view that the abovementioned do not give rise to a conflict of interest situation in its capacity as Principal Adviser for our IPO, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter and Joint Underwriter for our IPO due to the following:

- (i) the Maybank Group is a licensed commercial bank and the extension of credit facilities to our Group arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by, among others, the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and the Maybank Group's own internal controls and checks; and
- (iii) the total aggregate outstanding amount owed by our Group to the Maybank Group of about RM152.7 million as at the LPD is not material when compared to the audited NA of the Maybank Group as at 31 December 2018 of RM75.3 billion.

Maybank IB confirms that there is no conflict of interest situation in its capacity as Principal Adviser for our IPO, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter and Joint Underwriter for our IPO.

11.2.2 Declaration by Credit Suisse

Credit Suisse AG, together with its affiliates, branches and subsidiaries (together, the "**Credit Suisse Group**"), comprise a full service financial services provider engaged in securities trading, brokerage activities as well as investment banking and financial advisory services. In the ordinary course of trading and brokerage activities, members of the Credit Suisse Group may hold positions for its own account or the accounts of its customers, in equity, debt or other securities of members of our Group.

11. CONFLICTS OF INTEREST (Cont'd)

The Credit Suisse Group may engage in transactions with, and perform services for our Group in the ordinary course of business and has engaged, and may in the future engage, in commercial banking and investment banking transactions, including providing loans or entering into other financing arrangements, with our Group, for which the Credit Suisse Group has received, or may in the future receive, customary compensation.

Having regard to the foregoing, Credit Suisse confirms that there is no conflict of interest in its capacity as Joint Global Coordinator and Joint Bookrunner in relation to our IPO as the Credit Suisse Group has not made any loan to our Company (to the knowledge of Credit Suisse) and Credit Suisse will not receive any proceeds from our IPO, except with respect to the fees payable to, and expenses incurred by Credit Suisse in connection with its role as Joint Global Coordinator and Joint Bookrunner in relation to our IPO.

11.2.3 Declaration by RHB IB

RHB IB and its related and associated companies ("**RHB Banking Group**") engage in private banking, commercial banking and investment banking transactions which include, among others, brokerage, securities trading, assets and fund management as well as credit transaction services. The RHB Banking Group has engaged and may in the future engage in transactions with and perform services for our Group, in addition to the roles set out in this Prospectus. In addition, any member of the RHB Banking Group may at any time, in the ordinary course of business, offer to provide its services or to engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders, our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or its affiliates.

As at the LPD, RHB Banking Group has subsisting term loan, revolving credit, overdraft, foreign exchange contract lines and trade lines with a combined limit of RM331.23 million with our Group. The extension of the said facilities are in the ordinary course of business of the RHB Banking Group. It is expected that some of the borrowings owing to RHB Banking Group will be repaid with the proceeds raised from our IPO.

Notwithstanding the above, RHB IB is of the view that the abovementioned do not give rise to a conflict of interest situation in its capacity as Joint Global Coordinator, Joint Bookrunner and Joint Underwriter for our IPO due to the following:

- (i) the credit facilities were provided by RHB Banking Group on an arms' length basis and in its ordinary course of business;
- (ii) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the CMSA and RHB Banking Group's own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees; and
- (iii) the total outstanding amount owed by our Group to RHB Banking Group of RM231.67 million as at LPD is not material when compared to the audited NA of RHB Banking Group as at 31 December 2018 of RM23.36 billion.

RHB IB confirms that there is no conflict of interest situation in its capacity as the Joint Global Coordinator, Joint Bookrunner and Joint Underwriter for our IPO.

11. CONFLICTS OF INTEREST (Cont'd)

11.2.4 Declaration by PricewaterhouseCoopers PLT

PricewaterhouseCoopers PLT confirms that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants to our Company in relation to our IPO.

11.2.5 Declaration by Albar & Partners

Albar & Partners confirms that there is no conflict of interest in its capacity as the legal adviser to our Company as to Malaysian law in relation to our IPO.

11.2.6 Declaration by Enolil Loo

Enolil Loo confirms that there is no conflict of interest in its capacity as the legal adviser to our Company as to Malaysian law in relation to our IPO.

11.2.7 Declaration by Clifford Chance Pte Ltd

Clifford Chance Pte Ltd confirms that there is no conflict of interest in its capacity as the legal adviser to our Company as to United States and English law in relation to our IPO.

11.2.8 Declaration by Kadir Andri & Partners

Kadir Andri & Partners confirms that there is no conflict of interest in its capacity as the legal adviser to the Joint Global Coordinators, Joint Bookrunners, Managing Underwriter and Joint Underwriters as to Malaysian law in relation to our IPO.

11.2.9 Declaration by Baker McKenzie.Wong & Leow

Baker McKenzie.Wong & Leow confirms that there is no conflict of interest in its capacity as the legal adviser to the Joint Global Coordinators and Joint Bookrunners as to United States law in relation to our IPO.

11.2.10 Declaration by Frost & Sullivan

Frost & Sullivan confirms that there is no conflict of interest in its capacity as the IMR in relation to our IPO.

11.2.11 Declaration by AmIB

AmIB, its related and associated companies, as well as its holding company, AMMB Holdings Berhad and the subsidiaries and associated companies of the holding company ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The AmBank Group has engaged and/or may in the future, engages in transactions with and perform services for LHI and its subsidiaries, in addition to the roles involved in our IPO.

Notwithstanding the above, AmIB is of the view that the aforementioned roles are not likely to result in a conflict of interest or potential conflict of interest situation for the following reasons:

- (a) AmIB's roles in the Offer, and AmBank Group's extension of products and services are undertaken in the ordinary course of business; and
- (b) AmIB undertakes its roles on an arm's length basis and its conduct is regulated by BNM and the SC and governed under, inter alia, the Financial Services Act 2013, the CMSA, and AmBank Group's Chinese wall policy and internal controls and checks.

11. CONFLICTS OF INTEREST (Cont'd)

AmIB confirms that there is no conflict of interest in its capacity as the Joint Bookrunner and the Joint Underwriter in relation to our IPO.

11.2.12 Declaration by HLIB

HLIB, the Hong Leong Financial Group Berhad group of companies and the Hong Leong group of companies (collectively "**Hong Leong Group**") are engaged and involved in a diverse range of industries and businesses including banking and financial services, manufacturing and distribution, property development and investments, hospitality and leisure, and principal investments amongst others. This may give rise to situations where HLIB and a member of the Hong Leong Group:

- (a) may have interests, relationships and/or arrangements which conflict with those of the Company; and/or
- (b) may have other clients whose interests conflict with those of the Company.

Nonetheless, we are required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

HLIB also understand that Hong Leong Capital Berhad ("**HLCB**") and GuoLine (Singapore) Pte Ltd ("**GLS**") are participating as cornerstone investors in the IPO. HLCB and GLS are deemed persons connected to HLIB, as HLCB is a parent company of HLIB while GLS and HLIB share a common major shareholder.

Notwithstanding the above, we confirm that there is no conflict of interest situation in our capacity as the Joint Bookrunner and the Joint Underwriter in relation to the Offer due to the following reasons:

- (a) HLIB is a licensed investment bank and the appointment as the Joint Bookrunner and Joint Underwriter for the IPO is in its ordinary course of business. Furthermore, the conduct of HLIB is regulated strictly by the Financial Services Act 2013, the CMSA and its internal control policies and procedures; and
- (b) HLIB does not receive or derive any financial interest or monetary benefit from the implementation of the IPO other than the relevant professional fees (including placement and underwriting fees) in relation to the IPO.

Notwithstanding the above, HLIB confirms that there is no conflict of interest in its capacity as the Joint Bookrunner and the Joint Underwriter in relation to our IPO.

11. CONFLICTS OF INTEREST (Cont'd)

11.2.13 Declaration by Kenanga IB

Kenanga IB and/or its related and associated companies (collectively, "**Kenanga IB**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. Kenanga IB's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of Kenanga IB's businesses, any member of Kenanga IB 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 clients, in debt or equity securities or senior loans of any company. This is a result of the business of Kenanga IB generally acting independent of each other, and accordingly, there may be situations where parts of Kenanga IB and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of LHI and/or its subsidiaries. Nonetheless, Kenanga IB is required to comply with applicable laws and regulations issued by the relevant authorities, which require amongst others, segregation between dealing and advisory activities, and Chinese walls between different business divisions.

Kenanga IB has in the ordinary course of its banking business, granted credit facilities to certain of the Company's promoters. Kenanga IB confirms that the abovementioned extension of credit facilities does not result in a conflict of interest as the credit facilities were granted in the ordinary course of business, and in light of the fact that Kenanga IB will not receive any material amount of proceeds from the Offer, except with respect of the fees and expenses of Kenanga IB in connection with the Offer.

Kenanga IB confirms that there is no conflict of interest in its capacity as the Joint Underwriter in relation to our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

12.1.1 Selected historical consolidated financial data

The following selected historical consolidated financial data for the FYEs 31 December 2015, 31 December 2016 and 31 December 2017 as well as the FPEs 31 October 2017 and 31 October 2018 have been extracted from the Accountants' Report included in Section 13 of this Prospectus.

The following selected historical consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 12.2 of this Prospectus and the Accountants' Report in Section 13 of this Prospectus.

	FYE 31 December			FPE 31 October	
	Audited			Unaudited	Audited
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Selected consolidated statement of comprehensive income data					
Revenue	4,714,566	5,257,390	5,501,364	4,568,075	4,690,295
Other income	47,731	27,282	29,953	28,326	29,754
Change in biological assets	13,474	25,692	18,795	24,467	50,233
Change in closing inventories	5,364	52,071	(7,509)	(14,599)	86,054
Purchases of inventories and livestock	(3,339,839)	(3,582,084)	(3,835,415)	(3,193,198)	(3,319,362)
Employee benefit costs including Directors' remuneration	(412,179)	(469,480)	(504,176)	(429,499)	(431,441)
Depreciation of:					
Property, plant and equipment	(144,438)	(168,893)	(188,892)	(159,394)	(156,902)
Investment properties	(2,038)	(2,746)	(255)	(219)	(211)
Amortisation of:					
Land use rights	(816)	(22,178)	(7,124)	(6,000)	(5,527)
Intangible assets	(2,538)	(3,084)	(2,855)	(2,492)	(346)
Utilities costs	(112,993)	(116,845)	(130,879)	(103,313)	(109,666)
Repair and maintenance	(47,471)	(57,015)	(62,244)	(54,095)	(60,167)
Transportation expenses	(75,277)	(77,285)	(80,298)	(68,506)	(69,049)
Other expenses	(332,241)	(412,934)	(346,482)	(282,670)	(324,896)
Profit from operations	311,305	449,891	383,983	306,883	378,769
Finance costs	(95,188)	(103,031)	(92,184)	(76,388)	(87,898)
Share of profit of associates	482	446	468	319	412
PBT	216,599	347,306	292,267	230,814	291,283
Tax expense	(50,568)	(77,260)	(44,859)	(31,953)	(71,495)
Net profit for the financial year/period	166,031	270,046	247,408	198,861	219,788
Profit for the financial year/period attributable to:					
- Owners of the Company	109,805	182,475	192,573	159,730	174,278
- Non-controlling interests	56,226	87,571	54,835	39,131	45,510
	166,031	270,046	247,408	198,861	219,788

12. FINANCIAL INFORMATION (Cont'd)

	As at 31 December			As at 31 October	
	Audited			Audited	
	2015	2016	2017	2018	
	RM'000	RM'000	RM'000	RM'000	
Selected consolidated statement of financial position data					
Non-current assets	2,156,360	2,311,580	2,410,904	2,451,513	
Current assets	1,878,891	1,989,536	2,066,573	2,267,304	
Total assets	4,035,251	4,301,116	4,477,477	4,718,817	
Share capital	955	955	1,230,132 ⁽¹⁾	1,230,132	
Share premium	1,229,177	1,229,177	- ⁽¹⁾	-	
Merger reserve	(658,778)	(658,778)	(658,787)	(658,787)	
Reserves	541,127	743,276	614,300	704,039	
Equity attributable to owners of the Company	1,112,481	1,314,630	1,185,645	1,275,384	
Non-controlling interests	582,090	675,755	456,377	438,874	
Total equity	1,694,571	1,990,385	1,642,022	1,714,258	
Non-current liabilities	631,135	563,608	895,132	1,063,376	
Current liabilities	1,709,545	1,747,123	1,940,323	1,941,183	
Total liabilities	2,340,680	2,310,731	2,835,455	3,004,559	
	FYE 31 December			FPE 31 October	
	2015	2016	2017	2017	2018
Other selected financial data:					
Gross profit	775,001	1,053,456	912,556	747,270	828,751
Gross profit margin (%) ⁽²⁾	16.4	20.0	16.6	16.4	17.7
EBITDA	461,135	646,792	583,109	474,988	541,755
EBITDA margin (%) ⁽³⁾	9.8	12.3	10.6	10.4	11.6
PBT margin (%) ⁽⁴⁾	4.6	6.6	5.3	5.1	6.2
PAT margin (%) ⁽⁵⁾	3.5	5.1	4.5	4.4	4.7
Basic and diluted EPS (sen) ⁽⁶⁾	3.23	5.37	5.66	4.70	5.13

Notes:

- (1) The balance of RM1,229.2 million in our share premium account was transferred to our share capital pursuant to the Act, which came into effect on 31 January 2017.
- (2) Computed based on gross profit divided by revenue.
- (3) Computed based on EBITDA divided by revenue.
- (4) Computed based on PBT divided by revenue.
- (5) Computed based on net profit for the financial year/period divided by revenue.
- (6) In accordance with MFRS 133 'Earnings per Share', the calculation of basic and diluted EPS for each of the financial year/period presented have been adjusted retrospectively to reflect the new number of LHI Shares of 3,400,000,000 as a result of the Bonus Issue and Share Split undertaken by the Company as further described in Sections 6.1.4.1 and 6.1.4.2 of the Prospectus respectively. The basic and diluted EPS is computed based on the profit for the financial year/period attributable to owners of our Company divided by the weighted average number of ordinary shares after completion of the Bonus Issue and Share Split of 3,400,000,000 LHI Shares.

12. FINANCIAL INFORMATION (Cont'd)

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

12.2.1 Overview

We are one of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia. Established in Malaysia in 1978, we now operate in Malaysia, Singapore, Indonesia, Vietnam and the Philippines, which are attractive consumer markets, with a population of over 505.0 million people and significant growth potential. We are the largest integrated poultry producer in Malaysia and one of the top three integrated poultry producers in Indonesia and Vietnam, with a total production in the FYE 31 December 2017 of 495.6 million DOCs, 1.7 billion eggs and almost 2.0 million MT of feed. We also had the largest market share of poultry slaughtered in Singapore in the FYE 31 December 2017. See Section 8 of this Prospectus for further details on the competitive landscape in which we operate.

We are fully integrated across the entire poultry value chain. Our operations consist of:

- (i) our Feedmill Business, which consists of the formulation, production and sale of livestock feed for a variety of livestock; and
- (ii) our Livestock Business, which consists of:
 - (a) the rearing of GPS DOCs to produce PS DOCs and Broiler DOCs for internal use and external sale, and the rearing and sale of Broiler chickens;
 - (b) the rearing of PS Layer DOCs to produce Layer DOCs, and the rearing of Layer chickens that produce eggs;
 - (c) the rearing of PS Ducks to produce Broiler DODs, and the rearing and sale of Broiler ducks; and
 - (d) the distribution of fresh and processed downstream consumer food products.

See Section 7 of this Prospectus for further information on our business.

12.2.2 Significant factors affecting our financial condition and results of operations

A number of factors affect our financial condition and results of operations, including the significant factors set out below that have affected our results during the financial years/periods under review, which we expect will continue to affect our results in the future:

(i) Prices and availability of raw materials

The table below sets out the total cost of raw materials that we required for the production of our livestock feed as a percentage of our total cost of sales for the financial years/period indicated:

	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
Total cost of raw materials / total cost of sales (%)	52.7	56.9	58.1	58.8

12. FINANCIAL INFORMATION (Cont'd)

Corn and soybean meal make up the majority of the raw materials costs. The table below sets out corn and soybean meal as a percentage of our total cost of sales for the financial years/period indicated:

	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
Corn (%)	19.0	16.2	15.9	18.5
Soybean meal (%)	17.7	16.2	15.4	17.3

We purchase the majority of our corn and soybean meal on the spot market but depending on market conditions, we may also enter into forward purchase contracts. The majority of our corn is sourced from South America, save for our Indonesian operations where we use domestically produced corn. All our soybean meal requirements, which is the second largest component of our livestock feed, are met by imports from South America.

Each of these raw materials that we use for the production of our livestock feed is a commodity, whose price and availability are influenced by various factors, including production levels, weather conditions, transportation and storage costs, epidemic diseases, global demand for such materials, fluctuations in USD (since imported corn and soybean meal are typically priced in USD), and changes in prices of other commodities such as crude oil. Local corn prices have historically adjusted to global corn prices. Any significant change in the availability or any significant increase in the price of raw materials could materially affect our cost of sales.

For example, in 2015, the Indonesian government stopped issuing import permits for corn used in feedmills, which led to an increase in the price of corn in Indonesia and consequently the cost of production of our livestock feed, in particular towards the end of 2016 and in 2017. We were not able to fully pass on the increase in the cost of our product to our customers immediately and this partially contributed to an increase in our cost of sales towards the end of the FYE 31 December 2016 and for the FYE 31 December 2017 as detailed in Sections 12.2.6(iii) and 12.2.7(iii) of this Prospectus. We have since responded by adapting the formulation of our livestock feed to reduce the amount of corn used and increasing the usage of other raw materials with similar nutritional values. We have also identified several other local corn suppliers from whom we can purchase corn. As a result, we have been able to mitigate the long-term impact of the increase in corn prices on our Feedmill Business in Indonesia.

(ii) Prices of our products

The prices of our products are affected by fluctuations in market prices, demand and supply, the prices of raw materials that we require for our production, the quality of our products, our customer relationships and strategy, which could have an impact on the demand for our products. As the selling prices of our livestock feed are primarily affected by the prices of raw materials, any increase in the price of such raw materials will generally result in an increase in the selling price of our livestock feed, which could have an adverse effect on the demand for our livestock feed. Our Broiler DOCs, Broiler chickens, eggs, processed products and traded products are primarily affected by demand and supply conditions, which can cause the prices of our products to vary due to the volatility in market demand and supply. An increase in the prices of our products can drive our revenue upwards but may also dampen consumer demand.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the average selling prices of our Broiler DOCs, Broiler chickens, eggs, processed products, traded products and livestock feed to external customers for the financial years/periods indicated:

	FYE 31 December			FPE 31 October	
	2015	2016	2017	2017	2018
Malaysia					
Broiler DOCs per chick (RM)	1.55	1.84	1.95	2.00	1.86
Broiler chickens per kg (RM)	4.22	4.67	4.75	4.79	4.57
Per egg (RM)	0.30	0.28	0.26	0.26	0.28
Livestock feed per kg (RM)	1.75	1.82	1.93	1.95	1.96
Indonesia					
Broiler DOCs per chick (IDR)	3,850	4,715	4,431	4,406	5,815
Broiler chickens per kg (IDR)	16,239	16,986	16,648	16,361	18,583
Processed products per kg (IDR)	40,541	40,267	43,419	43,061	45,530
Livestock feed per kg (IDR)	6,182	6,316	6,173	6,165	6,385
Singapore					
Traded products per kg (SGD)	3.49	3.35	3.52	3.50	3.29
Fresh chickens per kg (SGD)	4.49	4.24	4.30	4.31	4.29
Ducks per kg (SGD)	5.44	5.37	5.10	5.14	4.73
Vietnam					
Broiler DOCs per chick (VND)	9,464	10,730	8,017	8,051	9,187
Broiler chickens per kg (VND)	23,984	24,306	24,932	24,640	25,524
Per egg (VND)	1,577	1,531	1,307	1,233	1,609
Livestock feed per kg (VND)	9,112	8,567	7,920	8,041	8,556
Philippines					
Broiler DOCs per chick (PHP)	-	-	26.14	24.91	28.65
Broiler chickens per kg (PHP)	-	68.06	76.71	72.88	79.56

(iii) Macroeconomic factors and general economic conditions in the countries where we operate

The sales volume of our livestock feed and livestock depend primarily on the demand for our products and the end products of our customers.

The demand for our products largely depends on the macroeconomic conditions in our existing markets including Malaysia, Indonesia, Singapore, Vietnam and the Philippines. For the FPE 31 October 2018, we generated 29.0% of our revenue from customers in Malaysia, 32.9% of our revenue from customers in Indonesia, 17.6% of our revenue from customers in Singapore, 19.5% of our revenue from customers in Vietnam and 1.0% of our revenue from customers in the Philippines. Significant changes in the economic and political developments in these countries can affect the demand for and pricing of our products in these markets and consequently, our business, financial condition and results of operations.

As GDP per capita in the markets where we operate grows, we expect the consequential increase in purchasing power in these markets to increase the proportion of protein consumption. Similarly, if GDP per capita decreases, consumer purchasing power may also decrease, which we expect would slow down the growth in or decrease consumption of animal proteins. In Malaysia and Indonesia, we expect protein consumption to consist primarily of poultry, given the halal dietary requirements of a significant majority of the Malaysian and Indonesian population. In our markets, sales volume of poultry is also affected by changes in consumer preferences, including changes in nutritional guidelines or health advisories. We also expect changes in demand for our livestock feed to move broadly in tandem with changes in macro-economic conditions and with demand for our animal protein in our existing markets.

12. FINANCIAL INFORMATION (Cont'd)

(iv) Foreign currency fluctuations and translation of financial statements of foreign entities

Our results of operations and financial position are materially affected by currency translations of the results of operations and financial position of our subsidiaries in Indonesia, Singapore, Vietnam and the Philippines where their respective functional currencies are different from our Group's functional currency. Our functional and reporting currency is RM as it reflects the primary economic environment in which we operate. As such, we are required to translate the results of operations and financial position for each entity of our Group with a functional currency other than RM into RM. For each such entity of our Group, income and expense items on its statement of profit and loss and other comprehensive income are translated at the average exchange rate between its functional currency and RM for that reporting year/period, and assets and liabilities on its statements of financial position are translated at the exchange rate between its functional currency and RM as of the end of that reporting year/period.

In times of currency fluctuations, particularly depreciation of currencies in which financial statements of our subsidiaries are denominated against RM, this will result in translation adjustments which may materially impact our other comprehensive income/(loss) and have a material effect on our results of operations and impact the comparison of such line items from year to year.

Fluctuations in foreign currencies may also directly impact our business and results of operations by affecting our profit margins where our costs of goods are predominantly denominated in one currency and sales are made in another currency. For example, a significant portion of our cost of raw materials is denominated in USD as we import all of our soybean meal and a significant portion of our corn for our Feedmill Business. While we generally have been able to pass on to our customers, any increase in the cost of raw materials as a result of the appreciation of USD against RM and severe depreciation of RM against USD, we may not be able to pass on immediately or at all, some or all of such increase to our customers, which would have an adverse effect on our profit margin and results of operations. Conversely, if RM were to appreciate against USD, our profit margin and results of operations would generally improve.

The following table sets out the foreign exchange rates that we used to present our financial statements for the financial years/periods indicated as well as the appreciation and depreciation of RM in percentage terms against the relevant currency compared to the prior financial year/period. These foreign exchange rates underlie the impact of foreign currency translations on our financials for each of these financial years/periods:

12. FINANCIAL INFORMATION (Cont'd)

	FYE 31 December						FPE 31 October			
	2015		2016		2017		2017		2018	
	RM	% ⁽¹⁾	RM	% ⁽¹⁾	RM	% ⁽¹⁾	RM	% ⁽¹⁾	RM	% ⁽¹⁾
RM to USD 1										
Statements of profit and loss	3.9343000	N/A	4.1457000	5.4	4.2786000	3.2	4.3209000	N/A	4.0116000	(7.2)
Statements of financial position	4.2935000	N/A	4.4860000	4.5	4.0475000	(9.8)	N/A	N/A	4.1840000	N/A
RM to IDR 1										
Statements of profit and loss	0.0002923	N/A	0.0003109	6.4	0.0003193	2.7	0.0003232	N/A	0.0002821	(12.7)
Statements of financial position	0.0003115	N/A	0.0003330	6.9	0.0002980	(10.5)	N/A	N/A	0.0002750	N/A
RM to SGD 1										
Statements of profit and loss	2.8538000	N/A	2.9965000	5.0	3.1122080	3.9	3.1288000	N/A	2.9817000	(4.7)
Statements of financial position	3.0395000	N/A	3.1006000	2.0	3.0293000	(2.3)	N/A	N/A	3.0208000	N/A
RM to VND 1										
Statements of profit and loss	0.0001784	N/A	0.0001850	3.7	0.0001882	1.7	0.0001901	N/A	0.0001743	(8.3)
Statements of financial position	0.0001909	N/A	0.0001970	3.2	0.0001782	(9.5)	N/A	N/A	0.0001792	N/A
RM to PHP 1										
Statements of profit and loss	0.0863000	NA	0.0869000	0.7	0.0848800	(2.3)	0.0856000	N/A	0.0761000	(11.1)
Statements of financial position	0.0915000	NA	0.0904000	(1.2)	0.0811830	(10.2)	N/A	N/A	0.0784000	N/A

Note:

(1) This reflects percentage changes in appreciation or depreciation of RM against the respective foreign currencies compared to the prior financial year/period set out above.

For illustrative purposes only, the following tables set out the translation differences to our revenue, cost of sales and PBT as a result of fluctuations in the average foreign exchange rates used for presentation of our statements of profit or loss as set out above ("**Average Rate**") against RM for the financial years/period indicated:

	FYE 31 December				FPE 31 October	
	2016		2017		2018	
	RM'000 ⁽¹⁾	% ⁽²⁾	RM'000 ⁽¹⁾	% ⁽²⁾	RM'000 ⁽¹⁾	% ⁽²⁾
Revenue						
SGD	54,292	1.0	44,261	0.8	(45,138)	(1.0)
VND	36,301	0.7	17,807	0.3	(82,579)	(1.8)
IDR	97,421	1.9	45,887	0.8	(224,394)	(4.8)
PHP	26	*	(576)	*	(5,631)	(0.1)
Total	188,040	3.6	107,379	1.9	(357,742)	(7.7)

Notes:

* Less than 0.05%.

- (1) The differential is derived arithmetically based on the difference between the Average Rate in the preceding financial year/period and the Average Rate in the indicated financial year/period multiplied by our total revenue denominated in the indicated foreign currency for the financial year/period.
- (2) The percentage is derived arithmetically based on the differential due to the Average Rate as a proportion of our total revenue for the financial year/period indicated.

12. FINANCIAL INFORMATION (Cont'd)

	FYE 31 December				FPE 31 October	
	2016		2017		2018	
	RM'000 ⁽¹⁾	% ⁽²⁾	RM'000 ⁽¹⁾	% ⁽²⁾	RM'000 ⁽¹⁾	% ⁽²⁾
Cost of sales						
SGD	42,335	1.0	34,884	0.8	(36,455)	(0.9)
VND	31,638	0.8	15,983	0.3	(72,250)	(1.9)
IDR	80,959	1.9	41,127	0.9	(190,928)	(4.9)
PHP	29	*	(485)	*	(4,734)	(0.1)
Total	154,961	3.7	91,509	2.0	(304,367)	(7.8)

Notes:

* Less than 0.05%.

- (1) The differential is derived arithmetically based on the difference between the Average Rate in the preceding financial year/period and the Average Rate in the indicated financial year/period multiplied by our total cost of sales denominated in the indicated foreign currency for the financial year/period.
- (2) The percentage is derived arithmetically based on the differential due to the Average Rate as a proportion of our total cost of sales for the financial year/period indicated.

	FYE 31 December				FPE 31 October	
	2016		2017		2018	
	RM'000 ⁽¹⁾	% ⁽²⁾	RM'000 ⁽¹⁾	% ⁽²⁾	RM'000 ⁽¹⁾	% ⁽²⁾
PBT						
SGD	4,301	1.2	3,108	1.1	(3,059)	(1.1)
VND	2,390	0.7	843	0.3	(5,457)	(1.9)
IDR	5,231	1.5	37	*	(13,258)	(4.6)
PHP	(11)	*	(41)	*	(451)	(0.2)
Total	11,911	3.4	3,947	1.4	(22,225)	(7.8)

Notes:

* Less than 0.05%.

- (1) The differential is derived arithmetically based on the difference between the Average Rate in the preceding financial year/period and the Average Rate in the indicated financial year/period multiplied by our PBT denominated in the indicated foreign currency for the financial year/period.
- (2) The percentage is derived arithmetically based on the differential due to the Average Rate as a proportion of our total PBT for the financial year/period indicated.

The table below sets out the percentage exposure of our revenue denominated in the indicated foreign currencies as a proportion of our total revenue for the financial years/period indicated:

	FYE 31 December		FPE 31 October
	2016	2017	2018
	% ⁽¹⁾	% ⁽¹⁾	% ⁽¹⁾
SGD	21.7	21.6	19.5
VND	19.4	19.0	19.4
IDR	31.0	31.6	32.9
PHP	0.1	0.4	1.0

Note:

- (1) Calculated based on our revenue derived from the indicated foreign currency divided by our total revenue.

See note 2.40(c) of the Accountants' Report included in Section 13 of this Prospectus on the sensitivity of our Group's PAT and equity to a reasonably possible change in RM, SGD, USD and IDR against the respective functional currencies of the entities within our Group, with all other variables held constant.

12. FINANCIAL INFORMATION (Cont'd)**(v) Regulatory environment**

Our business activities and results of operations are affected by the regulatory environment in the countries where we operate. Changes in regulations and government policies relating to our industry could significantly impact our sales and cost of sales. We have been subject to restrictive governmental policies, such as price or volume controls, in the countries where we operate. See Section 5 of this Prospectus for information on such price or volume controls that we have been subject to.

(vi) Outbreak of livestock diseases

Outbreak of livestock diseases at our poultry farms or facilities could have a material effect on our business, financial condition and results of operations. The H5N1 strain of Avian Influenza or bird flu has affected poultry flocks and other birds in several countries around the world, including the ASEAN region. Outbreaks of the Avian Influenza could result in reduced demand for chickens and the price of DOCs and chicken products we produce and sell in Southeast Asia.

Conversely, an outbreak of disease could also have a positive effect on our results of operations if consumers perceive us as having more stringent biosecurity policies and measures and quality control standards in place.

12.2.3 Significant accounting estimates and judgements

The critical judgments made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year/period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when the financial statements are prepared. However, this does not prevent actual figures differing from estimates:

(i) Fair value of biological assets

Our biological assets comprise breeders, broilers, commercial layers and hatching eggs. The fair value of our biological assets is determined using a discounted cash flow model. In determining the fair value of the biological assets, we make certain estimates and judgements including the following:

- (a) expected number of DOCs produced by each breeder;
- (b) expected table eggs produced by each layer;
- (c) expected hatchability of the hatching eggs;
- (d) expected salvage value of breeders and layers;
- (e) expected selling price of our DOCs, Broilers and table eggs;
- (f) mortality rate of livestock;
- (g) livestock feed consumption rate and livestock feed costs;
- (h) other estimated costs to be incurred for the remaining life of the biological assets, and at the point of sales; and
- (i) discount rates.

12. FINANCIAL INFORMATION (Cont'd)

Any change in these assumptions and estimates would affect the fair value of our biological assets. We review the assumptions and estimates annually to identify any significant changes in the fair value of our livestock.

(ii) Impairment of goodwill

We annually assess whether there is any impairment loss on our assets. Impairment loss is the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, we estimate the expected future cash flows from each cash-generating unit and determine a suitable discount rate to calculate the present value of those cash flows. In the process of measuring expected future cash flows, we also make certain assumptions about the future operating results. These assumptions relate to future cash flows, taking into consideration future events and circumstances. Any change in these assumptions or variance in the actual results may cause significant adjustments to the valuation of our assets within the next financial year.

(iii) Post-employment benefits obligation

We have various post-employment schemes in place, including defined contributions plan and defined benefit plan. Our post-employment benefits obligation primarily arises from the Malindo Group in Indonesia.

We provide defined post-employment benefits to the employees of the Malindo Group in accordance with the Indonesian Labour Law No. 13/2003. As at 31 October 2018, we have not funded this defined benefit plan.

The balance of our post-employment benefits obligation is based on the actuarial reports prepared by an independent actuary in Indonesia. The determination of our post-employment benefits obligation and employee benefits expense is based on certain assumptions including, among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Any changes in our actual experience or our assumptions may materially affect our estimated liability for employee benefits and employee benefits expense.

See Notes 2.2, 2.4 and 2.29 to the Accountants' Report included in Section 13 of this Prospectus for further information on our post-employment benefits obligation.

(iv) Income taxes

We are subject to income taxes in the jurisdictions where we operate. Significant judgement is required in determining the provision for income taxes.

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

(v) Deferred taxes

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

12. FINANCIAL INFORMATION *(Cont'd)*

12.2.4 New accounting pronouncement applicable in the preparation of the financial statements

We have adopted MFRS for the first time in the FYE 31 December 2017 with a date of transition on 1 January 2015. Accordingly, we have consistently applied the same accounting policies in our opening MFRS statements of financial position as at 1 January 2015 and throughout the reported periods. We have also elected to early adopt the following amendments in the FYE 31 December 2017 with a date of transition on 1 January 2015 and consistently applied throughout the reported periods:

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

We have also applied the following amendments for the first time for the financial period beginning 1 January 2018:

- (a) amendments to MFRS 140 'Classification on 'Change in Use' - Assets transferred to, or from, Investment Properties'; and
- (b) IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'.

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

We have not early adopted certain new standards and amendments to standards and interpretations that will be effective for the financial year beginning 1 January 2019. The adoption of these new standards or amendments to standards and interpretations beginning from 1 January 2019 do not have material effect on our consolidated financial statements for the current financial year/period and any other prior periods. See Note 2.1.4 of the Accountants' Report included in Section 13 of this Prospectus for further information on the effects of MFRS 16 'Leases'.

See Note 2.1 to the Accountants' Report included in Section 13 of this Prospectus for further information on the summary of our significant accounting policies.

12.2.5 Results of operations

The components of our results of operations are as follows:

(i) Revenue

Our revenue primarily comprises our total external sales of livestock, other poultry related products and livestock feed. This can be broadly categorised into:

- (a) revenue from sales of goods; and
- (b) revenue from other sources which includes lease income and income from services provided to third parties.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the breakdown of our revenue by type and the percentage these revenues represent as a proportion of our total revenue for the financial years/periods indicated:

	FYE 31 December						FPE 31 October			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue from sales of goods										
Livestock and other poultry related products	2,992,566	63.5	3,298,457	62.7	3,349,534	60.9	2,749,823	60.2	2,849,653	60.8
Feedmill	1,693,353	35.9	1,943,202	37.0	2,137,805	38.9	1,808,215	39.6	1,829,012	39.0
Revenue from other sources										
Lease income	13,473	0.3	14,306	0.3	11,888	0.2	9,070	0.2	10,760	0.2
Others	15,174	0.3	1,425	*	2,137	*	967	*	870	*
Total	4,714,566	100.0	5,257,390	100.0	5,501,364	100.0	4,568,075	100.0	4,690,295	100.0

Note:

* Less than 0.05%

Revenue from sales of goods

Our revenue from sales of goods comprises:

- revenue from our Livestock Business where we sell Broiler DOCs, Layer DOCs, PS DOCs, Broiler chickens, fresh chickens, eggs, fresh ducks and processed and traded consumer food products; and
- revenue from our Feedmill Business where we produce and sell livestock feed for a variety of livestock.

The following table sets out the breakdown of our revenue from sales of goods by type of products and the percentage these revenues represent as a proportion of our total revenue from sales of goods for the financial years/periods indicated:

	FYE 31 December						FPE 31 October			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue from sales of goods										
Livestock and other poultry products										
Broiler chickens	780,583	16.7	796,506	15.2	822,632	15.0	668,102	14.6	782,194	16.7
Broiler DOCs	446,492	9.5	562,660	10.7	587,072	10.7	495,675	10.9	530,874	11.3
Eggs	476,606	10.2	493,325	9.4	455,029	8.3	369,515	8.1	393,219	8.4
Processed products	40,009	0.8	54,252	1.1	72,287	1.3	60,403	1.3	53,161	1.1
Traded products	392,344	8.4	326,348	6.2	347,431	6.4	286,670	6.3	280,792	6.0
Fresh chickens	393,027	8.4	346,340	6.6	396,445	7.2	327,537	7.2	330,843	7.1
Layer DOCs	36,990	0.8	43,790	0.8	42,418	0.8	36,491	0.8	32,994	0.7
Fresh ducks	56,170	1.2	54,817	1.0	62,314	1.1	51,790	1.1	51,192	1.1
PS DOCs	30,336	0.7	36,018	0.7	40,846	0.7	35,153	0.8	35,880	0.8
Others ⁽¹⁾	340,009	7.2	584,401	11.2	523,060	9.5	418,487	9.2	358,504	7.7
Feedmill										
Livestock feed	1,693,353	36.1	1,943,202	37.1	2,137,805	39.0	1,808,215	39.7	1,829,012	39.1
Total	4,685,919	100.0	5,241,659	100.0	5,487,339	100.0	4,558,038	100.0	4,678,665	100.0

Note:

(1) Others comprises sales of broiler ducks, egg trays, colour birds, old birds, pullet, swine and bakery products such as mooncakes and bread.

12. FINANCIAL INFORMATION (Cont'd)

We recognise revenue net of discount and applicable taxes at the point in time when control of the goods has been transferred to the customer.

For sales of livestock and other poultry related products, depending on the terms of the contract with the customer, control is transferred either upon delivery of the goods to locations specified by the customer and acceptance of the goods by the customer, or upon loading of the livestock on the vehicle for onward delivery to the customer.

For sales of livestock feed, where transport is arranged by our customers, the terms of contract is ex-factory where control transfers once the truck is weighed for the quantity of livestock feed loaded and accepted by customers' truck driver before it leaves the feedmill. However, for sales of livestock feed in bag packaging, control is transferred upon acceptance of the goods by the customer at the locations specified by them.

The following table sets out the breakdown of our revenue from sales of goods by geographical markets and the percentage these revenues represent as a proportion of our total revenue from sales of goods for the financial years/periods indicated:

	FYE 31 December						FPE 31 October			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue from sales of goods										
Malaysia	1,503,643	32.1	1,558,125	29.7	1,580,947	28.8	1,325,235	29.1	1,354,852	29.0
Indonesia	1,395,737	29.8	1,630,765	31.1	1,737,619	31.7	1,445,166	31.7	1,540,185	32.9
Singapore	928,573	19.8	1,031,485	19.7	1,088,641	19.8	902,643	19.8	824,776	17.6
Vietnam	857,966	18.3	1,017,504	19.4	1,055,915	19.2	868,494	19.0	913,745	19.5
Philippines	-	-	3,780	0.1	24,217	0.5	16,500	0.4	45,107	1.0
Total	4,685,919	100.0	5,241,659	100.0	5,487,339	100.0	4,558,038	100.0	4,678,665	100.0

Revenue from other sources

Revenue from other sources primarily comprises operating lease income from our coldstore facilities and income from services provided to third parties such as transportation fees.

(ii) Other income

Other income primarily comprises interest income, rental income, gain on disposal of assets, foreign exchange gain, reversal of impairment loss, sales of scrap and intestine, insurance compensation and coldroom service fees.

(iii) Change in biological assets, change in closing inventories and purchases of inventories and livestock

Cost of sales relates to the cost of biological assets and inventories sold. The cost of biological assets comprises the cost of livestock purchased plus all attributable costs in growing the livestock to a saleable condition. The cost of trading inventories comprises the original purchase price and incidental costs in bringing these inventories to their present location and condition. For manufactured inventories, cost comprises raw materials, direct labour, an appropriate portion of fixed and variable production overheads based on normal operating capacity and other incidental costs.

12. FINANCIAL INFORMATION (Cont'd)

Cost of sales can be broadly categorised into change in biological assets, change in closing inventories, purchases of inventories and livestock and direct labour and overhead.

The following table sets out our total cost of sales and the percentage these costs represent as a proportion of our total cost of sales for the financial years/periods indicated:

	FYE 31 December					
	Audited					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Change in biological assets	13,474	(0.3)	25,692	(0.6)	18,795	(0.4)
Change in closing inventories	5,364	(0.2)	52,071	(1.2)	(7,509)	0.2
Purchases of inventories and livestock	(3,339,839)	84.8	(3,582,084)	85.2	(3,835,415)	83.6
Direct labour and overhead	(618,564)	15.7	(699,613)	16.6	(764,679)	16.6
Cost of sales	(3,939,565)	100.0	(4,203,934)	100.0	(4,588,808)	100.0

	FPE 31 October			
	Unaudited		Audited	
	2017		2018	
	RM'000	%	RM'000	%
Change in biological assets	24,467	(0.6)	50,233	(1.3)
Change in closing inventories	(14,599)	0.3	86,054	(2.2)
Purchases of inventories and livestock	(3,193,198)	83.6	(3,319,362)	86.0
Direct labour and overhead	(637,475)	16.7	(678,469)	17.5
Cost of sales	(3,820,805)	100.0	(3,861,544)	100.0

Change in biological assets

Our biological assets are measured at fair value less costs to sell. Costs to sell includes incremental selling costs and estimated costs of transport but excludes finance costs and income taxes. Changes in biological assets recognised in our statement of profit or loss comprise changes in the fair value of our biological assets, livestock losses, carrying amount of livestock depopulated and the carrying amount of livestock sold.

Change in closing inventories

Change in closing inventories represents the net change in the value of our inventories at the end of each reporting year or period. Our inventories primarily comprise processed chickens, livestock feed, consumable supplies, raw materials, work-in-progress and others such as medications and vaccines.

Our inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditure. The costs of purchased inventory are determined after deducting rebates, discounts and the amount of GST, save where the amount of GST incurred is not recoverable from the government and the incurred GST is then recognised as the cost of purchased inventory. 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.

12. FINANCIAL INFORMATION (Cont'd)**Purchases of inventories and livestock**

Purchases of inventories and livestock are recognised in our statement of profit or loss and mainly comprise purchases of raw materials such as corn, soybean meal, packaging materials, vitamins, livestock feed additives, animal vaccines, GPS DOCs and PS DOCs. Our inventories are sourced domestically as well as imported from other jurisdictions such as South America. Imported inventories are mainly denominated in USD.

Direct labour and overhead

Direct labour and overhead primarily comprises expenses that are directly attributable to our farms and feedmills. Direct labour comprises employees' salaries, wages and bonuses and overhead comprises depreciation of property, plant and equipment, amortisation of land use rights, utilities costs, rental expenses as well as repair and maintenance.

(iv) Employee benefit costs including Directors' remuneration

Our employee benefits costs primarily comprise short term employee benefits which include salaries, wages, paid annual and sick leave, statutory contributions, certain medical expenses and bonuses, as well as post-employment pension benefit schemes which include defined contribution plans and defined benefit plan.

The following tables set out the components of our employee benefit costs and the percentage these costs represent as a proportion of our total revenue for the financial years/periods indicated:

	FYE 31 December					
	2015		2016		2017	
	RM'000	% of revenue	RM'000	% of revenue	RM'000	% of revenue
Salaries, wages and bonuses	386,981	8.2	440,011	8.4	472,533	8.6
Defined contribution plans	20,684	0.4	23,662	0.4	24,517	0.5
Defined benefit plan	4,514	0.1	5,807	0.1	7,126	0.1
Total	412,179	8.7	469,480	8.9	504,176	9.2

	FPE 31 October			
	2017		2018	
	RM'000	% of revenue	RM'000	% of revenue
Salaries, wages and bonuses	403,102	8.8	404,706	8.6
Defined contribution plans	20,736	0.5	21,210	0.5
Defined benefit plan	5,661	0.1	5,525	0.1
Total	429,499	9.4	431,441	9.2

(v) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment primarily comprises depreciation on our leasehold land, buildings, land improvement, plant and machinery, motor vehicles, furniture, fittings, equipment and renovation.

12. FINANCIAL INFORMATION (Cont'd)**(vi) Depreciation of investment properties**

Depreciation of investment properties primarily comprises depreciation on our investment properties such as certain residential properties for staff recreational use, light industrial lots, shop lots and vacant lands.

(vii) Amortisation of land use rights

Amortisation of land use rights primarily comprises amortisation of land and right to use land in Indonesia, Vietnam and Malaysia which are treated as tangible assets. As at 31 October 2018, the unexpired lease periods of our land use rights range from four years to 52 years.

(viii) Amortisation of intangible assets

Amortisation of intangible assets is solely attributable to amortisation expenses incurred on several business customer relationship accounts which were acquired directly from third parties and via business combinations from June 2010 through to July 2015. These business customer relationship accounts were amortised over a period of three to five years. As at the FPE 31 October 2018, the business customer relationship accounts have been fully amortised.

(ix) Utilities costs

Utilities costs primarily comprise expenses incurred on electricity and water.

The following table sets out our utilities costs and the percentage these costs represent as a proportion of total revenue for the financial years/periods indicated:

FYE 31 December						FPE 31 October			
2015		2016		2017		2017		2018	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
112,993	2.4	116,845	2.2	130,879	2.4	103,313	2.3	109,666	2.3

(x) Repair and maintenance

Repair and maintenance primarily comprise expenses incurred to repair and maintain farms, plant and machinery as well as motor vehicles.

(xi) Transportation expenses

Transportation expenses primarily comprise transportation costs incurred in transporting the livestock feed and livestock we produce. See Section 7.7 of this Prospectus for details of the distribution of our products.

(xii) Other expenses

Other expenses primarily comprise provisions, foreign workers levy, land rental and professional fees.

(xiii) Finance costs

Finance costs primarily comprise interest expenses incurred on our bankers' acceptances, bank overdrafts, term loans, finance lease liabilities, revolving credits and trust receipts.

12. FINANCIAL INFORMATION (Cont'd)**(xiv) Share of profit of associates**

We account for the share of results of our associates based on our effective shareholding in those companies. As at 31 October 2018, we have two associates, namely Indahgrains and Greatmammoth, which we hold 20.00% and 40.00% equity interest, respectively.

(xv) Tax expense

Tax expense comprises current and deferred tax. We calculate current tax at the statutory tax rate of the estimated assessable profit for the year in the prevailing jurisdiction.

Our deferred tax expense primarily relates to the deferred income tax recognised pursuant to a new regulation issued by the Ministry of Finance in Indonesia under Peraturan Menteri Keuangan No. 191/PMK.010/2015 which gives tax incentives to Indonesian entities that conduct revaluation on certain classes of assets ("**Indonesian Tax Incentive**"). Pursuant to that, we engaged an independent valuer to conduct valuation on certain assets held by some of our subsidiaries in Indonesia. On 25 January 2017, Malindo Feedmill obtained the approval of the DGT to claim an additional IDR321,325,794,000 (equivalent to RM102,610,000) of qualifying expenditure based on the valuation report produced by the aforementioned independent valuer.

This resulted in a higher deductible temporary difference arising from the difference between the tax qualifying expenditure and the carrying amount of our property, plant and equipment, where deferred tax assets have been recognised. However, the said revaluation is not required by the DGT or the relevant accounting standards to be recognised in our financial statements. In addition, it is our Group's accounting policy to recognise our property, plant and equipment at cost less accumulated depreciation and impairment. See Note 2.7 to the Accountants' Report included in Section 13 of this Prospectus for further information.

The following table sets out our current tax expense, deferred tax expense and real property gain tax for the financial years/periods indicated:

	FYE 31 December			FPE 31 October	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax expense	50,706	79,911	73,853	65,840	55,563
Deferred tax expense	(138)	(2,827)	(28,994)	(33,887)	15,932
Real property gain tax	-	176	-	-	-
Total tax expense	50,568	77,260	44,859	31,953	71,495

(xvi) EBITDA

EBITDA comprises our PBT excluding amortisation of land use rights and intangible assets, depreciation of property, plant and equipment as well as investment properties, finance costs and share of profits of associates. The following tables set out our EBITDA by geographical markets and the percentage the EBITDA represents as a proportion of our total EBITDA for the financial years/periods indicated:

12. FINANCIAL INFORMATION (Cont'd)

	FYE 31 December					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	216,312	46.9	232,538	36.0	230,208	39.5
Indonesia	59,250	12.8	208,785	32.2	105,780	18.2
Singapore	115,127	25.0	110,053	17.0	156,481	26.8
Vietnam	70,477	15.3	96,842	15.0	88,104	15.1
Philippines	(31)	*	(1,426)	(0.2)	2,536	0.4
Total	461,135	100.0	646,792	100.0	583,109	100.0

	FPE 31 October			
	2017		2018	
	RM'000	%	RM'000	%
Malaysia	177,582	37.4	159,798	29.5
Indonesia	97,223	20.5	185,971	34.3
Singapore	132,195	27.8	106,009	19.6
Vietnam	67,006	14.1	84,581	15.6
Philippines	982	0.2	5,396	1.0
Total	474,988	100.0	541,755	100.0

Note:

* Less than 0.05%

12.2.6 Review of performance for the FYE 31 December 2015 compared to the FYE 31 December 2016

The following table presents selected data from our statement of comprehensive income, the percentage such amounts represent as a proportion of total revenue and their percentage change for the financial years indicated:

	FYE 31 December				
	Audited				
	2015		2016		% change
RM'000	% of revenue	RM'000	% of revenue		
Revenue	4,714,566	100.0	5,257,390	100.0	11.5
Other income	47,731	1.0	27,282	0.5	(42.8)
Change in biological assets	13,474	0.3	25,692	0.5	90.7
Change in closing inventories	5,364	0.1	52,071	1.0	870.7
Purchases of inventories and livestock	(3,339,839)	(70.8)	(3,582,084)	(68.1)	7.3
Employee benefit costs including Directors' remuneration	(412,179)	(8.7)	(469,480)	(8.9)	13.9
Depreciation of property, plant and equipment	(144,438)	(3.1)	(168,893)	(3.2)	16.9
Depreciation of investment properties	(2,038)	*	(2,746)	(0.1)	34.7
Amortisation of land use rights	(816)	*	(22,178)	(0.4)	2,617.9
Amortisation of intangible assets	(2,538)	(0.1)	(3,084)	(0.1)	21.5
Utilities costs	(112,993)	(2.4)	(116,845)	(2.2)	3.4
Repair and maintenance	(47,471)	(1.0)	(57,015)	(1.1)	20.1
Transportation expenses	(75,277)	(1.6)	(77,285)	(1.5)	2.7
Other expenses	(332,241)	(7.0)	(412,934)	(7.9)	24.3
Profit from operations	311,305	6.6	449,891	8.6	44.5
Finance costs	(95,188)	(2.0)	(103,031)	(2.0)	8.2
Share of profit of associates	482	*	446	*	(7.5)
PBT	216,599	4.6	347,306	6.6	60.3
Tax expense	(50,568)	(1.1)	(77,260)	(1.5)	52.8
Net profit for the financial year	166,031	3.5	270,046	5.1	62.6

Note:

* Less than 0.05%

12. FINANCIAL INFORMATION (Cont'd)

(i) Revenue

The following tables set out our revenue by type and by geographical markets as well as their percentage change for the financial years indicated:

	FYE 31 December		% change
	2015	2016	
	RM'000	RM'000	
Revenue from sales of goods			
Livestock and other poultry related products	2,992,566	3,298,457	10.2
Feedmill	1,693,353	1,943,202	14.8
Revenue from other sources			
Lease income	13,473	14,306	6.2
Others	15,174	1,425	(90.6)
Total	4,714,566	5,257,390	11.5

	FYE 31 December				% change
	2015		2016		
	RM'000	% of total revenue	RM'000	% of total revenue	
Revenue from sales of goods					
Malaysia	1,503,643	32.1	1,558,125	29.7	3.6
Indonesia	1,395,737	29.8	1,630,765	31.1	16.8
Singapore	928,573	19.8	1,031,485	19.7	11.1
Vietnam	857,966	18.3	1,017,504	19.4	18.6
Philippines	-	-	3,780	0.1	100.0
Total	4,685,919	100	5,241,659	100	11.9

Our revenue increased by 11.5% from RM4,714.6 million in the FYE 31 December 2015 to RM5,257.4 million in the FYE 31 December 2016.

The following table sets out the average selling prices of our products to external customers and their percentage change for the financial years indicated:

	FYE 31 December		% change
	2015	2016	
Malaysia			
Broiler DOCs per chick (RM)	1.55	1.84	18.7
Broiler chickens per kg (RM)	4.22	4.67	10.7
Per egg (RM)	0.30	0.28	(6.7)
Livestock feed per kg (RM)	1.75	1.82	4.0
Indonesia			
Broiler DOCs per chick (IDR)	3,850	4,715	22.5
Broiler chickens per kg (IDR)	16,239	16,986	4.6
Processed products per kg (IDR)	40,541	40,267	(0.7)
Livestock feed per kg (IDR)	6,182	6,316	2.2
Singapore			
Traded products per kg (SGD)	3.49	3.35	(4.0)
Fresh chickens per kg (SGD)	4.49	4.24	(5.6)
Ducks per kg (SGD)	5.44	5.37	(1.3)
Vietnam			
Broiler DOCs per chick (VND)	9,464	10,730	13.4
Broiler chickens per kg (VND)	23,984	24,306	1.3
Per egg (VND)	1,577	1,531	(2.9)
Livestock feed per kg (VND)	9,112	8,567	(6.0)
Philippines			
Broiler chickens per kg (PHP)	-	68.06	N/A

12. FINANCIAL INFORMATION (Cont'd)

Revenue from livestock and other poultry related products

Our revenue from the sales of livestock and other poultry related products increased by about 10.2% from RM2,992.6 million in the FYE 31 December 2015 to RM3,298.5 million in the FYE 31 December 2016. The increase was primarily due to:

- (a) a RM171.1 million increase in revenue from Indonesia from RM429.6 million in the FYE 31 December 2015 to RM600.7 million in the FYE 31 December 2016 primarily due to:
- an increase in the average selling price of our Broiler DOCs from IDR3,850 per DOC in the FYE 31 December 2015 to IDR4,715 per DOC in the FYE 31 December 2016;
 - an increase in the sales volume of our Broiler DOCs from 202.4 million DOCs in the FYE 31 December 2015 to 205.5 million DOCs in the FYE 31 December 2016;
 - an increase in the average selling price of our Broiler chickens from IDR16,239 per kg in the FYE 31 December 2015 to IDR16,986 per kg in the FYE 31 December 2016 as prices normalised in the FYE 31 December 2016 following the recovery of a glut of Broiler DOCs and Broiler chickens in the market in 2014 and 2015;
 - an increase in the sales volume of our Broiler chickens from 24,952 MT chickens in the FYE 31 December 2015 to 29,044 MT chickens in the FYE 31 December 2016; and
 - the depreciation of RM against the Average Rate of IDR;
- (b) a RM95.9 million increase in revenue from Singapore from RM928.5 million in the FYE 31 December 2015 to RM1,024.4 million in the FYE 31 December 2016 primarily due to the depreciation of RM against the Average Rate of SGD, which was partially offset by:
- a decrease in the sales volume of our fresh chickens from 30,699 MT in the FYE 31 December 2015 to 27,287 MT in the FYE 31 December 2016; and
 - a decrease in the average selling prices of our traded products, fresh chickens and ducks; and
- (c) a RM44.7 million increase in revenue from Malaysia from RM1,203.4 million in the FYE 31 December 2015 to RM1,248.1 million in the FYE 31 December 2016 primarily due to:
- an increase in the average selling price of our Broiler DOCs from RM1.55 per DOC in the FYE 31 December 2015 to RM1.84 per DOC in the FYE 31 December 2016, which was partially offset by a decrease in the sales volume of our Broiler DOCs from 132.2 million DOCs in the FYE 31 December 2015 to 115.9 million DOCs in the FYE 31 December 2016; and
 - an increase in the average selling price of our Broiler chickens from RM4.22 per kg in the FYE 31 December 2015 to RM4.67 per kg in the FYE 31 December 2016, which was partially offset by a decrease in the sales volume of our Broiler chickens from 98,957 MT chickens in the FYE 31 December 2015 to 87,681 MT chickens in the FYE 31 December 2016.

12. FINANCIAL INFORMATION (Cont'd)

The increase in revenue in the FYE 31 December 2016 was partially offset by a RM9.5 million decrease in revenue from Vietnam primarily due to a fall in the sales volume of our Broiler chickens in Vietnam from 57,252 MT in the FYE 31 December 2015 to 51,003 MT in the FYE 31 December 2016.

Revenue from feedmill

Our revenue from feedmill increased by 14.8% from RM1,693.4 million in the FYE 31 December 2015 to RM1,943.2 million in the FYE 31 December 2016 primarily due to:

- (a) a RM169.1 million increase in revenue from Vietnam from RM427.0 million in the FYE 31 December 2015 to RM596.1 million in the FYE 31 December 2016 primarily due to an increase in the sales volume of our livestock feed from 262,725 MT in the FYE 31 December 2015 to 376,142 MT in the FYE 31 December 2016, in line with the increased production volumes and utilisation of our feedmill plants such as the new plant at Hai Duong, Vietnam, which was partially offset by the decrease in the average selling price of our livestock feed from VND9,112 per kg in the FYE 31 December 2015 to VND8,567 per kg in the FYE 31 December 2016;
- (b) a RM63.9 million increase in revenue from Indonesia from RM966.1 million in the FYE 31 December 2015 to RM1,030.0 million in the FYE 31 December 2016 primarily due to:
- an increase in the average selling price of our livestock feed from IDR6,182 per kg in the FYE 31 December 2015 to IDR6,316 per kg in the FYE 31 December 2016; and
 - the depreciation of RM against the Average Rate of IDR,
- which was partially offset by a fall in the sales volume of our livestock feed from 534,873 MT in the FYE 31 December 2015 to 524,835 MT in the FYE 31 December 2016; and
- (c) a RM9.8 million increase in revenue from Malaysia from RM300.2 million in the FYE 31 December 2015 to RM310.0 million in the FYE 31 December 2016 primarily due to an increase in the average selling price of our livestock feed from RM1.75 per kg in the FYE 31 December 2015 to RM1.82 per kg in the FYE 31 December 2016, which was partially offset by a decrease in sales volume of our livestock feed from 171,498 MT in the FYE 31 December 2015 to 170,652 MT in the FYE 31 December 2016.

Revenue from other sources

Our revenue from other sources derived from others mainly comprises fees received from chicken and duck slaughtering services. Our revenue from other sources derived from others decreased by 90.7% from RM15.2 million in the FYE 31 December 2015 to RM1.4 million in the FYE 31 December 2016 mainly due to the reclassification from revenue from other sources to revenue from sales of livestock and other poultry related products.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out our revenue generated from chicken and duck slaughtering services for the financial years indicated:

	FYE 31 December	
	2015	2016
	RM million	RM million
Revenue from chicken and duck slaughtering services	12.6	13.2 ⁽¹⁾

Note:

(1) Reclassified from revenue from other sources to revenue from sales of livestock and other poultry related products.

(ii) Other income

Our other income decreased by 42.8% from RM47.7 million in the FYE 31 December 2015 to RM27.3 million in the FYE 31 December 2016.

This was primarily due to the recognition of RM27.2 million in foreign exchange gain in the FYE 31 December 2015 as compared to a foreign exchange gain of only RM7.3 million recognised in the FYE 31 December 2016 primarily due to the foreign exchange gain recognised on the capitalisation of a USD denominated loan extended by our Company to United Global due to the depreciation of RM against USD in the FYE 31 December 2015. The gain in the FYE 31 December 2015 was partially offset by a similar foreign exchange loss of RM37.6 million which was included as other expenses. The foreign exchange loss was primarily due to foreign exchange losses incurred on USD denominated loans by our subsidiary in Indonesia as a result of the depreciation of IDR against USD in the FYE 31 December 2015.

(iii) Cost of sales

Our cost of sales increased by 6.7% from RM3,939.6 million in the FYE 31 December 2015 to RM4,203.9 million in the FYE 31 December 2016. This was primarily due to:

- (a) an increase in our purchases of inventories and livestock by RM242.2 million arising from the following:
- an increase in the sales volume of our livestock feed in Malaysia and Vietnam, Broiler DOCs in Vietnam and Broiler chickens in Indonesia; and
 - an increase in the cost of raw materials in Indonesia towards the end of the FYE 31 December 2016 as the Indonesian government stopped issuing import permits for corn used in feedmills as detailed in Section 12.2.2(i) of this Prospectus; and
- (b) an increase in depreciation on our farms and feedmill plants of RM11.8 million in Indonesia, RM3.8 million in Vietnam and RM3.1 million in Malaysia in line with the increased maintenance of our farms and expansion of operations in these countries.

(iv) Change in biological assets

The value of our biological assets increased by RM25.7 million from 1 January 2016 to 31 December 2016.

12. FINANCIAL INFORMATION (Cont'd)**(v) Change in closing inventories**

The value of our inventories increased by RM52.1 million from 1 January 2016 to 31 December 2016 mainly due to the expansion of our production capacity and utilisation of our facilities which resulted in an increase in our inventories towards the end of the FYE 31 December 2016, which primarily comprises the following:

- (a) an increase of RM24.7 million in raw materials in Indonesia due to an increase in the price of certain raw materials as well as an increase in purchase of raw materials towards the end of the FYE 31 December 2016;
- (b) an increase of RM7.5 million in processed chickens and traded products in Singapore towards the end of the FYE 31 December 2016 in anticipation of higher sales at the beginning of the FYE 31 December 2017 prior to Chinese New Year celebrations; and
- (c) an increase of RM7.4 million in consumable supplies in Malaysia due to an increase in production towards the end of the FYE 31 December 2016.

(vi) Purchases of inventories and livestock

Our purchases of inventories and livestock increased by 7.3% from RM3,339.8 million in the FYE 31 December 2015 to RM3,582.1 million in the FYE 31 December 2016 primarily due to the expansion of our operations in Malaysia, Indonesia and Vietnam in the FYE 31 December 2016.

(vii) Gross profit

The following table sets out our gross profit and gross profit margin and their percentage change for the financial years indicated:

	FYE 31 December		% change
	2015	2016	
Gross profit (RM'000)	775,001	1,053,456	35.9
Gross profit margin (%)	16.4	20.0	22.0

As a result of the foregoing, our gross profit increased by 35.9% from RM775.0 million in the FYE 31 December 2015 to RM1,053.5 million in the FYE 31 December 2016. Our gross profit margin increased from 16.4% in the FYE 31 December 2015 to 20.0% in the FYE 31 December 2016 primarily due to the following:

- (a) an increase in the average selling prices of our Broiler DOCs and Broiler chickens in Malaysia, Indonesia and Vietnam; and
- (b) an increase in the average selling prices of our livestock feed in Malaysia and Indonesia (which outweighed the increase cost of raw materials in Indonesia towards the end of the FYE 31 December 2016 as detailed above).

(viii) Employee benefit costs including Directors' remuneration

Our employee benefit costs including Directors' remuneration increased by 13.9% from RM412.2 million in the FYE 31 December 2015 to RM469.5 million in the FYE 31 December 2016. This was primarily due to an increase in salaries, wages and bonuses from RM387.0 million in the FYE 31 December 2015 to RM440.0 million in the FYE 31 December 2016 primarily due to our expanded farming operations in Indonesia, Malaysia and Vietnam in the FYE 31 December 2016.

12. FINANCIAL INFORMATION (Cont'd)**(ix) Depreciation of property, plant and equipment**

Our depreciation of property, plant and equipment increased by 16.9% from RM144.4 million in the FYE 31 December 2015 to RM168.9 million in the FYE 31 December 2016 in line with the increased capital expenditure incurred in the FYE 31 December 2015 for the expansion and improvement of our farms in Malaysia and Indonesia. See Section 12.2.9(v) of this Prospectus for further information on our capital expenditures in the FYEs 31 December 2015 and 31 December 2016.

(x) Depreciation of investment properties

Our depreciation of investment properties increased by 34.7% from RM2.0 million in the FYE 31 December 2015 to RM2.7 million in the FYE 31 December 2016 due to a change in accounting policy for one of our Malaysian subsidiaries to align with our Group's accounting policy.

(xi) Amortisation of land use rights

Our amortisation of land use rights increased by 2,617.9% from RM0.8 million in the FYE 31 December 2015 to RM22.2 million in the FYE 31 December 2016 primarily due to a catch-up amortisation arising from a review of the estimated useful lives of our Group's land use rights. The said catch-up amortisation was a one-off adjustment made in the FYE 31 December 2016 to align the differences between the Generally Accepted Accounting Principles ("GAAP") applied by our subsidiaries in Indonesia and the MFRS, applied by our Company, and we do not expect this catch-up amortisation to occur again in the future.

(xii) Amortisation of intangible assets

Our amortisation of intangible assets increased by 21.5% from RM2.5 million in the FYE 31 December 2015 to RM3.1 million in the FYE 31 December 2016 due to the full year amortisation of a customer relationship account in Singapore, which commenced in July 2015 and was amortised for only six months in the FYE 31 December 2015.

(xiii) Utilities costs

Our utilities costs increased by 3.4% from RM113.0 million in the FYE 31 December 2015 to RM116.8 million in the FYE 31 December 2016 primarily due to higher electricity consumption by our operations in Malaysia as we converted more farms in Malaysia to closed house farms which consume more electricity.

(xiv) Repair and maintenance

Our repair and maintenance expenses increased by 20.1% from RM47.5 million in the FYE 31 December 2015 to RM57.0 million in the FYE 31 December 2016 primarily due to increased improvements and maintenance works done on our farms in Malaysia and Indonesia.

(xv) Transportation expenses

Our transportation expenses increased by 2.7% from RM75.3 million in the FYE 31 December 2015 to RM77.3 million in the FYE 31 December 2016. This was primarily due to higher sales volume of our Broiler DOCs in Indonesia.

12. FINANCIAL INFORMATION (Cont'd)**(xvi) Other expenses**

Our other expenses increased by 24.3% from RM332.2 million in the FYE 31 December 2015 to RM412.9 million in the FYE 31 December 2016. This was primarily due to an increase in impairment of trade receivables and a provision related to an investigation by CCCS as detailed in Section 14.6.1 of this Prospectus ("**CCCS Claim**"), which was expensed in the FYE 31 December 2016.

(xvii) Profit from operations

As a result of the foregoing, our profit from operations increased by 44.5% from RM311.3 million in the FYE 31 December 2015 to RM449.9 million in the FYE 31 December 2016.

The following tables set out our profit from operations of our Livestock Business and our Feedmill Business for the financial years indicated:

	FYE 31 December 2015			
	Livestock Business	Feedmill Business	Inter-segment elimination	Group
	RM'000	RM'000	RM'000	RM'000
EBITDA	212,070	147,357	101,708	461,135
Depreciation and amortisation	(117,847)	(31,776)	(207)	(149,830)
Profit from operations	94,223	115,581	101,501	311,305
Profit from operations margin	3.1%	4.0%		6.6%

	FYE 31 December 2016			
	Livestock Business	Feedmill Business	Inter-segment elimination	Group
	RM'000	RM'000	RM'000	RM'000
EBITDA	475,077	284,566	(112,851)	646,792
Depreciation and amortisation	(136,326)	(40,546)	(20,029)	(196,901)
Profit from operations	338,751	244,020	(132,880)	449,891
Profit from operations margin	10.3%	7.7%		8.6%

Livestock Business

Our profit from operations of our Livestock Business increased by 259.5% from RM94.2 million in the FYE 31 December 2015 to RM338.8 million in the FYE 31 December 2016 while our profit from operations margin increased from 3.1% in the FYE 31 December 2015 to 10.3% in the FYE 31 December 2016. The increase was primarily due to:

- (a) an increase in the average selling prices of our Broiler DOCs from RM1.55 per DOC in the FYE 31 December 2015 to RM1.84 per DOC in the FYE 31 December 2016 and Broiler chickens from RM4.22 per kg in the FYE 31 December 2015 to RM4.67 per kg in the FYE 31 December 2016 in Malaysia;
- (b) an increase in the average selling prices of our Broiler DOCs from IDR3,850 per DOC in the FYE 31 December 2015 to IDR4,715 per DOC in the FYE 31 December 2016 and Broiler chickens from IDR16,239 per kg in the FYE 31 December 2015 to IDR16,986 per kg in the FYE 31 December 2016 in Indonesia;

12. FINANCIAL INFORMATION (Cont'd)

- (c) an increase in the sales volume of our Broiler chickens in Indonesia; and
- (d) an impairment of RM129.2 million recognised by our wholly-owned subsidiary, Dragon Amity in the FYE 31 December 2015 on its investment in Malindo Feedmill. This impairment was reversed and eliminated at our Group level,

which was partially offset by the following:

- (a) a decrease in the average selling prices of our eggs in Malaysia and Vietnam from RM0.30 per egg in the FYE 31 December 2015 to RM0.28 per egg in the FYE 31 December 2016 and VND1,577 per egg in the FYE 31 December 2015 to VND1,531 per egg in the FYE 31 December 2016, respectively; and
- (b) an increase in depreciation charges mainly due to increased capital expenditure incurred for the expansion and improvement of our farms in Malaysia, including conversion of our open farm house system to closed farm house system.

Feedmill Business

Our profit from operations of our Feedmill Business increased by 111.1% from RM115.6 million in the FYE 31 December 2015 to RM244.0 million in the FYE 31 December 2016 while our profit from operations margin increased from 4.0% in the FYE 31 December 2015 to 7.7% in the FYE 31 December 2016. The increase was primarily due to:

- (a) an increase in the average selling prices of our livestock feed in Malaysia and Indonesia from RM1.75 per kg in the FYE 31 December 2015 to RM1.82 per kg in the FYE 31 December 2016 and IDR6,182 per kg in the FYE 31 December 2015 to IDR6,316 per kg in the FYE 31 December 2016, respectively; and
- (b) an increase in the sales volume of our livestock feed in Vietnam.

(xviii) Finance costs

Our finance costs increased by 8.2% from RM95.2 million in the FYE 31 December 2015 to RM103.0 million in the FYE 31 December 2016. This was primarily attributable to an increase in borrowings in the FYE 31 December 2016 by LH Malaysia to finance our subscription of shares under a rights issue by Malindo Feedmill towards the end of 2015.

(xix) Share of profit of associates

Our share of profit of associates decreased by 7.5% from RM0.5 million in the FYE 31 December 2015 to RM0.4 million in the FYE 31 December 2016 due to a decrease in profit by Indahgrains.

(xx) PBT

As a result of the foregoing, our PBT increased by 60.3% from RM216.6 million in the FYE 31 December 2015 to RM347.3 million in the FYE 31 December 2016, and our PBT margin increased from 4.6% in the FYE 31 December 2015 to 6.6% in the FYE 31 December 2016.

12. FINANCIAL INFORMATION (Cont'd)**(xxi) Tax expense**

Our tax expense increased by 52.8% from RM50.6 million in the FYE 31 December 2015 to RM77.3 million in the FYE 31 December 2016 in line with the increase in our PBT in the FYE 31 December 2016.

(xxii) Net profit for the financial year

As a result of the foregoing, our net profit increased by 62.6% from RM166.0 million in the FYE 31 December 2015 to RM270.0 million in the FYE 31 December 2016. Our PAT margin also improved from 3.5% in the FYE 31 December 2015 to 5.1% in the FYE 31 December 2016.

12.2.7 Review of performance for the FYE 31 December 2016 compared to the FYE 31 December 2017

The following table presents selected data from our statement of comprehensive income, the percentage such amounts represent as a proportion of total revenue and their percentage change for the financial years indicated:

	FYE 31 December				
	Audited				
	2016		2017		% change
RM'000	% of revenue	RM'000	% of revenue		
Revenue	5,257,390	100.0	5,501,364	100.0	4.6
Other income	27,282	0.5	29,953	0.5	9.8
Change in biological assets	25,692	0.5	18,795	0.3	(26.8)
Change in closing inventories	52,071	1.0	(7,509)	(0.1)	(114.4)
Purchases of inventories and livestock	(3,582,084)	(68.1)	(3,835,415)	(69.7)	7.1
Employee benefit costs including Directors' remuneration	(469,480)	(8.9)	(504,176)	(9.1)	7.4
Depreciation of property, plant and equipment	(168,893)	(3.2)	(188,892)	(3.4)	11.8
Depreciation of investment properties	(2,746)	(0.1)	(255)	*	(90.7)
Amortisation of land use rights	(22,178)	(0.4)	(7,124)	(0.1)	(67.9)
Amortisation of intangible assets	(3,084)	(0.1)	(2,855)	(0.1)	(7.4)
Utilities costs	(116,845)	(2.2)	(130,879)	(2.4)	12.0
Repair and maintenance	(57,015)	(1.1)	(62,244)	(1.1)	9.2
Transportation expenses	(77,285)	(1.5)	(80,298)	(1.5)	3.9
Other expenses	(412,934)	(7.9)	(346,482)	(6.3)	(16.1)
Profit from operations	449,891	8.6	383,983	7.0	(14.6)
Finance costs	(103,031)	(2.0)	(92,184)	(1.7)	(10.5)
Share of profit of associates	446	*	468	*	4.9
PBT	347,306	6.6	292,267	5.3	(15.8)
Tax expense	(77,260)	(1.5)	(44,859)	(0.8)	(41.9)
Net profit for the financial year	270,046	5.1	247,408	4.5	(8.4)

Note:

* Less than 0.05%

12. FINANCIAL INFORMATION (Cont'd)**(i) Revenue**

The following tables set out our revenue by type and geographical markets as well as their percentage change for the financial years indicated:

	FYE 31 December		% change
	2016	2017	
	RM'000	RM'000	
Revenue from sales of goods			
Livestock and other poultry related products	3,298,457	3,349,534	1.5
Feedmill	1,943,202	2,137,805	10.0
Revenue from other sources			
Lease income	14,306	11,888	(16.9)
Others	1,425	2,137	50.0
Total	5,257,390	5,501,364	4.6

	FYE 31 December				
	2016		2017		% change
	RM'000	% of total revenue	RM'000	% of total revenue	
Revenue from sales of goods					
Malaysia	1,558,125	29.7	1,580,947	28.8	1.5
Indonesia	1,630,765	31.1	1,737,619	31.7	6.6
Singapore	1,031,485	19.7	1,088,641	19.8	5.5
Vietnam	1,017,504	19.4	1,055,915	19.2	3.8
Philippines	3,780	0.1	24,217	0.5	540.7
Total	5,241,659	100	5,487,339	100	4.7

Our revenue increased by 4.6% from RM5,257.4 million in the FYE 31 December 2016 to RM5,501.4 million in the FYE 31 December 2017.

The following table sets out the average selling prices of our products to external customers and their percentage change for the financial years indicated:

	FYE 31 December		% change
	2016	2017	
Malaysia			
Broiler DOCs per chick (RM)	1.84	1.95	6.0
Broiler chickens per kg (RM)	4.67	4.75	1.7
Per egg (RM)	0.28	0.26	(7.1)
Livestock feed per kg (RM)	1.82	1.93	6.0
Indonesia			
Broiler DOCs per chick (IDR)	4,715	4,431	(6.0)
Broiler chickens per kg (IDR)	16,986	16,648	(2.0)
Processed products per kg (IDR)	40,267	43,419	7.8
Livestock feed per kg (IDR)	6,316	6,173	(2.3)
Singapore			
Traded products per kg (SGD)	3.35	3.52	5.1
Fresh chickens per kg (SGD)	4.24	4.30	1.4
Ducks per kg (SGD)	5.37	5.10	(5.0)
Vietnam			
Broiler DOCs per chick (VND)	10,730	8,017	(25.3)
Broiler chickens per kg (VND)	24,306	24,932	2.6
Per egg (VND)	1,531	1,307	(14.6)
Livestock feed per kg (VND)	8,567	7,920	(7.6)
Philippines			
Broiler DOCs per chick (PHP)	-	26.14	100
Broiler chickens per kg (PHP)	68.06	76.71	12.7

12. FINANCIAL INFORMATION (Cont'd)

Revenue from livestock and other poultry related products

Our revenue from the sales of livestock and other poultry related products increased by 1.5% from RM3,298.5 million in the FYE 31 December 2016 to RM3,349.5 million the FYE 31 December 2017. The increase was primarily due to:

- (a) a RM61.1 million increase in revenue from Singapore from RM1,024.4 million in the FYE 31 December 2016 to RM1,085.5 million in the FYE 31 December 2017 primarily driven by:
 - an increase in the average selling price of our fresh chickens from SGD4.24 per kg in the FYE 31 December 2016 to SGD4.30 per kg in the FYE 31 December 2017;
 - an increase in the sales volume of our fresh chickens from 27,287 MT in the FYE 31 December 2016 to 29,591 MT in the FYE 31 December 2017; and
 - the depreciation of RM against the Average Rate of SGD; and
- (b) a RM20.4 million increase in revenue from the Philippines from RM3.8 million in the FYE 31 December 2016 to RM24.2 million in the FYE 31 December 2017 as our operations in the Philippines started to generate revenue from February 2016, with increased revenue generated towards the end of the FYE 31 December 2016,

which was offset by a RM26.2 million fall in revenue in Vietnam from RM421.4 million in the FYE 31 December 2016 to RM395.2 million in the FYE 31 December 2017 primarily due to a general increase in the supply of swine in the market which resulted in lower demand for Broiler DOCs in the market. This led to a fall in the average selling price of our Broiler DOCs from VND10,730 per DOC in the FYE 31 December 2016 to VND8,017 per DOC in the FYE 31 December 2017, which was partially offset by an increase in the sales volume of our Broiler DOCs from 10.75 million DOCs in the FYE 31 December 2016 to 13.33 million DOCs in the FYE 31 December 2017.

Revenue from feedmill

Our revenue from feedmill increased by 10.0% from RM1,943.2 million in the FYE 31 December 2016 to RM2,137.8 million in the FYE 31 December 2017 primarily due to:

- (a) a RM111.0 million increase in revenue from Indonesia from RM1,030.0 million in the FYE 31 December 2016 to RM1,141.0 million in the FYE 31 December 2017 primarily due to:
 - an increase in the sales volume of our livestock feed from 524,835 MT in the FYE 31 December 2016 to 579,112 MT in the FYE 31 December 2017, driven primarily by an increase in demand; and
 - the depreciation of RM against the Average Rate of IDR.
- (b) a RM 64.7 million increase in revenue from Vietnam from RM596.0 million in the FYE 31 December 2016 to RM660.7 million in the FYE 31 December 2017 primarily due to an increase in the sales volume of our livestock feed from 376,142 MT in the FYE 31 December 2016 to 443,305 MT in the FYE 31 December 2017. The increase in revenue from Vietnam was partially offset by a decrease in the average selling price of our livestock feed from VND8,567 per kg in the FYE 31 December 2016 to VND7,920 per kg in the FYE 31 December 2017; and

12. FINANCIAL INFORMATION (Cont'd)

(c) a RM22.9 million increase in revenue from Malaysia from RM310.0 million in the FYE 31 December 2016 to RM332.9 million in the FYE 31 December 2017 primarily due to:

- an increase in the average selling price of our livestock feed from RM1.82 per kg in the FYE 31 December 2016 to RM1.93 per kg in the FYE 31 December 2017; and
- higher sales volume of our livestock feed from 170,652 MT in the FYE 31 December 2016 to 172,270 MT in the FYE 31 December 2017.

(ii) Other income

Other income increased by 9.8% from RM27.3 million in the FYE 31 December 2016 to RM30.0 million in the FYE 31 December 2017 primarily due to an increase in interest income of RM3.0 million.

(iii) Cost of sales

Our cost of sales increased by 9.2% from RM4,203.9 million in the FYE 31 December 2016 to RM4,588.8 million in the FYE 31 December 2017. This was primarily due to an increase in our purchases of inventories and livestock of RM253.3 million arising from the following:

- increase in the sales volumes of our livestock feed in Malaysia and Vietnam, Broiler DOCs in Malaysia and Vietnam; and
- an increase in the cost of raw materials as the Indonesian government stopped issuing import permits for corn used in feedmills as detailed in Section 12.2.2(i) of this Prospectus.

(iv) Change in biological assets

The value of our biological assets increased by RM18.8 million from 1 January 2017 to 31 December 2017.

(v) Change in closing inventories

The value of our inventories decreased by RM7.5 million from 1 January 2017 to 31 December 2017.

(vi) Purchases of inventories and livestock

Our purchases of inventories and livestock increased by 7.1% from RM3,582.1 million in the FYE 31 December 2016 to RM3,835.4 million in the FYE 31 December 2017 primarily due to the expansion of our operations in Indonesia, Vietnam and the Philippines in the FYE 31 December 2017.

(vii) Gross profit

The following table sets out our gross profit and gross profit margin and their percentage change for the financial years indicated:

	FYE 31 December		% change
	2016	2017	
Gross profit (RM'000)	1,053,456	912,556	(13.4)
Gross profit margin (%)	20.0	16.6	(17.0)

12. FINANCIAL INFORMATION (Cont'd)

As a result of the foregoing, our gross profit decreased by 13.4% from RM1,053.5 million in the FYE 31 December 2016 to RM912.6 million in the FYE 31 December 2017. Our gross profit margin decreased from 20.0% in the FYE 31 December 2016 to 16.6% in the FYE 31 December 2017 primarily due to the following:

- (a) a decrease in the average selling prices of our following products:
- Broiler DOCs in Indonesia and Vietnam;
 - eggs in Malaysia and Vietnam;
 - Broiler chickens in Indonesia; and
 - livestock feed in Indonesia and Vietnam; and
- (b) an increase in the cost of our raw materials for the production of livestock feed in Indonesia as the Indonesian government stopped issuing import permits for corn used in feedmills, as described in Section 12.2.2(i) of this Prospectus, which further suppressed our gross profit margin, in addition to the decrease in the average selling price of our livestock feed in Indonesia.

(viii) Employee benefit costs including Directors' remuneration

Our employee benefit costs including Directors' remuneration increased by 7.4% from RM469.5 million in the FYE 31 December 2016 to RM504.2 million in the FYE 31 December 2017. This was primarily due to an increase in salaries, wages and bonuses primarily due to the expansion of our farming operations in Malaysia and Vietnam in the FYE 31 December 2017.

(ix) Depreciation of property, plant and equipment

Our depreciation of property, plant and equipment increased by 11.8% from RM168.9 million in the FYE 31 December 2016 to RM188.9 million in the FYE 31 December 2017 in line with the higher capital expenditures of RM394.1 million incurred in the FYE 31 December 2017 for the expansion and improvement of our farms in Malaysia and Indonesia. See Section 12.2.9(v) of this Prospectus for information on our capital expenditures in the FYEs 31 December 2016 and 31 December 2017.

(x) Depreciation of investment properties

Our depreciation of investment properties decreased by 90.7% from RM2.7 million in the FYE 31 December 2016 to RM0.3 million in the FYE 31 December 2017 primarily due to a reclassification of our office building in Singapore of RM28.2 million in NBV from investment properties to property, plant and equipment. The said office building was previously leased to external parties and since the FYE 31 December 2017, it has been occupied by our subsidiary in Singapore.

(xi) Amortisation of land use rights

Our amortisation of land use rights decreased by 67.9% from RM22.178 million in the FYE 31 December 2016 to RM7.124 million in the FYE 31 December 2017. This was primarily attributable to a catch-up amortisation arising from a review of the estimated useful lives of our Group's land use rights in the FYE 31 December 2016.

12. FINANCIAL INFORMATION (Cont'd)**(xii) Amortisation of intangible assets**

Our amortisation of intangible assets decreased by 7.4% from RM3.084 million in the FYE 31 December 2016 to RM2.855 million in the FYE 31 December 2017 primarily due to a customer relationship account in Singapore which was fully amortised in the FYE 31 December 2016.

(xiii) Utilities costs

Our utilities costs increased by 12.0% from RM116.8 million in the FYE 31 December 2016 to RM130.9 million in the FYE 31 December 2017 in line with the increase in our production capacity and operations in Malaysia, Indonesia, Vietnam and the Philippines.

(xiv) Repair and maintenance

Our repair and maintenance expenses increased by 9.2% from RM57.0 million in the FYE 31 December 2016 to RM62.2 million in the FYE 31 December 2017 primarily due to increased improvements and maintenance works done on our farms in Malaysia.

(xv) Transportation expenses

Our transportation expenses increased by 3.9% from RM77.3 million in the FYE 31 December 2016 to RM80.3 million in the FYE 31 December 2017 primarily due to the increased sales volume of our livestock feed in Malaysia.

(xvi) Other expenses

Our other expenses decreased by 16.1% from RM412.9 million in the FYE 31 December 2016 to RM346.5 million in the FYE 31 December 2017 primarily due to a one-off provision related to the CCCS Claim, which was expensed in the FYE 31 December 2016.

(xvii) Profit from operations

As a result of the foregoing, our profit from operations decreased by 14.6% from RM449.9 million in the FYE 31 December 2016 to RM384.0 million in the FYE 31 December 2017.

The following tables set out our profit from operations of our Livestock Business and our Feedmill Business for the financial years indicated:

	FYE 31 December 2016			
	Livestock Business	Feedmill Business	Inter-segment elimination	Group
	RM'000	RM'000	RM'000	RM'000
EBITDA	475,077	284,566	(112,851)	646,792
Depreciation and amortisation	(136,326)	(40,546)	(20,029)	(196,901)
Profit from operations	338,751	244,020	(132,880)	449,891
Profit from operations margin	10.3%	7.7%		8.6%

	FYE 31 December 2017			
	Livestock Business	Feedmill Business	Inter-segment elimination	Group
	RM'000	RM'000	RM'000	RM'000
EBITDA	382,291	234,465	(33,647)	583,109
Depreciation and amortisation	(145,959)	(44,618)	(8,549)	(199,126)
Profit from operations	236,332	189,847	(42,196)	383,983
Profit from operations margin	7.1%	5.5%		7.0%

12. FINANCIAL INFORMATION (Cont'd)***Livestock Business***

Our profit from operations of our Livestock Business decreased by 30.3% from RM338.8 million in the FYE 31 December 2016 to RM236.3 million in the FYE 31 December 2017 while our profit from operations margin decreased from 10.3% in the FYE 31 December 2016 to 7.1% in the FYE 31 December 2017. The decrease was primarily due to:

- (a) a decrease in the average selling prices of our Broiler DOCs in Indonesia and Vietnam from IDR4,715 per DOC in the FYE 31 December 2016 to IDR4,431 per DOC in the FYE 31 December 2017 and VND10,730 per DOC in the FYE 31 December 2016 to VND8,017 per DOC in the FYE 31 December 2017, respectively; and
- (b) a decrease in the average selling prices of our eggs in Malaysia and Vietnam from RM0.28 per egg in the FYE 31 December 2016 to RM0.26 per egg in the FYE 31 December 2017 and VND1,531 per egg in the FYE 31 December 2016 to VND1,307 per egg in the FYE 31 December 2017, respectively; and
- (c) a decrease in the sales volume of our eggs in Vietnam,

which was partially offset by:

- (a) an increase in the average selling price of our Broiler DOCs in Malaysia from RM1.84 per DOC in the FYE 31 December 2016 to RM1.95 per DOC in the FYE 31 December 2017; and
- (b) an increase in the average selling price of our Broiler chickens in Malaysia from RM4.67 per kg in the FYE 31 December 2016 to RM4.75 per kg in the FYE 31 December 2017.

Feedmill Business

Our profit from operations of our Feedmill Business decreased by 22.2% from RM244.0 million in the FYE 31 December 2016 to RM189.8 million in the FYE 31 December 2017 while our profit from operations margin decreased from 7.7% in the FYE 31 December 2016 to 5.5% in the FYE 31 December 2017. The decrease was primarily due to:

- (a) a decrease in the average selling prices of our livestock feed in Indonesia and Vietnam from IDR6,316 per kg in the FYE 31 December 2016 to IDR6,173 per kg in the FYE 31 December 2017 and VND8,567 per kg in the FYE 31 December 2016 to VND7,920 per kg in the FYE 31 December 2017, respectively; and
- (b) an increase in raw material costs in Indonesia as detailed in Section 12.2.2(i) of this Prospectus.

(xviii) Finance costs

Our finance costs decreased by 10.5% from RM103.0 million in the FYE 31 December 2016 to RM92.2 million in the FYE 31 December 2017. This was primarily attributable to a RM18.0 million decrease in bank overdrafts interest expense and a RM6.9 million decrease in total term loan interest expenses at Group level primarily due to better utilisation of our financing arrangements including, among others, refinancing a loan taken by our operations in Indonesia at lower interest rates, reducing our utilisation of overdraft facilities with higher interest rates and increasing our utilisation of revolving credit facilities with lower interest rates.

12. FINANCIAL INFORMATION (Cont'd)

(xix) Share of profit of associates

Our share of profit of associates increased by 4.9% from RM0.4 million in the FYE 31 December 2016 to RM0.5 million in the FYE 31 December 2017 due to an increase in profits by Indahgrains.

(xx) PBT

As a result of the foregoing, our PBT decreased by 15.8% from RM347.3 million in the FYE 31 December 2016 to RM292.3 million in the FYE 31 December 2017, and our PBT margin decreased from 6.6% in the FYE 31 December 2016 to 5.3% in the FYE 31 December 2017.

(xxi) Tax expense

Our tax expense decreased by 41.9% from RM77.3 million in the FYE 31 December 2016 to RM44.9 million in the FYE 31 December 2017 primarily due to:

- (a) recognition of RM20.5 million in deferred tax credits in the FYE 31 December 2017, by our subsidiaries in Indonesia, Malindo Feedmill and Bibit Indonesia pursuant to the Indonesian Tax Incentive;
- (b) a RM3.0 million reversal of deferred tax liabilities in Singapore due to timing differences between capital allowance claimed and accounting depreciation;
- (c) utilisation of RM5.2 million of tax losses in Vietnam; and
- (d) decrease in our PBT in the FYE 31 December 2017.

(xxii) Net profit for the financial year

As a result of the foregoing, our net profit decreased by 8.4% from RM270.0 million in the FYE 31 December 2016 to RM247.4 million in the FYE 31 December 2017. Our PAT margin decreased from 5.1% in the FYE 31 December 2016 to 4.5% in the FYE 31 December 2017.

12. FINANCIAL INFORMATION (Cont'd)

12.2.8 Review of performance for the FPE 31 October 2017 compared to the FPE 31 October 2018

The following table presents selected data from our statement of comprehensive income, the percentage such amounts represent as a proportion of total revenue and their percentage change for the financial periods indicated:

	FPE 31 October				
	Unaudited		Audited		% change
	2017		2018		
	RM'000	% of revenue	RM'000	% of revenue	
Revenue	4,568,075	100.0	4,690,295	100.0	
Other income	28,326	0.6	29,754	0.6	5.0
Change in biological assets	24,467	0.5	50,233	1.1	105.3
Change in closing inventories	(14,599)	(0.3)	86,054	1.8	(689.5)
Purchases of inventories and livestock	(3,193,198)	(69.9)	(3,319,362)	(70.8)	4.0
Employee benefit costs including Directors' remuneration	(429,499)	(9.4)	(431,441)	(9.2)	0.5
Depreciation of property, plant and equipment	(159,394)	(3.5)	(156,902)	(3.3)	(1.6)
Depreciation of investment properties	(219)	*	(211)	*	(3.7)
Amortisation of land use rights	(6,000)	(0.1)	(5,527)	(0.1)	(7.9)
Amortisation of intangible assets	(2,492)	(0.1)	(346)	*	(86.1)
Utilities costs	(103,313)	(2.3)	(109,666)	(2.3)	6.1
Repair and maintenance	(54,095)	(1.2)	(60,167)	(1.3)	11.2
Transportation expenses	(68,506)	(1.5)	(69,049)	(1.5)	0.8
Other expenses	(282,670)	(6.2)	(324,896)	(6.9)	14.9
Profit from operations	306,883	6.7	378,769	8.1	23.4
Finance costs	(76,388)	(1.7)	(87,898)	(1.9)	15.1
Share of profit of associates	319	*	412	*	29.2
PBT	230,814	5.1	291,283	6.2	26.2
Tax expense	(31,953)	(0.7)	(71,495)	(1.5)	123.8
Net profit for the financial period	198,861	4.4	219,788	4.7	10.5

Note:

* Less than 0.05%

(i) Revenue

The following table sets out our revenue by type and by geographical markets as well as their percentage change for the financial periods indicated:

	FPE 31 October		
	2017	2018	% change
	RM'000	RM'000	
Revenue from sales of goods			
Livestock and other poultry related products	2,749,823	2,849,653	3.6
Feedmill	1,808,215	1,829,012	1.2
Revenue from other sources			
Lease income	9,070	10,760	18.6
Others	967	870	(10.0)
Total	4,568,075	4,690,295	2.7

12. FINANCIAL INFORMATION (Cont'd)

	FPE 31 October				
	2017		2018		% change
	RM'000	% of total revenue	RM'000	% of total revenue	
Revenue from sales of goods					
Malaysia	1,325,235	29.1	1,354,852	29.0	2.2
Indonesia	1,445,166	31.7	1,540,185	32.9	6.6
Singapore	902,643	19.8	824,776	17.6	(8.6)
Vietnam	868,494	19.0	913,745	19.5	5.2
Philippines	16,500	0.4	45,107	1.0	173.4
Total	4,558,038	100.0	4,678,665	100.0	2.6

Our revenue increased by 2.7% from RM4,568.1 million in the FPE 31 October 2017 to RM4,690.3 million in the FPE 31 October 2018. This was primarily due to an increase in revenue from sales of livestock and other poultry related products as well as an increase in revenue from feedmill which were primarily driven by an increase in our average selling prices and an increase in sales volumes.

The following table sets out the average selling prices to external customers of our products and their percentage change for the periods indicated:

	FPE 31 October		
	2017	2018	(%) change
Malaysia			
Broiler DOCs per chick (RM)	2.00	1.86	(7.0)
Broiler chickens per kg (RM)	4.79	4.57	(4.6)
Per egg (RM)	0.26	0.28	7.7
Livestock feed per kg (RM)	1.95	1.96	0.5
Indonesia			
Broiler DOCs per chick (IDR)	4,406	5,815	32.0
Broiler chickens per kg (IDR)	16,361	18,583	13.6
Processed products per kg (IDR)	43,061	45,530	5.7
Livestock feed per kg (IDR)	6,165	6,385	3.6
Singapore			
Traded products per kg (SGD)	3.50	3.29	(6.0)
Fresh chickens per kg (SGD)	4.31	4.29	(0.5)
Ducks per kg (SGD)	5.14	4.73	(8.0)
Vietnam			
Broiler DOCs per chick (VND)	8,051	9,187	14.1
Broiler chickens per kg (VND)	24,640	25,524	3.6
Per egg (VND)	1,233	1,609	30.5
Livestock feed per kg (VND)	8,041	8,556	6.4
Philippines			
Broiler DOCs per chick (PHP)	24.91	28.65	15.0
Broiler chickens per kg (PHP)	72.88	79.56	9.2

Revenue from livestock and other poultry related products

Our revenue from sales of livestock and other poultry related products increased by 3.6% or RM99.8 million in the FPE 31 October 2018. The increase in revenue in the FPE 31 October 2018 was primarily due to:

- (a) a RM100.1 million increase in revenue from Indonesia from RM486.2 million in the FPE 31 October 2017 to RM586.3 million in the FPE 31 October 2018 primarily due to:
 - an increase in the average selling price of our Broiler DOCs from IDR4,406 per DOC in the FPE 31 October 2017 to IDR5,815 per DOC in the FPE 31 October 2018;

12. FINANCIAL INFORMATION (Cont'd)

- an increase in the average selling price of our Broiler chickens from IDR16,361 per kg in the FPE 31 October 2017 to IDR18,583 per kg in the FPE 31 October 2018; and
- an increase in the sales volume of our Broiler chickens from 24,512 MT chickens in the FPE 31 October 2017 to 37,576 MT chickens in the FPE 31 October 2018,

which was partially offset by a decrease in the sales volume of our Broiler DOCs from 175,331 DOCs in the FPE 31 October 2017 to 172,729 DOCs in the FPE 31 October 2018 and the appreciation of RM against the Average Rate of IDR;

- (b) a RM45.5 million increase in revenue from Malaysia from RM1,039.5 million in the FPE 31 October 2017 to RM1,085.0 million in the FPE 31 October 2018 primarily due to:

- an increase in the sales volume of our Broiler DOCs from 99.2 million DOCs in the FPE 31 October 2017 to 113.2 million DOCs in the FPE 31 October 2018;
- an increase in the sales volume of our Broiler chickens from 70,956 MT chickens in the FPE 31 October 2017 to 75,679 MT chickens in the FPE 31 October 2018;
- an increase in the sales volume of our eggs from 1,061.4 million eggs in the FPE 31 October 2017 to 1,114.9 million eggs in the FPE 31 October 2018; and
- an increase in the average selling price of our eggs from RM0.26 per egg in the FPE 31 October 2017 to RM0.28 per egg in the FPE 31 October 2018,

which was partially offset by a decrease in the average selling prices of our Broiler DOCs from RM2.00 per chick in the FPE 31 October 2017 to RM1.86 in the FPE 31 October 2018 and our Broiler chickens from RM4.79 in the FPE 31 October 2017 to RM4.57 in the FPE 31 October 2018. The decrease in average selling prices was primarily due to an increase in the supply of Broiler DOCs and Broiler chickens in the market primarily arising from the earlier than expected cooler weather towards the end of the FPE 31 October 2018. See Section 12.2.11 of this Prospectus for details on the general impact of seasonality on our financial condition and results of operations;

- (c) a RM28.6 million increase in revenue from the Philippines from RM16.5 million in the FPE 31 October 2017 to RM45.1 million in the FPE 31 October 2018 primarily due to:

- an increase in the sales volume of our Broiler DOCs from 2.8 million DOCs in the FPE 31 October 2017 to 7.7 million DOCs in the FPE 31 October 2018 and our Broiler chickens from 1,593 MT chickens in the FPE 31 October 2017 to 4,661 MT chickens in the FPE 31 October 2018; and
- an increase in the average selling prices of our Broiler DOCs from PHP24.91 per chick in the FPE 31 October 2017 to PHP28.65 in the FPE 31 October 2018 and our Broiler chickens from PHP72.88 in the FPE 31 October 2017 to PHP79.56 in the FPE 31 October 2018; and

12. FINANCIAL INFORMATION (Cont'd)

(d) a RM6.3 million increase in revenue from Vietnam from RM307.9 million in the FPE 31 October 2017 to RM314.2 million in the FPE 31 October 2018 primarily due to:

- an increase in the sales volume of our Broiler chickens from 40,218 MT chickens in the FPE 31 October 2017 to 47,475 MT chickens in the FPE 31 October 2018;
- an increase in the average selling price of our Broiler DOCs from VND8,051 per DOC in the FPE 31 October 2017 to VND9,187 per DOC in the FPE 31 October 2018;
- an increase in the average selling price of our Broiler chickens from VND24,640 per kg in the FPE 31 October 2017 to VND25,524 per kg in the FPE 31 October 2018; and
- an increase in the average selling price of our eggs from VND1,233 per egg in the FPE 31 October 2017 to VND1,609 per egg in the FPE 31 October 2018,

which was partially offset by:

- a decrease in the sales volume of our Broiler DOCs in Vietnam from 8.5 million DOCs in the FPE 31 October 2017 to 6.4 million DOCs in the FPE 31 October 2018; and
- a decrease in the sales volumes of our eggs in Vietnam from 333.8 million eggs in the FPE 31 October 2017 to 234.1 million eggs in the FPE 31 October 2018 primarily due to a fall in production volumes as we sought to reduce the number of contract farms in Vietnam ahead of the commencement of our new Layer farms (see Section 4.6.1(ii) of this Prospectus for more details on our new Layer farms in Vietnam).

The increase in revenue from the sales of livestock and other poultry related products in the FPE 31 October 2018 was partially offset by a RM80.2 million decrease in revenue from Singapore from RM899.8 million in the FPE 31 October 2017 to RM819.6 million in the FPE 31 October 2018 primarily due to:

- (a) a decrease in the average selling price of our traded products from SGD3.50 per kg in the FPE 31 October 2017 to SGD3.29 per kg in the FPE 31 October 2018;
- (b) a decrease in the average selling price of our ducks from SGD5.14 per kg in the FPE 31 October 2017 to SGD4.73 per kg in the FPE 31 October 2018;
- (c) the loss of revenue from Jordon following the sale of Jordon on 30 June 2018; and
- (d) the appreciation of RM against the Average Rate of SGD,

which was partially offset by an increase in the sales volume of fresh chickens from 24,306 MT in the FPE 31 October 2017 to 25,861 MT in the FPE 31 October 2018 and traded products from 26,178 MT in the FPE 31 October 2017 to 28,624 MT in the FPE 31 October 2018.

12. FINANCIAL INFORMATION (Cont'd)**Revenue from feedmill**

Our revenue from feedmill increased by 1.2% from RM1,808.2 million in the FPE 31 October 2017 to RM1,829.0 million in the FPE 31 October 2018 primarily due to:

- (a) a RM39.0 million increase in revenue from Vietnam from RM560.6 million in the FPE 31 October 2017 to RM599.6 million in the FPE 31 October 2018 primarily due to an increase in sales volume of livestock feed from 361,684 MT in the FPE 31 October 2017 to 405,462 MT in the FPE 31 October 2018; and
- (b) an increase in average selling price of our livestock feed from VND8,041 per kg in the FPE 31 October 2017 to VND8,556 per kg in the FPE 31 October 2018.

The increase in revenue in the FPE 31 October 2018 was partially offset by:

- (a) a RM15.5 million decrease in revenue from Malaysia from RM285.8 million in the FPE 31 October 2017 to RM270.3 million in the FPE 31 October 2018 primarily due to a decrease in sales volume of our livestock feed from 145,537 MT in the FPE 31 October 2017 to 137,437 MT in the FPE 31 October 2018 primarily arising from the reduction of sales to two key customers. The decrease in revenue from Malaysia was partially offset by an increase in the average selling price of our livestock feed from RM1.95 per kg in the FPE 31 October 2017 to RM1.96 per kg in the FPE 31 October 2018; and
- (b) a RM5.0 million decrease in revenue from Indonesia from RM958.9 million in the FPE 31 October 2017 to RM953.9 million in the FPE 31 October 2018 primarily due to the appreciation of RM against the Average Rate of IDR, which was partially offset by:
 - an increase in the sales volume of livestock feed from 481,290 MT in the FPE 31 October 2017 to 529,568 MT in the FPE 31 October 2018; and
 - an increase in average selling price of our livestock feed from IDR6,165 per kg in the FPE 31 October 2017 to IDR6,385 per kg in the FPE 31 October 2018.

(ii) Other income

Our other income increased by 5.3% from RM28.3 million in the FPE 31 October 2017 to RM29.8 million in the FPE 31 October 2018 primarily due to a RM2.4 million increase in interest income and a RM2.4 million increase in foreign exchange gain, which was partially offset by a lower reversal of impairment loss on trade receivable of RM2.0 million and lower reversal of impairment loss on other receivable of RM1.7 million.

(iii) Cost of sales

Our cost of sales increased by 1.1% from RM3,820.8 million in the FPE 31 October 2017 to RM3,861.5 million in the FPE 31 October 2018 in line with the slight increase in revenue.

(iv) Change in biological assets

The value of our biological assets increased by RM50.2 million from 1 January 2018 to 31 October 2018 primarily due to the expansion of our farm operations in Malaysia, Indonesia, Vietnam and the Philippines.

12. FINANCIAL INFORMATION (Cont'd)**(v) Change in closing inventories**

The value of our inventories increased by RM86.1 million from 1 January 2018 to 31 October 2018 primarily due to an increase in our inventories towards the end of the FPE 31 October 2018 as a result of the following:

- (a) an increase of RM44.0 million in raw materials in Indonesia mainly due to our increase in purchase of corn in October 2018 during its harvesting season as well as the expansion of our operations in Indonesia; and
- (b) an increase of RM32.6 million in raw materials in Vietnam mainly due to an increase in the price of corn and soybean meal in the FPE 31 October 2018, an increase in our production capacity in Vietnam and the expansion of our Feedmill Business in Vietnam.

(vi) Purchases of inventories and livestock

Our purchases of inventories and livestock increased by RM126.2 million in the FPE 31 October 2018 consistent with the increase in revenue.

(vii) Gross profit

The following table sets out our gross profit and gross profit margin and their percentage change for the financial periods indicated:

	FPE 31 October		% change
	2017	2018	
Gross profit (RM'000)	747,270	828,751	10.9
Gross profit margin (%)	16.4	17.7	7.9

As a result of the foregoing, our gross profit increased by 10.9% from RM747.3 million in the FPE 31 October 2017 to RM828.8 million in the FPE 31 October 2018. Our gross profit margin increased from 16.4% in the FPE 31 October 2017 to 17.7% in the FPE 31 October 2018 primarily due to an increase in the average selling prices of our following products:

- (a) Broiler DOCs and Broiler chickens in Indonesia, Vietnam and the Philippines;
- (b) eggs in Malaysia and Vietnam; and
- (c) livestock feed in Malaysia, Indonesia and Vietnam.

(viii) Employee benefit costs including Directors' remuneration

Our employee benefit costs including Directors' remuneration remained relatively stable at RM431.4 million in the FPE 31 October 2018.

(ix) Depreciation of property, plant and equipment

Our depreciation of property, plant and equipment remained relatively stable at RM156.9 million in the FPE 31 October 2018.

(x) Depreciation of investment properties

Our depreciation of investment properties maintained at RM0.2 million in the FPE 31 October 2018.

(xi) Amortisation of land use rights

Our amortisation of land use rights decreased by 7.9% from RM6.0 million in the FPE 31 October 2017 to RM5.5 million in the FPE 31 October 2018. This was primarily attributable to a disposal of land use rights in Indonesia.

12. FINANCIAL INFORMATION (Cont'd)**(xii) Amortisation of intangible assets**

Our amortisation of intangible assets decreased by 86.1% from RM2.5 million in the FPE 31 October 2017 to RM0.3 million in the FPE 31 October 2018 primarily due to a customer relationship in Singapore which was fully amortised in the FYE 31 December 2017.

(xiii) Utilities costs

Our utilities costs increased by 6.2% from RM103.3 million in the FPE 31 October 2017 to RM109.7 million in the FPE 31 October 2018 primarily due to the increase in our production capacity and operations in Malaysia, Vietnam and the Philippines.

(xiv) Repair and maintenance

Our repair and maintenance expenses increased by 11.2% from RM54.1 million in the FPE 31 Oct 2017 to RM60.2 million primarily due to the increased improvements and maintenance works done on our farms in Malaysia.

(xv) Transportation expenses

Our transportation expenses remained relatively stable at RM69.0 million in the FPE 31 October 2018.

(xvi) Other expenses

Our other expenses increased by 14.9% from RM282.7 million in the FPE 31 October 2017 to RM324.9 million in the FPE 31 October 2018 primarily due to a one-off provision of RM9.8 million relating to a dispute between Malindo Feedmill and the Indonesian Directorate General of Customs and Excise on the qualification of VAT exemption, a RM22.9 million incurred on IPO related expenses, and a RM4.7 million increase from Philippines in line with the expansion of business operations in the Philippines.

(xvii) Profit from operations

As a result of the foregoing, our profit from operations increased by 23.4% from RM306.9 million in the FPE 31 October 2017 to RM378.8 million in the FPE 31 October 2018.

The following tables set out our profit from operations of our Livestock Business and our Feedmill Business for the financial years indicated:

	FPE 31 October 2017			
	Livestock Business	Feedmill Business	Inter-segment elimination	Group
	RM'000	RM'000	RM'000	RM'000
EBITDA	285,392	209,907	(20,311)	474,988
Depreciation and amortisation	(128,884)	(39,537)	316	(168,105)
Profit from operations	156,508	170,370	(19,995)	306,883
Profit from operations margin	5.7%	6.3%		6.7%

	FPE 31 October 2018			
	Livestock Business	Feedmill Business	Inter-segment elimination	Group
	RM'000	RM'000	RM'000	RM'000
EBITDA	358,627	211,406	(28,278)	541,755
Depreciation and amortisation	(125,300)	(38,047)	361	(162,986)
Profit from operations	233,327	173,359	(27,917)	378,769
Profit from operations margin	8.2%	6.4%		8.1%

12. FINANCIAL INFORMATION (Cont'd)***Livestock Business***

Our profit from operations of our Livestock Business increased by 49.1% from RM156.5 million in the FPE 31 October 2017 to RM233.3 million in the FPE 31 October 2018 while our profit from operations margin increased from 5.7% in the FPE 31 October 2017 to 8.2% in the FPE 31 October 2018. The increase was primarily due to:

- (a) an increase in the average selling prices of our Broiler DOCs in Indonesia from IDR4,406 per DOC in the FPE 31 October 2017 to IDR5,815 per DOC in the FPE 31 October 2018;
- (b) an increase in the average selling price of our Broiler chickens in Indonesia from IDR16,361 per kg in the FPE 31 October 2017 to IDR18,583 per kg in the FPE 31 October 2018;
- (c) an increase in the average selling prices of our eggs in Malaysia and Vietnam from RM0.26 per egg in the FPE 31 October 2017 to RM0.28 per egg in the FPE 31 October 2018 and VND1,233 per egg in the FPE 31 October 2017 to VND1,609 per egg in the FPE 31 October 2018, respectively; and
- (d) an increase in the sales volumes of our Broiler chickens in Indonesia, Malaysia and the Philippines, Broiler DOCs in Malaysia and fresh chickens and traded products in Singapore,

which was partially offset by:

- (a) a decrease in the average selling price of our Broiler DOCs in Malaysia from RM2.00 per DOC in the FPE 31 October 2017 to RM1.86 per DOC in the FPE 31 October 2018;
- (b) a decrease in the average selling price of our Broiler chickens in Malaysia from RM4.79 per kg in the FPE 31 October 2017 to RM4.57 per kg in the FPE 31 October 2018;
- (c) a decrease in the average selling price of our traded products in Singapore from SGD3.50 per kg in the FPE 31 October 2017 to SGD3.29 per kg in the FPE 31 October 2018; and
- (d) a decrease in the average selling price of our fresh chickens in Singapore from SGD4.31 per kg in the FPE 31 October 2017 to SGD4.29 per kg in the FPE 31 October 2018.

Feedmill Business

Our profit from operations of our Feedmill Business increased by 1.8% from RM170.4 million in the FPE 31 October 2017 to RM173.4 million in the FPE 31 October 2018 while our profit from operations margin increased from 6.3% in the FPE 31 October 2017 to 6.4% in the FPE 31 October 2018. The increase in profit from operations and profit from operations margin was primarily due to:

- (a) an increase in the sales volume of our livestock feed in Indonesia of 48,278 MT and Vietnam of 43,778 MT; and
- (b) an increase in the average selling prices of our livestock feed in Indonesia from IDR6,165 per kg in the FPE 31 October 2017 to IDR6,385 per kg in the FPE 31 October 2018, and in Vietnam from VND8,041 per kg in the FPE 31 October 2017 to VND8,556 per kg in the FPE 31 October 2018.

12. FINANCIAL INFORMATION (Cont'd)**(xviii) Finance costs**

Our finance costs increased by 15.1% from RM76.4 million in the FPE 31 October 2017 to RM87.9 million in the FPE 31 October 2018 primarily due to:

- (a) a RM9.1 million increase in interest arising from a loan obtained in Singapore to fund the acquisition of non-controlling interests; and
- (b) a RM6.3 million increase in interest from our operations in Malaysia due to increased utilisation of our bank facilities and a 25 basis points increase in the overnight policy rate in January 2018,

which was partially offset by a RM3.5 million decrease in finance costs from our operations in Indonesia primarily due to a fall in bank overdrafts and revolving credits.

(xix) Share of profit of associates

Share of profit of associates increased marginally from RM0.3 million in the FPE 31 October 2017 to RM0.4 million in the FPE 31 October 2018.

(xx) PBT

As a result of the foregoing, our PBT increased by 26.2% from RM230.8 million in the FPE 31 October 2017 to RM291.3 million in the FPE 31 October 2018, and our PBT margin increased from 5.1% in the FPE 31 October 2017 to 6.2% in the FPE 31 October 2018.

(xxi) Tax expense

Tax expense increased by 123.8% from RM32.0 million in the FPE 31 October 2017 to RM71.5 million in the FPE 31 October 2018 primarily due to the recognition of RM20.5 million in deferred tax assets in the FPE 31 October 2017 pursuant to the Indonesian Government's tax incentive, which allowed us to recognise deferred tax assets for two of our subsidiaries in Indonesia, Malindo Feedmill and Bibit Indonesia as well as the improvement in our financial performance in the FPE 31 October 2018 resulting in higher PBT for the period.

(xxii) Net profit for the financial period

As a result of the foregoing, our net profit increased by 10.5% from RM198.9 million in the FPE 31 October 2017 to RM219.8 million in the FPE 31 October 2018.

12.2.9 Liquidity and capital resources**(i) Working capital**

Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and borrowings from financial institutions. Following the Listing, we expect to use the same principal sources of liquidity to fund our working capital needs. Many factors, including our results of operations and financial position and the conditions in the Malaysian and international financial markets, could affect our ability to rely on these sources of funding.

As at 31 October 2018, we had cash and bank balances of RM525.7 million and multi-currency trade facilities comprising bankers' acceptances, letters of credit, revolving credit facilities, overdraft facilities and other trade financings with a combined limit of RM2,642.4 million, of which RM1,078.3 million was drawn and RM1,564.1 million was undrawn.

12. FINANCIAL INFORMATION (Cont'd)

As at 31 October 2018, our working capital, calculated as current assets minus current liabilities, was a net current asset of RM326.1 million.

Based on the above and taking into consideration our funding requirements for our committed capital expenditure and contractual obligations, expected cash flows from operations, cash and bank balances, bank borrowings and facilities, together with the estimated proceeds that we expect to receive from our IPO, our Board believes that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

(ii) Cash flows

The following table summarises a summary of our consolidated statements of cash flows for the financial years/periods indicated:

	FYE 31 December			FPE 31 October	
	Audited			Unaudited	Audited
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash flows					
Net cash generated from operating activities	300,801	431,971	524,390	369,459	297,630
Net cash used in investing activities	(352,644)	(256,710)	(366,662)	(283,852)	(266,429)
Net cash generated from/(used in) financing activities	225,939	(260,600)	(71,895)	(6,367)	17,261
Net movement	174,096	(85,339)	85,833	79,240	48,462
Cash and cash equivalents at beginning of the financial year/period	280,599	422,245	333,189	333,189	427,424
Effect of exchange translation differences	(32,450)	(3,717)	8,402	6,830	(5,437)
Cash and cash equivalents at end of the financial year/period	422,245	333,189	427,424	419,259	470,449

Our Board is of the opinion that there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances to meet our cash obligations, subject to availability of distributable reserves and/or loans or advances and compliance with legal requirements and financial covenants.

Net cash generated from operating activities**FYE 31 December 2015**

For the FYE 31 December 2015, our net cash from operating activities was RM300.8 million. Our PBT was RM216.6 million, which was adjusted for non-cash and other items of RM257.6 million and further adjusted for working capital changes of RM155.1 million which primarily comprised:

- (a) a RM110.2 million increase in receivables primarily due to the acquisition of BH Fresh Food in the FYE 31 December 2015, an increase in sales in Malaysia and an increase in trade receivables owed by Teratai Vietnam exceeding the normal credit period;
- (b) a RM32.0 million increase in inventories primarily due to a RM26.5 million increase in processed chickens in Singapore in anticipation of higher sales at the beginning of 2016 prior to Chinese New Year celebrations; and
- (c) a RM30.9 million increase in biological assets primarily due to the expansion of our Livestock Business in Malaysia, Indonesia and Vietnam,

which was partially offset by a RM18.0 million increase in payables generally in line with expansion of our operations in Malaysia, Indonesia and Vietnam.

12. FINANCIAL INFORMATION (Cont'd)

For the FYE 31 December 2015, we paid income tax of RM18.3 million.

FYE 31 December 2016

For the FYE 31 December 2016, our net cash from operating activities was RM432.0 million. Our PBT was RM347.3 million, which was adjusted for non-cash and other items of RM326.6 million and further adjusted for working capital changes of RM169.6 million which primarily comprised:

- (a) a RM92.8 million increase in receivables primarily due to an increase in trade receivables owed by Teratai Vietnam exceeding the normal credit period;
- (b) a RM66.1 million increase in inventories primarily due to a RM39.2 million increase in raw materials for our Feedmill Business in Indonesia as we had to purchase more domestically produced corn and other alternative raw materials following the Indonesian government's decision to cease the issuance of import permits for corn, and a RM13.0 million increase in processed poultry products in Singapore and Malaysia in anticipation of higher sales at the beginning of 2017 prior to Chinese New Year celebrations; and
- (c) a RM33.8 million increase in biological assets primarily due to the expansion of our Livestock Business in Malaysia and Indonesia,

which was partially offset by a RM23.1 million increase in payables primarily due to a provision made for the CCCS Claim.

For the FYE 31 December 2016, we paid income tax of RM72.4 million.

FYE 31 December 2017

For the FYE 31 December 2017, our net cash from operating activities was RM524.4 million. Our PBT was RM292.3 million, which was adjusted for non-cash and other items of RM297.0 million and further adjusted for working capital changes of RM11.3 million which primarily comprised:

- (a) a RM27.3 million decrease in inventories primarily due to a decrease in processed chickens and raw materials in Singapore and Vietnam primarily due to (a) the appreciation of RM against the Average Rate of SGD and VND, and (b) a delay in the stocking up of processed chickens in Singapore towards the end of 2017, as the first day of Chinese New Year celebrations in 2018 fell on 16 February 2018 (as compared to 28 January 2017 in 2017); and
- (b) a RM12.1 million increase in payables primarily due to an increase in biological asset purchases as we expanded our operations in Malaysia, Indonesia and Vietnam, which was partly offset by a partial reversal of a provision relating to the CCCS Claim;

which was partially offset by:

- (a) a RM25.8 million increase in receivables primarily due to an increase in trade receivables owed by Teratai Vietnam exceeding the normal credit period; and
- (b) a RM2.3 million increase in biological assets primarily due to the expansion of our Livestock Business in Malaysia, Indonesia and Vietnam.

For the FYE 31 December 2017, we paid income tax of RM76.2 million.

12. FINANCIAL INFORMATION (Cont'd)*FPE 31 October 2018*

For the FPE 31 October 2018, our net cash from operating activities was RM297.6 million. Our PBT was RM291.3 million, which was adjusted for non-cash and other items of RM257.5 million and further adjusted for working capital changes of RM186.8 million which primarily comprised:

- (a) a RM86.1 million increase in inventories mainly due to a RM52.3 million increase in inventories in Indonesia primarily due to the expansion of our operations in Indonesia and a RM34.1 million increase in Vietnam inventories primarily due to the expansion of our Feedmill Business in Vietnam;
- (b) a RM52.5 million increase in payables primarily due to RM50.0 million dividends payable to shareholder;
- (c) a RM50.2 million increase in biological assets primarily due to a RM17.1 million increase from Malaysia, a RM8.2 million increase from Vietnam, a RM3.0 million increase from Philippines and a RM14.4 million increase from Indonesia as a result of expansion of our farm operations; and
- (d) a RM103.0 million increase in receivables primarily due to an increase in trade receivables owed by Teratai Vietnam and Teratai Malaysia exceeding the normal credit period.

For the FPE 31 October 2018, we paid income tax of RM64.3 million.

Net cash used in investing activities*FYE 31 December 2015*

Net cash used in investing activities was RM352.6 million in the FYE 31 December 2015, which primarily comprised:

- (a) acquisitions of property, plant and equipment of RM304.5 million comprising RM114.7 million, RM28.1 million, RM64.1 million and RM97.6 million in Malaysia, Singapore, Vietnam and Indonesia, respectively;
- (b) acquisitions of land use rights of RM38.3 million comprising RM24.2 million, RM12.8 million and RM1.3 million for the acquisition of land use rights in Indonesia, Vietnam and Malaysia, respectively; and
- (c) net payment of RM28.0 million for the acquisition of certain subsidiaries including BH Fresh Food and My-Kando. See Note 2.35 to the Accountants' Report included in Section 13 of this Prospectus for further information on the acquisitions made in the FYE 31 December 2015,

which was partially offset by the:

- (a) proceeds of RM8.8 million from the disposal of other investments comprising RM8.0 million, RM0.7 million and RM0.1 million from the disposal of other investments in Malaysia, Singapore and Indonesia, respectively; and
- (b) repayment of RM7.3 million from our ultimate holding company, Emerging Glory.

12. FINANCIAL INFORMATION (Cont'd)*FYE 31 December 2016*

Net cash used in investing activities was RM256.7 million in the FYE 31 December 2016, which primarily comprised:

- (a) acquisitions of property, plant and equipment of RM251.5 million comprising RM116.5 million, RM12.9 million, RM30.0 million, RM81.8 million and RM10.3 million in Malaysia, Singapore, Vietnam, Indonesia and the Philippines, respectively;
- (b) acquisitions of land use rights of RM28.9 million comprising RM24.3 million in Indonesia, RM3.3 million in Vietnam and RM1.3 million in Malaysia for the expansion of our operations and plants; and
- (c) increase in fixed deposit pledged of RM7.9 million comprising RM3.8 million and RM5.7 million of fixed deposit pledged in Vietnam and Singapore, respectively, in line with the additional banking facilities entered into, which was partially offset by a RM1.6 million decrease in fixed deposits pledged in Malaysia,

which was partially offset by the proceeds of RM5.0 million from the disposal of property, plant and equipment comprising RM0.3 million, RM2.0 million, RM2.0 million and RM0.7 million from the disposal of property, plant and equipment in Indonesia, Malaysia, Singapore and Vietnam, respectively.

FYE 31 December 2017

Net cash used in investing activities was RM366.7 million in the FYE 31 December 2017, which primarily comprised:

- (a) acquisitions of property, plant and equipment of RM336.1 million comprising RM173.6 million, RM26.5 million, RM35.1 million, RM83.7 million and RM17.2 million in Malaysia, Singapore, Vietnam, Indonesia and the Philippines, respectively;
- (b) acquisitions of land use rights of RM31.9 million comprising RM18.2 million in Indonesia, RM12.9 million in Vietnam and RM0.8 million in Malaysia for the expansion of our operations; and
- (c) net payment of RM5.4 million for an acquisition of a subsidiary. See Note 2.35 to the Accountants' Report included in Section 13 of this Prospectus for further information on the subsidiary acquired in the FYE 31 December 2017,

which was partially offset by the:

- (a) repayment of RM7.3 million from our ultimate holding company, Emerging Glory;
- (b) interest income of RM6.5 million received primarily from financial institutions in Vietnam and Malaysia; and
- (c) proceeds of RM5.2 million from the disposal of property, plant and equipment comprising RM1.4 million, RM2.9 million and RM0.9 million from the disposal of property, plant and equipment in Indonesia, Malaysia and Singapore, respectively.

12. FINANCIAL INFORMATION (Cont'd)*FPE 31 October 2018*

Net cash used in investing activities was RM266.4 million in the FPE 31 October 2018, which primarily comprised:

- (a) acquisitions of property, plant and equipment of RM266.2 million comprising RM131.8 million, RM49.9 million, RM46.5 million, RM29.6 million and RM8.4 million in Malaysia, Indonesia, Vietnam, Singapore, and the Philippines, respectively; and
- (b) acquisitions of land use rights of RM25.4 million comprising RM22.4 million in Indonesia, RM2.2 million in Vietnam and RM0.8 million in Malaysia for the expansion of our operations,

which was partially offset by:

- (a) proceeds of RM5.8 million received for the disposal of Jordon; and
- (b) interest income of RM6.2 million received primarily from financial institutions in Vietnam and Malaysia.

Net cash generated from/(used in) financing activities*FYE 31 December 2015*

Net cash generated from financing activities was RM225.9 million for the FYE 31 December 2015, which primarily comprised:

- (a) drawdown of term loans and short-term borrowings of RM312.6 million and RM144.5 million, respectively; and
- (b) net proceeds of RM35.0 million from the rights issue exercise of our subsidiary, Malindo Feedmill,

which was partially used for:

- (a) repayment of term loans and finance lease liabilities of RM111.4 million and RM17.7 million, respectively;
- (b) payment of finance costs of RM94.8 million comprising interest charges of RM30.2 million on our short-term borrowings and RM64.6 million on our long-term borrowings; and
- (c) payment of dividends of RM12.2 million and RM28.7 million to our non-controlling interests and shareholders, respectively.

FYE 31 December 2016

Net cash used in financing activities was RM260.6 million for the FYE 31 December 2016 which primarily comprised:

- (a) repayment of term loans and finance lease liabilities of RM189.2 million and RM7.4 million respectively;
- (b) payment of RM102.6 million of finance costs comprising interest charges of RM53.5 million on our short-term borrowings and RM49.1 million on our long-term borrowings;
- (c) net repayment of short-term borrowings of RM63.7 million comprising bankers' acceptance, revolving credits and trust receipts; and

12. FINANCIAL INFORMATION (Cont'd)

- (d) payment of dividends of RM15.1 million and RM17.2 million to our non-controlling interests and shareholders, respectively.

These cash outflows were partially funded by drawdowns of term loans of RM140.3 million in the FYE 31 December 2016.

FYE 31 December 2017

Net cash used in financing activities was RM71.9 million for the FYE 31 December 2017, which primarily comprised:

- (a) acquisition of non-controlling interests of RM458.2 million which comprised the acquisition of non-controlling interests of RM12.1 million in Ideal Multifeed, RM0.3 million in Ex Treasures, RM104.4 million in ES Food and RM341.4 million in Lee Say;
- (b) repayment of term loans and finance lease liabilities of RM220.0 million and RM13.3 million, respectively;
- (c) payment of finance costs of RM91.9 million comprising interest charges equivalent to RM50.3 million on our short-term borrowings and RM41.6 million on our long-term borrowings; and
- (d) payment of dividends of RM20.0 million and RM38.4 million to our non-controlling interests and shareholders, respectively.

These cash outflows were partially funded by the drawdowns of term loans of RM520.0 million and short-term borrowings of RM249.9 million comprising bankers' acceptance, bank overdrafts, revolving credits and trust receipts.

FPE 31 October 2018

Net cash from financing activities was RM17.3 million for the FPE 31 October 2018, which primarily comprised:

- (a) payment of finance costs of RM87.6 million, comprising payments of interest charges equivalent to RM46.8 million on our short-term borrowings and RM40.7 million on our long-term borrowings;
- (b) repayment of term loans and finance lease liabilities of RM192.3 million and RM20.0 million, respectively;
- (c) net repayment of short term borrowings of RM77.1 million;
- (d) payment of dividends of RM3.2 million and RM11.5 million to our non-controlling interests and shareholders, respectively; and
- (e) acquisition of non-controlling interests of RM10.6 million which comprised the acquisition of non-controlling interests of RM7.0 million in Teo Seng and RM3.6 million in Malindo Feedmill.

The cash outflows above were partially funded by the drawdowns of term loans of RM419.5 million.

12. FINANCIAL INFORMATION (Cont'd)**(iii) Borrowings**

As at 31 October 2018, we had total outstanding loans and borrowings of RM2,229.8 million. The table below sets out our loans and borrowings as at 31 October 2018.

	RM'000
Non-current	
Secured term loan	734,596
Unsecured term loan	174,638
	<u>909,234</u>
Current	
Secured:	
Bankers' acceptances	16,620
Bank overdrafts	39,078
Term loans	175,390
Revolving credits	114,500
Trust receipts	55,508
Unsecured:	
Bankers' acceptances	362,322
Bank overdrafts	837
Term loans	66,893
Revolving credits	226,410
Trust receipts	263,033
	<u>1,320,591</u>
Total borrowings	<u>2,229,825</u>

Our secured bank borrowings are secured by legal charges over certain property, plant and equipment, investment properties, land use rights, biological assets, inventories, trade receivables and other receivables.

The maturity profile of our borrowings as at 31 October 2018 is set out below:

	RM'000
On demand or within one year	1,320,591
More than 1 year and less than 2 years	259,928
More than 2 years and less than 5 years	641,824
More than 5 years	7,482
Total borrowings	<u>2,229,825</u>

Our outstanding borrowings by currency in which they are denominated as at 31 October 2018 and the average interest rates by currency profile are set out below:

	Balance in foreign currency⁽¹⁾	Balance in RM'000	Average effective interest rates (%)
RM	884,746	884,745	4.73
SGD	172,779	521,930	2.60
IDR	1,746,159	480,194	9.67
USD	4,403	18,410	4.50
VND	1,781,694,347	319,300	5.83
PHP	66,909	5,246	5.84
Total borrowings		<u>2,229,825</u>	5.45

Notes:

(1) Figures are in thousands, except for IDR which is in millions.

(2) Translated based on the respective exchange rates (middle rates) as at 31 October 2018.

As at 31 October 2018, all our borrowings have floating interest rate terms. For more information on our borrowings, see Note 2.28 to the Accountant's Report in Section 13 of this Prospectus. On 26 November 2018, we have accepted a new financing facility comprising term loans of RM92.0 million of which RM21.5 million has been drawdown as at the LPD.

12. FINANCIAL INFORMATION (Cont'd)

We have not defaulted on interest or profit rate payments or principal amounts on any of our borrowings for the FYE 31 December 2017 and the FPE 31 October 2018 and up to the LPD. As at the LPD, we are not in breach of any terms and conditions or covenants associated with our borrowings which can materially affect our financial position and results or business operations, or the investments in our Shares.

(iv) Key financial ratios

The following table sets out certain of our key financial ratios for the financial years/period indicated:

	FYE 31 December			FPE 31 October
	2015	2016	2017	2018
Average trade receivables turnover (days) ⁽¹⁾	34.9	35.1	36.2	37.2
Average trade payables turnover (days) ⁽²⁾	32.1	28.2	23.9	23.7
Average inventory turnover (days) ⁽³⁾	79.9	84.2	80.6	84.9
Current ratio (times) ⁽⁴⁾	1.1	1.1	1.1	1.2
Gearing ratio (times) ⁽⁵⁾	1.0	0.8	1.3	1.3

Notes:

- (1) Computed as an average of the opening and closing trade receivables for the financial year/period divided by revenue during the financial year/period, multiplied by the number of days in the financial year/period.
- (2) Computed as an average of the opening and closing trade payables for the financial year/period divided by the sum of the change in inventory and biological assets and purchases of inventories and livestock during the financial year/period, multiplied by the number of days in the financial year/period.
- (3) Computed as an average of the opening and closing finished goods and biological assets for the financial year/period divided by the sum of change in closing inventories, change in biological assets and purchases of inventories and livestock during the financial year/period, multiplied by the number of days in the financial year/period.
- (4) Computed as current assets over current liabilities as at the financial years/period indicated.
- (5) Computed as total borrowings (including finance lease liabilities) over total equity as at the financial years/period indicated.

(a) Trade receivables

The credit period that we typically extend to our customers is between one to 150 days depending on the financial position and credit history of the customer and whether any guarantee or collateral is provided. Our average trade receivables turnover for the FYEs 31 December 2015, 31 December 2016 and 31 December 2017 and the FPE 31 October 2018 has remained within the normal credit terms that we extend to our customers.

Our average trade receivables turnover increased from 34.9 days for the FYE 31 December 2015 to 35.1 days for the FYE 31 December 2016 to 36.2 days for the FYE 31 December 2017 primarily due to the increase in trade receivables owed by Teratai Vietnam exceeding the normal credit period.

Our average trade receivables turnover increased from 36.2 days for the FYE 31 December 2017 to 37.2 days for the FPE 31 October 2018 primarily due to the increase in trade receivables owed by Teratai Vietnam and Teratai Malaysia exceeding the normal credit period.

12. FINANCIAL INFORMATION (Cont'd)

The aging analysis for trade receivables as at 31 October 2018 and the trade receivables collected as at the LPD is as follows:

	Current	1-30 days	31-60 days	61-90 days	More than 90 days	Total
	(RM in millions, except percentages)					
Trade receivables as at 31 October 2018						
Trade receivables	353.2	96.1	33.1	16.9	92.3	591.6
Impairment	-	-	-	(0.2)	(8.8)	(9.0)
Trade receivables (net)	353.2	96.1	33.1	16.7	83.5	582.6
% of total trade receivables	60.6%	16.5%	5.7%	2.9%	14.3%	100.0%
As at the LPD:						
- Trade receivables collected / (% of trade receivables (net))	347.0 98.2%	96.1 100.0%	33.1 100.0%	15.6 93.4%	66.5 79.6%	558.3 95.8%
- Trade receivables outstanding (net)	6.2	-	-	1.1	17.0	24.3

(b) Trade payables

The normal credit period given by our trade creditors generally are zero days (cash on delivery) to 120 days and our average trade payables turnover for the FYEs 31 December 2015, 31 December 2016 and 31 December 2017 and the FPE 31 October 2018 has remained within the normal credit period that our trade creditors extend to us.

Our average trade payables turnover decreased from 32.1 days in the FYE 31 December 2015 to 28.2 days in the FYE 31 December 2016 primarily due to:

- a decrease in trade payables in Vietnam primarily due to an early shipment in early December 2016, which had to be paid within two weeks; and
- a decrease in trade payables in Indonesia as we made more settlements on our outstanding debts to our trade payables before they were due to benefit from supplier discounts, which was partially offset by the depreciation of RM against the IDR rate used for presentation of financial statements which resulted in an increase in the translated trade payables as at 31 December 2016.

Our average trade payables turnover decreased from 28.2 days in the FYE 31 December 2016 to 23.9 days in the FYE 31 December 2017 primarily due to a decrease in trade payables in Malaysia primarily due to:

- a decrease in the price of corn from RM1,800 per MT of corn in December 2016 to RM1,400 per MT of corn in December 2017; and
- higher purchases of inventories in December 2016 as compared to December 2017.

Our average trade payables turnover remained relatively steady from the FYE 31 December 2017 through to the FPE 31 October 2018.

12. FINANCIAL INFORMATION (Cont'd)

The aging analysis for trade payables as at 31 October 2018 and the trade payables settled as at the LPD is as follows:

	Current	Past Due				Total
		1-30 days	31-60 days	61-90 days	More than 90 days	
RM in millions, except percentages						
Trade payables as at 31 October 2018	196.2	31.8	2.7	3.2	19.8	253.7
% of total trade payables	77.3%	12.5%	1.1%	1.3%	7.8%	100.0%
As at the LPD:						
- Trade payables settled / (% of trade payables)	192.1 / 97.9%	27.7 / 87.1%	2.7 / 100.0%	2.4 / 75.0%	17.9 / 90.4%	242.8 / 95.7%
- Trade payables outstanding (RM million)	4.1	4.1	-	0.8	1.9	10.9

(c) Inventories and biological assets

Generally, our inventory turnover period will depend on the expected demand from our customers for the type of products and also the value of the inventories during the period. Typically, we will hold sufficient inventories of finished goods after taking into account the following:

- the production cycle which varies between 1 to 175 days, being the interval to produce the same type of product again. See Section 7 of this Prospectus for further information on our production cycle; and
- shipping or delivery arrangement including timing and quantity as per customers' requirements.

This enables us to:

- provide regular supply to our customers because our customers do not place their orders at the same time although our customers typically place their orders on a monthly basis; and
- fulfil unexpected orders by customers although we are not obliged to do so unless we have sufficient inventories after catering for regular orders from customers.

Our average inventory turnover period increased from 79.9 days in the FYE 31 December 2015 to 84.2 days in the FYE 31 December 2016. This was primarily due to the expansion of our production capacity and utilisation of our facilities which resulted in an increase in the amount of inventories as at the end of 31 December 2016.

Our average inventory turnover period decreased from 84.2 days in the FYE 31 December 2016 to 80.6 days in the FYE 31 December 2017. This was primarily due to the increased sales volume of processed chickens in Singapore and livestock feed in Vietnam in the FYE 31 December 2017, which reduced inventories in the FYE 31 December 2017.

Our average inventory turnover period increased from 80.6 days in the FYE 31 December 2017 to 84.9 days in the FPE 31 October 2018 primarily due to the expansion of our operations in Malaysia and the stocking up of raw materials in Indonesia.

12. FINANCIAL INFORMATION (Cont'd)**(d) Current ratio**

Our current ratio remained stable at 1.1 times as at 31 December 2015, 31 December 2016 and 31 December 2017.

Our current ratio increased from 1.1 times as at 31 December 2017 to 1.2 times as at 31 October 2018 primarily due to an increase in inventories and biological assets in line with the expansion of our operations and production capacities. The increase in current ratio was partially offset by an increase in short term borrowing in Malaysia to finance our operations in Malaysia.

(e) Gearing ratio

Our gearing ratio decreased from 1.0 times as at 31 December 2015 to 0.8 times as at 31 December 2016 primarily due to the repayment of loans and borrowings and an increase in retained earnings resulting from higher net profit in the FYE 31 December 2016.

Our gearing ratio increased from 0.8 times as at 31 December 2016 to 1.3 times as at 31 December 2017 primarily due to a drawdown of a term loan for the acquisition of a non-controlling interest in Singapore.

Our gearing ratio remained stable at 1.3 times as at 31 October 2018.

(v) Capital expenditure

The following table sets out our capital expenditures for the financial years/periods indicated:

	FYE 31 December			FPE 31 October	1 November 2018 up to the LPD
	2015	2016	2017	2018	
	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	6,377	3,652	17,005	5,443	4,638
Leasehold land	-	146	2,200	7,900	12,445
Buildings	64,204	65,916	88,947	44,392	90,290
Land improvement	3,145	2,023	1,109	812	2,674
Plant and machinery	79,001	81,641	75,679	62,257	63,850
Plant and machinery under finance lease liabilities	1,643	6,251	11,609	-	51
Motor vehicles, furniture, fittings, equipment and renovation	44,417	47,291	56,621	58,115	15,574
Motor vehicles, furniture, fittings, equipment and renovation under finance lease liabilities	8,502	9,392	14,236	5,132	2,512
Construction-in-progress	126,254	58,486	94,702	110,803	25,557
Investment properties	2,392	168	51	-	-
Land use rights	38,263	28,935	31,939	25,398	-
Total	374,198	303,901	394,098	320,252	217,591

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out our capital expenditures by geographical location for the financial years/periods indicated:

	FYE 31 December			FPE 31	1 November
	2015	2016	2017	October	2018 up to
	RM'000	RM'000	RM'000	2018	the LPD
Malaysia	143,729	136,680	195,977	161,349	114,530
Singapore	31,675	18,552	30,883	29,608	38,318
Vietnam	76,884	32,292	48,063	48,672	30,721
Indonesia	121,885	106,105	101,930	72,270	27,570
Philippines	25	10,272	17,245	8,353	6,452
Total	374,198	303,901	394,098	320,252	217,591

Planned capital expenditure

The following table sets out our planned capital expenditures for the financial years indicated:

	FYE 31 December	
	2018	2019
	RM'000	RM'000
Freehold land	5,000	1,650
Leasehold land	13,355	17,111
Buildings	244,948	213,141
Construction-in-progress	2,421	48,697
Electrical installations	100	-
Plant and machinery	118,861	115,967
Motor vehicles, furniture, fittings, office equipment and renovations	19,446	40,400
Total	404,131	436,966

The following table sets out our planned capital expenditures by geographical location for the financial years indicated:

	FYE 31 December	
	2018	2019
	RM'000	RM'000
Malaysia	129,237	117,686
Indonesia	89,887	121,722
Singapore	71,122	33,067
Vietnam	77,773	80,184
Philippines	36,112	84,307
Total	404,131	436,966

As part of our expansion strategies, we have allocated our funding for purchases of plant and machinery as well as farm and building construction projects, among others, which we expect to fund using cash generated from our operations, financing activities and proceeds from the Public Issue.

Our actual capital expenditures may vary from projected amounts due to various factors, including changes in market conditions, our ability to obtain adequate financing for these planned capital expenditures, government policies regarding the industry in which we operate as well as the condition of the markets in which we operate and the global economy. In addition, our planned capital expenditures do not include any expenditure for potential acquisitions or investments that we may evaluate from time to time. We intend to fund these capital expenditures with cash and cash equivalents, cash generated from our operations and financing activities and, to the extent described in Section 4 of this Prospectus, the proceeds from the Public Issue.

12. FINANCIAL INFORMATION (Cont'd)**(vi) Capital commitments and contractual obligations**

Our capital commitments as at 31 October 2018 and the LPD are set out below:

	31 October 2018	LPD
	RM'000	RM'000
Contracted but not provided for	92,871	41,459
Approved but not contracted for	399,978	232,795
Total	492,849	274,254

Our capital commitments as at the LPD primarily comprise RM83.9 million for new feedmills and RM142.6 million for the building and improvement of livestock farms and hatcheries. We expect to meet our planned capital commitments through our cash and cash equivalents, cash generated from our operations and financing activities and, to the extent described in Section 4 of this Prospectus, the proceeds from the Public Issue.

Save as disclosed above, as at the LPD, there are no material capital commitments incurred or known to be incurred by us that may have a material adverse effect on our results of operations or financial position.

Our non-cancellable operating leases as at 31 October 2018 and the LPD are as set out below:

	31 October 2018	LPD
	RM'000⁽¹⁾	RM'000⁽²⁾
Not later than one year	8,248	-
Later than one year and not later than five years	22,284	-
Later than five years	67,289	-
Total	97,821	-

Note:

- (1) Our planned operating lease commitments primarily consist of non-cancellable operating lease agreements for our office premises and equipment.
- (2) Effective from 1 January 2019, we have adopted MFRS 16 'Leases' which supersedes MFRS 117 'Leases'. MFRS 16 'Leases' eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). Accordingly, as at the LPD, a total of RM98.0 million of our non-cancellable operating lease agreements have been recognised as lease liabilities in our consolidated statement of financial position.

(vii) Contingent liabilities and off-balance sheet arrangements

As at the LPD, there are no contingent liabilities that, upon becoming enforceable, may have a material adverse effect on our results of operations or financial position.

12. FINANCIAL INFORMATION (Cont'd)

(viii) Material divestitures

Save as disclosed below, we have not undertaken any material divestitures during the FYEs 31 December 2015, 31 December 2016 and 31 December 2017 and the FPE 31 October 2018 and up to the LPD:

- (a) sale of 100% of the issued and paid up capital of LH Malaysia's wholly-owned subsidiary, Baker's Cottage, in the FYE 31 December 2017 for a total cash consideration of RM20.3 million; and
- (b) sale of 100% of the issued and paid up capital of Kendo Trading's wholly-owned subsidiary, Jordon in the FPE 31 October 2018 for a total cash consideration of SGD20.1 million (equivalent to approximately RM59.6 million).

12.2.10 Financial risk management

We are exposed to markets risks arising from our operations and use of financial instruments. Our key market risk exposures are to fluctuations in commodity prices, interest rates and foreign currency exchange rates as described in Section 5 of this Prospectus.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Our exposure to credit risk arises primarily from our trade receivables and other financial assets such as other receivables.

Our policy is to enter into financial instruments with creditworthy counterparties and our portfolio of financial instruments is diversified across industry, product and geographical lines, mitigating any significant concentration of credit risk. All customers who wish to trade on credit terms are subject to credit verification procedures and we do not offer credit terms without the approval of our head of credit control.

As at 31 October 2018, we do not expect to incur material credit losses on our financial assets or other financial instruments.

(ii) Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortages of funds. Our exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. We monitor rolling forecasts of our liquidity requirements to ensure we have sufficient liquidity cash to meet our liabilities when they fall due. Specifically, our forecasting takes into consideration, among others, our debt financing plans, covenant compliance and compliance with internal statements of financial position ratio targets.

As at 31 October 2018, we had RM1,985.4 million in undiscounted financial liabilities due on demand or within one year.

12. FINANCIAL INFORMATION (Cont'd)**(iii) 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. We are exposed to foreign currency risk on sales and purchases, borrowings and bank balances that are denominated in a currency other than our respective functional currencies. The currencies giving rise to this risk are primarily RM, SGD, USD and IDR.

Transactions in foreign currencies are measured in our respective functional currencies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. We do not have a formal hedging policy with respect to foreign exchange exposure. Rather, we monitor foreign exchange exposure on an on-going basis and endeavour to keep net exposures to an acceptable level. If determined as necessary due to prevailing and anticipated conditions, we may also enter into short term forward foreign exchange contracts to hedge foreign currency risk.

The following table demonstrates the sensitivity of our net profit to a reasonably possible change in RM, SGD, USD and IDR against the respective functional currencies of the entities within our Group, with all other variables held constant.

	Increase/(decrease)				
	FYE 31 December			FPE 31 October	
	2015	2016	2017	2017	2018
	RM'000				
RM					
Strengthening of RM by 5%	(577)	117	414	190	198
Weakening of RM by 5%	577	(117)	(414)	(190)	(198)
SGD					
Strengthening of SGD by 5%	882	160	71	(38)	372
Weakening of SGD by 5%	(882)	(160)	(71)	38	(372)
USD					
Strengthening of USD by 5%	352	(3,298)	(1,384)	(13,997)	3,319
Weakening of USD by 5%	(352)	3,298	1,384	13,997	(3,319)
IDR					
Strengthening of IDR by 5%	72	(7)	15	7	6
Weakening of IDR by 5%	(72)	7	(15)	(7)	(6)

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Our variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

We target a mix of fixed and floating debt based on our assessment of our existing exposure and desired interest rate profile. We do not account for fixed rate financial assets and liabilities through profit or loss, and we do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect the profit and loss.

12. FINANCIAL INFORMATION (Cont'd)

12.2.11 Seasonality

The poultry industry is generally subject to seasonal fluctuations in demand and supply. Demand and supply conditions could in turn affect the prices of our products and cause our financial condition and results of operations to vary across calendar quarters.

Typically, poultry consumption is higher during the festive seasons such as Ramadan and Christmas, and poultry consumption is lowest during the period immediately following the month of Ramadan and Hari Raya. During the school holidays, we typically see an increase in sales in each of the jurisdictions where we operate, other than in Singapore, where sales are slightly lower. This seasonality may cause our net sales to vary across calendar quarters.

Further, while poultry grown in closed-houses are not affected by variations in the weather, poultry grown in open-houses are affected by such variations. When the weather is hotter, poultry tends to grow at a slower rate, thus reducing the supply to the market and increasing prices. In contrast, when the weather is cooler, poultry tends to grow at a faster rate, therefore increasing the supply to the market, which could depress prices.

We are also subject to seasonality in respect of our raw materials such as corn, where prices and supply are subject to the seasonal fluctuations of corn harvests.

12.2.12 Inflation

Inflation has not had a material impact on our results of operations in recent years.

12.2.13 Order book

Due to the nature of our business, we do not maintain an order book. See Section 7 of this Prospectus for further information on the nature of our business.

12.2.14 Prospects and trends

Save as disclosed in this section and in Sections 5, 7 and 8 of this Prospectus, and to the best of our Board's knowledge and belief, there are no other known factors, trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our business, financial condition and results of operations.

12.2.15 Significant changes

Save as disclosed in this Prospectus, no significant changes have occurred which may have a material effect on the financial position and results of our Group since the FPE 31 October 2018.

12.2.16 Impact of government, economics, fiscal and monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations, financial performance and prospects. For the FYEs 31 December 2015, 31 December 2016 and 31 December 2017, the FPE 31 October 2018 and up to the LPD, our results were not materially adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

For information on any government, economic, fiscal or monetary policies or factors which could materially affect our operations, see Section 5 of this Prospectus.

12.2.17 Accounting standards issued but not yet effective and not early adopted

For a description of accounting standards issued but not yet effective and not early adopted, see Section 12.2.4 of this Prospectus and Note 2.1.4 to the Accountants' Report included in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

12.2.18 Treasury policies and objectives

One of the main treasury responsibilities is to ensure that we have the liquidity and cash to meet our obligations as they fall due. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and borrowings from financial institutions. Using appropriate governance and policies, it is the responsibility of treasury to identify, quantify, monitor and control the risks (liquidity, interest, currency, credit, legal and regulatory) associated with these activities, using appropriate mitigation and hedging techniques.

We are exposed to currency exchange risk on sales and purchases, borrowings and bank balances that are denominated in a currency other than the respective functional currencies of the entities within our Group. The currencies giving rise to this risk are primarily RM, SGD, USD and IDR.

12.3 CAPITALISATION AND INDEBTEDNESS

The table below presents our capitalisation and indebtedness as at 28 February 2019 and on the assumption that our IPO, Listing and the use of proceeds from the Public Issue as set out in Section 4.6 of this Prospectus had occurred on 28 February 2019.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 28 February 2019 and is provided for illustrative purposes only.

	Unaudited as at 28 February 2019	After our IPO, Listing and Use of Proceeds
	RM'000	RM'000
Indebtedness		
Bank borrowings and lease liabilities		
Current		
Secured		
Bank overdrafts	49,717	49,717
Term loans	220,895	220,895
Revolving credits	20,000	20,000
Lease liabilities ⁽¹⁾	21,396	21,396
Unsecured		
Bankers' acceptances	423,450	423,450
Bank overdrafts	38,606	38,606
Term loans	46,239	46,239
Revolving credits	185,107	185,107
Trust receipts	244,697	244,697
Non-current		
Secured		
Term loans	814,760	814,760
Lease liabilities ⁽¹⁾	25,534	25,534
Unsecured		
Term loans	190,861	190,861
Total indebtedness	2,281,262	2,281,262
Equity attributable to owners of the Company⁽²⁾	1,342,694	1,606,262
Non-controlling interests	481,561	481,561
Total equity/capitalisation	1,824,255	2,087,823
Total capitalisation and indebtedness	4,105,517	4,369,085

Note:

⁽¹⁾ The LHI Group adopted MFRS 16 'Leases' on 1 January 2019 which supersedes MFRS 117 'Leases'. For the purpose of presenting the LHI Group's indebtedness, 'Lease liabilities' of the LHI Group comprise finance leases but exclude operating leases previously classified under MFRS 117. Finance lease liabilities of the LHI Group comprise hire purchase agreements entered with financial institutions to finance the acquisition of property, plant and equipment while operating leases of the LHI Group comprise primarily leases other than finance leases in relation to the lease of land and equipment.

⁽²⁾ The total listing expenses to be borne by us is estimated to be RM34,308,000, of which RM22,876,000 has been accrued and charged to the profit and loss of our Group as at 28 February 2019.

12. FINANCIAL INFORMATION (Cont'd)

12.4 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



The Board of Directors
 Leong Hup International Berhad
 3rd Floor, Wisma Westcourt,
 126, Jalan Kelang Lama,
 58000 Kuala Lumpur.

10 April 2019

PwC/EMG/SG/TEC/TW/fm/0321C

Dear Sirs,

Leong Hup International Berhad
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 October 2018 of Leong Hup International Berhad ("the Company") and its subsidiaries ("the Group") ("Pro Forma Consolidated Statements of Financial Position"). The Pro Forma Consolidated Statements of Financial Position which we have stamped for the purpose of identification, have been compiled by the Directors of the Company ("the Directors") for inclusion in the Prospectus to be issued by the Company in connection with the initial public offering of the ordinary shares in the Company ("IPO") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and are specified in paragraphs 9.18 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors, for illustrative purposes only, to show the effects of the transactions as set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position on the Group's audited consolidated statement of financial position presented had these transactions been effected at the date stated. As part of this process, information about the financial position of the Group has been extracted by the Directors from the Group's audited consolidated statement of financial position as at 31 October 2018.

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

12. FINANCIAL INFORMATION (Cont'd)



**The Board of Directors
Leong Hup International Berhad
PwC/EMG/SG/TEC/TW/fm/0321C
10 April 2019**

**Leong Hup International Berhad
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position
(continued)**

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility for the Pro Forma Consolidated Statements of Financial Position

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the International Auditing and Assurance Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

12. FINANCIAL INFORMATION (Cont'd)

**The Board of Directors
Leong Hup International Berhad
PwC/EMG/SG/TEC/TW/fm/0321C
10 April 2019**

**Leong Hup International Berhad
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position
(continued)**

**Reporting Accountants' Responsibility for the Pro Forma Consolidated Statements of
Financial Position (continued)**

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro Forma Consolidated Statements of Financial Position is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related Pro Forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating overall presentation of the Pro Forma Consolidated Statements of Financial Position.

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

12. FINANCIAL INFORMATION (Cont'd)



**The Board of Directors
Leong Hup International Berhad
PwC/EMG/SG/TEC/TW/fm/0321C
10 April 2019**

**Leong Hup International Berhad
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position
(continued)**

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position as at 31 October 2018 have been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other matter

This report is issued for the sole purpose of inclusion in the Prospectus to be issued by the Company in connection with the IPO and Listing and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the IPO and Listing.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Pricewaterhousecoopers PLT', written over a horizontal line.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Shirley Goh', written over a horizontal line.

SHIRLEY GOH
01778/08/2020 J
Chartered Accountant

Kuala Lumpur
10 April 2019

12. FINANCIAL INFORMATION (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 OCTOBER 2018



12. FINANCIAL INFORMATION (Cont'd)

Page 1

LEONG HUP INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Pro Forma Consolidated Statements of Financial Position ("SOFP") as at 31 October 2018 have been prepared for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Leong Hup International Berhad ("the Company") as at 31 October 2018 based on the assumption that the transactions set out in Note 5 had been effected on that date, and should be read in conjunction with the notes thereon.

	Audited	Pro Forma I	Pro Forma II
	Consolidated SOFP as at 31.10.2018	After the Pre-IPO Exercise	After Pro Forma I, IPO and Utilisation of Proceeds
	RM'000	RM'000	RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2,105,355	2,105,355	2,313,088
Investment properties	22,346	22,346	22,346
Land use rights	153,694	153,694	153,694
Intangible assets	97,029	97,029	97,029
Investment in associates	1,541	1,541	1,541
Deferred taxation	54,497	54,497	54,497
Tax recoverable	17,051	17,051	17,051
Total non-current assets	2,451,513	2,451,513	2,659,246
CURRENT ASSETS			
Biological assets	357,325	357,325	357,325
Inventories	589,967	589,967	589,967
Trade receivables	582,577	582,577	582,577
Other receivables, deposits and prepaid expenses	162,786	162,786	162,786
Amount due from ultimate holding company	21,247	21,247	21,247
Amounts due from fellow subsidiaries	1,485	1,485	1,485
Derivative financial assets	631	631	631
Tax recoverable	25,562	25,562	25,562
Cash and bank balances	525,724	525,724	562,771
Total current assets	2,267,304	2,267,304	2,304,351
TOTAL ASSETS	4,718,817	4,718,817	4,963,597



12. FINANCIAL INFORMATION (Cont'd)

Page 2

LEONG HUP INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Audited	Pro Forma I	Pro Forma II
	Consolidated SOFP as at 31.10.2018	After the Pre-IPO Exercise	After Pro Forma I, IPO and Utilisation of Proceeds
	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,230,132	1,230,132	1,497,177
Merger reserve	(658,787)	(658,787)	(658,787)
Reserves	704,039	704,039	700,562
Equity attributable to owners of the company	1,275,384	1,275,384	1,538,952
Non-controlling interests	438,874	438,874	438,874
TOTAL EQUITY	1,714,258	1,714,258	1,977,826
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	91,297	91,297	91,297
Finance lease liabilities	25,514	25,514	25,514
Bank borrowings	909,234	909,234	909,234
Post-employment benefits obligation	37,331	37,331	37,331
Total non-current liabilities	1,063,376	1,063,376	1,063,376
CURRENT LIABILITIES			
Trade payables	253,728	253,728	253,728
Other payables and accrued expenses	270,087	270,087	251,299
Amounts due to fellow subsidiaries	3,377	3,377	3,377
Finance lease liabilities	21,928	21,928	21,928
Bank borrowings	1,320,591	1,320,591	1,320,591
Derivative financial liabilities	84	84	84
Dividend payable	49,963	49,963	49,963
Tax payable	21,425	21,425	21,425
Total current liabilities	1,941,183	1,941,183	1,922,395
TOTAL LIABILITIES	3,004,559	3,004,559	2,985,771
TOTAL EQUITY AND LIABILITIES	4,718,817	4,718,817	4,963,597



12. FINANCIAL INFORMATION (Cont'd)

Page 3

LEONG HUP INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

Supplementary information

		Pro Forma I	Pro Forma II
	Consolidated SOPF as at 31.10.2018	After the Pre-IPO Exercise	After Pro Forma I, IPO and Utilisation of Proceeds
Number of shares ('000)	955	3,400,000	3,650,000
Net assets per share attributable to owners of the company (RM) ⁽¹⁾	1,335	0.38	0.42
Total borrowings (RM'000) ⁽²⁾	2,277,267	2,277,267	2,277,267
Cash and bank balances (RM'000)	525,724	525,724	562,771
Restricted cash (RM'000) ⁽³⁾	15,360	15,360	15,360
Available cash and bank balances (RM'000) ⁽⁴⁾	510,364	510,364	547,411
Total equity (RM'000)	1,714,258	1,714,258	1,977,826
Equity attributable to owners of the company (RM'000)	1,275,384	1,275,384	1,538,952
Gearing ratio (times) ⁽⁵⁾	1.33	1.33	1.15
Net gearing ratio (times) ⁽⁶⁾	1.03	1.03	0.87

Notes:

- (1) Net assets per share attributable to owners of the company is calculated as equity attributable to owners of the company divided by the number of shares in issue.
- (2) Total borrowings comprise current and non-current bank borrowings including bank overdraft and finance lease liabilities.
- (3) Restricted cash comprises fixed deposits pledged as collateral.
- (4) Available cash and bank balances is calculated as cash and bank balances less restricted cash.
- (5) Gearing ratio is calculated as total borrowings divided by total equity.
- (6) Net gearing ratio is calculated as total borrowings less available cash and bank balances divided by total equity.



12. FINANCIAL INFORMATION (Cont'd)

Page 4

LEONG HUP INTERNATIONAL BERHAD**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)****1. INTRODUCTION**

The Pro Forma Consolidated Statements of Financial Position of Leong Hup International Berhad ("the Company") and its subsidiaries ("the Group") as at 31 October 2018 (the "Pro Forma Consolidated SOFP") together with the notes thereon, of which the Directors are solely responsible, have been prepared for illustrative purposes for inclusion in the Prospectus to be issued by the Company in connection with the initial public offering of ordinary shares in the Company ("Shares") ("IPO") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

The Pro Forma Consolidated SOFP together with the notes thereon have been prepared based on the assumption that the transactions as set out in Note 5 were effected on 31 October 2018.

2. BASIS OF PREPARATION

The Pro Forma Consolidated SOFP as at 31 October 2018 have been prepared based on the audited consolidated statement of financial position of the Group as at 31 October 2018 which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of financial statements and accounting policies of the Group. The Board of Directors have approved the ESOS referred to in Note 4.3 below on 21 December 2018. Accordingly, the Group has also adopted the following accounting policy:

(a) Share-based payments - Employee options

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

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

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

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

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



12. FINANCIAL INFORMATION (Cont'd)

Page 5

LEONG HUP INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(a) Share-based payments - Employee options (continued)

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

The Pro Forma Consolidated SOFP as at 31 October 2018 have been prepared for illustrative purposes only to show the effects of the transactions as set out in Note 5 on the audited consolidated statement of financial position of the Group as at 31 October 2018 had the transactions been effected on 31 October 2018, and should be read in conjunction with the notes to the Pro Forma Consolidated SOFP. Such information, because of its hypothetical nature, does not give a true picture of the actual effects of the transactions or event on the financial information presented had the transaction or event occurred on 31 October 2018. Further, such information does not purport to predict the Group's future financial position.

3 PRE-IPO EXERCISE

The Company undertook and completed the following transactions prior to the IPO:

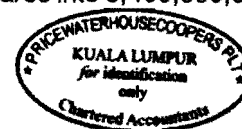
3.1 BONUS ISSUE

A bonus issue on a pro-rata basis to the Company's shareholders, calculated based on their respective shareholdings in the Company has been undertaken to allow the Company to fully utilise the former share premium of the Company under Section 618(3)(c) of the Companies Act 2016 (the "Act"), in accordance with Practice Note 1/2017 issued by the Companies Commission of Malaysia for the clarification on the utilisation of credit standing in the share premium accounts and capital redemption reserves under subsections 618(3) and 618(4) of the Act. The Shares issued pursuant to the Bonus Issue ("Bonus Shares") was wholly capitalised from the Company's share premium account at RM1.00 per Bonus Share. Based on the amount standing to the credit of the Company's share premium account of RM1,229,176,622 as at 31 October 2018, 1,229,176,622 Bonus Shares was issued. The Bonus Issue is renounceable. As such, the entitled shareholders to the Bonus Issue may accept or renounce their respective entitlements to the Bonus Shares in full or in part. Based on its shareholdings in the Company as at 31 October 2018, Emerging Glory Sdn. Bhd. was entitled to 946,465,999 Bonus Shares. However, Emerging Glory Sdn. Bhd. has renounced 249,933,374 Bonus Shares proportionately to its shareholders, being the founding family of the Company, which resulted in the founding family members holding the Shares directly.

The Bonus Issue was approved at the Extraordinary General Meeting on 11 January 2019. Accordingly, the total number of Shares in issue has increased from 955,370 Shares to 1,230,131,992 Shares.

3.2 SHARE SPLIT

As approved at the Extraordinary General Meeting on 11 January 2019, the Company undertook a subdivision of the Shares in issue after the Bonus Issue of 1,230,131,992 Shares into 3,400,000,000 Shares.



12. FINANCIAL INFORMATION (Cont'd)

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LEONG HUP INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

4 THE PROPOSALS

The IPO will be undertaken in conjunction with, and as an integral part of the Listing.

4.1 IPO

The IPO entails our initial public offering of up to 937,500,000 Shares, which comprises the following transactions:

(i) **Public Issue**

The Public Issue comprises an issuance of 250,000,000 new Shares ("Issue Shares"), representing approximately 6.85% of the Company's enlarged issued share capital at the indicative price of RM1.10 per Issue Share. The total gross proceeds from the Public Issue is RM275,000,000.

Upon completion of the Public Issue, the issued share capital of the Company will increase from RM1,230,131,992 comprising 3,400,000,000 Shares to RM1,505,131,992 comprising 3,650,000,000 Shares.

(ii) **Offer for Sale**

The Offer for Sale comprises an offer for sale of up to 687,500,000 Shares ("Offer Shares") by the existing shareholders of the Company ("Selling Shareholders"), representing approximately 18.84% of the Company's enlarged issued share capital at the indicative price of RM1.10 per Offer Share.

The Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of up to approximately RM756,250,000 will accrue entirely to the Selling Shareholders and will be utilised by the Selling Shareholders.

4.2 LISTING

Upon completion of the IPO, the Company shall be admitted to the Official List of the Main Market of Bursa Securities and the entire enlarged issued share capital of the Company of RM1,505,131,992 comprising 3,650,000,000 Shares shall be listed and quoted on the Main Market of Bursa Securities.



12. FINANCIAL INFORMATION (Cont'd)

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LEONG HUP INTERNATIONAL BERHAD**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)****4 THE PROPOSALS (CONTINUED)****4.3 EMPLOYEES' SHARE OPTION SCHEME ("ESOS")**

In conjunction with the Listing, the Company established the ESOS which involves the granting of ESOS Options ("the Options") to the eligible Directors and employees of the Group as set out in the By-Laws governing the ESOS ("By-Laws").

The Options shall be granted to the eligible Directors and employees of the Group and shall have the following key features:

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

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

As disclosed in Note 4.3(iii) above, the Options will only be vested from 1 July 2019 onwards. Accordingly, the Options granted at assumed Listing date of 31 October 2018 has no effect on the Pro Forma Consolidated SOFP as at 31 October 2018.

4.4 CONDITIONALITY

The IPO and the Listing are inter-conditional with respect to all relevant approvals being obtained as shown below:

- The implementation of the Listing is conditional upon the completion of the IPO; and
- The granting of the Options is conditional upon the completion of the Listing.



12. FINANCIAL INFORMATION (Cont'd)

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LEONG HUP INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

5 PRO FORMA ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

5.1 Pro Forma I

Pro Forma I incorporates the effects of Pre-IPO Exercise as set out in Note 3.

5.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I as set out in Note 5.1, the IPO as set out in Note 4.1 and the Utilisation of Proceeds as set out below:-

Utilisation of Proceeds:

The gross proceeds from the Public Issue of RM 275,000,000 is expected to be utilised as follows:-

No.	Details of utilisation	Estimated timeframe for utilisation from the date of the Listing	Amounts RM'000	Percentage of gross proceeds %
(a)	Capital expenditure	Within 24 months	207,733	75.5%
(b)	Estimated listing expenses ⁽ⁱ⁾	Within 3 months	34,308	12.5%
(c)	Working capital	Within 6 months	32,959	12.0%
	Total		275,000	100.0%

(i) The total listing expenses to be borne by the Company is estimated to be RM34,308,000, of which RM22,876,000 has been accrued and charged to the profit or loss of the Group out of which RM4,088,000 has been paid as of 31 October 2018. The balance amounting to RM30,220,000 will be paid after 31 October 2018.

The estimated expenses of RM7,955,000 directly attributable to the Public Issue will be debited against the share capital of the Company upon completion of the IPO and the remaining estimated expenses of RM3,477,000 will be charged to the profit or loss.

The Selling Shareholders will bear the placement, brokerage and incentive fees in relation to the Offer for Sale of up to 687,500,000 Offer Shares.



12. FINANCIAL INFORMATION (Cont'd)

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LEONG HUP INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

6 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

6.1 Property, plant and equipment

The movement in property, plant and equipment within non-current assets is as follows:

	RM'000
Audited as at 31 October 2018	2,105,355
Add: Capital expenditure (Note 5.2(a))	207,733
Per Pro Forma Consolidated SOFP II	<u>2,313,088</u>

6.2 Cash and bank balances

The movements in cash and bank balances within current assets are as follows:

	RM'000
Audited as at 31 October 2018	525,724
Add: Proceeds from the Public Issue (Notes 4.1(i) and 5.2)	275,000
Less: Capital expenditure (Note 5.2(a))	(207,733)
Less: Estimated listing expenses to be paid after 31 October 2018 (Notes 5.2(b)(i))	(30,220)
Per Pro Forma Consolidated SOFP II	<u>562,771</u>

6.3 Share capital

The movements in share capital are as follows:

	Number of shares '000	RM'000
Audited as at 31 October 2018	955	1,230,132
Add: Effect of Bonus Issue (Note 3.1)	1,229,177	-
Add: Effect of Share Split (Note 3.2)	2,169,868	-
Per Pro Forma Consolidated SOFP I	<u>3,400,000</u>	<u>1,230,132</u>
Add: Effect of Public Issue (Note 4.1(i))	250,000	275,000
Less: Estimated expenses directly attributable to the Public Issue (Note 5.2(b)(i))	-	(7,955)
Per Pro Forma Consolidated SOFP II	<u>3,650,000</u>	<u>1,497,177</u>

6.4 Reserves

The movement in reserves within equity is as follows:

	RM'000
Audited as at 31 October 2018	704,039
Less: Estimated listing expenses (Note 5.2(b)(i))	(3,477)
Per Pro Forma Consolidated SOFP II	<u>700,562</u>



12. FINANCIAL INFORMATION (Cont'd)

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LEONG HUP INTERNATIONAL BERHAD**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)****6 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

6.5 Other payables and accrued expenses

The movement in other payables and accrued expenses within current liabilities is as follows:

	RM'000
Audited as at 31 October 2018	270,087
Less: Estimated listing expenses paid after 31 October 2018 (Note 5.2(b)(i))	<u>(18,788)</u>
Per Pro Forma Consolidated SOFP II	<u>251,299</u>



12. FINANCIAL INFORMATION (Cont'd)

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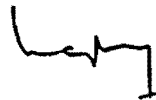
LEONG HUP INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

7 APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Leong Hup International Berhad and dated on 10 April 2019.

On behalf of the Board



DATO' LAU ENG GUANG
DIRECTOR



TAN SRI LAU TUANG NGUANG
DIRECTOR



12. FINANCIAL INFORMATION (Cont'd)

12.5 DIVIDEND POLICY

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to consider various factors including:

- (i) the level of our cash, gearing, debt profile, return on equity and retained earnings;
- (ii) our expected financial performance;
- (iii) our projected levels of capital expenditure and other growth/investment plans;
- (iv) applicable restrictive covenants under our financing documents; and
- (v) our working capital requirements.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries, joint ventures and associated company. Distributions by our subsidiaries, joint ventures and associated company will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors such as exchange controls.

We target a payout ratio of approximately 30.0% of our net profit attributable to the owners of our Company of each fiscal year on a consolidated basis after taking into account working capital and maintenance capital requirements, subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Save for certain banking restrictive covenants which our subsidiaries are subject to, there are no dividend restrictions imposed on our subsidiaries as at the LPD.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 5 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.

12. FINANCIAL INFORMATION (Cont'd)

The dividends paid to our shareholders for the past three financial years and up to the LPD are as follows:

	Dividends paid	PATAMI	Dividend payout ratio
	RM'000	RM'000	%
<u>2016</u>			
In respect of the FYE 31 December 2015	17,200	109,805	15.7
<u>2017</u>			
In respect of the FYE 31 December 2016	38,400	182,475	21.0
<u>2018</u>			
In respect of the FYE 31 December 2017	58,000	192,573	30.1

There were no dividends declared and/or paid to our shareholders from 1 January 2019 up to the LPD.

13. ACCOUNTANTS' REPORT



The Board of Directors
Leong Hup International Berhad
3rd floor, Wisma Westcourt
126, Jalan Kelang Lama
58000 Kuala Lumpur

10 April 2019

PwC/SG/TEC/TW/sw/0322C

Dear Sirs,

Reporting Accountants' Opinion on the Consolidated Financial Information contained in the Accountants' Report of Leong Hup International Berhad

We have audited the accompanying consolidated financial information of Leong Hup International Berhad (the "Company") and its subsidiaries (the "Group") as contained in the Accountants' Report, which comprise the consolidated statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 October 2018, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the financial period ended 31 October 2018, and a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 150.

Directors' Responsibility for the Consolidated Financial Information

The Directors of the Company are responsible for the preparation of the consolidated financial information contained in the Accountants' Report for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and the consolidated financial information for the financial period ended 31 October 2018 so as to give a true and fair view in accordance with Malaysian Financial Reporting Standard 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting". The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial information that are free from material misstatement, whether due to fraud or error.

13. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Leong Hup International Berhad
PwC/SG/TEC/TW/sw/0322C
10 April 2019**

Reporting Accountants' Opinion on the Consolidated Financial Information contained in the Accountants' Report of Leong Hup International Berhad (continued)

Reporting Accountants' Responsibility for the Audit of the Consolidated Financial Information

Our responsibility is to express an opinion on these consolidated financial information based on our audit. We conducted our work in accordance with the approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial information. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated financial information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial information 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial information.

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

Opinion

In our opinion, the consolidated financial information contained in the Accountants' Report gives a true and fair view of the financial positions of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017 and of its financial performance and cash flows for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and of its financial position as at 31 October 2018 and of its financial performance and cash flows for the financial period ended 31 October 2018 in accordance with Malaysian Financial Reporting Standard 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting".

13. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Leong Hup International Berhad
PwC/SG/TEC/TW/sw/0322C
10 April 2019**

Reporting Accountants' Opinion on the Consolidated Financial Information contained in the Accountants' Report of Leong Hup International Berhad (continued)

Other Matters

The comparative information for the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows and related explanatory notes for the financial period ended 31 October 2017 has not been audited.

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC"), we also report that the significant subsequent events identified by the Group since 31 October 2018 to the date of this opinion are as disclosed in Note 2.45 to the consolidated financial information.

This opinion has been prepared solely to comply with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the SC and for inclusion in the Prospectus of the Company in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad, and should not be relied on for any other purposes.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SHIRLEY GOH
01778/08/2020 J
Chartered Accountant

Kuala Lumpur
10 April 2019

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS**1.1 GENERAL INFORMATION**

Leong Hup International Berhad ("Leong Hup International" or "the Company") was incorporated as a private limited liability company in Malaysia on 23 June 2014 under the name of Octagon Bliss Sdn Bhd and the Company changed its name to Leong Hup International Sdn Bhd on 10 July 2014. On 17 August 2018, the Company was converted to a public limited liability company and assumed the name of Leong Hup International Berhad.

This Accountants' Report comprises the consolidated financial information of Leong Hup International Berhad and its subsidiaries, collectively known as "the Group" which includes the consolidated statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 October 2018, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the financial period ended 31 October 2018, and a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 150.

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

The principal activities of the Group are the production and distribution of breeder and broiler day-old-chick, broiler chickens, eggs, animal feeds, animal health products and consumer food products. There have been no significant changes in the nature of these activities during the financial years/period reported in the Accountants' Report.

The address of the principal place of business and registered office is as follows:

Principal place of business

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

Registered office

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

The consolidated financial information of the Group for the financial period ended 31 October 2017 as shown in the financial statements is unaudited and presented purely for comparative purposes only.

No audited consolidated financial statements of Leong Hup International Berhad have been prepared in respect of any period subsequent to 31 October 2018.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS**1.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Financial years ended			10 months financial period ended	
		31.12.2015	31.12.2016	31.12.2017	31.10.2018	31.10.2017
		Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Unaudited RM'000
Revenue	2.3	4,714,566	5,257,390	5,501,364	4,690,295	4,568,075
Other income		47,731	27,282	29,953	29,754	28,326
Change in biological assets		13,474	25,692	18,795	50,233	24,467
Change in closing inventories		5,364	52,071	(7,509)	86,054	(14,599)
Purchases of inventories and livestock		(3,339,839)	(3,582,084)	(3,835,415)	(3,319,362)	(3,193,198)
Employee benefit costs including Directors' remuneration	2.4	(412,179)	(469,480)	(504,176)	(431,441)	(429,499)
Depreciation of: Property, plant and equipment	2.9	(144,438)	(168,893)	(188,892)	(156,902)	(159,394)
Investment properties	2.10	(2,038)	(2,746)	(255)	(211)	(219)
Amortisation of: Land use rights	2.11	(816)	(22,178)	(7,124)	(5,527)	(6,000)
Intangible assets	2.12	(2,538)	(3,084)	(2,855)	(346)	(2,492)
Utilities costs		(112,993)	(116,845)	(130,879)	(109,666)	(103,313)
Repair and maintenance		(47,471)	(57,015)	(62,244)	(60,167)	(54,095)
Transportation expenses		(75,277)	(77,285)	(80,298)	(69,049)	(68,506)
Other expenses		(332,241)	(412,934)	(346,482)	(324,896)	(282,670)
Profit from operations	2.5	311,305	449,891	383,983	378,769	306,883
Finance costs	2.6	(95,188)	(103,031)	(92,184)	(87,898)	(76,388)
Share of profit of associates	2.14	482	446	468	412	319
Profit before tax		216,599	347,306	292,267	291,283	230,814
Tax expense	2.7	(50,568)	(77,260)	(44,859)	(71,495)	(31,953)
Net profit for the financial year/period		166,031	270,046	247,408	219,788	198,861

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Financial years ended			10 months financial period ended	
		31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Other comprehensive income:						
Item that will be subsequently reclassified to profit or loss:						
Currency translation differences		85,704	57,352	(104,944)	(42,559)	(53,480)
		<u>85,704</u>	<u>57,352</u>	<u>(104,944)</u>	<u>(42,559)</u>	<u>(53,480)</u>
Items that will not be subsequently reclassified to profit or loss:						
Remeasurement of post-employment benefit obligation	2.29	(1,260)	(481)	(2,917)	1,009	(2,636)
Income tax relating to remeasurement of post-employment benefit obligation	2.7	279	96	625	(247)	547
		<u>(981)</u>	<u>(385)</u>	<u>(2,292)</u>	<u>762</u>	<u>(2,089)</u>
Other comprehensive income/ (loss) for the financial year/period		<u>84,723</u>	<u>56,967</u>	<u>(107,236)</u>	<u>(41,797)</u>	<u>(55,569)</u>
Total comprehensive income for the financial year/period		<u>250,754</u>	<u>327,013</u>	<u>140,172</u>	<u>177,991</u>	<u>143,292</u>
Profit for the financial year/ period attributable to:						
Owners of the company		109,805	182,475	192,573	174,278	159,730
Non-controlling interests		56,226	87,571	54,835	45,510	39,131
		<u>166,031</u>	<u>270,046</u>	<u>247,408</u>	<u>219,788</u>	<u>198,861</u>
Total comprehensive income attributable to:						
Owners of the company		161,645	219,349	109,989	148,802	119,117
Non-controlling interests		89,109	107,664	30,183	29,189	24,175
		<u>250,754</u>	<u>327,013</u>	<u>140,172</u>	<u>177,991</u>	<u>143,292</u>
Basic and diluted earnings per share (sen)	2.8	<u>3.23</u>	<u>5.37</u>	<u>5.66</u>	<u>5.13</u>	<u>4.70</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	As at 31.12.2017 Audited RM'000	As at 31.10.2018 Audited RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	2.9	1,814,564	1,952,936	2,045,801	2,105,355
Investment properties	2.10	55,408	51,752	22,557	22,346
Land use rights	2.11	119,888	132,615	141,710	153,694
Intangible assets	2.12	109,376	108,600	106,475	97,029
Investment in associates	2.14	1,575	1,621	1,633	1,541
Deferred tax assets	2.15	37,810	43,188	64,457	54,497
Tax recoverable	2.7	17,739	20,868	28,271	17,051
Total non-current assets		2,156,360	2,311,580	2,410,904	2,451,513
CURRENT ASSETS					
Biological assets	2.16	277,229	311,019	313,270	357,325
Inventories	2.17	480,976	547,051	516,833	589,967
Trade receivables	2.18	483,763	526,295	563,990	582,577
Other receivables, deposits and prepaid expenses	2.19	136,347	148,854	132,085	162,786
Amount due from ultimate holding company	2.20	7,298	7,297	20,331	21,247
Amounts due from fellow subsidiaries	2.21	27	19	725	1,485
Derivative financial assets	2.22	401	1	-	631
Tax recoverable	2.7	26,802	36,022	16,928	25,562
Cash and bank balances	2.23	466,048	412,978	502,411	525,724
Total current assets		1,878,891	1,989,536	2,066,573	2,267,304
TOTAL ASSETS		4,035,251	4,301,116	4,477,477	4,718,817

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

	Note	As at		As at	
		31.12.2015	31.12.2016	31.12.2017	
		Audited	Audited	Audited	
		RM'000	RM'000	RM'000	
				31.10.2018	
				Audited	
				RM'000	
EQUITY AND LIABILITIES					
EQUITY					
Share capital	2.24	955	955	1,230,132	1,230,132
Share premium	2.24	1,229,177	1,229,177	-	-
Merger reserve	2.25	(658,778)	(658,778)	(658,787)	(658,787)
Reserves	2.26	541,127	743,276	614,300	704,039
Equity attributable to owners of the company		1,112,481	1,314,630	1,185,645	1,275,384
Non-controlling interests		582,090	675,755	456,377	438,874
Total equity		1,694,571	1,990,385	1,642,022	1,714,258
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	2.15	87,732	87,989	83,754	91,297
Finance lease liabilities	2.27	19,349	24,623	29,181	25,514
Bank borrowings	2.28	499,907	419,021	745,254	909,234
Post-employment benefits obligation	2.29	24,147	31,975	36,943	37,331
Total non-current liabilities		631,135	563,608	895,132	1,063,376
CURRENT LIABILITIES					
Trade payables	2.30	284,139	257,610	242,221	253,728
Other payables and accrued expenses	2.31	218,264	265,097	256,688	270,087
Amounts due to fellow subsidiaries	2.32	3,726	3,311	3,870	3,377
Finance lease liabilities	2.27	14,778	17,370	20,466	21,928
Bank borrowings	2.28	1,177,053	1,171,409	1,398,615	1,320,591
Derivative financial liabilities	2.22	3,073	-	1,136	84
Dividend payables	2.33	-	-	-	49,963
Tax payable		8,512	32,326	17,327	21,425
Total current liabilities		1,709,545	1,747,123	1,940,323	1,941,183
TOTAL LIABILITIES		2,340,680	2,310,731	2,835,455	3,004,559
TOTAL EQUITY AND LIABILITIES		4,035,251	4,301,116	4,477,477	4,718,817

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to owners of the company RM'000	Non-controlling interests RM'000	Total equity RM'000
<u>Audited</u>									
<u>Group</u>									
At 1 January 2015		955	1,229,177	(658,778)	11,842	396,645	979,841	471,256	1,451,097
Comprehensive income:									
Net profit for the financial year		-	-	-	-	109,805	109,805	56,226	166,031
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		-	-	-	-	(930)	(930)	(51)	(981)
Exchange translation differences		-	-	-	52,770	-	52,770	32,934	85,704
Total other comprehensive income		-	-	-	52,770	(930)	51,840	32,883	84,723
Total comprehensive income		-	-	-	52,770	108,875	161,645	89,109	250,754
Transactions with owners:									
Dividends paid	2.33	-	-	-	-	(28,661)	(28,661)	(12,192)	(40,853)
Disposal of non-controlling interest		-	-	-	-	-	-	264	264
Share buy back from non-controlling interest		-	-	-	-	-	-	(375)	(375)
Acquisition of non-controlling interests	2.35	-	-	-	-	(344)	(344)	(977)	(1,321)
Rights issue of share by a subsidiary to non-controlling interest	2.35	-	-	-	-	-	-	35,005	35,005
		-	-	-	-	(29,005)	(29,005)	21,725	(7,280)
At 31 December 2015		955	1,229,177	(658,778)	64,612	476,515	1,112,481	582,090	1,694,571

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to owners of the company RM'000	Non- controlling interests RM'000	Total equity RM'000
<u>Audited</u>									
<u>Group</u>									
At 1 January 2016		955	1,229,177	(658,778)	64,612	476,515	1,112,481	582,090	1,694,571
Comprehensive income:									
Net profit for the financial year		-	-	-	-	182,475	182,475	87,571	270,046
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		-	-	-	-	(385)	(385)	-	(385)
Exchange translation differences		-	-	-	37,259	-	37,259	20,093	57,352
Total other comprehensive income		-	-	-	37,259	(385)	36,874	20,093	56,967
Total comprehensive income		-	-	-	37,259	182,090	219,349	107,664	327,013
Transactions with owners:									
Dividends paid	2.33	-	-	-	-	(17,200)	(17,200)	(15,085)	(32,285)
Issuance of ordinary shares by subsidiaries to non-controlling interests		-	-	-	-	-	-	2,923	2,923
Acquisition of non-controlling interests	2.35	-	-	-	-	-	-	(1,837)	(1,837)
		-	-	-	-	(17,200)	(17,200)	(13,999)	(31,199)
At 31 December 2016		955	1,229,177	(658,778)	101,871	641,405	1,314,630	675,755	1,990,385

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to owners of the company RM'000	Non-controlling interests RM'000	Total equity RM'000
<u>Audited</u>									
<u>Group</u>									
At 1 January 2017		955	1,229,177	(658,778)	101,871	641,405	1,314,630	675,755	1,990,385
Transition to no par value regime	2.24	1,229,177	(1,229,177)	-	-	-	-	-	-
Comprehensive income:									
Net profit for the financial year		-	-	-	-	192,573	192,573	54,835	247,408
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		-	-	-	-	(2,252)	(2,252)	(40)	(2,292)
Exchange translation differences		-	-	-	(80,332)	-	(80,332)	(24,612)	(104,944)
Total other comprehensive income		-	-	-	(80,332)	(2,252)	(82,584)	(24,652)	(107,236)
Total comprehensive income		-	-	-	(80,332)	190,321	109,989	30,183	140,172
Transactions with owners:									
Dividends paid	2.33	-	-	-	-	(38,400)	(38,400)	(20,028)	(58,428)
Acquisition of subsidiary companies		-	-	(9)	-	-	(9)	(4)	(13)
Acquisition of non-controlling interests	2.35	-	-	-	(373)	(200,192)	(200,565)	(257,992)	(458,557)
Issuance of ordinary shares by subsidiaries to non-controlling interests	2.35	-	-	-	-	-	-	28,463	28,463
		-	-	(9)	(373)	(238,592)	(238,974)	(249,561)	(488,535)
At 31 December 2017		1,230,132	-	(658,787)	21,166	593,134	1,185,645	456,377	1,642,022

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to owners of the company RM'000	Non-controlling interests RM'000	Total equity RM'000
<u>Audited</u>									
<u>Group</u>									
At 1 January 2018		1,230,132	-	(658,787)	21,166	593,134	1,185,645	456,377	1,642,022
Comprehensive income:									
Net profit for the financial period		-	-	-	-	174,278	174,278	45,510	219,788
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		-	-	-	-	724	724	38	762
Exchange translation differences		-	-	-	(21,522)	-	(21,522)	(16,359)	(37,881)
Recycling of exchange translation differences on disposal of subsidiary		-	-	-	(4,678)	-	(4,678)	-	(4,678)
Total other comprehensive income		-	-	-	(26,200)	724	(25,476)	(16,321)	(41,797)
Total comprehensive income		-	-	-	(26,200)	175,002	148,802	29,189	177,991
Transactions with owners:									
Dividends paid/payable	2.33	-	-	-	-	(58,000)	(58,000)	(37,179)	(95,179)
Acquisition of non-controlling interests	2.35	-	-	-	-	(1,063)	(1,063)	(9,513)	(10,576)
		-	-	-	-	(59,063)	(59,063)	(46,692)	(105,755)
At 31 October 2018		1,230,132	-	(658,787)	(5,034)	709,073	1,275,384	438,874	1,714,258

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****1.4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total attributable to owners of the company RM'000	Non-controlling interests RM'000	Total equity RM'000
<u>Unaudited</u>									
<u>Group</u>									
At 1 January 2017		955	1,229,177	(658,778)	101,871	641,405	1,314,630	675,755	1,990,385
Transition to no par value regime	2.24	1,229,177	(1,229,177)	-	-	-	-	-	-
Comprehensive income:									
Net profit for the financial period		-	-	-	-	159,730	159,730	39,131	198,861
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		-	-	-	-	(2,089)	(2,089)	-	(2,089)
Exchange translation differences		-	-	-	(38,524)	-	(38,524)	(14,956)	(53,480)
Total other comprehensive income		-	-	-	(38,524)	(2,089)	(40,613)	(14,956)	(55,569)
Total comprehensive income		-	-	-	(38,524)	157,641	119,117	24,175	143,292
Transactions with owners:									
Dividends paid	2.33	-	-	-	-	(38,400)	(38,400)	(18,927)	(57,327)
Acquisition of subsidiary companies	2.35	-	-	(9)	-	-	(9)	(4)	(13)
Acquisition of non-controlling interests	2.35	-	-	-	-	(2,542)	(2,542)	(9,887)	(12,429)
Issuance of ordinary shares by a subsidiary to non-controlling interests	2.35	-	-	-	-	-	-	2,400	2,400
		-	-	(9)	-	(40,942)	(40,951)	(26,418)	(67,369)
At 31 October 2017		1,230,132	-	(658,787)	63,347	758,104	1,392,796	673,512	2,066,308

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	Financial years ended			10 months financial period ended	
		31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		216,599	347,306	292,267	291,283	230,814
Adjustments for:						
Expense recognised in respect of defined benefit plan	2.29	4,514	5,807	7,126	5,525	5,661
Depreciation of:						
- property, plant and equipment		144,438	168,893	188,892	156,902	159,394
- investment properties		2,038	2,746	255	211	219
Amortisation of:						
- land use rights		816	22,178	7,124	5,527	6,000
- intangible assets		2,538	3,084	2,855	346	2,492
Property, plant and equipment written off		2,140	5,223	1,997	1,698	1,348
Investment property written off		-	754	2	-	2
Bad debts written off		147	328	5	88	5
Bad debts recovered		-	-	-	(185)	-
(Gain)/loss on disposal of:						
- property, plant and equipment		(935)	232	(93)	(719)	915
- land use rights		-	-	490	(200)	-
- other investment		(129)	137	-	-	-
- a subsidiary		-	-	-	(78)	-
Unrealised loss/(gain) on foreign exchange		4,081	4,304	350	(635)	(389)
Share of profit of associates		(482)	(446)	(468)	(412)	(319)
Write off of Value Added Tax receivable		-	-	-	9,789	-
Impairment loss on property, plant and equipment		-	3,055	1,483	-	-
Impairment loss/(reversal of impairment loss) on:						
- trade receivables	2.18	2,354	13,575	1,824	479	(983)
- other receivables	2.19	3,364	(92)	(1,682)	-	(1,587)
Fair value loss/(gain) on derivative financial instruments		2,584	(2,673)	1,137	(1,683)	(611)
Dividend income		(173)	(57)	-	-	-
Interest income		(4,849)	(3,434)	(6,501)	(7,097)	(4,697)
Finance costs		95,188	103,031	92,184	87,898	76,388
		474,233	673,951	589,247	548,737	474,652
Changes in working capital:						
Biological assets		(30,854)	(33,790)	(2,251)	(50,233)	(24,467)
Inventories		(32,043)	(66,065)	27,254	(86,054)	14,599
Receivables		(110,201)	(92,790)	(25,750)	(103,025)	(7,376)
Payables		17,966	23,051	12,117	52,525	(16,038)
Cash generated from operations		319,101	504,357	600,617	361,950	441,370
Tax paid		(18,300)	(72,386)	(76,227)	(64,320)	(71,911)
Net cash flow from operating activities		300,801	431,971	524,390	297,630	369,459

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Financial years ended			10 months financial period ended	
		31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Repayment from:						
- ultimate holding company		7,285	15	7,297	-	7,297
- related parties		-	23,901	-	26,878	-
Advances to related parties		-	-	(13,357)	(13,639)	(13,357)
Proceeds from disposal of:						
- property, plant and equipment		2,519	5,048	5,214	2,988	1,740
- land use rights		-	-	1,927	357	-
- other investments		8,802	-	-	-	-
Proceeds from partial disposal to non-controlling interests		264	-	-	-	-
Dividend income received from:						
- an associate		600	400	456	504	456
- other investments		173	57	-	-	-
Interest income received		4,849	3,434	6,501	6,182	4,697
Additions of:						
- property, plant and equipment	2.9	(304,472)	(251,477)	(336,140)	(266,152)	(250,730)
- investment properties	2.10	(2,392)	(168)	(51)	-	(51)
- land use rights	2.11	(38,263)	(28,935)	(31,939)	(25,398)	(22,602)
- intangible assets	2.12	(2,283)	(1,079)	-	-	-
Share buy back from non-controlling interest		(375)	-	-	-	-
Acquisition of subsidiaries	2.35	(28,004)	-	(5,394)	-	(5,394)
Disposal of subsidiary	2.36	-	-	(2,373)	5,771	(2,373)
(Increase)/Decrease in fixed deposits pledged		(1,347)	(7,906)	1,197	(3,920)	(3,535)
Net cash flow from investing activities		(352,644)	(256,710)	(366,662)	(266,429)	(283,852)

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Financial years ended			10 months financial period ended	
		31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of shares by subsidiaries to non-controlling interest		-	2,923	-	-	-
Acquisition of non-controlling interest		(1,320)	(1,837)	(458,184)	(10,576)	(12,429)
Finance costs paid		(94,762)	(102,623)	(91,882)	(87,555)	(76,090)
Repayment of advances from related parties		-	(6,839)	-	-	-
Dividends paid to:						
- shareholders		(28,661)	(17,200)	(38,400)	(11,552)	(38,400)
- non-controlling interests		(12,192)	(15,085)	(20,028)	(3,215)	(18,927)
Proceed from rights issue of shares to non-controlling interest		35,005	-	-	-	-
Repayment of finance lease liabilities		(17,742)	(7,420)	(13,288)	(19,976)	(10,096)
Drawdown of term loans		312,562	140,345	519,981	419,529	50,559
Repayment of term loans		(111,424)	(189,159)	(220,032)	(192,278)	(165,767)
Net drawdown/(repayment) of short term borrowings		144,473	(63,705)	249,938	(77,116)	264,783
Net cash flow from financing activities		225,939	(260,600)	(71,895)	17,261	(6,367)
CASH AND CASH EQUIVALENTS						
Net movement		174,096	(85,339)	85,833	48,462	79,240
At beginning of financial year/period		280,599	422,245	333,189	427,424	333,189
Effect of exchange translation differences		(32,450)	(3,717)	8,402	(5,437)	6,830
At end of financial year/period	2.23	422,245	333,189	427,424	470,449	419,259

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	<u>At 1.1.2015</u> RM'000	Cash flow (including <u>interest paid</u>)* RM'000	Non-cash changes				<u>At</u> <u>31.12.2015</u> RM'000
			<u>Interest accretion</u> RM'000	<u>Foreign exchange movement</u> RM'000	<u>New leases</u> RM'000	<u>Disposal of a subsidiary</u> RM'000	
<u>Audited</u>							
Term loans	497,074	136,527	64,611	(5,502)	-	-	692,710
Short term borrowings	800,705	116,837	27,636	-	-	-	945,178
Finance lease liabilities	27,197	(18,912)	1,170	(400)	25,072	-	34,127
	<u>1,324,976</u>	<u>234,452</u>	<u>93,417</u>	<u>(5,902)</u>	<u>25,072</u>	<u>-</u>	<u>1,672,015</u>

	<u>At 1.1.2016</u> RM'000	Cash flow (including <u>interest paid</u>)* RM'000	Non-cash changes				<u>At</u> <u>31.12.2016</u> RM'000
			<u>Interest accretion</u> RM'000	<u>Foreign exchange movement</u> RM'000	<u>New leases</u> RM'000	<u>Disposal of a subsidiary</u> RM'000	
<u>Audited</u>							
Term loans	692,710	(97,938)	49,124	(2,091)	-	-	641,805
Short term borrowings	945,178	(94,477)	30,772	-	-	-	881,473
Finance lease liabilities	34,127	(9,438)	2,018	(357)	15,643	-	41,993
	<u>1,672,015</u>	<u>(201,853)</u>	<u>81,914</u>	<u>(2,448)</u>	<u>15,643</u>	<u>-</u>	<u>1,565,271</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

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(Company No. 1098663 - D)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)**

	<u>At 1.1.2017</u> RM'000	Cash flow (including interest paid)* RM'000	Non-cash changes			<u>At</u> <u>31.12.2017</u> RM'000	
			<u>Interest accretion</u> RM'000	<u>Foreign exchange movement</u> RM'000	<u>New leases</u> RM'000		<u>Disposal of a subsidiary</u> RM'000
Audited							
Term loans	641,805	257,728	42,221	13,089	-	(5,932)	948,911
Short term borrowings	881,473	205,690	44,248	-	-	-	1,131,411
Finance lease liabilities	41,993	(15,924)	2,636	232	25,845	(5,135)	49,647
	<u>1,565,271</u>	<u>447,494</u>	<u>89,105</u>	<u>13,321</u>	<u>25,845</u>	<u>(11,067)</u>	<u>2,129,969</u>
	<u>At 1.1.2017</u> RM'000	Cash flow (including interest paid)* RM'000	<u>Interest accretion</u> RM'000	<u>Foreign exchange movement</u> RM'000	<u>New leases</u> RM'000	<u>Disposal of a subsidiary</u> RM'000	<u>At</u> <u>31.10.2017</u> RM'000
Unaudited							
Term loans	641,805	(148,313)	33,105	(18,272)	-	(5,932)	502,393
Short term borrowings	881,473	226,530	38,253	-	-	-	1,146,256
Finance lease liabilities	41,993	(12,254)	2,158	-	22,086	(5,135)	48,848
	<u>1,565,271</u>	<u>65,963</u>	<u>73,516</u>	<u>(18,272)</u>	<u>22,086</u>	<u>(11,067)</u>	<u>1,697,497</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	<u>At 1.1.2018</u> RM'000	Cash flow (including interest paid)* RM'000	Non-cash changes				<u>At</u> <u>31.10.2018</u> RM'000
			<u>Interest</u> <u>accretion</u> RM'000	<u>Foreign</u> <u>exchange</u> <u>movement</u> RM'000	<u>New leases</u> RM'000	<u>Disposal of</u> <u>a subsidiary</u> RM'000	
<u>Audited</u>							
Term loans	948,911	185,143	42,108	(21,682)	-	(2,963)	1,151,517
Short term borrowings	1,131,411	(118,669)	41,553	(15,902)	-	-	1,038,393
Finance lease liabilities	49,647	(22,350)	2,374	(74)	17,845	-	47,442
	<u>2,129,969</u>	<u>44,124</u>	<u>86,035</u>	<u>(37,658)</u>	<u>17,845</u>	<u>(2,963)</u>	<u>2,237,352</u>

* Cash flow includes interest paid on borrowings other than bank overdraft.

Non-cash transactions are disclosed in Note 2.35 to the financial statements.

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LEONG HUP INTERNATIONAL BERHAD

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1.1 Basis of preparation

The financial statements of the Group for the financial year ended 31 December 2015, 31 December 2016 and 31 December 2017 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the interim financial statements of the Group for the ten months period ended 31 October 2018 have been prepared in accordance with MFRS 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting".

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2.

The Group has also considered the new accounting pronouncements in the preparation of the financial statements.

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

The Group has applied the following amendments for the first time for the financial period beginning on 1 January 2018:

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

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

2.1.3 Standards early adopted by the Group

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.4 Standards and amendments that have been issued but not yet effective and not early adopted

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

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

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

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

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

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

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

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

- Total assets and total liabilities of the Group are expected to increase by approximately RM91 million respectively due to the recognition of right-of-use asset and lease liabilities relating to leases other than short-term leases and leases of low-value;
- Everything else held constant, the rental expense is expected to decrease by approximately RM14 million while the amortisation of right-of use asset and interest expense are expected to increase by approximately RM16 million, the net difference of approximately RM2 million for the FYE 31 December 2019 will not have material impact on the basic and diluted earnings per share of the Group;
- Everything else held constant, EBITDA of the Group is expected to improve by approximately RM14 million as the rental expense was charged against EBITDA line under MFRS 117, while the amortisation charge and interest expense will be excluded from the EBITDA line under MFRS 16.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.4 Standards and amendments that have been issued but not yet effective and not early adopted (continued)**

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

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

IC Interpretation 23 will be applied retrospectively.

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

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

The amendments shall be applied retrospectively.

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

The amendments will be applied retrospectively.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.4 Standards and amendments that have been issued but not yet effective and not early adopted (continued)**

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
 - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
 - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
 - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- Amendments to MFRS 119 'Plan amendment, curtailment or settlement' (effective from 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

The adoption of these new accounting standards or amendments to standards and interpretations do not have material effect on the financial statements for the current financial year/period and any prior period covered by this report.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.5 Basis of consolidation**

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

(a) Subsidiaries

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

Business combinations under acquisition method

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.1.6).

Acquisition-related costs are expensed as incurred.

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.5 Basis of consolidation (continued)****(a) Subsidiaries (continued)**Business combination under common control

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

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

Transactions between Group companies

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

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

Non-controlling interests

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.5 Basis of consolidation (continued)****(a) Subsidiaries (continued)**Loss of control

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

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

(b) Associates

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

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

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

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LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.5 Basis of consolidation (continued)****(b) Associates (continued)**

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

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

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

2.1.6 Goodwill

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates. See accounting policy Note 2.1.10 on impairment of non-financial assets.

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

2.1.7 Investments

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.8 Property, plant and equipment**

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.1.20 on borrowings and borrowing costs).

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

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

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease (refer to accounting policy Note 2.1.14(a) on finance leases) is amortised in equal instalments over the period of the respective leases. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost, to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	47 to 98 years
Buildings	2% - 12.5%
Land improvement	2% - 5%
Plant and machinery	5% - 20%
Motor vehicles, furniture, fittings, equipment and renovation	5% - 50%

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. (see accounting policy Note 2.1.10 on impairment of non-financial assets).

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.9 Investment properties**

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

Investment property is measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset. Costs of the investment property are net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the investment property.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to their residual values over their estimated useful lives of 8 to 50 years.

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

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

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

2.1.10 Impairment of non-financial assets

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.11 Financial assets****(a) Classification**

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

- Fair value through profit or loss (FVPL); or
- Amortised cost
- Fair value through other comprehensive income (FVOCI)

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

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

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

(ii) Classification of financial assets at amortised cost

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

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

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

Financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss, and
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.11 Financial assets (continued)****(b) Measurement**

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.
- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.11 Financial assets (continued)****(b) Measurement (continued)**Equity instruments (continued)

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

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 2.40(a) details how the Group determines whether there has been a significant increase in credit risk.

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

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

(d) Derecognition

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.12 Financial liabilities**

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

(i) Other financial liabilities

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

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

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

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.13 Offsetting financial instruments**

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

2.1.14 Leases

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

(a) Accounting by lessee**(i) Finance leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

(ii) Operating leases

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.14 Leases (continued)****(b) Accounting by lessor****(i) Finance leases**

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

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

(ii) Operating leases

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.1.15 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value, with the amount of goods and services tax (GST) included. The net amount of GST recoverable from the government is presented as other receivables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 2.1.11(c) on impairment of financial assets.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.16 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates, discounts and the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2.1.17 Cash and cash equivalents

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

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

2.1.18 Share capital**(a) Classification**

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.18 Share capital (continued)****(d) Earnings per share****Basic earnings per share**

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.1.19 Trade payables

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

Trade payables are recognised initially at fair value, with the amount of goods and services tax (GST) included. The net amount of GST payable to the government is presented as 'Other payables and accrued expenses' in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.20 Borrowings and borrowing costs****(i) Borrowings**

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

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

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

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

(ii) Borrowing costs

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.21 Current and deferred income tax**

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.22 Employee benefits

(a) Short term employee benefits

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

(b) Post-employment pension benefits

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

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

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

(i) Defined contribution plans

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.22 Employee benefits (continued)****(b) Post-employment pension benefits (continued)****(ii) Defined benefit plans**

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

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.23 Provisions**

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

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

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

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

2.1.24 Revenue recognition**(i) Revenue from contracts with customers**

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

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

Sales of livestock and other poultry related products

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.24 Revenue recognition (continued)****(i) Revenue from contracts with customers (continued)**Sales of poultry feed

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

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

(ii) Revenue from other sources

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

- Operating lease income is recognised on the straight-line basis over the lease terms. (Note 2.1.14(b)(ii))
- Interest income is recognised using the effective interest method.
- Dividend income is recognised when the Group's right to receive payment is established.

2.1.25 Foreign currencies**(i) Functional and presentation currency**

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

(ii) Transactions and balances

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.25 Foreign currencies (continued)

(ii) Transactions and balances (continued)

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

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

(iii) Group companies

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.1.25 Foreign currencies (continued)

(iii) Group companies (continued)

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

2.1.26 Biological assets

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

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

Breeders

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

Commercial layers

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.26 Biological assets (continued)**Broilers

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

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

Hatching eggs

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

2.1.27 Derivative financial instruments

The Group use foreign currency forward contract to manage the risk associated with the sale and purchase transactions of the foreign currency exposure generated.

Foreign currency forward contracts are initially recognised at fair value at the date the contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Foreign currency forward contracts with a positive fair value is recognised as financial assets and a negative fair value is recognised as financial liabilities.

Details of foreign currency forward contracts entered into by the Group are disclosed in Note 2.22 to the financial statements.

2.1.28 Land use rights

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.29 Segment reporting**

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

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

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Biological assets

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

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

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

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

The Group recorded a fair value for its biological assets of RM357,325,000 as at 31 October 2018 (31.12.2015: RM277,229,000, 31.12.2016: RM311,019,000, 31.12.2017: RM313,270,000). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 2.16 to the financial statements.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****(ii) Impairment of goodwill**

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

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 2.12 to the financial statements.

(iii) Post-employment benefit obligation

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

Actual results that differ from the Group assumptions are treated in accordance with the policies as mentioned in Note 2.1.22 to the consolidated financial statements. While the Group actual experience or significant changes in the Group assumptions may materially affect its estimated liability for employee benefits and employee benefits expense. The carrying amount of the Group post-employment benefit obligation is disclosed in Note 2.29 to the consolidated financial statements.

(iv) Income taxes

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

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

(v) Deferred taxes

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. (See Note 2.15)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 REVENUE

The Group derives the following types of revenue:

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Revenue from sales of goods	4,685,919	5,241,659	5,487,339	4,678,665	4,558,038
Revenue from other sources:					
- Lease income	13,473	14,306	11,888	10,760	9,070
- Others	15,174	1,425	2,137	870	967
Total revenue	4,714,566	5,257,390	5,501,364	4,690,295	4,568,075

Disaggregation of revenue from sales of goods:

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Livestock and other poultry related products	2,992,566	3,298,457	3,349,534	2,849,653	2,749,823
Feedmill	1,693,353	1,943,202	2,137,805	1,829,012	1,808,215
	4,685,919	5,241,659	5,487,339	4,678,665	4,558,038

Revenue from contracts with customers are recognised at a point in time.

2.4 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Salaries, wages and bonuses	386,981	440,011	472,533	404,706	403,102
Defined contribution plans	20,684	23,662	24,517	21,210	20,736
Defined benefit plan	4,514	5,807	7,126	5,525	5,661
	412,179	469,480	504,176	431,441	429,499

(b) The breakdown of the Directors' remuneration of the Group is disclosed in Note 2.34 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 PROFIT FROM OPERATIONS

(a) Analysis of profit from operations using classification based on function of the Group:

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Revenue	4,714,566	5,257,390	5,501,364	4,690,295	4,568,075
Cost of sales	(3,939,565)	(4,203,934)	(4,588,808)	(3,861,544)	(3,820,805)
Gross profit	775,001	1,053,456	912,556	828,751	747,270
Other operating income	47,731	27,282	29,953	29,754	28,326
Selling and distribution expenses	(153,791)	(206,008)	(240,999)	(183,227)	(183,299)
Administrative and other operating expenses	(357,636)	(424,839)	(317,527)	(296,509)	(285,414)
Profit from operations	<u>311,305</u>	<u>449,891</u>	<u>383,983</u>	<u>378,769</u>	<u>306,883</u>

Cost of sales relates to the cost of biological assets and inventories sold. The cost of biological assets includes the cost of livestock purchase plus all attributable costs in growing the livestock to saleable condition. The cost of trading inventories comprises the original purchase price plus incidental cost in bringing these inventories to their present location and condition. For manufactured inventories, cost comprises raw materials, direct labour, an appropriate portion of fixed and variable production overheads based on normal operating capacity and other incidental costs.

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Auditors' remuneration:					
- PricewaterhouseCoopers PLT, Malaysia	-	788	1,107	925	923
- Member firms of PricewaterhouseCoopers International Limited	-	737	1,552	1,245	1,293
- Others	1,492	582	48	273	40
Foreign exchange loss/(gain):					
- realised	6,312	5,100	3,061	(3,041)	1,743
- unrealised	4,081	4,304	350	(635)	(389)
Fair value loss/(gain) on derivative financial instruments	2,584	(2,673)	1,137	(1,683)	(611)
Rental expense on:					
- land	5,207	7,695	7,638	3,944	6,583
- premises	9,830	8,743	6,527	7,978	6,233
- equipment	664	1,871	840	866	673
- motor vehicles	1,128	1,678	255	239	229

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 PROFIT FROM OPERATIONS (CONTINUED)

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Write-off of:					
- property, plant and equipment	2,140	5,223	1,997	1,698	1,348
- investment properties	-	754	2	-	2
Impairment loss on property, plant and equipment	-	3,055	1,483	-	-
Impairment loss/(reversal of impairment loss) on:					
- trade receivables	2,354	13,575	1,824	479	(983)
- other receivables	3,364	(92)	(1,682)	-	(1,587)
Provision/(reversal of provision) for claims	-	43,456	(7,617)	-	-
Expense recognised in respect of defined benefit plan	4,514	5,807	7,126	5,525	5,661
Farmers' incentive	41,990	42,688	38,664	32,637	33,575
Packing materials	16,631	17,342	19,089	15,306	18,923
Travelling expenses	9,692	10,076	9,852	8,813	8,049
Promotional and marketing expenses	7,941	10,384	6,748	5,519	6,700
Interest income	(4,849)	(3,434)	(6,501)	(7,097)	(4,697)
Rental income	(1,756)	(1,211)	(2,211)	(1,662)	(1,758)
Dividend income	(173)	(57)	-	-	-
(Gain)/loss on disposal of:					
- property, plant and equipment	(935)	232	(93)	(719)	915
- land use rights	-	-	490	(200)	-
- other investment	(129)	137	-	-	-
- subsidiary	-	-	-	(78)	-
Bad debts written off	147	328	5	88	5
Bad debts recovered	-	-	-	(185)	-
Write off of Value Added Tax receivable	-	-	-	9,789	-
Proposed listing expenses	-	-	-	22,876	-

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6 FINANCE COSTS

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Interest expense on:					
Bankers' acceptances	15,705	15,648	16,447	13,739	12,537
Bank overdrafts	1,771	21,116	3,079	1,863	2,872
Term loans	64,611	49,125	42,221	42,108	33,105
Finance lease liabilities	1,170	2,018	2,636	2,374	2,158
Revolving credits	2,745	4,345	17,000	16,908	15,505
Trust receipts	9,186	10,779	10,801	10,906	10,211
	<u>95,188</u>	<u>103,031</u>	<u>92,184</u>	<u>87,898</u>	<u>76,388</u>

2.7 TAXATION

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Current tax recognised in profit or loss:					
- Malaysian income tax	30,519	32,681	37,622	17,893	32,409
- Foreign tax	23,155	45,478	35,737	40,953	33,431
- (Over)/under provision in prior years	(2,968)	1,752	494	(3,283)	-
	<u>50,706</u>	<u>79,911</u>	<u>73,853</u>	<u>55,563</u>	<u>65,840</u>
Deferred taxation recognised in profit or loss (Note 2.15):					
- Origination and reversal of temporary differences	(138)	(2,827)	(28,994)	15,932	(33,887)
Real property gain tax	-	176	-	-	-
Tax expense	<u>50,568</u>	<u>77,260</u>	<u>44,859</u>	<u>71,495</u>	<u>31,953</u>
Deferred taxation recognised in OCI (Note 2.15):					
- Remeasurement of post-employment benefit obligation	(279)	(96)	(625)	247	(547)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.7 TAXATION (CONTINUED)

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

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Profit before tax	216,599	347,306	292,267	291,283	230,814
Tax at Malaysian statutory tax rate of 24% (2015: 25%, 2016: 24% & 2017: 24%)	54,150	83,353	70,144	69,908	55,395
Tax effects of:					
- expenses not deductible for tax purposes	15,922	27,018	18,432	19,261	15,671
- income not subject to tax	(12,178)	(17,573)	(10,648)	(436)	(5,909)
- share of result of associates	(121)	(107)	(112)	(98)	(77)
- differential in tax rates of foreign subsidiaries	(2,689)	(14,856)	(7,811)	(12,801)	(7,004)
- utilisation of tax incentive	(189)	(221)	(1,069)	(1,279)	(515)
- utilisation of deductible temporary differences not recognised previously	(7,447)	(6,198)	(5,874)	(343)	(5,523)
- deductible temporary differences not recognised in current year	6,088	3,916	1,779	566	639
- tax assets revaluation*	-	-	(20,476)	-	(20,724)
- income subject to different tax rate	-	176	-	-	-
(Over)/under provision of income tax in prior years	(2,968)	1,752	494	(3,283)	-
Tax expense	50,568	77,260	44,859	71,495	31,953

* As part of the Indonesia's Government's tax incentive, companies incorporated in Indonesia were allowed a one-time revaluation of their property, plant and equipment and claim the revaluation surplus as an additional qualifying expenditure, subject to meeting certain conditions and approval by the Director General of Tax ("DGT"). Certain subsidiaries in Indonesia obtained approval from the DGT on 25 January 2017 to claim an additional Rp321,325,794,000 (equivalent to RM102,610,000) of qualifying expenditure. Accordingly, it has resulted in a higher deductible temporary difference arising from the difference between the tax qualifying expenditure and carrying amount of the property, plant and equipment where deferred tax assets has been recognised.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.7 TAXATION (CONTINUED)

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

	31.12.2016		As at	
	31.12.2015	31.12.2016	31.12.2017	31.10.2018
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses				
- expiring not more than five years	3,787	3,521	13,966	12,781
- no expiry period	54,317	41,696	31,450	32,386
Unabsorbed capital allowances with no expiry period	27,696	31,279	12,367	12,367
Unutilised reinvestment allowance with no expiry period	6,429	5,304	12,902	7,570
	<u>92,229</u>	<u>81,800</u>	<u>70,685</u>	<u>65,104</u>

Under the Malaysia Finance Bill 2018 which was passed on 10 December 2018, the Group's unutilised tax losses with no expiry period amounting to RM32,386,000 as at 31 October 2018 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

Tax recoverable

	31.12.2016		As at	
	31.12.2015	31.12.2016	31.12.2017	31.10.2018
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Non-current	17,739	20,868	28,271	17,051
Current	26,802	36,022	16,928	25,562
	<u>44,541</u>	<u>56,890</u>	<u>45,199</u>	<u>42,613</u>

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.8 EARNINGS PER SHARE ("EPS")

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

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

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

	<u>Financial years ended</u>			<u>10 months financial period ended</u>	
	<u>31.12.2015</u> Audited	<u>31.12.2016</u> Audited	<u>31.12.2017</u> Audited	<u>31.10.2018</u> Audited	<u>31.10.2017</u> Unaudited
Profit attributable to the owners of the company (RM'000)	<u>109,805</u>	<u>182,475</u>	<u>192,573</u>	<u>174,278</u>	<u>159,730</u>
Number of ordinary shares on 11 January 2019 ('000) (i)	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,400,000</u>
Basic and diluted EPS (sen) (ii)	<u>3.23</u>	<u>5.37</u>	<u>5.66</u>	<u>5.13</u>	<u>4.70</u>

- (i) As the Company has undertaken bonus issue and share split exercise on 11 January 2019, the basic and diluted earnings per share have been adjusted to reflect the new number of ordinary shares of 3,400,000,000. Note 2.45(a) details the bonus issue and share split which were approved in the Extraordinary General Meeting on 11 January 2019.
- (ii) In accordance with MFRS 133 'Earnings per Share', the calculation of basic and diluted earnings per shares for all periods presented have been adjusted retrospectively as the number of ordinary shares has increases as a result of bonus issue or share split as disclosed in Note 2.8(i).

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under finance lease liabilities RM'000	Motor vehicles, furniture, equipment and renovation RM'000	Motor vehicles under finance lease liabilities, furniture, equipment and renovation RM'000	Construction in progress RM'000	Total RM'000
Net book value										
At 1 January 2015	237,854	22,263	709,365	4,514	302,044	18,119	105,208	15,437	85,866	1,500,670
Additions	6,377	-	64,204	3,145	79,001	1,643	44,417	8,502	126,254	333,543
Effect of acquisition of subsidiaries	3,539	-	24,749	-	1,351	-	-	-	-	29,639
Disposals	-	-	(486)	-	(58)	-	(325)	(181)	(534)	(1,584)
Write-off	-	-	(766)	-	(770)	-	(490)	(93)	(21)	(2,140)
Foreign exchange differences	231	-	62,004	-	25,011	488	5,741	753	4,942	99,170
Transfer from investment properties (Note 2.10)	-	-	-	-	-	-	-	-	(296)	(296)
Reclassifications	-	-	100,182	3,332	10,757	(1,706)	4,939	(355)	(117,149)	-
Depreciation charge for the year	-	(400)	(51,761)	(238)	(55,186)	(2,937)	(29,120)	(4,796)	-	(144,438)
At 31 December 2015	<u>248,001</u>	<u>21,863</u>	<u>907,491</u>	<u>10,753</u>	<u>362,150</u>	<u>15,607</u>	<u>130,370</u>	<u>19,267</u>	<u>99,062</u>	<u>1,814,564</u>
At 31 December 2015:										
Cost	248,001	26,183	1,264,174	11,570	784,002	27,615	345,065	31,404	99,062	2,837,076
Accumulated depreciation	-	(4,320)	(356,576)	(817)	(421,852)	(12,008)	(214,695)	(12,137)	-	(1,022,405)
Accumulated impairment loss	-	-	(107)	-	-	-	-	-	-	(107)
Net book value	<u>248,001</u>	<u>21,863</u>	<u>907,491</u>	<u>10,753</u>	<u>362,150</u>	<u>15,607</u>	<u>130,370</u>	<u>19,267</u>	<u>99,062</u>	<u>1,814,564</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under finance lease liabilities RM'000	Motor vehicles, furniture, fittings, equipment and renovation RM'000	Motor vehicles under finance lease liabilities, furniture, fittings, equipment and renovation RM'000	Construction in progress RM'000	Total RM'000
Net book value										
At 1 January 2016	248,001	21,863	907,491	10,753	362,150	15,607	130,370	19,267	99,062	1,814,564
Additions	3,652	146	65,916	2,023	81,641	6,251	47,291	9,392	58,486	274,798
Disposals	-	-	(1,143)	-	-	-	(2,822)	(212)	(1,103)	(5,280)
Write-off	-	-	(2,660)	-	(76)	-	(2,487)	-	-	(5,223)
Foreign exchange differences	-	-	26,285	13	12,812	85	2,319	238	3,426	45,178
Transfer from investment properties (Note 2.10)	-	-	847	-	-	-	-	-	-	847
Reclassifications	-	-	69,417	1,242	38,882	(7,797)	10,697	(626)	(111,815)	-
Depreciation charge for the year	-	(416)	(60,458)	(301)	(67,808)	(1,602)	(32,982)	(5,326)	-	(168,893)
Impairment charge for the year	-	-	(2,906)	-	-	-	(110)	-	(39)	(3,055)
At 31 December 2016	<u>251,653</u>	<u>21,593</u>	<u>1,002,789</u>	<u>13,730</u>	<u>427,601</u>	<u>12,544</u>	<u>152,276</u>	<u>22,733</u>	<u>48,017</u>	<u>1,952,936</u>
At 31 December 2016:										
Cost	251,653	26,328	1,428,395	14,848	932,483	16,616	368,753	35,325	48,056	3,122,457
Accumulated depreciation	-	(4,735)	(422,700)	(1,118)	(504,882)	(4,072)	(216,367)	(12,592)	-	(1,166,466)
Accumulated impairment loss	-	-	(2,906)	-	-	-	(110)	-	(39)	(3,055)
Net book value	<u>251,653</u>	<u>21,593</u>	<u>1,002,789</u>	<u>13,730</u>	<u>427,601</u>	<u>12,544</u>	<u>152,276</u>	<u>22,733</u>	<u>48,017</u>	<u>1,952,936</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Land improvement</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Plant and machinery under finance lease liabilities</u> RM'000	<u>Motor vehicles, furniture, fittings, equipment and renovation</u> RM'000	<u>Motor vehicles under finance lease liabilities, furniture, fittings, equipment and renovation</u> RM'000	<u>Construction in progress</u> RM'000	<u>Total</u> RM'000
Net book value										
At 1 January 2017	251,653	21,593	1,002,789	13,730	427,601	12,544	152,276	22,733	48,017	1,952,936
Additions	17,005	2,200	88,947	1,109	75,679	11,609	56,621	14,236	94,702	362,108
Effect on addition of subsidiary	3,300	-	627	-	190	-	800	-	-	4,917
Effect on disposal of subsidiary	(781)	(3,349)	(513)	-	(2,089)	(6,078)	(6,241)	(1,109)	-	(20,160)
Disposals	-	-	(2,845)	(5)	(493)	-	(1,177)	(47)	(554)	(5,121)
Write-off	-	-	(558)	-	(75)	-	(905)	(384)	(75)	(1,997)
Foreign exchange differences	-	-	(54,719)	-	(22,487)	(77)	(4,812)	(239)	(3,268)	(85,602)
Transfer from investment properties (Note 2.10)	-	-	29,095	-	-	-	-	-	-	29,095
Reclassifications	-	-	29,390	775	4,761	417	9,000	(4,649)	(39,694)	-
Depreciation charge for the year	-	(434)	(64,079)	(335)	(77,187)	(2,292)	(39,871)	(4,694)	-	(188,892)
Impairment charge for the year	-	-	(12)	(5)	-	-	(1,466)	-	-	(1,483)
At 31 December 2017	<u>271,177</u>	<u>20,010</u>	<u>1,028,122</u>	<u>15,269</u>	<u>405,900</u>	<u>16,123</u>	<u>164,225</u>	<u>25,847</u>	<u>99,128</u>	<u>2,045,801</u>
At 31 December 2017:										
Cost	271,177	25,042	1,487,898	16,728	946,422	21,072	388,893	38,904	99,166	3,295,302
Accumulated depreciation	-	(5,032)	(456,858)	(1,454)	(540,522)	(4,949)	(223,093)	(13,057)	-	(1,244,965)
Accumulated impairment loss	-	-	(2,918)	(5)	-	-	(1,575)	-	(38)	(4,536)
Net book value	<u>271,177</u>	<u>20,010</u>	<u>1,028,122</u>	<u>15,269</u>	<u>405,900</u>	<u>16,123</u>	<u>164,225</u>	<u>25,847</u>	<u>99,128</u>	<u>2,045,801</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under finance lease liabilities RM'000	Motor vehicles, furniture, equipment and renovation RM'000	Motor vehicles under finance lease liabilities, furniture, fittings, equipment and renovation RM'000	Construction in progress RM'000	Total RM'000
Net book value										
At 1 January 2018	271,177	20,010	1,028,122	15,269	405,900	16,123	164,225	25,847	99,128	2,045,801
Additions	5,443	7,900	44,392	812	62,257	-	58,115	5,132	110,803	294,854
Effect on disposal of subsidiary	-	-	(18,401)	-	(8,960)	-	(8,582)	-	-	(35,943)
Disposals	-	-	(846)	-	(168)	-	(1,255)	-	-	(2,269)
Write-off	-	-	(1,290)	(5)	(112)	-	(291)	-	-	(1,698)
Foreign exchange differences	-	-	(24,287)	-	(10,742)	(12)	(2,021)	(64)	(1,362)	(38,488)
Reclassifications	-	-	50,173	48	25,193	-	(15,562)	(2,449)	(57,403)	-
Depreciation charge for the period	-	(262)	(52,006)	(676)	(65,430)	(563)	(34,293)	(3,672)	-	(156,902)
At 31 October 2018	<u>276,620</u>	<u>27,648</u>	<u>1,025,857</u>	<u>15,448</u>	<u>407,938</u>	<u>15,548</u>	<u>160,336</u>	<u>24,794</u>	<u>151,166</u>	<u>2,105,355</u>
At 31 October 2018:										
Cost	276,620	32,942	1,512,489	17,577	975,255	21,058	389,330	38,267	151,205	3,414,743
Accumulated depreciation	-	(5,294)	(484,547)	(2,124)	(567,317)	(5,510)	(227,419)	(13,473)	-	(1,305,684)
Accumulated impairment loss	-	-	(2,085)	(5)	-	-	(1,575)	-	(39)	(3,704)
Net book value	<u>276,620</u>	<u>27,648</u>	<u>1,025,857</u>	<u>15,448</u>	<u>407,938</u>	<u>15,548</u>	<u>160,336</u>	<u>24,794</u>	<u>151,166</u>	<u>2,105,355</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

(a) As of 31 October 2018, certain property, plant and equipment of the Group with a net carrying value of RM668,933,000 (31.12.2015: RM792,461,000; 31.12.2016: RM894,244,000; 31.12.2017: RM863,573,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

(b) Additions of property, plant and equipment

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Cash payments	304,472	251,477	336,140	266,152
Unpaid balances included under other payables	6,500	14,178	14,301	25,158
Cash paid in respect of acquisition in previous financial year	(2,501)	(6,500)	(14,178)	(14,301)
Financed by finance lease liabilities	25,072	15,643	25,845	17,845
Addition of property, plant and equipment	333,543	274,798	362,108	294,854

(c) Impairment loss charged to 'other expenses' during the financial periods/years amounting to RM Nil (31.12.2015: Nil, 31.12.2016: RM3,055,000, 31.12.2017: RM1,483,000 and 31 October 2017: RM Nil) were relating to the write-down of farm buildings and equipment of certain subsidiaries that have ceased operations during the year. They were written down to its net recoverable amount which approximates scrap value.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 INVESTMENT PROPERTIES

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
<u>Cost</u>				
At 1 January	62,501	69,912	69,138	31,047
Additions	2,392	168	51	-
Write-off	-	(754)	(2)	-
Reclassification from/(to) property, plant and equipment (Note 2.9)	296	(921)	(38,279)	-
Foreign exchange differences	4,723	733	139	-
At 31 December/31 October	<u>69,912</u>	<u>69,138</u>	<u>31,047</u>	<u>31,047</u>
<u>Less: Accumulated depreciation</u>				
At 1 January	11,732	14,504	17,386	8,490
Charge for the financial year/period	2,038	2,746	255	211
Reclassification to property, plant and equipment (Note 2.9)	-	(74)	(9,184)	-
Foreign exchange differences	734	210	33	-
At 31 December/31 October	<u>14,504</u>	<u>17,386</u>	<u>8,490</u>	<u>8,701</u>
<u>Net carrying amount</u>				
At 31 December/31 October	<u>55,408</u>	<u>51,752</u>	<u>22,557</u>	<u>22,346</u>
Fair values	<u>87,369</u>	<u>87,666</u>	<u>41,639</u>	<u>41,639</u>

As of 31 October 2018, certain investment properties of the Group with a net carrying value of RM9,695,000 (31.12.2015: RM47,307,000; 31.12.2016: RM38,063,000; 31.12.2017: RM9,827,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

The property rental income earned by the Group from investment properties, certain of which are leased out under operating leases, amounted to RM849,000 (31.12.2015: RM1,494,000; 31.12.2016: RM228,000; 31.12.2017: RM745,000 and 31 October 2017: RM567,000). Direct operating expenses arising on the investment properties of the Group amounted to RM74,000 (31.12.2015: RM1,694,000; 31.12.2016: RM21,000; 31.12.2017: RM139,000 and 31 October 2017: RM74,000).

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.11 LAND USE RIGHTS

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>				
At 1 January	77,016	124,420	160,850	173,299
Additions	38,263	28,935	31,939	25,398
Disposal	-	-	(3,382)	(275)
Foreign exchange differences	9,141	7,495	(16,108)	(9,714)
At 31 December/31 October	<u>124,420</u>	<u>160,850</u>	<u>173,299</u>	<u>188,708</u>
<u>Less: Accumulated amortisation</u>				
At 1 January	3,655	4,532	28,235	31,589
Charge for the financial year/period*	816	22,178	7,124	5,527
Disposal	-	-	(965)	(118)
Foreign exchange differences	61	1,525	(2,805)	(1,984)
At 31 December/31 October	<u>4,532</u>	<u>28,235</u>	<u>31,589</u>	<u>35,014</u>
<u>Unamortised land use rights on leasehold land</u>				
At 31 December/31 October	<u>119,888</u>	<u>132,615</u>	<u>141,710</u>	<u>153,694</u>

As of 31 October 2018, the Group's unexpired lease periods of the land use rights ranges from 4 to 52 years (31.12.2015: 7 to 55 years; 31.12.2016: 6 to 54 years; 31.12.2017: 5 to 53 years).

* The financial year ended 31 December 2016 reported a higher amortisation charge as a result of a catch-up amortisation arising from a review of the estimated useful lives of the Group's land use rights.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS

<u>Audited Group</u>	<u>Goodwill on consolidation</u> RM'000	<u>Business customer</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January 2015	100,550	12,030	112,580
Acquisition of subsidiaries	434	-	434
Additions	-	2,283	2,283
Translation differences	7,528	1,938	9,466
At 31 December 2015/1 January 2016	108,512	16,251	124,763
Additions	-	1,079	1,079
Translation differences	1,164	364	1,528
At 31 December 2016/1 January 2017	109,676	17,694	127,370
Additions	2,123	-	2,123
Translation differences	(1,359)	(407)	(1,766)
At 31 December 2017/1 January 2018	110,440	17,287	127,727
Effect of disposal of a subsidiary	(7,241)	(6,847)	(14,088)
Translation differences	(303)	(182)	(485)
At 31 October 2018	102,896	10,258	113,154
<u>Less: Accumulated amortisation</u>			
At 1 January 2015	-	5,934	5,934
Charge for the financial year	-	2,538	2,538
Translation differences	-	1,048	1,048
At 31 December 2015/1 January 2016	-	9,520	9,520
Charge for the financial year	-	3,084	3,084
Translation differences	-	299	299
At 31 December 2016/1 January 2017	-	12,903	12,903
Charge for the financial year	-	2,855	2,855
Translation differences	-	(373)	(373)
At 31 December 2017/1 January 2018	-	15,385	15,385
Charge for the financial year	-	346	346
Effect of disposal of a subsidiary	-	(5,330)	(5,330)
Translation differences	-	(143)	(143)
At 31 October 2018	-	10,258	10,258
<u>Less: Accumulated impairment losses</u>			
At 1 January 2015/31 December 2015	-	-	-
31 December 2016/31 December 2017/	-	-	-
31 October 2018	5,867	-	5,867

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS (CONTINUED)

	<u>Goodwill on consolidation</u> RM'000	<u>Business customer</u> RM'000	<u>Total</u> RM'000
<u>Net carrying amount</u>			
At 31 December 2015	102,645	6,731	109,376
At 31 December 2016	103,809	4,791	108,600
At 31 December 2017	104,573	1,902	106,475
At 31 October 2018	97,029	-	97,029

Goodwill on consolidation

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
<u>Malaysia</u>				
Manufacturing of animal feeds	4,021	4,021	4,021	4,021
Trading of animal health products	3,115	3,115	3,115	3,115
Poultry farming and breeding	33,208	33,208	35,330	35,330
<u>Singapore</u>				
Production and marketing of consumer food products	62,301	63,465	62,107	54,563
	<u>102,645</u>	<u>103,809</u>	<u>104,573</u>	<u>97,029</u>

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS (CONTINUED)

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

	31.12.2015	31.12.2016	As at 31.12.2017	As at 31.10.2018
	%	%	%	%
<u>Manufacturing of animal feeds</u>				
Revenue growth rate	6.6	6.6	3.9	3.9
EBITDA margin	5.1	5.1	4.5	4.5
Discount rate	9.0	9.0	9.0	9.0
Terminal growth rate	1.0	1.0	1.0	1.0
<u>Trading of animal health products</u>				
Revenue growth rate	4.0	4.0	4.0	4.0
EBITDA margin	26.1	26.1	26.5	26.5
Discount rate	9.0	9.0	9.0	9.0
Terminal growth rate	1.0	1.0	1.0	1.0
<u>Poultry farming and breeding</u>				
Revenue growth rate	5.0	5.0	5.0	5.0
EBITDA margin	7.1	7.1	6.5	6.5
Discount rate	9.0	9.0	9.0	9.0
Terminal growth rate	1.0	1.0	1.0	1.0
<u>Production and marketing of consumer food products</u>				
Revenue growth rate	2.0 - 5.0	2.0 - 5.0	2.0 - 5.0	2.0 - 5.0
EBITDA margin	9.5	9.5	9.5	9.5
Discount rate	11.4	11.0	11.0	11.0
Terminal growth rate	1.0	2.0	2.0	2.0

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

Business customer relationship

Business customer relationship acquired in business combination are amortised over 5 years throughout the reported periods.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.13 NON-CONTROLLING INTERESTS**

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

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2015</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	49.00	42.91
Summarised statements of comprehensive income:				
Revenue	412,758	26,009	1,043,843	1,395,737
Profit/(Loss) for the financial year	43,748	3,002	59,907	(36,069)
Total comprehensive income/(loss)	44,331	3,155	101,868	(6,902)
Attributable to NCI:				
Profit/(Loss) for the financial year	32,334	2,219	37,856	(15,692)
Total comprehensive income/(loss)	32,765	2,332	58,961	(2,807)
Dividends paid to NCI	3,645	2,450	3,353	-

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.13 NON-CONTROLLING INTERESTS (CONTINUED)**

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

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
<u>Audited</u>				
<u>31.12.2015</u>				
Summarised statements of financial position:				
Non-current assets	247,849	2,865	399,757	601,969
Current assets	155,596	26,193	365,763	564,374
Non-current liabilities	(44,678)	(55)	(87,161)	(325,552)
Current liabilities	(132,213)	(4,909)	(298,411)	(437,373)
Net assets	<u>226,554</u>	<u>24,094</u>	<u>379,948</u>	<u>403,418</u>
Attributable to:				
- owners of the Company	59,108	12,288	159,077	230,311
- non-controlling interests	167,446	11,806	220,871	173,107
	<u>226,554</u>	<u>24,094</u>	<u>379,948</u>	<u>403,418</u>
Summarised statements of cash flows:				
Cash flows from operating activities	36,758	3,723	84,111	52,871
Cash flows from investing activities	(55,245)	1,718	(30,617)	(121,062)
Cash flows from financing activities	13,863	(5,006)	(42,382)	230,864
Net movement in cash and cash equivalents	(4,624)	435	11,112	162,673
Effects of exchange rate changes on cash and cash equivalents	(4,313)	59	17,949	10,865
Cash and cash equivalents at 1 January	39,177	10,407	69,576	(30,933)
Cash and cash equivalents at 31 December	<u>30,240</u>	<u>10,901</u>	<u>98,637</u>	<u>142,605</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2016</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	49.00	42.73
Summarised statements of comprehensive income:				
Revenue	433,712	26,724	1,140,056	1,631,087
Profit for the financial year	20,423	4,753	54,595	52,948
Total comprehensive income	20,770	4,416	63,608	88,044
Attributable to NCI:				
Profit for the financial year	15,095	2,329	34,347	31,451
Total comprehensive income	15,351	2,164	38,647	47,380
Dividends paid to NCI	5,539	2,450	4,714	-
Summarised statements of financial position:				
Non-current assets	288,476	4,047	368,444	667,845
Current assets	164,863	24,027	410,299	538,751
Non-current liabilities	(72,548)	(32)	(35,033)	(249,375)
Current liabilities	(140,961)	(4,548)	(293,106)	(424,888)
Net assets	239,830	23,494	450,604	532,333
Attributable to:				
- owners of the Company	62,572	11,982	193,077	313,693
- non-controlling interests	177,258	11,512	257,527	218,640
	239,830	23,494	450,604	532,333

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2016</u>				
Summarised statements of cash flows:				
Cash flows from operating activities	37,325	5,235	91,120	128,594
Cash flows from investing activities	(49,611)	(1,747)	(8,273)	(87,338)
Cash flows from financing activities	15,754	(5,004)	(58,989)	(190,393)
Net movement in cash and cash equivalents	3,468	(1,516)	23,858	(149,137)
Effects of exchange rate changes on cash and cash equivalents	555	27	(9,741)	(896)
Cash and cash equivalents at 1 January	30,240	10,901	98,637	142,605
Cash and cash equivalents at 31 December	<u>34,263</u>	<u>9,412</u>	<u>112,754</u>	<u>(7,428)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.13 NON-CONTROLLING INTERESTS (CONTINUED)**

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2017</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	49.00*	42.73
Summarised statements of comprehensive income:				
Revenue	422,588	30,566	1,190,475	1,737,619
Profit for the financial year	3,460	5,053	96,918	7,017
Total comprehensive income/(loss)	3,020	6,469	84,745	(53,188)
Attributable to NCI:				
Profit/(Loss) for the financial year	2,557	2,476	56,859	(5,920)
Total comprehensive income/(loss)	2,232	3,170	56,859	(30,706)
Dividends paid to NCI	-	2,450	158,210	10,833
Summarised statements of financial position:				
Non-current assets	310,141	4,605	352,634	643,781
Current assets	167,078	23,918	453,575	497,374
Non-current liabilities	(68,750)	-	(457,053)	(207,409)
Current liabilities	(165,619)	(4,108)	(268,423)	(519,256)
Net assets	242,850	24,415	80,733	414,490
Attributable to:				
- owners of the Company	63,360	12,452	(5,973)	237,379
- non-controlling interests	179,490	11,963	86,706	177,111
	242,850	24,415	80,733	414,490

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2017</u>				
Summarised statements of cash flows:				
Cash flows from operating activities	6,157	3,657	97,221	84,900
Cash flows from investing activities	(28,232)	(392)	(413,505)	(107,109)
Cash flows from financing activities	7,092	(5,004)	376,120	54,834
Net movement in cash and cash equivalents	(14,983)	(1,739)	59,836	32,625
Effects of exchange rate changes on cash and cash equivalents	88	(10)	(4,055)	(1,021)
Cash and cash equivalents at 1 January	34,263	9,412	112,754	(7,428)
Cash and cash equivalents at 31 December	19,368	7,663	168,535	24,176

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.10.2018</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	71.57	49.00	0.00 [^]	41.97
Summarised statements of comprehensive income:				
Revenue	389,001	31,380	321,652	1,540,185
Profit for the financial period	18,003	4,858	13,906	69,773
Total comprehensive income	18,003	4,858	13,906	31,465
Attributable to NCI:				
Profit for the financial period	8,837	2,380	7,791	29,363
Total comprehensive income	8,837	2,380	7,791	13,169
Dividends paid to NCI	694	2,450	29,825	4,209
Summarised statements of financial position:				
Non-current assets	329,614	5,014	39,623	618,036
Current assets	169,648	24,715	138,646	495,621
Non-current liabilities	(66,754)	(52)	(32,155)	(288,213)
Current liabilities	(173,155)	(5,405)	(4,083)	(383,743)
Net assets	259,353	24,272	142,031	441,701
Attributable to:				
- owners of the Company	73,583	12,379	77,488	256,319
- non-controlling interests	185,770	11,893	64,543	185,382
	259,353	24,272	142,031	441,701

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u> <u>31.10.2018</u>				
Summarised statements of cash flows:				
Cash flows from operating activities	52,097	2,821	27,259	77,817
Cash flows from investing activities	(28,786)	(53)	29,421	(47,440)
Cash flows from financing activities	(21,413)	(5,056)	(31,775)	(17,925)
Net movement in cash and cash equivalents	1,898	(2,288)	24,905	12,452
Effects of exchange rate changes on cash and cash equivalents	85	-	242	(1,427)
Cash and cash equivalents at 1 January	19,368	7,663	30,469	24,176
Cash and cash equivalents at 31 October	<u>21,351</u>	<u>5,375</u>	<u>55,616</u>	<u>35,201</u>

- ^ The NCI disclosed in the financial period ended 31 October 2018 relates to certain subsidiaries of Lee Say Group Pte Ltd which are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%) and Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%).

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Unaudited</u>				
<u>31.10.2017</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	49.00	42.73
Summarised statements of comprehensive income:				
Revenue	343,954	25,221	984,991	1,445,166
Profit/(loss) for the financial period	(9,170)	4,782	81,056	18,734
Total comprehensive income/(loss)	(9,191)	4,782	81,310	(18,298)
Attributable to NCI:				
Profit/(loss) for the financial period	(6,778)	2,343	45,859	(847)
Total comprehensive income/(loss)	(6,793)	2,343	45,917	(15,860)
Dividends paid to NCI	-	2,450	2,241	4,209
Summarised statements of cash flows:				
Cash flows from operating activities	(14,022)	3,522	121,891	55,192
Cash flows from investing activities	(16,579)	(494)	(21,689)	(80,744)
Cash flows from financing activities	17,784	(5,022)	(70,139)	48,329
Net movement in cash and cash equivalents	(12,817)	(1,994)	30,063	22,777
Effects of exchange rate changes on cash and cash equivalents	(91)	-	1,303	3,227
Cash and cash equivalents at 1 January	34,263	9,412	112,754	(7,428)
Cash and cash equivalents at 31 October	21,355	7,418	144,120	18,576

2.14 INVESTMENT IN ASSOCIATES

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
At cost:				
Unquoted shares	1,350	1,350	1,350	1,350
Share of post-acquisition results	225	271	283	191
	1,575	1,621	1,633	1,541

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

Nature of investment in associates for 31.12.2015, 31.12.2016, 31.12.2017 and 31.10.2018:

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

* Not audited by PricewaterhouseCoopers PLT, Malaysia

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia

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

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

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

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

	<u>Associates</u>			
	<u>As at</u>			<u>As at</u>
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Summarised statements of financial position:				
Total non-current assets	4,544	4,109	3,661	3,701
Total current assets	5,690	5,042	6,953	4,869
Total current liabilities	(2,360)	(1,048)	(2,450)	(865)
Net assets	<u>7,874</u>	<u>8,103</u>	<u>8,164</u>	<u>7,705</u>

	<u>Associates</u>				
	<u>Financial years ended</u>			<u>financial period ended</u>	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited	Audited	Audited	Audited	Unaudited
	RM'000	RM'000	RM'000	RM'000	RM'000
Summarised statements of comprehensive income:					
Revenue	11,155	2,173	6,834	5,978	5,273
Profit for the financial year/period	2,411	2,229	2,392	2,061	1,595
Total comprehensive income	<u>2,411</u>	<u>2,229</u>	<u>2,392</u>	<u>2,061</u>	<u>1,595</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

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

	Financial years ended			Associates 10 months financial period ended	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Unaudited RM'000
Group's share of profit for the financial year/period	482	446	468	412	319
Group's share of total comprehensive income	482	446	468	412	319
Dividend received	600	400	456	504	456

	Associates			
	As at		As at	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	RM'000	RM'000	RM'000	RM'000
Reconciliation of net assets to carrying amount:				
Group's share of net assets	1,575	1,621	1,633	1,541
Carrying amount of the Group's interests in the associate	1,575	1,621	1,633	1,541

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.15 DEFERRED TAX ASSETS/(LIABILITIES)**

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
Deferred tax assets	37,810	43,188	64,457	54,497
Deferred tax liabilities	(87,732)	(87,989)	(83,754)	(91,297)
At 31 December/31 October	<u>(49,922)</u>	<u>(44,801)</u>	<u>(19,297)</u>	<u>(36,800)</u>

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
At 1 January	(46,157)	(49,922)	(44,801)	(19,297)
Credited/(charged) to profit or loss (Note 2.7)				
- Property, plant and equipment	(5,313)	4,752	28,147	(12,852)
- Employee benefit obligation	854	1,162	1,316	978
- Unutilised tax losses	7,712	(2,738)	(2,468)	(206)
- Unutilised reinvestment allowance	(274)	(479)	-	-
- Trade and other receivables	31	1,643	1,364	(149)
- Trade and other payables	(261)	305	(441)	-
- Biological assets	(2,611)	(1,818)	1,076	(3,703)
Translation difference	138	2,827	28,994	(15,932)
Credited/(charged) to other comprehensive income	(559)	2,198	(5,740)	(4,269)
Effect of :-				
acquisition of subsidiaries	(3,623)	-	-	-
disposal of subsidiaries	-	-	1,625	2,945
At 31 December/31 October	<u>(49,922)</u>	<u>(44,801)</u>	<u>(19,297)</u>	<u>(36,800)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:				
Deferred tax assets (before offsetting):				
- Property, plant and equipment	7,696	9,185	33,486	37,580
- Employee benefit obligation	5,288	6,999	8,075	8,165
- Unutilised tax losses	26,387	24,916	20,403	18,928
- Unutilised reinvestment allowance	479	-	-	-
- Trade and other receivables	199	1,944	3,111	3,356
- Trade and other payables	137	441	-	-
- Biological assets	5,974	7,402	7,313	5,829
	<u>46,160</u>	<u>50,887</u>	<u>72,388</u>	<u>73,858</u>
Offsetting	(8,350)	(7,699)	(7,931)	(19,361)
Deferred tax assets (after offsetting)	<u>37,810</u>	<u>43,188</u>	<u>64,457</u>	<u>54,497</u>
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	(86,412)	(83,074)	(79,668)	(95,087)
- Biological assets	(3,530)	(6,474)	(5,877)	(9,431)
	<u>(89,942)</u>	<u>(89,548)</u>	<u>(85,545)</u>	<u>(104,518)</u>
Offsetting	8,350	7,699	7,931	19,361
Deferred tax liabilities (after offsetting)	<u>(81,592)</u>	<u>(81,849)</u>	<u>(77,614)</u>	<u>(85,157)</u>
Subject to real property gain tax:				
Deferred tax liabilities				
- Property, plant and equipment	(6,140)	(6,140)	(6,140)	(6,140)
	<u>(87,732)</u>	<u>(87,989)</u>	<u>(83,754)</u>	<u>(91,297)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 BIOLOGICAL ASSETS

	As at			As at
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000
<u>At fair value less cost to sell:</u>				
Grandparent stocks (breeder)	21,323	21,668	24,255	26,645
Parent stocks (breeder)	113,526	140,185	139,051	160,039
Layer stocks	80,759	84,010	64,140	69,535
Broiler stocks	32,444	33,219	50,501	63,604
Hatching eggs	27,427	30,119	33,140	35,840
Others	1,750	1,818	2,183	1,662
	<u>277,229</u>	<u>311,019</u>	<u>313,270</u>	<u>357,325</u>

The movement of biological assets can be analysed as follows:

	As at			As at
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000
<u>Breeders (grandparent and parent stock)</u>				
At 1 January	125,480	134,849	161,853	163,306
Additions	50,730	58,399	64,258	75,892
Change in fair value	41,610	59,708	52,035	68,112
Livestock losses	(17,894)	(24,933)	(22,343)	(33,864)
Depopulation	(74,139)	(71,552)	(82,794)	(81,742)
Foreign currency translation	9,062	5,382	(9,703)	(5,020)
	<u>134,849</u>	<u>161,853</u>	<u>163,306</u>	<u>186,684</u>
<u>Layers</u>				
At 1 January	62,937	80,759	84,010	64,140
Additions	12,082	14,117	12,015	10,394
Change in fair value	47,956	49,830	37,523	34,073
Livestock losses	(5,795)	(13,583)	(10,310)	(6,008)
Depopulation	(40,491)	(48,259)	(56,493)	(32,935)
Foreign currency translation	4,070	1,146	(2,605)	(129)
	<u>80,759</u>	<u>84,010</u>	<u>64,140</u>	<u>69,535</u>
<u>Broilers</u>				
At 1 January	32,261	32,444	33,219	50,501
Additions	108,059	124,274	145,603	144,775
Change in fair value	198,827	220,457	272,696	269,641
Livestock losses	(15,162)	(18,128)	(22,995)	(21,471)
Sales of live birds	(294,094)	(326,495)	(375,559)	(379,770)
Foreign currency translation	2,553	667	(2,463)	(72)
	<u>32,444</u>	<u>33,219</u>	<u>50,501</u>	<u>63,604</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 BIOLOGICAL ASSETS (CONTINUED)

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

	31.12.2015		31.12.2016		31.12.2017		31.10.2018	
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Hatching eggs								
At 1 January	24,178	27,427	30,119	33,140	30,119	33,140	33,140	33,140
Additions	355,580	370,364	430,163	390,357	430,163	390,357	390,357	390,357
Culled eggs	(72,367)	(71,885)	(92,059)	(103,817)	(92,059)	(103,817)	(103,817)	(103,817)
Hatched and sold as DOC	(281,676)	(296,690)	(333,310)	(282,883)	(333,310)	(282,883)	(282,883)	(282,883)
Foreign currency translation	1,712	903	(1,773)	(957)	(1,773)	(957)	(957)	(957)
	<u>27,427</u>	<u>30,119</u>	<u>33,140</u>	<u>35,840</u>	<u>33,140</u>	<u>35,840</u>	<u>35,840</u>	<u>35,840</u>
Others	1,750	1,818	2,183	1,662	2,183	1,662	1,662	1,662
	<u>277,229</u>	<u>311,019</u>	<u>313,270</u>	<u>357,325</u>	<u>313,270</u>	<u>357,325</u>	<u>357,325</u>	<u>357,325</u>

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

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

The Group has classified its biological assets measured at fair value within Level 3 of the fair value hierarchy. (See Note 2.41(b) 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 input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Breeders & Layers Discounted cash flows: The valuation method considers the projected quantity and price of DOC and table eggs to be produced over the life of the breeder and layer, taking into account of expected growing cost and the breeder and layer's mortality rate.	<ul style="list-style-type: none"> • Projected selling prices of DOC and table eggs based on management's estimate by reference to historical selling price adjusted for abnormal market movements. • Management's estimate of feed and other variable cost expected to incur throughout the life cycle. 	<p>The higher the projected selling price, the higher the fair value</p> <p>The higher the costs, the lower the fair value</p>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.16 BIOLOGICAL ASSETS (CONTINUED)**

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. (continued)

Description of valuation technique and input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Broilers		
Discounted cash flows: The valuation method considers the projected selling price and weight of the broilers taking into account the broilers mortality rate.	<ul style="list-style-type: none"> Projected selling prices of broiler based on management's estimate by reference to historical selling price adjusted for abnormal market movements. Management's estimate of feed and other variable cost expected to incur throughout the life cycle. 	<p>The higher the projected selling price, the higher the fair value</p> <p>The higher the costs, the lower the fair value</p>
Hatching eggs		
Discounted cash flows: The valuation method considers price of DOC, taking into account of expected hatchery cost and the hatching eggs' hatchability.	<ul style="list-style-type: none"> Projected selling prices of DOC based on management's estimate by reference to historical selling price adjusted for abnormal market movements. Management's estimate of hatchery and other variable cost expected to incur throughout the hatching process. 	<p>The higher the projected selling price, the higher the fair value</p> <p>The higher the costs, the lower the fair value</p>

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

	31.12.2015 Audited RM	31.12.2016 Audited RM	As at 31.12.2017 Audited RM	As at 31.10.2018 Audited RM
Breeders & hatching eggs				
Projected selling price of				
- DOC (parent stock)	8.11 – 8.82	8.17 – 10.67	9.79 – 11.11	11.51 – 12.40
- DOC (broiler)	1.00 – 3.04	0.96 – 3.19	0.91 – 3.51	1.01 – 3.38
Feed cost per kg for				
- grandparent stocks	1.74 – 1.78	1.70 – 1.95	1.66 – 2.00	1.68 – 1.87
- parent stocks	1.58 – 2.11	1.53 – 2.17	1.62 – 1.92	1.51 – 1.81
Layers				
Projected selling prices per table egg	0.29 – 0.35	0.28 – 0.37	0.27 – 0.33	0.26 – 0.32
Feed cost per kg	1.23 – 1.63	1.27 – 1.71	1.27 – 1.54	1.28 – 1.46

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 BIOLOGICAL ASSETS (CONTINUED)

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

	As at			As at
	31.12.2015 Audited RM	31.12.2016 Audited RM	31.12.2017 Audited RM	31.10.2018 Audited RM
Broilers				
Projected selling prices for broilers per kg	3.91 – 5.31	4.01 – 5.42	4.03 – 4.91	4.42 – 5.41
Feed cost per kg	1.64 – 2.08	1.59 – 2.15	1.64 – 1.85	1.55 – 1.83

Sensitivity analysis

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

	Effect on fair value of biological assets			
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000
Projected selling prices of DOC/table eggs/broilers				
- increased by 5 %	28,644	28,730	29,894	29,256
- decreased by 5%	(28,644)	(28,730)	(29,894)	(29,256)
Number of DOC/table eggs being produced				
- increased by 5 %	23,362	23,270	22,610	21,399
- decreased by 5%	(23,362)	(23,270)	(22,610)	(21,399)
Feed cost per kg				
- increased by 10 %	(31,211)	(29,242)	(28,571)	(29,359)
- decreased by 10%	31,211	29,242	28,571	29,359

As at 31 October 2018, certain biological assets of the Group amounting to RM94,420,000 (31.12.2015: RM70,809,000; 31.12.2016: RM92,933,000; 31.12.2017: RM80,044,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.17 INVENTORIES

			As at	As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Carrying amount:				
Processed chickens	118,349	127,749	110,616	118,612
Poultry feeds	29,867	31,101	33,312	31,988
Consumable supplies	12,424	23,961	26,718	19,458
Raw material	297,401	334,719	309,268	383,246
Work-in-progress	1,978	1,383	1,417	882
Others	20,957	28,138	35,502	35,781
	<u>480,976</u>	<u>547,051</u>	<u>516,833</u>	<u>589,967</u>

As at 31 October 2018, certain inventories of the Group amounting to RM221,700,000 (31.12.2015: RM171,211,000; 31.12.2016: RM207,647,000; 31.12.2017: RM210,868,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

2.18 TRADE RECEIVABLES

			As at	As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Trade receivables	403,323	420,900	422,305	378,906
Amounts due from related parties	89,386	128,204	151,282	212,633
	<u>492,709</u>	<u>549,104</u>	<u>573,587</u>	<u>591,539</u>
Less: Provision for impairment loss on trade receivables	(8,946)	(22,809)	(9,597)	(8,962)
	<u>483,763</u>	<u>526,295</u>	<u>563,990</u>	<u>582,577</u>

The credit terms of trade receivables and trade amounts due from related parties are ranging from 1 to 150 days (31.12.2015: 1 to 150 days; 31.12.2016: 1 to 150 days and 31.12.2017: 1 to 150 days).

Amounts due from related parties comprise receivables from companies controlled by Lau family amounting to RM212,633,000 (31.12.2015: RM89,153,000, 31.12.2016: RM126,534,000 and 31.12.2017: RM147,192,000) and Nam family amounting to RM Nil (31.12.2015: RM233,000, 31.12.2016: RM1,670,000 and 31.12.2017: RM4,090,000).

As at 31 October 2018, certain trade receivables of the Group amounting to RM100,946,000 (31.12.2015: RM137,315,000; 31.12.2016: RM139,343,000; 31.12.2017: RM131,404,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.18 TRADE RECEIVABLES (CONTINUED)

Amounts recognised in profit or loss

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Impairment losses:					
- individual receivables written off directly	147	328	5	88	5
- movement in provision for impairment	2,354	13,575	1,824	479	(983)

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

	As at			As at
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000
At 1 January	6,340	8,946	22,809	9,597
Impairment loss recognised	2,354	13,575	1,824	479
Impairment loss written off	(264)	(332)	(13,829)	(208)
Translation differences	516	620	(1,207)	(906)
At 31 December/31 October	<u>8,946</u>	<u>22,809</u>	<u>9,597</u>	<u>8,962</u>

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.19 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	As at			As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Other receivables	29,897	32,796	32,603	23,893
GST/VAT receivable	16,342	24,219	26,281	25,563
Deposits	18,208	16,552	12,675	18,437
Prepaid expenses	48,509	75,074	47,819	81,430
Amounts due from related parties	32,977	5,846	16,648	17,394
	<u>145,933</u>	<u>154,487</u>	<u>136,026</u>	<u>166,717</u>
Less: Impairment losses	(9,586)	(5,633)	(3,941)	(3,931)
	<u>136,347</u>	<u>148,854</u>	<u>132,085</u>	<u>162,786</u>

As at 31 October 2018, certain other receivables and advances of the Group amounting to RM39,217,000 (31.12.2015: RM42,760,000; 31.12.2016: RM68,298,000; 31.12.2017: RM43,781,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

Amounts due from related parties (companies controlled by Lau family) arise from transactions such as management fees and rental income earned as disclosed in Note 2.34. In addition to the above outstanding balances, other significant transactions that occurred in the financial years ended 31 December 2015, 31 December 2017 and financial period ended 31 October 2018 comprise:

31 December 2015:

- (i) Advances of USD4,700,000 (equivalent to RM20,179,000) were granted to Joint Honest International Enterprise Limited, a related party. The advances was unsecured, bore interest rate ranging from 3.89% - 4.36% per annum and repayable on demand. These advances had been fully repaid in financial year ended 31 December 2016.
- (ii) Advances of USD850,000 (equivalent to RM3,649,000) were granted to Teratai Agriculture Vietnam Limited, a related party. The advances was unsecured, bore interest rate ranging from 3.89% - 4.36% per annum and repayable on demand. These advances had been fully repaid in financial year ended 31 December 2016.

31 December 2017

- (i) Advances of USD3,300,000 (equivalent to RM13,357,000) were granted to Joint Honest International Enterprise Limited, a related party. The advances was unsecured, bore interest rate ranging from 4.70% - 5.39% per annum and repayable on demand. These advances had been fully repaid in financial period ended 31 October 2018.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.19 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)****31 October 2018:**

- (i) Additional advances of USD3,400,000 (equivalent to RM13,639,000) were granted to Joint Honest International Enterprise Limited, a related party during the financial period and has been fully repaid as at 31 October 2018. The advances were unsecured and bore interest rate ranging from 4.60 to 4.70% per annum and repayable on demand.
- (ii) Dividend receivable from Jordon International Food Processing Pte. Ltd., a former subsidiary amounting to SGD5,500,000 (equivalent to RM16,296,000) is included in other receivables.

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
At 1 January	11,035	9,586	5,633	3,941
Impairment loss/(reversal of impairment loss) recognised	3,364	(92)	(1,682)	-
Impairment loss written off	(5,810)	(3,963)	-	-
Translation differences	997	102	(10)	(10)
At 31 December/31 October	<u>9,586</u>	<u>5,633</u>	<u>3,941</u>	<u>3,931</u>

2.20 AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company, Emerging Glory Sdn. Bhd. which arose from non-trade transactions is unsecured, denominated in Ringgit Malaysia, interest bearing at a fixed rate of 5.30% per annum (31.12.2017: nil; 31.12.2016: nil and 31.12.2015: nil) and repayable on demand.

2.21 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are non-trade related, interest free and have credit terms of 120 days throughout the reported periods.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

2.22 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	31.12.2015		31.12.2016		As at 31.12.2017		As at 31.10.2018	
	Contract/ Notional Amount Audited RM'000	Derivative Assets/ (Liabilities) Audited RM'000	Contract/ Notional Amount Audited RM'000	Derivative Assets/ (Liabilities) Audited RM'000	Contract/ Notional Amount Audited RM'000	Derivative Assets/ (Liabilities) Audited RM'000	Contract/ Notional Amount Audited RM'000	Derivative Assets/ (Liabilities) Audited RM'000
<u>Derivative financial assets</u>								
Forward foreign exchange contracts	22,140	401	230	1	-	-	68,750	631
<u>Derivative financial liabilities</u>								
Forward foreign exchange contracts	46,900	(3,073)	-	-	31,933	(1,136)	41,874	(84)

- (i) The Group does not apply hedge accounting. The forward foreign exchange contracts are used to hedge the Group's receivables denominated in SGD and purchases in USD for which firm commitments existed at the end of the reporting period. The settlement dates on forward foreign exchange contracts range from 1 month to 3 months (31.12.2015: 1 week to 4 months; 31.12.2016: 1 month to 3 months; 31.12.2017: 1 month to 3 months).
- (ii) The Group has recognised a gain of RM1,683,000 (31.12.2015: loss of RM2,584,000; 31.12.2016: gain of RM2,673,000 and 31.12.2017: loss of RM1,137,000) arising from fair value changes of derivatives during the financial period/year as disclosed in Note 2.5 to the financial statements. The fair value changes were attributed to changes in the foreign exchange spot and forward rates. The method and assumptions applied in the determining fair values of derivatives are disclosed in Note 2.41 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.23 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	163,243	60,413	95,415	52,969
Cash on hand and at banks	302,805	352,565	406,996	472,755
Total cash and bank balances	466,048	412,978	502,411	525,724
Less: Bank overdrafts (Note 2.28)	(39,072)	(67,152)	(63,547)	(39,915)
Less: Fixed deposits pledged as collateral	(4,731)	(12,637)	(11,440)	(15,360)
Cash and cash equivalents	<u>422,245</u>	<u>333,189</u>	<u>427,424</u>	<u>470,449</u>

Certain fixed deposits with licensed bank of the Group with maturity period of 12 months and at a total carrying amount of RM15,360,000 (31.12.2015: RM4,731,000; 31.12.2016: RM12,637,000 and 31.12.2017: RM11,440,000) are pledged with licensed banks as collaterals for certain loans and guarantees issued by the said banks. The remaining fixed deposits have maturity periods ranging from 30 to 90 (31.12.2015: 7 to 90; 31.12.2016: 7 to 90 and 31.12.2017: 30 to 90) days.

The average effective interest rate of the fixed deposits with licensed banks is 0.1% to 5.4% (31.12.2015: 0.1% to 4.91%; 31.12.2016: 0.1% to 5.96%; and 31.12.2017: 0.1% to 7.5%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

2.24 SHARE CAPITAL

	31.12.2015 (audited)		31.12.2016 (audited)		As at 31.12.2017 (audited)		As at 31.10.2018 (audited)	
	Number of ordinary shares of RM1 each '000	Amount RM'000	Number of ordinary shares of RM1 each '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
Authorised:								
- At beginning of financial year	500,000	500,000	500,000	500,000	500,000	500,000	-	-
- Abolishment of the concept of authorised share capital on 31 January 2017	-	-	-	-	(500,000)	(500,000)	-	-
At end of financial year/period	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Issued and fully paid:								
- At beginning of financial year	955	955	955	955	955	955	955	1,230,132
- Transfer from share premium	-	-	-	-	-	1,229,177	-	-
At end of financial year/period	<u>955</u>	<u>955</u>	<u>955</u>	<u>955</u>	<u>955</u>	<u>1,230,132</u>	<u>955</u>	<u>1,230,132</u>

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.25 MERGER RESERVE

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

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

2.26 RESERVES

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Foreign currency translation reserve	64,612	101,871	21,166	(5,034)
Retained earnings	476,515	641,405	593,134	709,073
	<u>541,127</u>	<u>743,276</u>	<u>614,300</u>	<u>704,039</u>

Foreign currency translation reserve

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.27 FINANCE LEASE LIABILITIES

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

	31.12.2015		31.12.2016		As at 31.12.2017		As at 31.10.2018	
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:								
- Not later than 1 year	16,353	19,194	22,714	24,183				
- Later than 1 year and not later than 5 years	20,763	26,341	30,896	27,185				
	37,116	45,535	53,610	51,368				
Less: Future finance charges	(2,989)	(3,542)	(3,963)	(3,926)				
Present value of finance lease liabilities	34,127	41,993	49,647	47,442				
Present value of finance lease liabilities:								
- Not later than 1 year	14,778	17,370	20,466	21,928				
- Later than 1 year and not later than 5 years	19,349	24,623	29,181	25,514				
	34,127	41,993	49,647	47,442				
Classified as:								
- Current	14,778	17,370	20,466	21,928				
- Non-current	19,349	24,623	29,181	25,514				
	34,127	41,993	49,647	47,442				

At the date of reporting, the finance lease liabilities carry effective interest rate of 2.83% (31.12.2015: 2.69%; 31.12.2016: 3.38%; 31.12.2017: 2.88%) per annum. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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

	31.12.2015		31.12.2016		As at 31.12.2017		As at 31.10.2018	
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying amount	34,127	41,993	49,647	47,442				
Fair value	34,414	42,094	49,765	48,555				

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.28 BANK BORROWINGS

	31.12.2015	31.12.2016	As at 31.12.2017	As at 31.10.2018
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000
Secured:				
Current				
Bankers' acceptances	144,912	119,754	130,954	16,620
Bank overdrafts	32,532	62,195	53,315	39,078
Term loans (a)	162,464	186,893	163,984	175,390
Revolving credits	283,279	211,153	311,890	114,500
Trust receipts	186,591	154,098	36,873	55,508
	<u>809,778</u>	<u>734,093</u>	<u>697,016</u>	<u>401,096</u>
Non-current				
Term loans (a)	403,044	282,064	633,127	734,596
	<u>1,212,822</u>	<u>1,016,157</u>	<u>1,330,143</u>	<u>1,135,692</u>
Unsecured:				
Current				
Bankers' acceptances	165,752	195,600	239,363	362,322
Bank overdrafts	6,540	4,957	10,232	837
Term loans (b)	30,339	35,891	39,673	66,893
Revolving credits	55,069	72,933	165,014	226,410
Trust receipts	109,575	127,935	247,317	263,033
	<u>367,275</u>	<u>437,316</u>	<u>701,599</u>	<u>919,495</u>
Non-current				
Term loans (b)	96,863	136,957	112,127	174,638
	<u>464,138</u>	<u>574,273</u>	<u>813,726</u>	<u>1,094,133</u>
Total borrowings:				
Bankers' acceptances	310,664	315,354	370,317	378,942
Bank overdrafts (Note 2.23)	39,072	67,152	63,547	39,915
Term loans	692,710	641,805	948,911	1,151,517
Revolving credits	338,348	284,086	476,904	340,910
Trust receipts	296,166	282,033	284,190	318,541
	<u>1,676,960</u>	<u>1,590,430</u>	<u>2,143,869</u>	<u>2,229,825</u>
Less: Amount due within 12 months	(1,177,053)	(1,171,409)	(1,398,615)	(1,320,591)
Non-current portion	<u>499,907</u>	<u>419,021</u>	<u>745,254</u>	<u>909,234</u>
The currency profile of borrowings is as follows:				
Ringgit Malaysia	618,804	639,588	751,843	884,745
Singapore Dollar	162,029	128,637	539,559	521,930
US Dollar	55,642	74,949	82,659	18,410
Indonesia Rupiah	604,250	518,111	518,976	480,194
Vietnamese Dong	236,235	229,145	244,337	319,300
Philippines Peso	-	-	6,495	5,246
	<u>1,676,960</u>	<u>1,590,430</u>	<u>2,143,869</u>	<u>2,229,825</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.28 BANK BORROWINGS (CONTINUED)**

The term loans of the Group include:

(a) Secured

- i. A floating-rate term loan amounting to SGD95.0 million (equivalent to RM287.0 million) was drawn down by a wholly-owned subsidiary incorporated in Singapore in December 2017 and the loan will be matured in December 2022. The outstanding balance at the end of the financial period/year is SGD85.0 million (equivalent to RM256.8 million) (31.12.2017: SGD95.0 million (equivalent to RM287.8 million)). The loan bears interest rate at 1.5% per annum above the applicable Singapore Interbank Offered Rate ("SIBOR") and repayable in 5 years from the first drawn down date.
- ii. A floating-rate term loan amounting to SGD50.0 million (equivalent to RM151.0 million) was drawn down by a wholly-owned subsidiary incorporated in Singapore in December 2017 and the loan will be matured in December 2022. The outstanding balance at the end of the financial period/year is SGD48.0 million (equivalent to RM145.0 million) (31.12.2017: SGD50 million (equivalent to RM151.5 million)). The loan bears interest rate at 1.5% per annum above the applicable SIBOR and repayable in 5 years from the first drawn down date.
- iii. A floating-rate term loan amounting to SGD1.2 million and SGD5.7 million (cumulatively RM20.8 million) were drawn down in financial year ended 31 December 2017 and financial period ended 31 October 2018 respectively by an indirect subsidiary incorporated in Singapore. The outstanding balance at the end of the financial period/year is SGD6.9 million (equivalent to RM20.8 million) (31.12.2017: SGD1.2 million (equivalent to RM3.5 million)). The loan bears interest rate at 1.6% per annum above the applicable SIBOR. The first repayment commencing 12 months from the first drawn down date and repayable in 60 monthly instalment.
- iv. A floating-rate term loan amounting to IDR100.0 billion and IDR136.0 billion (cumulatively RM68.2 million) was drawn down in financial year ended 31 December 2017 and financial period ended 31 October 2018 respectively by a subsidiary incorporated in Indonesia. The loan will be matured in January 2023. The outstanding balance at the end of the financial period/year is IDR208.6 billion (equivalent to RM57.4 million) (31.12.2017: IDR100.0 billion (equivalent to RM29.8 million)). The loan bears interest rate at 3.38% per annum above the Jakarta Interbank Offered Rate ("JIBOR") and repayable in 60 monthly instalment of IDR4.1 billion for the first 12 instalment and IDR4.1 billion for the next 48 instalment and fully repayable by January 2023.
- v. Floating-rate term loans amounting to IDR693.7 billion (equivalent to RM190.8 million) was drawn down by an indirect subsidiary incorporated in Indonesia. The loan was drawn down in 2 tranches on January 2014 and June 2015, will be settled through monthly instalment and fully repayable by June 2021. The outstanding balance at the end of each financial period/year is IDR245.2 billion (equivalent to RM67.4 million) (31.12.2015: IDR602.4 billion (equivalent to RM187.7 million), 31.12.2016: IDR550.2 billion (equivalent to RM183.2 million) and 31.12.2017: IDR401.5 billion (equivalent to RM119.7 million)). The term loan bears effective interest rate at 9.47% (31.12.2015: 11.00%; 31.12.2016: 9.26%; 31.12.2017: 8.15%) per annum.
- vi. A floating-rate term loan amounting to IDR200.0 billion (equivalent to RM55.0 million) was drawn down by an indirect subsidiary incorporated in Indonesia and the loan will be matured in September 2020. The outstanding balance at end of the financial period/year is IDR95.4 billion (equivalent to RM26.2 million) (31.12.2015: IDR159.4 billion (equivalent to RM49.7 million), 31.12.2016: IDR186.7 billion (equivalent to RM62.2 million), 31.12.2017: IDR136.9 billion (equivalent to RM40.8 million)). The term loan bears effective interest rate at 9.50% (31.12.2015: 11.25%; 31.12.2016: 9.75%; 31.12.2017: 9.75%) per annum and repayable in 48 monthly instalment commencing 1 year from 25 September 2015.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.28 BANK BORROWINGS (CONTINUED)**

The term loans of the Group include: (continued)

(a) Secured (continued)

vii. A floating-rate term loan amounting to IDR745.0 billion (equivalent to RM204.9 million) was drawn down in September 2018 by a subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial period is IDR732.6 billion (equivalent to RM201.5 million). The loan bears interest rate at 2.75% per annum above the Jakarta Interbank Offered Rate ("JIBOR") and repayable in 60 monthly instalment of IDR 12.4 billion and fully repayable by September 2023.

(b) Unsecured

- i. Commodity Murabahah Term Financing ("CMTF-i") of RM120.0 million was first drawn down in September 2015 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial period/year is RM48.0 million (31.12.2015: RM99.7 million; 31.12.2016: RM90.0 million; 31.12.2017: RM66.0 million). The profit rate of this financing facility is 1.25% per annum above the bank's Cost of Funds ("COF") and repayable in 20 quarterly instalment commencing 3 months from the first drawn date.
- ii. A floating-rate term loan amounting to RM20.0 million and RM70.0 million were drawn down in financial year ended 31 December 2017 and financial period ended 31 October 2018 respectively by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial period/year is RM90.0 million (31.12.2017: RM20.0 million). The loan bears interest rate at 1% per annum above the bank's COF and repayable in 3 annual instalment, being RM18.0 million for the first and second instalment and RM54.0 million for the last instalment commencing 13 months from the first drawn date.
- iii. A floating-rate term loan amounting to RM32.0 million was drawn down in February 2018 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial period is RM32.0 million. The loan bears interest rate at 1% per annum above the bank's COF and repayable in 20 quarterly instalment of RM1.6 million each and commencing 15 months from the first drawn date.

The remaining term loans at the end of the financial period/year amounting to RM206.4 million (31.12.2015: RM355.6 million; 31.12.2016: RM306.4 million; 31.12.2017: RM229.8 million) have repayment terms ranging from 3 years to 10 years from respective first drawdown date and will be fully repayable by February 2026.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.28 BANK BORROWINGS (CONTINUED)

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Later than one year but not later than two years	214,447	231,829	206,980	259,928
Later than two years but not later than five years	270,354	158,194	525,731	641,824
Later than five years	15,106	28,998	12,543	7,482
	<u>499,907</u>	<u>419,021</u>	<u>745,254</u>	<u>909,234</u>

Secured bank borrowings are secured by legal charges over shares of certain subsidiaries, property, plant and equipment (Note 2.9), investment properties (Note 2.10), land use rights (Note 2.11), biological assets (Note 2.16), inventories (Note 2.17), trade receivables (Note 2.18) and other receivables (Note 2.19) of the Group.

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

The effective interest rates at end of the reporting date are as follows:

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	%	%	%	%
Bankers' acceptances	4.7	4.4	4.2	4.5
Bank overdrafts	9.3	9.0	5.0	4.5
Term loans	7.9	7.0	4.8	5.8
Revolving credits	9.3	6.2	6.2	5.8
Trust receipts	4.8	3.9	4.1	5.1

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.29 POST-EMPLOYMENT BENEFITS OBLIGATION

The Group operates various post-employment schemes, including both defined contributions plan (Note 2.4) and defined benefit plan. The Group's post-employment benefits obligation primarily arise from PT Malindo Feedmill Tbk and its subsidiaries in Indonesia. The Group provides defined post-employment benefits to their employees in accordance with Indonesian Labour Law No. 13/2003. No funding has been made to this defined benefit plan.

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
Retirement age	55 years	55 years	55 years	55 years
Discount rate (per annum)	9.18%	8.58%	7.25%	9.14%
Annual salary increase	8.8%	8.5%	9.0%	9.0%

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

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
At 1 January	16,869	24,147	31,975	36,943
Current service cost	3,075	3,705	4,620	4,597
Interest cost	1,439	2,102	2,506	928
Benefit paid	(706)	(619)	(1,043)	(1,166)
Translation differences	2,210	2,159	(4,032)	(2,962)
Remeasurement of post-employment benefit obligation charged/(reversed) to other comprehensive income	1,260	481	2,917	(1,009)
At 31 December/31 October	<u>24,147</u>	<u>31,975</u>	<u>36,943</u>	<u>37,331</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.29 POST-EMPLOYMENT BENEFITS OBLIGATION (CONTINUED)**

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Current service cost	3,075	3,705	4,620	4,597	3,905
Interest cost	1,439	2,102	2,506	928	1,756
Expenses recognised in profit or loss	<u>4,514</u>	<u>5,807</u>	<u>7,126</u>	<u>5,525</u>	<u>5,661</u>
Remeasurements:					
Actuarial loss/(gain) arising from changes in financial assumptions	1,924	(140)	3,353	(2,643)	1,753
Actuarial (gain)/loss arising from experience adjustment	(664)	621	(436)	1,634	883
Remeasurements loss of post-employment benefit obligation recognised in other comprehensive income	<u>1,260</u>	<u>481</u>	<u>2,917</u>	<u>(1,009)</u>	<u>2,636</u>

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
<u>Effect on current service cost</u>					
- 1% on discount rate	3,626	3,996	3,879	2,861	3,142
+ 1% on discount rate	(2,983)	(3,570)	(3,086)	(2,464)	(2,691)

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.30 TRADE PAYABLES

	As at			As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Trade payable	253,694	246,462	230,505	241,238
Amounts due to related parties (trade)	30,445	11,148	11,716	12,490
	<u>284,139</u>	<u>257,610</u>	<u>242,221</u>	<u>253,728</u>

Credit terms of the Group's trade payables ranging from cash on delivery to 120 days throughout the reported periods.

Amounts due to related parties comprise payables from companies controlled by Lau family amounting to RM11,536,073 (31.12.2015: RM30,016,000, 31.12.2016: RM10,564,000 and 31.12.2017: RM10,762,000) and Nam Family amounting to RM953,847 (31.12.2015: RM429,000, 31.12.2016: RM584,000 and 31.12.2017: RM954,000).

2.31 OTHER PAYABLES AND ACCRUED EXPENSES

	As at			As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Other payables	77,050	65,854	95,589	94,981
GST/VAT payable	740	5,167	4,246	3,535
Accrued expenses	96,955	116,453	113,349	128,796
Provision for claims	-	43,456	35,839	34,868
Amounts due to related parties (non-trade)	43,519	34,167	7,665	7,907
	<u>218,264</u>	<u>265,097</u>	<u>256,688</u>	<u>270,087</u>

Accrued expenses

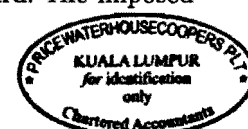
As at 31 October 2018, accrued expenses include the proposed listing expenses amounting to RM18,788,000 for the proposed initial public offering of the Company on the Main Market of Bursa Malaysia Securities Berhad.

Provision for claims

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

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

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



13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.31 OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)**Amounts due to related parties

Amounts due to related parties (companies controlled by Lau family) arise from transactions such as transportation charges, purchases of sundries and rental expenses as disclosed in Note 2.34.

2.32 AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are trade in nature, unsecured, interest-free and have credit terms of 120 days throughout the reported period.

2.33 DIVIDEND PAID/PAYABLE

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
In respect of the financial year ended 31 December 2014:					
- Final single-tier dividend of RM30.00 per share on 955,370 ordinary shares, paid on 28 July 2015	28,661	-	-	-	-
In respect of the financial year ended 31 December 2015:					
- Final single-tier dividend of RM18.00 per share on 955,370 ordinary shares, paid on 18 July 2016	-	17,200	-	-	-
In respect of the financial year ended 31 December 2016:					
- Final single-tier dividend of RM40.19 per share on 955,370 ordinary shares, paid on 13 July 2017	-	-	38,400	-	38,400
In respect of the financial year ended 31 December 2017:					
- Final single-tier dividend of RM60.73 per share on 955,370 ordinary shares.	-	-	-	58,000	-
	<u>28,661</u>	<u>17,200</u>	<u>38,400</u>	<u>58,000</u>	<u>38,400</u>

- (i) The dividend declared by the Company on 24 August 2018 in respect of the financial year ended 31 December 2017 amounting to RM58,000,000 was partially paid as of 31 October 2018. The remaining balance of RM46,448,000 is classified as 'Dividend payable' in the consolidated statements of financial position as at 31 October 2018. The dividend payable was subsequently paid in November and December 2018.
- (ii) Included in 'Dividend payable' in the consolidated statements of financial position as at 31 October 2018 is the interim dividend payable to non-controlling interest of PT Malindo Feedmill Tbk, an indirect subsidiary, amounting to RM3,515,000. The dividend has been paid on 9 November 2018.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.34 SIGNIFICANT RELATED PARTY DISCLOSURES

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

Related parties and relationship

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Ultimate holding company:					
Sales of subsidiary - The Baker's Cottage Sdn Bhd	-	-	20,331	-	20,331
Interest income	-	-	-	915	-
Fellow subsidiaries:					
Rental expense charged	(1,270)	(1,271)	(1,602)	(1,377)	(1,308)
Companies controlled by Lau family:					
Sales of goods	205,267	260,304	309,709	294,676	263,276
Purchases of goods	(95,005)	(126,807)	(137,398)	(174,152)	(117,038)
Transportation charges paid/payable	(14,192)	(9,360)	(13,431)	(10,821)	(9,879)
Purchases of sundries paid/payable	(1,000)	(1,057)	(620)	(2,035)	(383)
Acquisition of non-controlling interest - ES Food International Pte Ltd	-	-	(104,353)	-	-
Disposal of subsidiary - Jordon International Food Processing Pte Ltd	-	-	-	30,370	-
Advances granted	-	-	13,357	13,639	13,357
Repayment of advances	-	(23,901)	-	(26,878)	-
Interest income	889	386	544	347	440
Companies controlled by Nam family:					
Transportation charges paid/payable	(5,236)	(5,247)	(8,072)	(7,022)	(6,580)
Transaction with non-controlling interests:					
Disposal of subsidiary - Jordon International Food Processing Pte Ltd	-	-	-	29,184	-

Significant related party balances

The significant outstanding balances with ultimate holding company and fellow subsidiaries are shown in Note 2.20 and Note 2.21 respectively. The significant outstanding balances with companies controlled by Lau family and Nam family are shown in Note 2.18, Note 2.19, Note 2.30 and Note 2.31 respectively.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party financial guarantee contracts

Financial guarantee contracts provided to certain related parties which have not been reflected in the statements of financial position of the Group is as follows:

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Financial guarantee contracts provided by certain subsidiary to banks on banking facilities granted to fellow subsidiary	-	-	38,500	38,500

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

Key management personnel compensation

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

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

	<u>Financial years ended</u>			<u>10 months</u> <u>financial period ended</u>	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited	Audited	Audited	Audited	Unaudited
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Directors of the Company:</u>					
Fees (i)	31	3,695	4,455	806	1,158
Salaries, bonuses and other benefits	17,867	32,799	14,612	12,964	10,741
Defined contribution benefits	2,063	2,911	1,143	1,527	908
	19,961	39,405	20,210	15,297	12,807
<u>Management Team:</u>					
Fees paid to Directors of subsidiaries	-	-	2,379	-	1,963
Salaries, bonuses and other benefits	5,821	5,918	9,008	4,163	5,152
Defined contribution benefits	384	652	806	247	583
Total key management personnel compensation	26,166	45,975	32,403	19,707	20,505

- (i) The Directors' fees disclosed above were paid by the subsidiaries of the Company. No Directors' fees had been paid by the Company and any Directors' fees to be paid by the Company will be approved by the shareholders at a general meeting.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.35 ACQUISITIONS**31.12.2015Acquisition of subsidiaries

- (a) On 14 January 2015, on behalf of the Board of Directors of an indirect subsidiary, Teo Seng Capital Berhad ("TSC"), Maybank Investment Bank Berhad announced that the Board had on 14 January 2015, resolved to fix the exercise price of the warrants at RM1.35 per warrant, representing a premium of approximately 9.76% to the theoretical ex-bonus price of the TSC shares of approximately RM1.23, calculated based on the five (5) day volume weighted average market price of the TSC shares up to and including 13 January 2015 (being the market day immediately preceding the price-fixing date of RM1.84 per share).

TSC had on even date executed the deed poll constituting up to 50,000,000 warrants to be issued pursuant to the Bonus Issue of Warrants.

The Bonus Issue of Shares and Bonus Issue of Warrants have been completed following the listing and quotation of the Bonus Issue and Warrants on the Main Market of Bursa Malaysia Securities Berhad on 9 February 2015.

- (b) On 24 April 2015, an indirect subsidiary, Premium Egg Products Pte. Ltd. ("PEPPL"), which in turn is a wholly owned subsidiary of TSC entered into a conditional sale and purchase agreement with Oceantrade Food Pte. Ltd., a company incorporated and registered in Singapore, Loi Teck Heng, Low Sook Cheng and Lee Yee Gee (collectively known as "Vendors") to acquire 1,400,000 ordinary shares in BH Fresh Food Pte. Ltd. ("BHFF"), representing 100% of the equity interest in BHFF from the Vendors for a total cash consideration of SGD9.80 million (equivalent to RM26.4 million). As a result, BHFF became a wholly owned subsidiary of TSC during the year.

The fair value of the asset and liabilities acquired are as follows:

	<u>At the date of acquisition</u> RM'000
Property, plant and equipment	24,825
Cash and bank balances	11
Trade and other receivables	5,258
Trade and other payables	(11)
Deferred tax liabilities	(3,623)
	<hr/>
Fair value of net identifiable assets acquired	26,460
	<hr/>
Total purchase consideration, to be settled by cash	26,460
Less : Cash and cash equivalents of subsidiary acquired	(11)
	<hr/>
Net cash outflow for acquisition of subsidiary	<u>26,449</u>

The acquired subsidiary had contributed profit after tax of RM190,000 to the Group.

Had BHFF been consolidated from 1 January 2015, the consolidated comprehensive income would show pro forma revenue of RM13,927,000 and profit after tax of RM1,818,000.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2015 (continued)

Acquisition of subsidiaries (continued)

- (c) On 26 May 2015, an indirect subsidiary, Teo Seng Farming Sdn. Bhd. which in turn is a wholly owned subsidiary of TSC acquired an additional 40% equity interest in Forever Best Supply Sdn. Bhd. ("Forever") for a total cash consideration of RM551,000. As a result, Forever became a wholly owned subsidiary of TSC.

The acquisition has no material financial impact to the Group.

- (d) On 10 August 2015, an indirect subsidiary, Lee Say Breeding Farm Sdn Bhd, which in turn is a wholly owned subsidiary of Lee Say Group Pte Ltd ("LSG") acquired 1,500,000 ordinary shares of RM1.00 each, representing 100% of the issued and paid up capital of My-Kando Food Industries Sdn Bhd ("MKI") for a total cash consideration of RM1,651,000 (equivalent to SGD543,000). As a result, MKI became a wholly owned subsidiary of LSG.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	<u>Group</u> RM'000
Property, plant and equipment	4,814
Biological assets	19
Cash and bank balances	96
Trade and other receivables	124
Other payables	(3,864)
	<hr/>
Net identifiable assets acquired	1,189
Add : Goodwill on acquisition	462
	<hr/>
Total purchase consideration, to be settled by cash	1,651
Less : Cash and cash equivalents of subsidiary acquired	(96)
	<hr/>
Net cash outflow for acquisition of subsidiary	<u>1,555</u>

The subsidiary has contributed loss after tax of RM32,000 to the Group since the date of acquisition.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
 (Incorporated in Malaysia)
 (Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2015 (continued)

Acquisition of subsidiaries (continued)

- (e) From 26 August 2015 to 30 November 2015, a direct subsidiary, Dragon Amity Pte. Ltd. ("DAPL") had further subscribed to 10,671,600 ordinary shares in PT Malindo Feedmill Tbk ("PTMF") from the open market for a total cash consideration of Rp2,472,684,000 (equivalent to RM769,000).

On 23 October 2015, PTMF has obtained approval letter from Otoritas Jasa Keuangan ("OJK"), the Financial Service Authority of Indonesia to increase its issued and fully paid ordinary shares to 2,238,750,000 by issuing additional 447,750,000 new ordinary shares with par value of Rp20 per share and exercise price of Rp1,200 per share (equivalent to RM0.37 per share) of which DAPL subscribed to 354,104,842 new shares for a total cash consideration of Rp424,925,810,000 (equivalent to RM132,364,000). The remaining 93,395,158 new shares amounting to RM35,005,000 was subscribed by the non-controlling interest in proportion to their shareholding.

31.12.2016

Addition of investments in subsidiaries

- (a) During the financial year, a direct subsidiary, Dragon Amity Pte. Ltd. ("DAPL") had further subscribed to 3,956,700 ordinary shares in PT Malindo Feedmill Tbk ("PTMF") from the open market for a total cash consideration of Rp5,517,340,000 (equivalent to RM1,837,000), resulting in the Group's equity interest in PTMF increasing from 57.09% to 57.27%.

31.12.2017

Addition of investments in subsidiaries

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

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

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



13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
 (Incorporated in Malaysia)
 (Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2017 (continued)

Addition of investments in subsidiaries (continued)

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

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

	<u>Group</u> RM'000
Carrying amount of non-controlling interests acquired	(841)
Consideration paid to non-controlling interests	(320)

Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(1,161)

(c) On 21 November 2017, an indirect subsidiary, ES Food International Pte. Ltd. capitalised the outstanding shareholders' loans amounting to SGD34,376,000 (equivalent to RM101,932,000) into additional paid up capital of 34,375,933 new ordinary shares. As a result, the new shares amounting to SGD8,604,000 (equivalent to RM26,063,000) was allocated to the non-controlling interest in proportion to their shareholding via the capitalisation of the same amount owing to a related party (Note 2.31).

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

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

	<u>Group</u> RM'000
Carrying amount of non-controlling interests acquired	51,229
Consideration paid to non-controlling interests	(104,353)

Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(53,124)



13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2017 (continued)

Addition of investments in subsidiaries (continued)

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

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

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

Acquisition of subsidiaries

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2017 (continued)

Acquisition of subsidiaries (continued)

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

31.10.2018

Addition of investments in subsidiaries

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

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

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

- (b) During the financial period, a direct subsidiary, Leong Hup Singapore Pte Ltd ("LHS") had cumulatively acquired 16,967,200 ordinary shares in PT Malindo Feedmill Tbk ("PTMF") from the open market for a total cash consideration of Rp13,074,480,000 (equivalent to RM3,576,000), resulting in the Group's equity interest in PTMF increasing from 57.27% to 58.03%.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.36 DISPOSALS

31.12.2017

Disposal of subsidiaries

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.36 DISPOSALS (CONTINUED)

31.10.2018

Disposal of subsidiaries

- (a) On 30 June 2018, an indirect subsidiary, Kendo Trading Pte. Ltd., entered into a sale and purchase agreement with Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd) and Lee Chai Soon to dispose of its 2,000,000 ordinary shares, representing 100% of the issued and paid up capital of its wholly owned subsidiary, Jordon International Food Processing Pte. Ltd. for a total cash consideration of SGD 20,100,000 (equivalent to RM59,554,000).

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

	At the date of <u>disposal</u> RM'000
Property, plant and equipment	35,943
Inventories	6,841
Goodwill on acquisition	7,241
Intangible assets	1,517
Cash and bank balances	24,599
Trade and other receivables	26,377
Trade and other payables	(14,038)
Bank borrowings	(2,963)
Tax payables	(2,122)
Deferred tax liabilities	(2,945)
Net assets disposed	80,450
Less: Foreign currency translation reserve realised upon disposal of subsidiary	(4,678)
Gain on disposal of a subsidiary	78
	<u>75,850</u>
<u>Proceeds from disposal</u>	
Cash consideration received from Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd)	30,370
Consideration received from Lee Chai Soon by way of offsetting dividend receivable from Kendo Trading Pte. Ltd.	29,184
Dividend receivable from Jordon International Food Processing Pte. Ltd. classified under 'amounts due from related parties' – Note 2.19 (ii)	16,296
	<u>75,850</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.37 CAPITAL COMMITMENTS

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
Acquisition of property, plant and equipment:				
- approved by Directors and contracted	29,089	25,852	17,897	92,871
- approved by Directors but not contracted	5,431	-	-	399,978
	<u>34,520</u>	<u>25,852</u>	<u>17,897</u>	<u>492,849</u>

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

2.38 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
In relation to lease of equipment and premises:				
- Not later than one year	8,374	8,952	9,091	8,248
- Later than one year and not later than five years	20,317	34,592	27,607	22,284
- Later than five years	93,203	139,191	90,246	67,289
	<u>121,894</u>	<u>182,735</u>	<u>126,944</u>	<u>97,821</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.39 CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

	<u>FVPL</u> RM'000	<u>AC</u> RM'000	<u>OFL</u> RM'000	<u>Total</u> RM'000
<u>Audited</u>				
<u>31.12.2015</u>				
<u>Financial assets</u>				
Trade receivables	-	483,763	-	483,763
Other receivables and deposits	-	71,496	-	71,496
Amount due from ultimate holding company	-	7,298	-	7,298
Amounts due from fellow subsidiaries	-	27	-	27
Derivative financial assets	401	-	-	401
Cash and bank balances	-	466,048	-	466,048
	<u>401</u>	<u>1,028,632</u>	<u>-</u>	<u>1,029,033</u>
<u>Financial liabilities</u>				
Trade payables	-	-	284,139	284,139
Other payables and accrued expenses	-	-	217,524	217,524
Amounts due to fellow subsidiaries	-	-	3,726	3,726
Bank borrowings	-	-	1,676,960	1,676,960
Finance lease liabilities	-	-	34,127	34,127
Derivative financial liabilities	3,073	-	-	3,073
	<u>3,073</u>	<u>-</u>	<u>2,216,476</u>	<u>2,219,549</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.39 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	<u>FVPL</u> RM'ooo	<u>AC</u> RM'ooo	<u>OFL</u> RM'ooo	<u>Total</u> RM'ooo
<u>Audited</u>				
<u>31.12.2016</u>				
<u>Financial assets</u>				
Trade receivables	-	526,295	-	526,295
Other receivables and deposits	-	49,561	-	49,561
Amount due from ultimate holding company	-	7,297	-	7,297
Amounts due from fellow subsidiaries	-	19	-	19
Derivative financial assets	1	-	-	1
Cash and bank balances	-	412,978	-	412,978
	<u>1</u>	<u>996,150</u>	<u>-</u>	<u>996,151</u>
<u>Financial liabilities</u>				
Trade payables	-	-	257,610	257,610
Other payables and accrued expenses	-	-	259,930	259,930
Amounts due to fellow subsidiaries	-	-	3,311	3,311
Bank borrowings	-	-	1,590,430	1,590,430
Finance lease liabilities	-	-	41,993	41,993
	<u>-</u>	<u>-</u>	<u>2,153,274</u>	<u>2,153,274</u>
<u>Audited</u>				
<u>31.12.2017</u>				
<u>Financial assets</u>				
Trade receivables	-	563,990	-	563,990
Other receivables and deposits	-	57,985	-	57,985
Amount due from ultimate holding company	-	20,331	-	20,331
Amounts due from fellow subsidiaries	-	725	-	725
Cash and bank balances	-	502,411	-	502,411
	<u>-</u>	<u>1,145,442</u>	<u>-</u>	<u>1,145,442</u>
<u>Financial liabilities</u>				
Trade payables	-	-	242,221	242,221
Other payables and accrued expenses	-	-	252,442	252,442
Amounts due to fellow subsidiaries	-	-	3,870	3,870
Bank borrowings	-	-	2,143,869	2,143,869
Finance lease liabilities	-	-	49,647	49,647
Derivative financial liabilities	1,136	-	-	1,136
	<u>1,136</u>	<u>-</u>	<u>2,692,049</u>	<u>2,693,185</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.39 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	<u>FVPL</u> RM'000	<u>AC</u> RM'000	<u>OFL</u> RM'000	<u>Total</u> RM'000
<u>Audited</u>				
<u>31.10.2018</u>				
<u>Financial assets</u>				
Trade receivables	-	582,577	-	582,577
Other receivables and deposits	-	55,793	-	55,793
Amount due from ultimate holding company	-	21,247	-	21,247
Amounts due from fellow subsidiaries	-	1,485	-	1,485
Derivative financial assets	631	-	-	631
Cash and bank balances	-	525,724	-	525,724
	<u>631</u>	<u>1,186,826</u>	<u>-</u>	<u>1,187,457</u>
<u>Financial liabilities</u>				
Trade payables	-	-	253,728	253,728
Other payables and accrued expenses	-	-	266,552	266,552
Amounts due to fellow subsidiaries	-	-	3,377	3,377
Bank borrowings	-	-	2,229,825	2,229,825
Finance lease liabilities	-	-	47,442	47,442
Derivative financial liabilities	84	-	-	84
Dividend payables	-	-	49,963	49,963
	<u>84</u>	<u>-</u>	<u>2,850,887</u>	<u>2,850,971</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

(a) Credit risk

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

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

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

(i) Trade receivables

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

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

(i) Trade receivables (continued)

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

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Following are the areas where the Group are exposed to credit risk: (continued)

(i) Trade receivables (continued)

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

<u>Category</u>	<u>Description</u>	<u>Basis for recognising expected credit losses ("ECL")</u>
Performing	The customers that have no history of default.	Lifetime ECL
In-default	<ul style="list-style-type: none"> • Customers that have history of default. • Amount that is more than 90 days past due. 	Lifetime ECL
Write-off	Amount that is more than 365 days and there is evidence indicating that the Group has no realistic prospect of recovery.	Asset is written off

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

The Group's ECL rate at the end of the reporting period is 0.012% (31.12.2015: 0.053%; 31.12.2016: 0.264%, and 31.12.2017: 0.033%).

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Following are the areas where the Group are exposed to credit risk: (continued)

(ii) Other debt instruments financial assets at amortised costs

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

The loss allowance provision for other financial assets at amortised cost as at 31 December 2017, 31 December 2016 and 31 December 2015 reconciles to the opening loss allowance disclosed in Note 2.19.

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

(iii) Financial guarantee contracts

At the date of reporting, the maximum exposure to credit risk is represented by the banking facilities (including undrawn facilities) of former subsidiary disposed in financial year 2017 amounting to RM38,500,000 (31.12.2015: RM Nil, 31.12.2016: RM Nil and 31.12.2017: RM38,500,000). The Group's exposure on financial guarantee contract have been included in liquidity risk assessment (Note 2.40(b)).

The Group provides unsecured corporate guarantees to licensed banks in respect of banking facilities granted to the former subsidiaries. The Group monitors on an ongoing basis the results of these entities and repayments made by them. As at the end of the reporting period, there was no indication that any entities would default on repayment. The financial guarantees have not been recognised as the fair value is not material.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(b) Liquidity risk**

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

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

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	Audited	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31.12.2015</u>					
Trade payables	284,139	-	-	-	284,139
Other payables and accrued expenses	217,524	-	-	-	217,524
Amounts due to fellow subsidiaries	3,726	-	-	-	3,726
Finance lease liabilities	16,353	10,935	9,828	-	37,116
Term loans	211,391	231,694	292,537	14,554	750,176
Other bank borrowings	984,250	-	-	-	984,250
Derivative financial liabilities	3,073	-	-	-	3,073
	<u>1,720,456</u>	<u>242,629</u>	<u>302,365</u>	<u>14,554</u>	<u>2,280,004</u>
<u>31.12.2016</u>					
Trade payables	257,610	-	-	-	257,610
Other payables and accrued expenses	259,930	-	-	-	259,930
Amounts due to fellow subsidiaries	3,311	-	-	-	3,311
Finance lease liabilities	19,194	12,818	13,523	-	45,535
Term loans	251,665	241,640	205,067	-	698,372
Other bank borrowings	948,625	-	-	-	948,625
	<u>1,740,335</u>	<u>254,458</u>	<u>218,590</u>	<u>-</u>	<u>2,213,383</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

The following are areas of the Group exposure to liquidity risk (continued)

	<u>Within 1 year</u> Audited RM'000	<u>1 to 2 years</u> Audited RM'000	<u>2 to 5 years</u> Audited RM'000	<u>More than 5 years</u> Audited RM'000	<u>Total</u> Audited RM'000
31.12.2017					
Trade payables	242,221	-	-	-	242,221
Other payables and accrued expenses	252,442	-	-	-	252,442
Amounts due to fellow subsidiaries	3,870	-	-	-	3,870
Finance lease liabilities	22,714	18,069	12,827	-	53,610
Term loans	246,357	237,192	565,970	-	1,049,519
Other bank borrowings	1,194,958	-	-	-	1,194,958
Derivative financial liabilities	1,136	-	-	-	1,136
	<u>1,963,698</u>	<u>255,261</u>	<u>578,797</u>	<u>-</u>	<u>2,797,756</u>
Financial guarantee contract*	38,500	-	-	-	38,500

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

The following are areas of the Group exposure to liquidity risk (continued)

	Within 1 year Audited RM'000	1 to 2 years Audited RM'000	2 to 5 years Audited RM'000	More than 5 years Audited RM'000	Total Audited RM'000
31.10.2018					
Trade payables	253,728	-	-	-	253,728
Other payables and accrued expenses	266,552	-	-	-	266,552
Amounts due to fellow subsidiaries	3,377	-	-	-	3,377
Finance lease liabilities	24,183	15,361	11,824	-	51,368
Term loans	309,217	295,163	705,207	-	1,309,587
Other bank borrowings	1,078,308	-	-	-	1,078,308
Derivative financial liabilities	84	-	-	-	84
Dividend payable	49,963	-	-	-	49,963
	<u>1,985,412</u>	<u>310,524</u>	<u>717,031</u>	<u>-</u>	<u>3,012,967</u>
Financial guarantee contract*	38,500	-	-	-	38,500

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

13. ACCOUNTANTS' REPORT (Cont'd)**LEONG HUP INTERNATIONAL BERHAD**

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(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(c) Foreign currency risk**

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure

	<u>MYR</u> Audited RM'000	<u>SGD</u> Audited RM'000	<u>USD</u> Audited RM'000	<u>IDR</u> Audited RM'000	<u>OTHERS</u> Audited RM'000	<u>TOTAL</u> Audited RM'000
<u>Group</u>						
<u>31.12.2015</u>						
<u>Financial assets</u>						
Trade receivables	5,695	13,981	6,649	-	845	27,170
Other receivables	1,580	278	24,175	3	-	26,036
Cash and bank balances	8,689	11,503	72,835	2,458	103	95,588
	<u>15,964</u>	<u>25,762</u>	<u>103,659</u>	<u>2,461</u>	<u>948</u>	<u>148,794</u>
<u>Financial liabilities</u>						
Trade payables	(5,598)	(2,293)	(37,362)	-	(1,766)	(47,019)
Other payables	(5,605)	-	(1,402)	(571)	(16)	(7,594)
Bank borrowings	(19,271)	-	(55,642)	-	-	(74,913)
Finance lease liabilities	(664)	(263)	-	-	-	(927)
	<u>(31,138)</u>	<u>(2,556)</u>	<u>(94,406)</u>	<u>(571)</u>	<u>(1,782)</u>	<u>(130,453)</u>
Net currency exposure	<u>(15,174)</u>	<u>23,206</u>	<u>9,253</u>	<u>1,890</u>	<u>(834)</u>	<u>18,341</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)

	<u>MYR</u> Audited RM'000	<u>SGD</u> Audited RM'000	<u>USD</u> Audited RM'000	<u>IDR</u> Audited RM'000	<u>OTHERS</u> Audited RM'000	<u>TOTAL</u> Audited RM'000
<u>Group</u>						
<u>31.12.2016</u>						
<u>Financial assets</u>						
Trade receivables	8,101	9,336	3,419	-	-	20,856
Other receivables	1,350	860	372	3	-	2,585
Cash and bank balances	16,878	10,979	23,236	431	761	52,285
	<u>26,329</u>	<u>21,175</u>	<u>27,027</u>	<u>434</u>	<u>761</u>	<u>75,726</u>
<u>Financial liabilities</u>						
Trade payables	(2,023)	(1,129)	(38,783)	-	(1,702)	(43,637)
Other payables	(10,366)	(1,282)	(78)	(610)	-	(12,336)
Bank borrowings	(10,421)	(14,224)	(74,949)	-	-	(99,594)
Finance lease liabilities	(439)	(329)	-	-	-	(768)
	<u>(23,249)</u>	<u>(16,964)</u>	<u>(113,810)</u>	<u>(610)</u>	<u>(1,702)</u>	<u>(156,335)</u>
Net currency exposure	<u>3,080</u>	<u>4,211</u>	<u>(86,783)</u>	<u>(176)</u>	<u>(941)</u>	<u>(80,609)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)

	<u>MYR</u> Audited RM'000	<u>SGD</u> Audited RM'000	<u>USD</u> Audited RM'000	<u>IDR</u> Audited RM'000	<u>OTHERS</u> Audited RM'000	<u>TOTAL</u> Audited RM'000
<u>Group</u>						
<u>31.10.2018</u>						
<u>Financial assets</u>						
Trade receivables	2,024	12,328	5,181	-	-	19,533
Other receivables	3,508	919	8,246	284	-	12,957
Cash and bank balances	28,411	10,485	113,495	387	86	152,864
	<u>33,943</u>	<u>23,732</u>	<u>126,922</u>	<u>671</u>	<u>86</u>	<u>185,354</u>
<u>Financial liabilities</u>						
Trade payables	(2,291)	(687)	(16,669)	-	(1,087)	(20,734)
Other payables	(25,819)	(1,922)	(4,510)	(504)	-	(32,755)
Bank borrowings	(556)	(11,310)	(18,410)	-	-	(30,276)
Finance lease liabilities	(75)	(30)	-	-	-	(105)
	<u>(28,741)</u>	<u>(13,949)</u>	<u>(39,589)</u>	<u>(504)</u>	<u>(1,087)</u>	<u>(83,870)</u>
Net currency exposure	<u>5,202</u>	<u>9,783</u>	<u>87,333</u>	<u>167</u>	<u>(1,001)</u>	<u>101,484</u>

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13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax and equity to 5% (31.12.2015: 5%, 31.12.2016: 5%, 31.12.2017: 5%) strengthening/weakening of each currency respectively in MYR, SGD, USD and IDR against the respective functional currencies of the entities within the Group, with all other variables held constant.

Profit for the year/period increases/(decreases):

	Financial years ended			10 months financial period ended
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000
MYR				
- Strengthened 5%	(577)	117	414	198
- Weakened 5%	577	(117)	(414)	(198)
SGD				
- Strengthened 5%	882	160	71	372
- Weakened 5%	(882)	(160)	(71)	(372)
USD				
- Strengthened 5%	352	(3,298)	(1,384)	3,319
- Weakened 5%	(352)	3,298	1,384	(3,319)
IDR				
- Strengthened 5%	72	(7)	15	6
- Weakened 5%	(72)	7	(15)	(6)

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk

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

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

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group target a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The Group does not account for fixed rate financial assets and liabilities through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit and loss.

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
<u>Fixed rate instruments:</u>				
<u>Financial assets</u>				
Fixed deposits with licensed bank	163,243	60,413	95,415	52,969
<u>Financial liabilities</u>				
Finance lease liabilities	34,127	41,993	49,647	47,442
<u>Floating rate instruments:</u>				
<u>Financial liabilities</u>				
Bank overdrafts	39,072	67,152	63,547	39,915
Term loans	692,710	641,805	948,911	1,151,517
Bankers' acceptances	310,664	315,354	370,317	378,942
Revolving credits	338,348	284,086	476,904	340,910
Trust receipts	296,166	282,033	284,190	318,541
	<u>1,676,960</u>	<u>1,590,430</u>	<u>2,143,869</u>	<u>2,229,825</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

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

	<u>Profit/(loss) for the year</u>		<u>Equity</u>	
	<u>+50 bp</u> RM'000	<u>-50 bp</u> RM'000	<u>+50 bp</u> RM'000	<u>-50 bp</u> RM'000
<u>Group</u>				
31 December 2015	<u>(6,289)</u>	<u>6,289</u>	<u>(6,289)</u>	<u>6,289</u>
31 December 2016	<u>(6,044)</u>	<u>6,044</u>	<u>(6,044)</u>	<u>6,044</u>
31 December 2017	<u>(8,147)</u>	<u>8,147</u>	<u>(8,147)</u>	<u>8,147</u>
31 October 2018	<u>(8,473)</u>	<u>8,473</u>	<u>(8,473)</u>	<u>8,473</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.41 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

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

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

<u>Current asset/liability</u>	<u>Note</u>
Trade receivables	2.18
Other receivables, deposits and prepaid expenses	2.19
Amount due from ultimate holding company	2.20
Amounts due from fellow subsidiaries	2.21
Cash and bank balances	2.23
Trade payables	2.30
Other payables and accrued expenses	2.31
Amounts due to fellow subsidiaries	2.32
Finance lease liabilities	2.27
Borrowings	2.28
Post-employment benefits obligation	2.29

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

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

(b) Fair value measurement

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

- (i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- (ii) Level 2 – Valuation techniques for the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- (iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of financial instrument carried at fair value Level 1 Audited RM'000	Carrying amount Audited RM'000
31.12.2015		
Financial assets:		
Derivative financial assets	401	401
Financial liabilities:		
Derivative financial liabilities	3,073	3,073
31.12.2016		
Financial assets:		
Derivative financial assets	1	1
31.12.2017		
Financial liabilities:		
Derivative financial liabilities	1,136	1,136
31.10.2018		
Financial assets:		
Derivative financial assets	631	631
Financial liabilities:		
Derivative financial liabilities	84	84

Specific valuation techniques used to value financial instruments include:

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of assets not carried at fair value <u>Level 3</u> Audited RM'000	Carrying amount Audited RM'000
<u>31.12.2015</u>		
<u>Assets:</u>		
Investment properties (Note 2.10)	87,369	55,408
<u>31.12.2016</u>		
<u>Assets:</u>		
Investment properties (Note 2.10)	87,666	51,752
<u>31.12.2017</u>		
<u>Assets:</u>		
Investment properties (Note 2.10)	41,639	22,557
<u>31.10.2018</u>		
<u>Assets:</u>		
Investment properties (Note 2.10)	41,639	22,346

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

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

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

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

Other than Biological assets (Note 2.16), the Group does not have assets and liabilities measured at fair value at the reporting date.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.42 CAPITAL MANAGEMENT

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

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

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Total borrowings	1,711,087	1,632,423	2,193,516	2,277,267
Cash and cash equivalents (Note 2.23)	(422,245)	(333,189)	(427,424)	(470,449)
Net debts	<u>1,288,842</u>	<u>1,299,234</u>	<u>1,766,092</u>	<u>1,806,818</u>
Total equity	<u>1,694,571</u>	<u>1,990,385</u>	<u>1,642,022</u>	<u>1,714,258</u>
Net debt-to-equity ratio (times)	<u>0.76</u>	<u>0.65</u>	<u>1.08</u>	<u>1.05</u>

There were no changes in the Group's approach to capital management during the financial year/period. Other than the covenants on borrowings as disclosed in Note 2.28, the Group is not subject to any other externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS

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

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

- Livestock and poultry related products – production and distribution of breeder and broiler day-old-chick, broiler chickens, eggs, animal health products and consumer food products.
 - Feedmill – Manufacturing and trading of animal feeds.
- (a) The Management Team assesses the performance of the operating segments based on their earnings before interest, tax, depreciation and amortisation (“EBITDA”). The accounting policies of the operating segments are the same as the Group’s accounting policies.

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

- (b) Each operating segment assets is measured based on all assets of the segment.
- (c) Each operating segment liabilities is measured based on all liabilities of the segment.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company’s headquarters) and head office expenses. These includes investment properties, tax recoverable/payable and borrowings.

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments

<u>Audited</u> <u>31.12.2015</u>	Livestock & poultry related <u>products</u> RM'000	<u>Feedmill</u> RM'000	Inter- segment <u>elimination</u> RM'000	<u>Group</u> RM'000
Revenue				
- external revenue	2,992,566	1,693,353	-	4,685,919
- inter-segment revenue	-	1,189,145	(1,189,145)	-
Revenue from sales of goods	2,992,566	2,882,498	(1,189,145)	4,685,919
Revenue from other sources				28,647
Total revenue				<u>4,714,566</u>
EBITDA	212,070	147,357	101,708	461,135
Depreciation and amortisation	(117,847)	(31,776)	(207)	(149,830)
	94,223	115,581	101,501	311,305
Share of results in associates				482
Finance costs				(95,188)
Profit before taxation				216,599
Tax expense				(50,568)
Profit for the financial year				<u>166,031</u>
Assets				
Segment assets	5,281,249	2,463,952	(3,809,899)	3,935,302
Unallocated assets:				
Investment properties				55,408
Tax recoverable				44,541
Total assets				<u>4,035,251</u>
Liabilities				
Segment liabilities	1,607,456	559,453	(1,545,828)	621,081
Unallocated liabilities:				
Borrowings and finance lease liabilities				1,711,087
Tax payable				8,512
Total liabilities				<u>2,340,680</u>
Other disclosure				
Capital expenditure*	257,454	120,841	(4,097)	374,198
Non-cash item (other than depreciation and amortisation)	134,180	2,023	55	136,258

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Livestock & poultry related <u>products</u> RM'000	<u>Feedmill</u> RM'000	Inter- segment <u>elimination</u> RM'000	<u>Group</u> RM'000
<u>Audited</u> <u>31.12.2016</u>				
Revenue				
- external revenue	3,298,457	1,943,202	-	5,241,659
- inter-segment revenue	-	1,242,956	(1,242,956)	-
Revenue from sales of goods	3,298,457	3,186,158	(1,242,956)	5,241,659
Revenue from other sources				15,731
Total revenue				<u>5,257,390</u>
EBITDA	475,077	284,566	(112,851)	646,792
Depreciation and amortisation	(136,326)	(40,546)	(20,029)	(196,901)
	338,751	244,020	(132,880)	449,891
Share of results in associates				446
Finance costs				(103,031)
Profit before taxation				347,306
Tax expense				(77,260)
Profit for the financial year				<u>270,046</u>
Assets				
Segment assets	5,767,827	2,836,466	(4,411,819)	4,192,474
Unallocated assets:				
Investment properties				51,752
Tax recoverable				56,890
Total assets				<u>4,301,116</u>
Liabilities				
Segment liabilities	1,639,834	695,167	(1,689,019)	645,982
Unallocated liabilities:				
Borrowings and finance lease liabilities				1,632,423
Tax payable				32,326
Total liabilities				<u>2,310,731</u>
Other disclosure				
Capital expenditure*	255,638	48,016	247	303,901
Non-cash item (other than depreciation and amortisation)	(32,862)	4,662	48,482	20,282

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter- segment elimination RM'000	Group RM'000
<u>Audited</u> 31.10.2018				
Revenue				
- external revenue	2,849,653	1,829,012	-	4,678,665
- inter-segment revenue	-	871,517	(871,517)	-
Revenue from sales of goods	2,849,653	2,700,529	(871,517)	4,678,665
Revenue from other sources				11,630
Total revenue				<u>4,690,295</u>
EBITDA				
Depreciation and amortisation	358,627 (125,300)	211,406 (38,047)	(28,278) 361	541,755 (162,986)
	233,327	173,359	(27,917)	378,769
Share of results in associates				412
Finance costs				(87,898)
Profit before taxation				291,283
Tax expense				(71,495)
Profit for the financial period				<u>219,788</u>
Assets				
Segment assets	4,526,063	3,086,408	(2,958,613)	4,653,858
Unallocated assets:				
Investment properties				22,346
Tax recoverable				42,613
Total assets				<u>4,718,817</u>
Liabilities				
Segment liabilities	1,622,383	901,668	(1,818,184)	705,867
Unallocated liabilities:				
Borrowings and finance lease liabilities				2,277,267
Tax payable				21,425
Total liabilities				<u>3,004,559</u>
Other disclosure				
Capital expenditure*	248,544	71,923	(215)	320,252
Non-cash item (other than depreciation and amortisation)	26,263	(3,111)	(24,044)	(892)

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter- segment elimination RM'000	Group RM'000
<u>Unaudited</u> 31.10.2017				
Revenue				
- external revenue	2,749,823	1,808,215	-	4,558,038
- inter-segment revenue	-	911,260	(911,260)	-
Revenue from sales of goods	2,749,823	2,719,475	(911,260)	4,558,038
Revenue from other sources				10,037
Total revenue				<u>4,568,075</u>
EBITDA				
Depreciation and amortisation	285,392	209,907	(20,311)	474,988
	(128,884)	(39,537)	316	(168,105)
	156,508	170,370	(19,995)	306,883
Share of results in associates				319
Finance costs				(76,388)
Profit before taxation				230,814
Tax expense				(31,953)
Profit for the financial period				<u>198,861</u>
Other disclosure				
Capital expenditure*	271,848	26,442	(113)	298,177
Non-cash item (other than depreciation and amortisation)	14,709	(3,799)	(266)	10,644

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Geographical Information**Revenue**

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

	<u>Financial years ended</u>			<u>10 months financial period ended</u>	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Unaudited RM'000
Malaysia	1,503,643	1,558,125	1,580,947	1,354,852	1,325,235
Singapore	928,573	1,031,485	1,088,641	824,776	902,643
Indonesia	1,395,737	1,630,765	1,737,619	1,540,185	1,445,166
Vietnam	857,966	1,017,504	1,055,915	913,745	868,494
Philippines	-	3,780	24,217	45,107	16,500
Total revenue	4,685,919	5,241,659	5,487,339	4,678,665	4,558,038

EBITDA

	<u>Financial years ended</u>			<u>10 months financial period ended</u>	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Unaudited RM'000
Malaysia	216,312	232,538	230,208	159,798	177,582
Singapore	115,127	110,053	156,481	106,009	132,195
Indonesia	59,250	208,785	105,780	185,971	97,223
Vietnam	70,477	96,842	88,104	84,581	67,006
Philippines	(31)	(1,426)	2,536	5,396	982
Total EBITDA	461,135	646,792	583,109	541,755	474,988

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Geographical Information (continued)**Non-current assets**

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Malaysia	902,034	968,685	1,081,116	1,198,427
Singapore	402,558	387,393	371,583	310,428
Indonesia	567,553	629,394	583,050	549,128
Vietnam	228,640	251,413	257,233	290,493
Philippines	26	10,639	25,194	31,489
	<u>2,100,811</u>	<u>2,247,524</u>	<u>2,318,176</u>	<u>2,379,965</u>

Borrowings and finance lease liabilities

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Malaysia	626,710	674,647	802,975	938,258
Singapore	188,250	135,571	538,076	515,860
Indonesia	608,183	549,430	549,255	480,194
Vietnam	287,944	272,775	296,716	337,710
Philippines	-	-	6,494	5,245
	<u>1,711,087</u>	<u>1,632,423</u>	<u>2,193,516</u>	<u>2,277,267</u>

Major customers

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES

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

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Direct subsidiaries</u>					
Leong Hup (Malaysia) Sdn. Bhd.*	100.00	100.00	100.00	100.00	Investment holding
United Global Resources Limited**	100.00	100.00	100.00	100.00	Investment holding and trading of materials
Leong Hup Singapore Pte.Ltd.## (Incorporated in Singapore)	-	-	100.00	100.00	Investment holding
Lee Say Group Pte. Ltd.# (Incorporated in Singapore)	51.00	51.00	100.00 (Indirect subsidiary)	100.00 (Indirect Subsidiary)	Slaughtering, processing and sale of fresh and frozen poultry and investment holding
Dragon Amity Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	100.00	100.00	Investment holding
Leong Hup Corporate Services Sdn. Bhd.*	100.00	100.00	100.00	100.00	Management services provider
Leong Hup (Philippines), Inc# (Incorporated in Philippines)	100.00	100.00	100.00	100.00	To engage in the raising, breeding, cross breeding, fattening and pasturing of poultry and similar stocks
<u>Indirect subsidiaries</u>					
Leong Hup Poultry Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Breeding of layer and broiler
Leong Hup Broiler Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Renting of its broiler farms and rearing broiler chicken for sales and investment holding

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Leong Hup (G.P.S.) Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Broiler grandparent stock farming and investment holding
Leong Hup Agrobusiness Sdn. Bhd.*	100.00	100.00	100.00	100.00	Trading of broiler chickens, day old chicks, poultry feeds, medicine and renting of farm buildings and investment holding
The Baker's Cottage Sdn. Bhd.^	100.00	100.00	-	-	Manufacturing, trading and distribution of food products and investment holding
Ayam A1 Food Corporation Sdn. Bhd.*	100.00	100.00	100.00	100.00	Processing and marketing of chicken and related products and investment holding
Leong Hup Feedmill Malaysia Sdn. Bhd. (Formerly known as Ayam A1 Chicken Shop Sdn. Bhd.)*	100.00	100.00	100.00	100.00	Manufacturing and marketing of animal feeds. (Commenced operation on 1 May 2018).
Ladang Ternakan Maju Sdn. Bhd.*	100.00	100.00	100.00	100.00	Contract farming, poultry farming and investment holding
Advantage Valuations Sdn. Bhd.**	51.00	51.00	51.00	51.00	Investment holding
F. E. Venture Sdn. Bhd.^	51.00	51.00	51.00	51.00	Trading of animal feeds and veterinary products and investment holding

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Leong Hup Poultry Farm (Sabah) Sdn. Bhd.*	100.00	100.00	100.00	100.00	Poultry farming and related products
Leong Hup Ruminant Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Investment holding
Leong Hup Feedmill Sdn. Bhd.*	100.00	100.00	100.00	100.00	Manufacturing and marketing of animal feeds.
Sri Medan Duck Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Duck breeder, sale of poultry, eggs and others related products
Beaming Agrotrade Sdn. Bhd.*	100.00	100.00	100.00	100.00	Trading of materials, warehousing operation and production of animal feed ingredients
The Baker's Cottage Restaurant Sdn. Bhd.^	100.00	100.00	100.00	100.00	Operating a restaurant dealing with food and beverage
Ayam A1 Food Processing Sdn. Bhd.*	100.00	100.00	100.00	100.00	Processing chicken foodstuff such as meatball, nuggets, sausages, frankfurters and burgers

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Goldkist Breeding Farms Sdn. Bhd.*	100.00	100.00	100.00	100.00	Rearing of broiler chicken for sales
J.B. Kim Farm Sdn. Bhd.*	51.00	51.00	51.00	51.00	Rearing of broiler chicken for sales
Mighty Farms Sdn. Bhd.*	51.00	51.00	51.00	51.00	Rearing of broiler chicken for sales
Exclusive Treasures Sdn. Bhd.*	51.00	51.00	100.00	100.00	Rearing of broiler chicken for sales
Sweet Vista Sdn. Bhd.*	100.00	100.00	100.00	100.00	Rearing of broiler chicken for sales
Mantap Untung Sdn. Bhd.*	51.00	51.00	51.00	51.00	Rearing of broiler chicken for sales
Ternakan Emas Sdn. Bhd.*	100.00	100.00	100.00	100.00	Dormant
Golden Egg Sdn. Bhd.*	100.00	100.00	100.00	100.00	Dormant
Rising Momentum Sdn. Bhd.*	51.00	51.00	51.00	51.00	Rearing of broiler chicken for sales
BC Confectionery Sdn. Bhd.^	100.00	100.00	-	-	Bakery and retailing of confectionery food products
Farm Excel Distribution Sdn. Bhd.^	51.00	51.00	51.00	51.00	Trading of health and beauty products
Laboratorios Reveex (Asia) Sdn. Bhd.^	26.01	26.01	26.01	26.01	Trading of veterinary products
Leong Hup Aquaculture Sdn. Bhd.*	100.00	100.00	100.00	100.00	Operator of fish rearing
Teo Seng Capital Berhad** a	26.09	26.09	26.09	28.43	Investment holding and provision of management services
Teo Seng Farming Sdn. Bhd.**	26.09	26.09	26.09	28.43	Poultry farming and investment holding
Teo Seng Paper Products Sdn. Bhd.**	26.09	26.09	26.09	28.43	Manufacturing and marketing of egg trays

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>				<u>Principal activities</u>
	<u>31.12.2015</u> %	<u>31.12.2016</u> %	<u>31.12.2017</u> %	<u>31.10.2018</u> %	
<u>Indirect subsidiaries</u> (continued)					
Teo Seng Feedmill Sdn. Bhd.**	26.09	26.09	26.09	28.43	Manufacturing and marketing of animal feeds
Ritma Prestasi Sdn. Bhd.**	26.09	26.09	26.09	28.43	Distribution of pet food, medicine and other animal health related products
Success Century Sdn. Bhd.**	26.09	26.09	26.09	28.43	Poultry farming
Laskar Fertiliser Sdn. Bhd.**	26.09	26.09	26.09	28.43	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produce
B-Tech Aquaculture Sdn. Bhd.**	26.09	26.09	26.09	28.43	Dormant
Great Egg Industries Sdn. Bhd. (Formerly known as Forever Best Supply Sdn. Bhd.)**	26.09	26.09	26.09	28.43	Dormant
Liberal Energy Sdn. Bhd.**	26.09	26.09	26.09	28.43	General trading and generation of energy by establishment of biogas plants - Dormant
Pioneer Prosperity Sdn. Bhd.**	26.09	26.09	26.09	28.43	Dormant
Premium Egg Products Pte. Ltd.## (Incorporated in Singapore)	26.09	26.09	26.09	28.43	Wholesaler importers, exporters of eggs products
BH Fresh Food Pte. Ltd.## (Incorporated in Singapore)	26.09	26.09	26.09	28.43	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Ritma Premier Pte. Ltd.** (Incorporated in Singapore)	-	26.09	26.09	28.43	Distribution of pet food, medicine and other animal health related products
Leong Hup Agriculture (Desaru) Sdn. Bhd.*	60.00	60.00	60.00	60.00	Plantation – cultivation of fruits
Ideal Multifeed (Malaysia) Sdn. Bhd.*	59.68	59.68	100.00	100.00	Manufacturing and marketing of animal feeds
Jaco Nutrimix Sdn. Bhd.*	100.00	100.00	100.00	100.00	Manufacturing and marketing of feed additive premix and other related business
Prima Anjung Sdn. Bhd.*	100.00	100.00	100.00	100.00	Poultry farming, sale of poultry and related products and aquaculture
Kayangan Runding Sdn. Bhd.*	100.00	100.00	100.00	100.00	Property investment holding
New Soon Teng Poultry Sdn. Bhd.** (Formerly known as Morningfield Sdn. Bhd.)	-	-	70.00	70.00	Rearing of colourbird
Emivest Vietnam Co., Limited^ (Incorporated in Vietnam)	100.00	100.00	-	-	Operating poultry hatcheries and breeder farms. (Merged into Emivest Feedmill Vietnam Co., Limited on 4 January 2017)
Emivest Feedmill (TG) Vietnam Limited Liability Company## (Incorporated in Vietnam)	100.00	100.00	100.00	100.00	Producing animal and poultry feed
Leong Hup Feedmill Vietnam Limited Liability Company## (Incorporated in Vietnam)	100.00	100.00	100.00	100.00	Producing animal and poultry feed
Leong Hup (Cambodia) Limited^ (Incorporated in Cambodia)	100.00	100.00	100.00	100.00	Trading of animals feed

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Emivest Feedmill Vietnam Co., Limited## (Incorporated in Vietnam)	100.00	100.00	100.00	100.00	Operating poultry hatcheries and breeder farms and producing animal and poultry feed
Tasty Meat Products Pte. Ltd.^ (Incorporated in Singapore)	40.80	40.80	80.00	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Kendo Trading Pte. Ltd.# (Incorporated in Singapore)	26.01	26.01	51.00	51.00	Slaughtering, processing and sale of fresh and frozen poultry products
Yong Hup Choon Poultry Supplier Pte. Ltd.^ (Incorporated in Singapore)	26.01	26.01	51.00	-	Dormant (The company has been struck off from the register on 4 September 2018)
Lee Say Food Holdings Pte. Ltd. ^ (Incorporated in Singapore)	51.00	51.00	100.00	100.00	Investment holding
PT Ayam Prima Esa& (Incorporated in Indonesia)	51.00	51.00	100.00	100.00	Dormant – in liquidation process
Heng Kai Hock Farm Sdn. Bhd.*	51.00	51.00	100.00	100.00	Poultry farming and related products
Lee Say Breeding Farm Sdn. Bhd.*	51.00	51.00	100.00	100.00	Poultry farming and related products
Kendo Coldstore Pte. Ltd.^ (Incorporated in Singapore)	26.01	26.01	51.00	-	Dormant (The company has been struck off from the register on 4 September 2018)
Wang Xiang Shun Food Industry Pte. Ltd.^ (Incorporated in Singapore)	13.27	13.27	26.01	26.01	Production, processing and preserving of meat and meat products
Hup Heng Poultry Industries Pte. Ltd.# (Incorporated in Singapore)	34.26	34.26	67.18	67.18	Slaughtering of poultry, wholesale, processing and preserving of meat and meat product

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Jordon International Food Processing Pte. Ltd.# (Incorporated in Singapore)	26.01	26.01	51.00	-	Manufacturer, wholesaler, retailer and dealer in all kind of meat products
ES Food International Pte. Ltd.# (Incorporated in Singapore)	36.57	36.57	100.00	100.00	Investment holding
Leong Hup Food Pte. Ltd. (Formerly known as KSB Distribution Pte. Ltd.)# (Incorporated in Singapore)	36.57	36.57	100.00	100.00	General importers and distributor of chickens and other meat products
Safa Gourmet Food Pte. Ltd.# (Incorporated in Singapore)	36.57	36.57	100.00	100.00	Halal meat processing, manufacturing, wholesale and retail
Soonly Food Processing Industries Pte. Ltd.# (Incorporated in Singapore)	36.57	36.57	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry
Prestige Fortune Sdn. Bhd.*	28.05	28.05	55.00	55.00	Poultry farming operations and the provision of consultancy services relating to poultry farming operations
Prestige Fortune (S) Pte. Ltd.# (Incorporated in Singapore)	28.05	28.05	55.00	55.00	Wholesale and distribution of poultry
Leong Hup Distribution Pte Ltd (Formerly known as Tai Wee Company (Private) Limited) # (Incorporated in Singapore)	36.57	36.57	100.00	100.00	General trading of frozen food products and provision of warehousing activities
My-Kando Food Industries Sdn. Bhd.*	51.00	51.00	100.00	100.00	Poultry farming, rental of chicken coops and related activities

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
PT Malindo Feedmill Tbk## β (Incorporated in Indonesia)	57.09	57.27	57.27	58.03	Investment holding, poultry feed industry and Day Old Chicks (DOC) farming
PT Bibit Indonesia## (Incorporated in Indonesia)	56.52	57.19	57.19	57.96	Broiler grandparent stock farming
PT Prima Fajar## (Incorporated in Indonesia)	57.03	57.21	57.25	58.01	Trading and service and broiler chicken farm
PT Leong Ayamsatu Primadona## (Incorporated in Indonesia)	56.91	57.09	57.24	58.00	Day old chicks (DOC) and broiler chicken farm
PT Malindo Food Delight## (Incorporated in Indonesia)	57.02	57.26	57.26	58.02	Processing and preserving of meat
PT Quality Indonesia## (Incorporated in Indonesia)	39.56	40.07	40.07	40.48	Duck farming
PT Mitra Bebek Persada& (Incorporated in Indonesia)	-	-	56.70	57.45	Duck farming

* Audited by PricewaterhouseCoopers PLT, Malaysia with effect from financial year ended 31 December 2016

** Audited by PricewaterhouseCoopers PLT, Malaysia with effect from financial year ended 31 December 2017

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia with effect from financial year ended 31 December 2016

Audited by member firms of PricewaterhouseCoopers International Limited which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia with effect from financial year ended 31 December 2017

^ Audited by a firm other than member firm of PricewaterhouseCoopers International Limited.

& Unaudited – exempted from statutory audit

α Listed on Main Market of Bursa Malaysia Securities Berhad

β Listed on Indonesia Stock Exchange

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.45 EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

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

Bonus Issue

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

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

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

Share Split

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

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

With the completion of the bonus issue and share split, the earnings per share calculations of the Company for the financial years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the 10-month financial periods ended 31 October 2018 and 31 October 2017 are based on the new number of shares of 3,400,000,000.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.45 EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

- (b) On 6 December 2018 and 9 April 2019, the Securities Commission of Malaysia ("SC") has conditionally approved the Company's Listing on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

Employee Share Option Scheme ("ESOS")

In conjunction with the Listing, the Company proposes to establish the ESOS which involves the granting of ESOS Options ("the Options") to the eligible Directors and employees of the Group as set out in the By-Laws governing the ESOS.

The Options shall be granted to eligible Directors and employees of the Group and shall have the following key features:

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

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

2.46 APPROVAL OF CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information have been approved for issue in accordance with a resolution of the Board of Directors on 10 April 2019.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 1098663 - D)

STATEMENT BY DIRECTORS

We, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang, two of the Directors of Leong Hup International Berhad (the "Company"), state that, in the opinion of the Directors, the consolidated financial information set out on pages 1 to 150 are drawn up so as to give a true and fair view of the financial position of the Company and its subsidiaries (the "Group") as at 31 December 2015, 31 December 2016 and 31 December 2017 and of the financial performance and cash flows of the Group for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines ("Prospectus Guidelines") issued by the Securities Commission Malaysia ("SC") and are drawn up so as to give a true and fair view of the financial position of the Group as of 31 October 2018 and of the financial performance and cash flows of the Group for the ten months financial period ended 31 October 2018 in accordance with MFRS 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting" and the Prospectus Guidelines issued by the SC.

Signed on behalf of the Board of Directors in accordance with their resolution dated 10 April 2019.



DATO' LAU ENG GUANG
DIRECTOR



TAN SRI LAU TUANG NGUANG
DIRECTOR

14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than six months after the date of the issue of this Prospectus.
- (ii) As at the LPD, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) Save as disclosed in Sections 4.2 and 6.1.5 of this Prospectus, respectively, our Company has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the two years immediately preceding the date of this Prospectus.
- (iv) As at the date of this Prospectus, save for the Issue Shares reserved for subscription by our Eligible Persons as disclosed in Section 4.2.2 of this Prospectus and the ESOS as disclosed in Section 4.2.5 of this Prospectus, there is currently no other scheme involving our employees and Directors in the share capital of our Company or any of our subsidiaries.
- (v) Save for the ESOS and Teo Seng's warrants as disclosed in Sections 4.2.5 and 6.3 of this Prospectus respectively, we have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our subsidiaries under option.
- (vi) Save for Teo Seng's warrants as disclosed in Section 6.3 of this Prospectus, as at date of this Prospectus, neither we nor our subsidiaries have any outstanding warrants, options, convertible securities or uncalled capital.
- (vii) Save as disclosed in Section 2.2 of this Prospectus, and save as provided for under our Constitution as reproduced in Section 14.2 below and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable law. The words, terms and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meaning
Act	means the Companies Act, 2016 and every statutory modification or re-enactment thereof for the time being in force.
Company	means LEONG HUP INTERNATIONAL BERHAD (Company No. 1098663-D) or by whatever name from time to time.
Depository	means Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) and its successors-in-title.
Directors	means the directors of the Company or their alternates present at a duly convened meeting of directors at which a quorum is present (as the context requires).
Exchange	means Bursa Malaysia Securities Berhad (Company No. 635998-W) and its successors-in-title.

14. ADDITIONAL INFORMATION (Cont'd)

Words	Meaning
Member	means, unless otherwise expressed to the contrary, a person who is registered as the holder of shares in the capital of the Company including a Depositor who shall be treated as if he were a Member pursuant to Section 35 of the Central Depositories Act but excludes the Depository in its capacity as a bare trustee member.
Record of Depositors	means a record provided by the Depository to the Company under Chapter 24.0 of the Rules of the Depository.
Related Corporation	means a corporation who: – (a) is the holding company of another corporation; (b) is a subsidiary of another corporation; or (c) is a subsidiary of the holding company of another corporation.
Rules of Depository or Rules	means the Rules of the Depository and any appendices thereto including any amendment that may be made from time to time.
Securities	has the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007.
the Register	means the Register of Members to be kept pursuant to the Act, and unless otherwise expressed to the contrary, includes the Record of Depositors.

(i) Transfer of Shares**Clause 19 - Renunciation**

“The Directors may at any time after the allotment of any share but before any person has been entered in the Register as the holder recognise a renunciation of such share by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation on such terms and conditions as the Directors may determine.”

Clause 39 -Transfer of Securities

“The transfer of any listed securities or class of listed securities of the Company shall be made by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 98, 105, 106 and 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall not be required to register or effect any transfer of the listed securities.”

Clause 45 - Closure of register

“Subject to the Rules, the Register may be closed for such periods as the Directors may from time to time determine provided that such register shall not be closed for more than thirty (30) days in any year. The Company shall before it closes such register:

- (1) give notice of such intended book closure (in the case of the Register) in accordance with Section 55 of the Act; and
- (2) give notice of such intended closure to the Exchange for such period as prescribed by the Exchange or any relevant governing laws and/or guidelines before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.

14. ADDITIONAL INFORMATION (Cont'd)

The Company shall give notice in accordance with the Rules to enable the Depository to prepare the appropriate Record of Depositors.”

Clause 47 - No liability of Directors etc.

“Subject to the Act, every entry in the Register, purporting to have been made on the basis of an instrument of transfer or other document in good faith by the Company, shall be conclusively deemed to have been duly and properly made including (without limitation) where:

- (1) the instrument of transfer or other document is obtained or created fraudulently or is otherwise void, voidable or otherwise unenforceable; or
- (2) the Company or any of its Directors or officers may have notice that such instrument of transfer was signed, executed and/or delivered by the transferor or other authorised person in blank as to the name of the transferee or the particulars of the shares transferred or otherwise made defectively,

and any person who becomes the registered holder of any shares by reason of any such entry shall be entitled to be recognised as the registered holder of such shares, and the Company, its Directors and/or other officers shall not be liable to any person by reason of any such entry being made.”

Clause 48 -No liability of the Company and Directors

“Neither the Company nor any of its Directors shall be liable for any transfer of shares effected by the Depository.”

(ii) Remuneration of Directors**Clause 109- Directors' Remuneration**

“Subject to this Constitution, the fees and benefits of the Directors shall from time to time be determined annually by the Company in general meeting provided always:

- (1) Directors' fees and benefits payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;
- (2) salaries payable to Directors holding any executive office pursuant to a contract of service need not be determined by the Company in general meeting but such salaries may not include a commission on or a percentage of turnover;
- (3) all remuneration payable to Directors shall be deemed to accrue from day to day;
- (4) fees and benefits payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (5) any fee and benefit paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.”

Clause 110- Expenses

“The Directors may be paid all travelling, hotel and other reasonable expenses, properly and reasonably incurred by them in the execution of their duties including any such expenses incurred in connection with attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company in the course of the performance of their duties as Directors.”

14. ADDITIONAL INFORMATION (Cont'd)**(iii) Voting and borrowing powers of Directors****Clause 124 - General borrowing powers**

“Except as provided by Clause 125, the Directors may exercise all the powers of the Company to borrow money of any sum or sums from any person, bank, firm or company and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof and to issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company, its subsidiaries or any other party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its Subsidiaries.”

Clause 125 - Restrictions on borrowings

“The Directors shall not borrow any money or mortgage or charge any of the Company's or its Subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.”

Clause 151 - Disqualification from voting

“Except as otherwise provided by this Constitution, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has, directly or indirectly, a personal interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one or more of the following paragraphs:

- (1) in a case where the contract or proposed contract relates to any loan to the company that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or
- (2) in a case where the contract or proposed contract has been or will be made with or for the benefit of or on behalf of a Related Corporation - that he is a director of that corporation.

For avoidance of doubt, a Director shall be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.”

(iv) Changes in capital and variation of class rights**Clause 8 - Variation of class rights**

“If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Section 90 of the Act and whether or not the Company is being wound up) be varied or abrogated in accordance with Section 91 of the Act.”

14. ADDITIONAL INFORMATION (Cont'd)**Clause 12 - Issue of Securities**

“Subject to the Act and this Constitution, the Directors may offer, issue, allot (with or without conferring a right of renunciation) shares of the Company (whether forming part of the original or any increased capital), grant options over, grant any right or rights to subscribe for such shares or any right or rights to convert any Security into such shares, or otherwise deal with or dispose of them to such persons at such times and on such terms and conditions as they may determine.”

Clause 13 - Restrictions on issue

“Clause 12 shall be subject to the following provisions:

- (1) the Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;
- (2) no Director shall participate in a Share Issuance Scheme unless the Members in general meeting have approved the specific allotment to such Director; and
- (3) the rights attached to shares of a class other than ordinary shares shall be expressed in the resolution creating them.”

14.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of the Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository (“**Depositor**”) by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of the Shares shall be deemed to be a shareholder of our Company and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Subject to the above, there is no limitation on the right to our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

14. ADDITIONAL INFORMATION (Cont'd)

14.4 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single tier dividend are not taxable. Further, the Government of Malaysia does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

As at the LPD, there are no governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and the remittance of profits of our foreign subsidiaries to Malaysia. However, such repatriation of capital and the remittance of profits may be subject to withholding taxes (if any).

14.5 MATERIAL CONTRACTS

Save as disclosed below as well as in the TM Licence Agreement disclosed in Section 7.22 of this Prospectus, our Group has not entered into any material contracts, which is not in our ordinary course within the period covered by the historical financial information as disclosed in this Prospectus and up to the date of this Prospectus:

14.5.1 Sale and Purchase Agreement dated 24 April 2015 in respect of the acquisition of 100.00% equity interest in BH Fresh Food

On 24 April 2015, Premium Egg, our subsidiary through Teo Seng, entered into a conditional sale and purchase agreement with Oceantrade Food Pte Ltd., a company incorporated and registered in Singapore, Loi Teck Heng, Low Sook Cheng and Lee Yee Gee (collectively known as "Vendors") to acquire 1,400,000 ordinary shares in BH Fresh Food, representing 100.00% of the equity interest in BH Fresh Food from the Vendors for a total cash consideration of SGD9,800,000 (equivalent to RM26,400,000 as per our audited consolidated financial statements for the FYE 31 December 2015). The sale and purchase was completed on 26 May 2015. As a result, BH Fresh Food became a wholly owned subsidiary of Teo Seng during the year.

14.5.2 Sale and Purchase Agreement dated 7 November 2017 in respect of the disposal of our 100.00% equity interest in Baker's Cottage

On 7 November 2017, LH Malaysia, entered into a sale and purchase agreement with Emerging Glory for the disposal of 43,432,000 ordinary shares held by LH Malaysia in its wholly owned subsidiary, Baker's Cottage, which represents 100.00% of the issued share capital of Baker's Cottage, for a total cash consideration of RM20,330,751. The sale and purchase of the shares was completed on 7 November 2017.

14.5.3 Sale and Purchase Agreement dated 18 August 2017 in respect of the acquisition of 49.00% equity interest in Lee Say

On 18 August 2017, LHSg, entered into a sale and purchase agreement with Beng Leong Investment Pte Ltd, Ng Eng Wah, Toh Ying Seng and Heng Cheng Seng (collectively known as "Vendors") to acquire the remaining 578,445 ordinary shares in our subsidiary, Lee Say, which represents 49.00% of the equity interest in Lee Say from the Vendors for a total cash consideration of SGD62,700,000 and a dividend payout of SGD50,000,000 by Lee Say to the Vendors (equivalent to RM341,402,000 as per our audited consolidated financial statements for the FYE 31 December 2017). The sale and purchase was completed on 8 December 2017.

14. ADDITIONAL INFORMATION (Cont'd)**14.5.4 Sale and Purchase Agreement dated 21 November 2017 in respect of the acquisition of 25.00% equity interest in ES Food**

On 21 November 2017, LHSg entered into a sale and purchase agreement with Muar Regent, a company incorporated and registered in Singapore, for the acquisition of 12,353,697 ordinary shares held by Muar Regent in ES Food, representing 25.00% of the equity interest in ES Food for a total cash consideration of SGD32,000,000 (equivalent to RM104,353,000 as per our audited consolidated financial statements for the FYE 31 December 2017). The sale and purchase was completed on 21 November 2017.

14.5.5 Sale and Purchase Agreement dated 30 June 2018 in respect of the disposal of our 51.00% equity interest in Jordon

On 30 June 2018, Kendo Trading entered into a sale and purchase agreement with Muar Regent, a company incorporated and registered in Singapore, for the disposal of 1,020,000 ordinary shares held by Kendo Trading in its wholly own subsidiary, Jordon, representing 51.00% of the equity interest in Jordon for a total cash consideration of SGD10,250,000 (equivalent to RM30,369,577 as per our interim audited consolidated financial statements for the FPE 31 October 2018). The sale and purchase was completed on 30 June 2018.

14.5.6 Sale and Purchase Agreement dated 30 June 2018 in respect of the disposal of our 49.00% equity interest in Jordon

On 30 June 2018, Kendo Trading entered into a sale and purchase agreement with Lee Chai Soon for the disposal of 980,000 ordinary shares held by Kendo Trading in its wholly own subsidiary, Jordon, representing 49.00% of the equity interest in Jordon International for a total cash consideration of SGD9,850,000 (equivalent to RM29,184,423 as per our interim audited consolidated financial statements for the FPE 31 October 2018). The sale and purchase was completed on 30 June 2018.

14.5.7 Master Cornerstone Placement Agreement dated 22 April 2019

Master Cornerstone Placement Agreement dated 22 April 2019 entered into among our Company, the Selling Shareholders, the Joint Global Coordinators and the Cornerstone Investors, under which the Cornerstone Investors agree to acquire an aggregate of 419,676,500 IPO Shares, representing approximately 11.50% of the enlarged issued share capital of our Company, pursuant to the Institutional Offering at the Institutional Price on the terms subject to the conditions set out in the Master Cornerstone Placement Agreement and the relevant individual cornerstone placement agreements.

14.5.8 Retail Underwriting Agreement dated 12 April 2019

Retail Underwriting Agreement dated 12 April 2019 entered into between our Company, the Selling Shareholders, the Managing Underwriter and the Joint Underwriters to severally and not jointly (nor jointly and severally) underwrite 98,000,000 Issue Shares under the Retail Offering at an underwriting commission calculated at the rate of 1.5% (exclusive of applicable tax) of the Retail Price, respectively, multiplied by the number of Issue Shares underwritten.

14.5.9 Lock-up letter dated 11 April 2019 in relation to our IPO and Listing

Lock-up letter dated 11 April 2019 issued by our Company to the Joint Global Coordinators and the Joint Bookrunners in relation to the lock-up arrangement for our IPO and Listing (including the Over-allotment Option which may be exercised), details of which are set out Section 4.8.3 of this Prospectus.

14. ADDITIONAL INFORMATION (Cont'd)**14.6 MATERIAL LITIGATION**

Other than as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Directors confirm that there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position:

14.6.1 Competition and Consumer Commission of Singapore's Investigations

On 8 March 2016 the CCCS issued a proposed infringement decision against 13 fresh chicken distributors in Singapore, including Lee Say and the other Affected Companies for engaging in anti-competitive agreements to coordinate the amount and timing of price increases, and agreeing not to compete for each other's customers in the market for the supply of fresh chicken products in Singapore. Subsequently, following further investigations conducted by the CCCS and in light of new evidence, the CCCS issued a supplementary proposed infringement decision on 21 December 2017 in respect of the Affected Companies.

Further written and oral representations in defence of the Affected Companies were presented to the CCCS on 8 February 2018 and 15 March 2018 respectively. The CCCS had on 12 September 2018 issued an infringement decision on the Affected Companies and imposed the aggregate financial penalty of SGD11,399,041 on the Affected Companies. The CCCS had also directed the Affected Companies to provide a written undertaking that they will refrain from using The Poultry Merchants' Association, Singapore, of which they are members, or any other industry association as a platform or front, for anti-competitive activities. In this respect, provisions for the financial penalty have been made by the Affected Companies in our audited financial statements for the FYE 31 December 2017. On 12 November 2018 the Affected Companies lodged their Notice of Appeal with the Competition Appeal Board, and as at the LPD, the Affected Companies are in the process of preparing for an appeal hearing before the Competition Appeal Board.

14.7 CONSENTS

The written consents of the Principal Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter, Joint Underwriters, Legal Advisers, Share Registrar and Issuing House as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditor and Reporting Accountants for the inclusion of its name, Accountants' Report and the Reporting Accountants' letter on the Pro Forma Consolidated Statements of Financial Position as at 31 October 2018 and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Frost & Sullivan for the inclusion of its name, IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14. ADDITIONAL INFORMATION (Cont'd)

14.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of six months from the date of this Prospectus:

- (i) our Constitution;
- (ii) contracts which our Group is dependent on and our material contracts as referred to in Sections 7.22 and 14.5 of this Prospectus, respectively;
- (iii) our audited consolidated financial statements for the past 3 FYEs 31 December 2015, 31 December 2016 and 31 December 2017;
- (iv) audited financial statements of each of our subsidiaries for the past 3 FYEs 31 December 2015, 31 December 2016 and 31 December 2017 (save for the audited financial statements of our subsidiaries as disclosed in Section 2.1 of this Prospectus);
- (v) our audited interim financial statements for the FPE 31 October 2018;
- (vi) Reporting Accountants' letter on the Pro Forma Consolidated Statements of Financial Position as included in Section 12.4 of this Prospectus;
- (vii) Accountants' Report as included in Section 13 of this Prospectus;
- (viii) IMR Report as included in Section 8 of this Prospectus;
- (ix) letters of consent as referred to in Section 14.7 of this Prospectus; and
- (x) By-Laws as included in Annexure C of this Prospectus.

14.9 RESPONSIBILITY STATEMENTS

Our Directors, the Promoters and the Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Maybank IB, being the Principal Adviser, Joint Global Coordinator, Joint Bookrunner for the Institutional Offering and Managing Underwriter and Joint Underwriters for the Retail Offering in relation to our IPO, acknowledge that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

15. PROCEDURES FOR APPLICATION

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10:00 a.m., 25 April 2019

CLOSING OF THE APPLICATION PERIOD: 5:00 p.m., 3 May 2019

In the event there is any change to the dates stated above, we will advertise the notice of changes in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.

Late applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application for our IPO Shares under the Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the application will succeed.

<u>Types of Application and category of investors</u>	<u>Application method</u>
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

15. PROCEDURES FOR APPLICATION *(Cont'd)*

15.2.2 Application for our IPO Shares under the Institutional Offering

Malaysian institutional and selected investors and foreign institutional and selected investors being allocated our IPO Shares under the Institutional Offering (other than Bumiputera investors approved by the MITI) will be contacted directly by the respective Joint Global Coordinators and Joint Bookrunners and will follow the instructions as communicated by the respective Joint Global Coordinators and Joint Bookrunners.

Bumiputera investors approved by the MITI who have been allocated our IPO Shares will be contacted directly by the MITI and should follow the instructions as communicated through the MITI.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM 1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

15.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;
- (ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

15. PROCEDURES FOR APPLICATION *(Cont'd)*

- (iii) you must submit applications by using only one of the following methods:
- (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by the Eligible Persons

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

15.4 PROCEDURES FOR APPLICATION BY WAY OF AN APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM1.10 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 681** and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

- (ii) or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their Customer Service Centre, Ground Floor, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5:00 p.m. on 3 May 2019 or such other time and date as our Directors and the Joint Underwriters may, in their absolute discretion, mutually decide as the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15. PROCEDURES FOR APPLICATION *(Cont'd)*

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Applications.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Applications.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15. PROCEDURES FOR APPLICATION *(Cont'd)*

15.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription for the Institutional Offering and the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website (www.tiih.com.my) within one business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's enlarged issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon our Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned in full (without interest of any share or revenue or benefit arising therefrom).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or the Eligible Persons, subject to the clawback and reallocation as set out in Section 4.2.3 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Joint Underwriters based on the terms of the Retail Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your application, your application monies (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Form

- (i) The application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information on Bursa Depository, the balance of application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your application is rejected because you did not provide a CDS account number, your application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to these applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

15. PROCEDURES FOR APPLICATION *(Cont'd)*

- (iv) The Issuing House reserves the right to bank into its bank account all application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash divided/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful applications within two Market Days after the balloting date. The full amount of the application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within two Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to these applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten Market Days from the date of the final ballot. For applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful applications within two Market Days after the final balloting date. The Participating Financial Institution will credit the application monies or any part thereof (without interest) within two Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, prior to our Listing. This is your only acknowledgement of acceptance of your application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held joint with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15. PROCEDURES FOR APPLICATION *(Cont'd)*

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

<u>Mode of application</u>	<u>Parties to direct the queries</u>
Application Form	The Issuing House Enquiry Services Telephone at telephone no. +603 2783 9299
Electronic Share Application	Participating Financial Institutions
Internet Share Application	(i) Internet Participating Financial Institution (ii) Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one Market Day** after the balloting date.

You may also check the status of your application at the above website, **five Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS

DETAILS OF OUR MAJOR LICENCES, PERMITS AND APPROVALS

We have various licences and permits for our operations in Malaysia and other jurisdictions where we operate. Details of our major licences, permits and approvals for our operations as at the LPD together with the salient conditions imposed are as follows:

MALAYSIA

PART 1: POULTRY FARMING LICENCES

Save as highlighted below, we hold valid poultry farming licences issued by the respective state's DVS pursuant to the relevant state's poultry farming enactments to the relevant subsidiary, for the following farms:

(1) **Broiler Farms**

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	LH Agrobusiness	DVS, Selangor	Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Tanjung Malim • Rasa • Dengkil 1 • Dengkil 2 • Sepang all in the state of Selangor.	Up to 31 December 2019	1. Licensee to control river pollution. 2. Licensee to control odour pollution. 3. Licensee to control breeding of flies/pests. 4. Licensee to control waste pollution. 5. Licence is for poultry farming activities only. 6. Licence is not transferable.	Complied
2.	LH Agrobusiness	DVS, Negeri Sembilan	Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Pajam • Lenggeng • Rantau 1 • Linggi 1 • Linggi 2 & 3 • Linggi 4 • Bahau 1 • Bahau 2 • Kota all in the state of Negeri Sembilan	Up to 31 December 2019	1. Licensee is requested to use effective microorganisms or comparable chemicals to avoid nuisance in terms of smell and flies. 2. Licensee to ensure chicken faeces will not become a nuisance in terms of smell and flies to neighbouring population.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
					3. No founded complaints received throughout the period of farm operation. If a founded complaint is received, the licence may be withdrawn. 4. Licence is not transferable. 5. The farm must be converted to a closed coop system by 2021 (for Pajam, Linggi 1 and Linggi 2 & 3 only).	
3.	LH Agrobusiness	DVS, Melaka	Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Lendu • Taboh Naning both in the state of Melaka	Up to 31 December 2019	Licence is not transferable.	Complied
4.	LH Agrobusiness/ LH Broiler Farm	DVS, Perak	1. Licence for poultry farming for LH Agrobusiness at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Taiping • Tapah 1 • Tapah 2 • Tapah 3⁽¹⁾ • Tapah 4 • Tapah 5 • Sungkai 1 • Sungkai 2 2. Licence for poultry farming for LH Broiler Farm at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Sg Siput • Bidor all in the state of Perak	Up to 31 December 2019 except for Tapah 3 ⁽¹⁾ Up to 30 June 2019	1. Licence is not transferable. 2. Licence is also subject to the following conditions: <ul style="list-style-type: none"> • To comply with the provisions of the Poultry Farming Enactment 2005 (Enakmen Perladangan Unggas 2005 and Regulations on Monitoring of Poultry Farming Licence 2010 (Peraturan-Peraturan Pengawasan Perladangan Unggas (Lesen) 2010) • To guard against odour pollution and flies to avoid social disturbance and complaints from neighbouring parties 	Complied Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
					<ul style="list-style-type: none"> To undertake good animal husbandry practice To manage waste/sewage/faeces and carcass in a good manner To use effective microorganisms to guard against the breeding of flies and odour To monitor infrastructure by making good damaged coop structures 	
5.	LH Agrobusiness	DVS, Pahang	<ol style="list-style-type: none"> Licence for poultry farming at the specified location for the following farm:- <ul style="list-style-type: none"> Kuantan 1 Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> Kuantan 2 Kuantan 3 Kuantan 4 <p>all in the state of Pahang</p>	<p>Up to 1 December 2018⁽²⁾</p> <p>Up to 1 February 2019⁽³⁾</p>	<p>Licence must be displayed at the premises</p> <ol style="list-style-type: none"> Not to discharge poultry waste or poultry waste sewage into the river, stream, drain, inland waters, irrigation channels, or any place that is not gazetted as a waste disposal location. Not to discharge any bad or unsavoury odour, dust or dust from the poultry farm that may cause nuisance or health hazards to civilians or cause damage to public property. To avoid the breeding of flies, insects and pests. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
6.	LH Agrobusiness/ Ex Treasures/ Heng Kai Hock/ JB Kim/ My-Kando	DVS, Johor	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Kluang 1 & Kluang 3 • Kluang 2 • Layang-Layang 1 • JB 3⁽⁴⁾ • Kota Tinggi⁽⁵⁾ • JB Kim 2 • JB Kim 3 • JB Kim 4 • JB Kim 5 • JB Kim 6 • JB Kim 7 <p style="margin-left: 40px;">• Nusajaya⁽⁶⁾</p> <ul style="list-style-type: none"> • Layang-Layang 1A⁽⁷⁾ • Layang-Layang 2E⁽⁷⁾ • Layang-Layang 3D⁽⁷⁾ • Layang-Layang 4B⁽⁷⁾ • Layang-Layang 5F⁽⁷⁾ • Layang-Layang 6C⁽⁷⁾ • Layang-Layang 7G⁽⁷⁾ • Yong Peng Farm⁽⁷⁾ • Farm 1793 & 1794 • Farm K1 • Farm K2 <p>all in the state of Johor</p>	Up to 31 2018 ⁽⁸⁾ December	<ul style="list-style-type: none"> 4. Not to use any prohibited poisons or not following the regulations for such use as stipulated in the Poisons Act 1952 and Food Act 1983 or any rules or regulations thereunder. 5. Not to provide false declaration and information in connection with the licence application or the Poultry Enactment. 6. Not to obstruct or prevent any licensing officer or authorised officer in carrying out his duties. 7. Licence is not transferable. <ul style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 3. To comply with Sections 16, 17 & 18 and to use effective microorganism technology (for Nusajaya only). 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
7.	Sri Medan Duck Farm	DVS, Johor	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Sri Medan Duck Farm 1 • Sri Medan Duck Farm 2 • Sri Medan Duck Farm 3 • YP1 • YP2 • YP3 • YP4 • YP5 • YP6 • Macap • Yong Peng Farm <p>all in the state of Johor</p>	Up to 31 December 2018 ⁽⁹⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 	Complied

Notes:

- (1) *For Tapah 3, we had previously submitted an application for voluntary suspension of licence, as we were in the process of converting our existing farm to a closed coop system. The conversion of the farm to a CHS has since been completed. We had on 20 December 2018, submitted our application for a new poultry farming licence. The licence is to-date, pending renewal by the DVS.*
- (2) *The Kuantan 1 farm had been issued a valid DVS licence up to 1 December 2018. Application to renew the licence has been made by the company on 11 September 2018, and is pending renewal.*
- (3) *The Kuantan 2, 3 and 4 farms had been issued with a valid DVS licences up to 1 February 2019. Application to renew the licences have been made by the company on 19 November 2018 and are pending renewal.*
- (4) *Held by Aw Kin Soo for and on behalf of LH Agrobusiness.*
- (5) *Held by Lau Joo Han for and on behalf of LH Agrobusiness.*
- (6) *Held by Chong Jun Fah for and on behalf of LH Agrobusiness.*
- (7) *Held by Tan Koon Seng for an on behalf of Heng Kai Hock.*

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

- (8) *Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:*
- a) 30 August 2018 for Farm K1 and Farm K2;*
 - b) 24 September 2018 for JB 3, JB Kim 2, JB Kim 3, JB Kim 5, JB Kim 6, JB Kim 7, Kota Tinggi and Nusajaya;*
 - c) 13 October 2018 for Yong Peng Farm;*
 - d) 12 December 2018 for Kluang 1 & 3, Kluang 2, Layang-layang 1, Layang-layang 1A, Layang-layang 2E, Layang-layang 3D, Layang-layang 4B, Layang-layang 5F, Layang-layang 6C, Layang-layang 7G and Farm 1793 & 1794; and*
 - e) 31 December 2018 for JB Kim 4.*
- The issuance of the renewed licences is pending.*
- (9) *Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on 10 September 2018 and are pending renewal.*

Further to the above disclosure, we have also received a written confirmation of DVS Kelantan dated 28 August 2018, DVS Kelantan informed that licence to operate breeder farm and hatchery in the state of Kelantan is yet to be in force. As such, our Kelantan breeder farm and hatchery do not currently require a licence for its operation.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(2) Breeder Farms & Hatcheries**

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	LH Poultry Farm	DVS, Johor	1. Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Bakri 1 • Bakri 2 • Bakri 3 • Bekoh • Bukit Pasir • Grisek 1 • Grisek 2 • Jementah 1 • Jementah 2 • Pagoh 1 • Pagoh 3 • Parit Sulong • Sagil • Sengkang 1 • Sengkang 2 • Simpang Lima • Tangkak 	Up to 31 December 2018 ⁽¹⁾	1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 3. To comply with Sections 16, 17 & 18 and to use effective microorganism technology (for Jementah 1, Jementah 2 and Parit Sulong only)	Complied
			2. Licence to operate a hatchery farm at specified locations for each of the following farms:- <ul style="list-style-type: none"> • Bakri 1 & 2 (Hatchery A & B) • Pagoh (Hatchery E) • Serom (Hatchery C) • Tangkak (Hatchery D) all in the state of Johor ⁽³⁾	Up to 31 December 2018 ⁽²⁾		Complied
2.	LH Poultry Farm	DVS, Perak	Licence for poultry farming at the specified location for the following farm:- <ul style="list-style-type: none"> • Kampar in the state of Perak ⁽⁴⁾	Up to 30 June 2019	1. Licence is not transferable. 2. Licence is also subject to the following conditions:	Complied
3.	LH Poultry Farm	DVS, Perak	Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Chenderiang • Kuala Bikam • Teluk Intan 	Up to 31 December 2018 ⁽⁵⁾		Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

<u>No.</u>	<u>Licensee</u>	<u>Approving Authority</u>	<u>Description of Licence/ Permit/ Approval</u>	<u>Validity Period</u>	<u>Salient Conditions</u>	<u>Status of Compliance</u>
			all in the state of Perak		<ul style="list-style-type: none"> • To comply with the provisions of the Poultry Farming Enactment 2005 (Enakmen Perladangan Unggas 2005 and Regulations on Monitoring of Poultry Farming Licence 2010 (Peraturan-Peraturan Pengawalan Perladangan Unggas (Lesen) 2010) • To guard against odour pollution and flies to avoid social disturbance and complaints from neighbouring parties • To undertake good animal husbandry practice • To manage waste/ sewage/ faeces and carcass in a good manner • To use effective microorganisms to guard against the breeding of flies and odour • To monitor infrastructure by making good damaged coop structures. 	
4.	Heng Kai Hock	DVS, Johor	1. Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Kota Tinggi Farm 1 • Kota Tinggi Farm 2 • Kota Tinggi Farm 3 	Up to 31 December 2018 ⁽⁶⁾	1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
			2. Licence to operate a hatchery farm at the specified location for the following farm:- <ul style="list-style-type: none"> • Kota Tinggi Hatchery all in the state of Johor			
5.	Prestige Fortune	DVS, Johor	1. Licence for poultry farming at the specified locations for the following farm:- <ul style="list-style-type: none"> • Layang-Layang Breeder Farm 2. Licence to operate a hatchery farm at the specified location for the following farm:- <ul style="list-style-type: none"> • Layang-Layang Hatchery both in the state of Johor	Up to 31 December 2018 ⁽⁷⁾	1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000.	Complied
6.	Sri Medan Duck Farm	DVS, Johor	1. Licence for poultry farming at the specified location for the following farm:- <ul style="list-style-type: none"> • Sri Medan Duck Farm 4 2. Licence to operate a hatchery farm at the specified location for the following farm:- <ul style="list-style-type: none"> • Duck Hatchery both in the state of Johor	Up to 31 December 2018 ⁽⁸⁾	1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
7.	Leong Hup GPS	DVS, Johor	Licence for poultry farming at the specified locations for each of the following farm:- <ul style="list-style-type: none"> • Desaru Farm 1⁽⁹⁾ • Desaru Farm 2⁽⁹⁾ • Desaru Farm 3⁽⁹⁾ • Desaru Farm 4⁽⁹⁾ • Desaru Farm 5⁽⁹⁾ • Desaru Farm 6⁽⁹⁾ <p>all in the state of Johor</p>	Up to 31 December 2018 ⁽¹⁰⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 	Complied
8.	LH Agrobusiness	DVS, Melaka	Licence to operate a hatchery farm at the specified location for the following farm:- <ul style="list-style-type: none"> • Merlimau Hatchery <p>in the state of Melaka</p>	Up to 31 December 2018 ⁽¹¹⁾	Licence is not transferable.	Complied

Notes:

(1) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:

- a) 10 September 2018 for Parit Sulong;
- b) 24 September 2018 for Jementah 1 and Jementah 2;
- c) 25 September 2018 for Bekoh, Grisek 1, Grisek 2, Sagil, Sengkang 1, Sengkang 2, Simpang 5 and Tangkak; and
- d) 26 September 2018 for Bakri 1, Bakri 2, Bakri 3, Bukit Pasir, Pagoh 1 and Pagoh 3.

The issuance of the renewed licences is pending.

(2) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:

- a) 25 September 2018 for Bakri 1 & 2 (Hatchery A&B) and Pagoh (Hatchery E); and
- b) 26 September 2018 for Serom (Hatchery C) and Tangkak (Hatchery D).

The issuance of the renewed licences is pending.

(3) One of our Breeder Farms in Johor, i.e. Pagoh 2, has had its poultry farming licence revoked due to close proximity to residential areas. We are in the process of appealing the revocation, failing which we will re-locate our farm operations elsewhere.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

- (4) *Aside from our Breeder Farm in Perak, i.e. Kampar, we also operate a hatchery farm in the state of Perak, i.e. Bidor Hatchery. Further to a written confirmation of DVS Perak dated 10 July 2018, DVS Perak informed that licence to operate hatcheries in the state of Perak is yet to be in force. As such, our Bidor Hatchery does not currently require a licence for its operation.*
- (5) *Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:*
- a) 3 September 2018 for Kuala Bikam and Teluk Intan; and*
 - b) 12 September 2018 for Chenderiang.*
- The issuance of the renewed licences is pending.*
- (6) *Valid DVS licences were previously issued for these farms and hatchery up to 31 December 2018. Applications to renew the licences have been made by the company on 30 September 2018. The issuance of the renewed licences is pending.*
- (7) *Valid DVS licences were previously issued for the farm and hatchery up to 31 December 2018. Applications to renew the licences have been made by the company on 29 August 2018. The issuance of the renewed licences is pending.*
- (8) *Valid DVS licences were previously issued for the farm and hatchery up to 31 December 2018. Applications to renew the licences have been made by the company on 26 September 2018. The issuance of the renewed licences is pending.*
- (9) *Held by Tan Sri Lau Tuang Nguang for and on behalf of Leong Hup GPS.*
- (10) *Valid DVS licences were previously issued for the hatchery up to 31 December 2018. Applications to renew the licences have been made by the company on 28 September 2018. The issuance of the renewed licences is pending.*
- (11) *A valid DVS licence was previously issued for the hatchery up to 31 December 2018. The application to renew the licence has been made by the company on 18 September 2018. The issuance of the renewed licence is pending.*

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(3) Layer Farms**

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	Teo Seng Farming	DVS, Johor	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Brooding 1 • Brooding 2 • Pullet 1 • Pullet 2 • Pullet 3 • Pullet 5 • Pullet 6 • Pullet 7 • Layer 2 • Layer 3 • Layer 4 • Layer 5A • Layer 5B • Layer 6 • Layer 7 <p>all in the state of Johor⁽²⁾</p>	Up to 31 December 2018 ⁽¹⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. To comply with the relevant requirements of the Poultry Farming Enactment 2005 (Enakmen Perladangan Unggas 2005 and Regulations on Monitoring of Poultry Farming Licence 2010 (Peraturan-Peraturan Pengawasan Perladangan Unggas (Lesen) 2010) and to use effective microorganism technology. 	Complied
2.	Success Century	DVS, Johor	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Layer 1A • Layer 1B • Layer 8A • Layer 8B • Layer 9 • Layer 10 • Layer 11 • Layer 12 • Layer 13 <p>all in the state of Johor</p>	Up to 31 December 2018 ⁽³⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. To comply with the relevant requirements of the Poultry Farming Enactment 2005 (Enakmen Perladangan Unggas 2005 and Regulations on Monitoring of Poultry Farming Licence 2010 (Peraturan-Peraturan Pengawasan Perladangan Unggas (Lesen) 2010) and to use effective microorganism technology. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

Notes:

- (1) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on 25 July 2018. The issuance of the renewed licences is pending.
- (2) Aside from the licences for the operation of our Layer Farms listed above, we have made two applications to DVS, Batu Pahat, for our newest addition of Layer Farms each dated 19 November 2015 and 27 January 2017 respectively, for the licence to operate two Layer Farms in Yong Peng, Johor, i.e. Layer 14 and New Pullet 4. The licences are to-date, pending issuance by the DVS, Batu Pahat as the farms are required to first convert their land use conditions to poultry farming, the applications for which we have submitted on 6 May 2018 and 18 August 2016 respectively at the relevant Land Office, and the approvals of which are also currently pending.
- (3) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on 25 July 2018. The issuance of the renewed licences is pending.

(4) Coloured Bird Farms

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	New Soon Teng/ Prestige Fortune/ Prestige Fortune/ Prestige Fortune/ Prestige Fortune	DVS, Johor	Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • F38 • CHJ075 • CHJ331 all located in the state of Johor ⁽²⁾	Up to 31 December 2018 ⁽¹⁾	<ul style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 	Complied

Notes:

- (1) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:
 - a) 27 August 2018 for F38; and
 - b) 28 August 2018 for CHJ075, CHJ331, CHJ332/Farm B and Farm E.
 The issuance of the renewed licences is pending.
- (2) One of our coloured bird farms, i.e. F45 has not been issued a poultry farming licence, as the farm is required to first convert its land use conditions to poultry farming. We have submitted on 20 August 2018 an application to Pontian Land Office for the conversion of the land use conditions. An application for licence will be made to the DVS thereafter.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**PART 2: BUSINESS AND OTHER OPERATIONAL LICENCES**

The following are the major business and other operational licences issued to and held by our subsidiaries:

(1) Business Licences

The following are the business licences issued by the respective local councils to our subsidiaries, for our business premises:

<u>No.</u>	<u>Licensee</u>	<u>Approving Authority</u>	<u>Premises</u>	<u>Description of Licence/ Permit/ Approval</u>	<u>Validity Period</u>	<u>Status of Compliance</u>
1.	A1FC	Majlis Bandaraya Shah Alam	No. AL 286, Jln Welfare, Kg Baru Sg. Buloh, Seksyen U19 40160 Shah Alam, Selangor.	Business Licence (Chicken Processing Industry) (Temporary) ⁽¹⁾	Up to 31 December 2019	Complied
2.	Leong Hup Feedmill	Majlis Bandaraya Melaka Bersejarah	Lot 13, (9569) Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.	Business licence	Up to 31 December 2019	Complied
3.	FE Venture	Majlis Perbandaran Subang Jaya	Lot 3 & 5 Jalan PJS 11/8, Bandar Sunway 46150 Petaling Jaya, Selangor.	Business Licence - Warehouse (wholesale/storage)	Up to 31 December 2019	Complied
4.	Heng Kai Hock	Majlis Perbandaran Johor Bahru Tengah	37 Jalan Besi, Taman Sri Putri 81300 Skudai, Johor.	Business Licence – Farming Contractor	Up to 31 December 2019	Complied
5.	Ideal Multifeed	Majlis Bandaraya Melaka Bersejarah	PT 248, Kawasan Perindustrian Tangga Batu, Mukim Tg Batu 76400 Melaka.	Business licence for premises used to manufacture and store animal feed	Up to 31 December 2019	Complied
6.	Jaco Nutrimix	Majlis Bandaraya Melaka Bersejarah	Lot 13, (9569) Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.	Business licence for premises used to process animal feed	Up to 31 December 2019	Complied
7.	LH Feedmill Malaysia	Majlis Bandaraya Melaka Bersejarah	1. Lot 13A Kawasan Perindustrian Bkt Rambai 75250 Melaka. 2. 9578 Kawasan Perindustrian Tangga Batu, Tangga Batu 76400 Melaka.	Business licence for premises used to store diesel petroleum and kerosene. Business licence for premises used to manufacture and store animal feed	Up to 31 December 2019 Up to 23 November 2019	Complied Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Premises	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance	
8.	LH Agrobusiness	Majlis Perbandaran Klang	3. Lot 13A & Lot 5012 Jalan PBR1, Fasa 1, Kawasan Perindustrian Bukit Rambai 75250 Melaka.	Business licence for premises used to manufacture and store animal feed	Up to 31 December 2019	Complied	
			No. 28 Jalan Sungai Pinang 5/4 Pulau Indah Industrial Park, Fasa 2, 42920, Pelabuhan Klang, Selangor.	Business licence for premises used to manufacture and process animal feed	Up to 31 December 2019	Complied	
	Majlis Bandaraya Petaling Jaya	A-1-11 Dataran Cascades, No. 13A Jln PJU 5/1, Kota Damansara, PJU 5 47810 Petaling Jaya.	Trade, Business and Industrial Licence (Management Office)	Up to 31 December 2019	Complied		
			Majlis Perbandaran Kuantan	B-76 Tingkat 1, Jalan Biz Park Utama, Tanah Putih 25100 Kuantan, Pahang.	Business Licence (Management Office)	Up to 31 December 2019	Complied
				Majlis Bandaraya Ipoh	1. 190A-192A Jalan Sultan Azlan Shah, Taman Anda 31400 Ipoh.	Business Licence (Management Office)	Up to 3 October 2019
			2. 190-192 Jalan Sultan Azlan Shah, Taman Anda 31400 Ipoh.		Business Licence (Management Office)	Up to 3 October 2019	Complied
	Majlis Perbandaran Muar	1. Lot 4209 Jalan Bakariah 84000 Muar, Johor Darul Takzim.	Business Licence (Management/Services Office)	Up to 31 December 2019	Complied		
			Majlis Perbandaran Kuantan	2. No. 7, Tingkat 1, Taman Treh II, Jalan Bukit Treh 84000 Muar, Johor Darul Takzim.	Business Licence (Management/Services Office)	Up to 31 December 2019	Complied
				Majlis Bandaraya Ipoh	3. No. 11, Tingkat 1, Taman Treh II, Jalan Bukit Treh 84000 Muar, Johor Darul Takzim.	Business Licence (Management/Services Office)	Up to 31 December 2019
			4. No. 9, Tingkat 1, Taman Treh II, Jalan Bukit Treh 84000 Muar, Johor Darul Takzim.		Business Licence (Management/Services Office)	Up to 31 December 2019	Complied
Majlis Perbandaran Jasin	Kawasan Perindustrian Merlimau, 77300 Merlimau, Melaka.	Business Licence (office)	Up to 17 March 2029	Complied			

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Premises	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
9.	LH Poultry Farm	Majlis Daerah Tapah	PT 3150 Taman Perindustrian Ringan, Jalan Sungkai 35500 Bidor, Perak.	Business Licence (Chicken Hatchery)	Up to 29 January 2020	Complied
10.	Ladang Ternakan	Majlis Daerah Machang	Lot 695, Kampung Bechah Kemuning, 18500 Machang, Kelantan.	Trade, Business and Industrial Licence (Management Office – Poultry Farming and Egg Hatchery)	Up to 31 December 2019	Complied
11.	My-Kando	Majlis Perbandaran Johor Bahru Tengah	371A Jalan Besi, Taman Sri Putri 81300 Skudai, Johor	Business Licence (Management Office – Poultry Farming)	Up to 31 December 2019	Complied
12.	Teo Seng Farming	Majlis Daerah Yong Peng	1. Lot 7850 Mukim Tg. Sembrong, Batu 1 Jalan Muar 83700 Yong Peng, Johor Darul Takzim. 2. Lot PTD25740 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor.	Business Licence (Multiple Industries) Business Licence (Chicken Eggs)	Up to 31 December 2019 Up to 31 December 2019	Complied Complied
13.	Teo Seng Feedmill	Majlis Daerah Yong Peng	Lot PTD 25741 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor.	Business Licence (Chicken Feed Processing)	Up to 31 December 2019	Complied
14.	Teo Seng Paper	Majlis Daerah Yong Peng	Lot PTD 25739 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor.	Business Licence (Chicken Processing)	Up to 31 December 2019	Complied
15.	Success Century	Majlis Daerah Yong Peng	1. No. 8A Jalan Sutera, Taman Sutera 83700 Yong Peng, Johor Darul Takzim. 2. PTD 29431 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor Darul Takzim.	Business Licence (Office Agency) Business Licence (Grading, Distribution and Sale of Chicken Eggs)	Up to 31 December 2019 Up to 31 December 2019	Complied Complied
16.	Laskar Fertiliser	Majlis Daerah Yong Peng	Lot PTD 25740 Batu 4, Jalan Ayer Hitam, 83700 Yong Peng, Johor.	Business Licence (Office Agency)	Up to 31 December 2019	Complied

Note:

- (1) *The business licence issued to A1FC is a temporary licence, as the factory on the premises is built without approved building plans. Majlis Bandaraya Shah Alam has the right to suspend or cancel this temporary licence at any time without reason or compensation. These premises are currently used as a warehouse only, and is not material to our business operations.*

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(2) Manufacturing Licences**

The following are the manufacturing licences issued by the MITI pursuant to the Industrial Co-ordinations Act, 1975 to our subsidiaries for our manufacturing activities:

<u>No.</u>	<u>Licensee</u>	<u>Approving Authority</u>	<u>Description of Licence/ Permit/ Approval</u>	<u>Validity Period</u>	<u>Salient Conditions</u>	<u>Status of Compliance</u>
1.	Ideal Multifeed	MITI	Licence to manufacture the following product at the following premise: Animal Feeds Kawasan Perusahaan Tanjong Kling, Mukim Tangga Batu, Melaka.	2 March 1981 onwards	None	Complied
2.	Jaco Nutrimix	MITI	Licence to manufacture the following product at the following premise: Feed Additive Premix Lot 13 (9569), Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.	7 August 2014 onwards	1. Sale of any shares in this company must be notified to MITI and MIDA. 2. Licensee shall train Malaysian citizens so that the transfer of technology and expertise may be channelled to all designation levels.	Complied
3.	Leong Hup Feedmill	MITI	Licence to manufacture the following product at the following premises: Animal Feeds 1. Lot 13A Kawasan Perindustrian Bkt Rambai 75250 Melaka.	12 November 1991 onwards	1. Sale of any shares in this company must be notified to MITI and MIDA. 2. Licensee shall train Malaysian citizens so that the transfer of technology and expertise may be channelled to all designation levels. 3. Licensee shall implement its project as approved in accordance with the laws and regulations of Malaysia	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
			2. Lot 102526 & 102514 Jalan Sungai Pinang 5/1, Fasa 2, Kawasan Industri Pulau Indah, Mukim Klang, Daerah Klang, Selangor Darul Ehsan.	14 October 1998 onwards	None	Complied
4.	LH Agrobusiness	MITI	Licence to manufacture the following product at the following premise: Processed Poultry Products 49 Jalan BRP 8/2 Kawasan Perindustrian Bukit Rahman Putra 47000 Sungai Buloh, Selangor.	8 May 2007 onwards	<ol style="list-style-type: none"> 1. Sale of any shares in this company must be notified to MITI and MIDA. 2. Licensee shall train Malaysian citizens so that the transfer of technology and expertise may be channelled to all designation levels. 3. Licensee shall implement its project as approved in accordance with the laws and regulations of Malaysia 	Complied
5.	Teo Seng Paper	MITI	Licence to manufacture the following product at the following premise: Egg Trays Lot PTD 25739 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor.	8 May 2007 onwards	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(3) Licence to sell chicken (wholesale)**

Our subsidiaries, i.e. A1FC and LH Agrobusiness are also licensed by the Controller of Supplies, Ministry of Domestic Trade, Co-operatives and Consumerism, to sell chicken, on a wholesale basis, pursuant to the Control of Supplies Act, 1961 (Control of Supplies (Chicken) Regulations 1996, at the following premises:

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	A1FC	Controller of Supplies, Ministry of Domestic Trade, Co-operatives and Consumerism	1. Licence to sell chicken, on a wholesale basis, on the following premise: No. 190A, Jln Sultan Azlan Shah, Utara (Jln Tasek), Taman Anda, 31400 Ipoh, Perak.	Up to 28 September 2019	1. Licence is not transferable. 2. Licence is valid for 3 years only at the stipulated premises. 3. Licensee shall refer and obtain the approval of the Ministry before increasing chicken prices at any stage.	Complied
			2. Licence to sell chicken, on a wholesale basis, on the following premise: Lot 4209 Jalan Bakariah, Bukit Treh 84000 Muar, Johor	Up to 30 October 2020		Complied
			3. Licence to sell chicken, on a wholesale basis, on the following premise: No. 7, Tingkat 1, Taman Treh II, Jalan Bukit Treh, 84000 Muar, Johor.	Up to 30 October 2020		Complied
			4. Licence to sell chicken, on a wholesale basis, on the following premise: No. 11-2 (1 st Floor), Jalan PJU 5/18, Dataran Sunway Kota Damansara 47810 Petaling Jaya, Selangor.	Up to 7 August 2019		Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
2.	LH Agrobusiness	Controller of Supplies, Ministry of Domestic Trade, Co-operatives and Consumerism	1. Licence to sell chicken, on a wholesale basis, on the following premise: No. 43 & 45 Jalan Besi, Taman Sri Putri 81300 Skudai, Johor	Up to 18 August 2019	1. Licence is not transferable. 2. Licence is valid only at the stipulated premises. 3. Licensee shall refer and obtain the approval of the Ministry before increasing chicken prices at any stage.	Complied
			2. Licence to sell chicken, on a wholesale basis, on the following premise: Lot 3.01, 3 rd Floor, Wisma Westcourt, 126 Jalan Kelang Lama 58000 Kuala Lumpur.	Up to 4 April 2020		Complied
			3. Licence to conduct the following activities on the following premise: Wholesale dealing: Lot 3.01, 3 rd Floor, Wisma Westcourt, 126 Jalan Kelang Lama 58000 Kuala Lumpur. Storage: No. 190A-192A, Jalan Sultan Azlan Shah, Taman Anda 31400 Ipoh, Perak.	Up to 19 April 2021		Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

(4) Halal Certifications

Our chicken products manufactured/distributed/managed by the Company has complied with Islamic Law and Malaysian Halal Standard and approved by JAKIM's Halal Certification Panel, in relation to the following products:

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
1.	LH Agrobusiness	JAKIM	1. Breeder Chicken (Female) 1/2 Bone 2. Breeder Chicken (Female) Bishop Nose 3. Breeder Chicken (Female) Bone 4. Breeder Chicken (Female) Boneless Breast / Breeder BB 5. Breeder Chicken (Female) Boneless Leg/Breeder BL 6. Breeder Chicken (Female) Fat 7. Breeder Chicken (Female) Feet 8. Breeder Chicken (Female) Fillet 9. Breeder Chicken (Female) Skin 10. Breeder Chicken (Female) Skinless Boneless Breast / Breeder SBB 11. Breeder Chicken (Female) Skinless Boneless Leg/Breeder SBL 12. Breeder Chicken (Female) Whole Leg 13. Breeder Chicken (Female) Wing 14. Breeder Chicken (Male) 15. Chicken (Broiler) 1/2 Bone 16. Chicken (Broiler) 2-Joint Wing / 2-J Wing 17. Chicken (Broiler) BBQ Wing - Debone Cut 18. Chicken (Broiler) Bishop Nose 19. Chicken (Broiler) Bone 20. Chicken (Broiler) Boneless Breast / BB 21. Chicken (Broiler) Boneless Leg / BL 22. Chicken (Broiler) Fat 23. Chicken (Broiler) Feet 24. Chicken (Broiler) Gizzard 25. Chicken (Broiler) Keel 26. Chicken (Broiler) Liver 27. Chicken (Broiler) Neck 28. Chicken (Broiler) Rib 29. Chicken (Broiler) Skin 30. Chicken (Broiler) Skinless Boneless Breast /SBB 31. Chicken (Broiler) Boneless Leg /SBL 32. Chicken (Broiler) Thigh 33. Chicken (Broiler) Whole Breast 34. Chicken (Broiler) Whole Leg 35. Chicken (Broiler) Wing - Machine Cut	Up to 15 February 2020	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
			36. Chicken Chop 37. Chicken Crispy Cut 38. Chicken Drummet 39. Chicken Drumstick 40. Chicken Tulip 41. Layer Chicken (Male) 42. Marinated Roast Chicken Black Pepper 43. Marinated Roast Chicken Honey 44. Marinated Roast Chicken Whole Leg Black Pepper 45. Marinated Roast Chicken Whole Leg Honey 46. Whole Chicken (Broiler)		
2.	LH Agrobusiness	JAKIM	Halal Standard certification in relation to the following products: 1. A1 Chicken Frankfurter 2. A1 Chicken Nugget 3. Beef Burger 4. Black Pepper Ingredient 5. Breaded Chicken Drummets 6. Breakfast Sausage 7. Burger Patties 8. Chicken Burger 9. Chicken Fillets 10. Chicken Frankfurter 11. Chicken Frankfurter with Black Pepper 12. Chicken Frankfurter with Cheese 13. Chicken Karaage 14. Chicken Meat Loaf 15. Chicken Meatball 16. Chicken Nugget 17. Chicken Patties 18. Chicken Roll 19. Chicken Tulip Wings 20. Chicken Wings 21. Cocktail Cheese 22. Cocktail Original 23. Cocktail Sausage 24. Crispy Chicken Fingers 25. Crispy Fried Chicken 26. Honey Drummets	Up to 15 April 2020	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
			27. Honey Fried Chicken 28. Honey Ingredient 29. Honey Sauce 30. Jumbo Black Pepper 31. Jumbo Cheese Frank 32. Jumbo Premium Frank 33. Mini Chicken Sausage 34. Original Fried Chicken 35. Popcorn Chicken Bites 36. SBB Black Pepper Chicken 37. SBB Marinated Honey 38. SBB Smoked Chicken 39. Spicy Ingredient		
3.	LH Agrobusiness	JAKIM	Halal Standard certification in relation to the following products: 1. BB Sampling - Boneless Breast Sampling 2. BL Sampling - Boneless Leg Sampling 3. Carcass Meat Breeder Female 4. Chicken Crispy Cut 5. Chicken Drummet 6. Chicken Popcorn/Karaage 7. Chicken Wing 8. Meat Breeder Female 9. Meat Breeder Male 10. Skinless Boneless Breast Breeder Female	Up to 15 February 2020	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

In addition, our slaughterhouse in Johor is also certified as Halal by JAKIM as follows:

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
1.	LH Agrobusiness	JAKIM	Halal Standard certification for slaughterhouse located at the following premise for the following products: Premises: Lot 4209, Jalan Bakariah, Bukit Treh 84000 Muar, Johor. Product List: <ul style="list-style-type: none"> • Whole chicken • Offal • Skin • Bone • Parts • Carcass • Fat 	Up to 15 February 2019	Fee for Halal Standard certification renewal has been made on 15 January 2019, pending issuance of certification

INDONESIA

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
PART 1: Business licences and other operational licences							
1.	Bibit Indonesia	Head Unit of One-Stop Integrated Service (Pelaksana Pelayanan Terpadu Satu Pintu ("PTSP")) of South Jakarta	Licence No. 09.03.1.01.34564	Certificate of Company Registration	Up to 7 November 2021	Proof of company registration Licence is valid for 5 years Renewal must be done maximum 3 months before the ending date Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000	Complied
2.	Bibit Indonesia	Head of PTSP of South Jakarta	Licence No. 28/27.1BU.1/31.7 4.06.1004/071.56 2/e/2016	Company Domicile Certificate	Up to 5 August 2021	This document shows the domicile of the company.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
3.	Leong Ayamsatu	Head Unit of Cooperation, Micro, Small, and Medium Enterprise and Trading of South Jakarta	Licence No. 09.03.1.01.23026	Certificate of Company Registration	Up to 15 July 2021	<ol style="list-style-type: none"> 1. Proof of company registration 2. Licence is valid for 5 years 3. Renewal must be done maximum 3 months before the ending date 4. Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000 	Complied
4.	Leong Ayamsatu	Head of Sub-District of Gandaria Selatan	Licence No. 81/37.1BU.1/31.7 4.06.1004/071.56 2/e/2016	Company Domicile Certificate	Up to 26 October 2021	This document shows the domicile of the company	Complied
5.	Mitra Bebek	Head of PTSP of Subang	Licence No. 10.10.1.01.01180	Certificate of Company Registration	Up to 22 December 2022	<ol style="list-style-type: none"> 1. Proof of company registration 2. Licence is valid for 5 years 3. Renewal must be done maximum 3 months before the ending date 4. Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000 	Complied
6.	Mitra Bebek	Head of PTSP Gandaria Selatan	Licence No. 51/27.1BU/31.74. 06.1004/071.562/ E/2017	Company Domicile Certificate	Up to 20 November 2022	This document shows the domicile of the company	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval		Validity Period	Salient Conditions	Status of Compliance
7.	Malindo Feedmill	Head Unit of Cooperation, Micro, Small, and Medium Enterprise and Trading of South Jakarta	Licence No. 09.03.1.10.26178	Certificate of Company Registration	Up to 5 January 2023	<ol style="list-style-type: none"> 1. Proof of company registration 2. Licence is valid for 5 years 3. Renewal must be done maximum 3 months before the ending date 4. Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000 	Complied
8.	Malindo Feedmill	Head of Sub-District of Gandaria Selatan	Licence No. 24/27.1BU.1/31.7 4.06.1004/071.56 2/e/2016	Company Domicile Certificate	Up to 2 August 2021	This document shows the domicile of the company	Complied
9.	Malindo Food Delight	Head of PTSP of South Jakarta	Licence No. 09.03.1.10.69912	Certificate of Company Registration	Up to 10 May 2021	<ol style="list-style-type: none"> 1. Proof of company registration 2. Licence is valid for 5 years 3. Renewal must be done maximum 3 months before the ending date 4. Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000 	Complied
10.	Malindo Food Delight	Head of PTSP of Gandaria Selatan Cipete Utara	Licence No. 75/27.1BU.1/31.7 4.07.1010/- 071.562/e/2017	Company Domicile Certificate	Up to 21 March 2022	This document shows the domicile of the company	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
PART 2: Import Licence						
1.	Bibit Indonesia	Directorate General of Customs and Excise	Licence No. 05.003738 Customs and Excise Registration (<i>Nomor Identitas Kepabeanan</i> – (“NIK”))	Valid as long as Bibit Indonesia conducts its business and shall be re-registered once within 5 years Commencing from 19 July 2016	<ol style="list-style-type: none"> Obligatory licence for customs activity Any Company without NIK will only be allowed to conduct any customs activity once and before continuing its customs activity, it needs to register the NIK Conducting customs activity (export/import) without NIK will result to a maximum 8 years imprisonment or a fine in the maximum amount of IDR500,000,000 	Complied
2.	Bibit Indonesia	Head of BKPM (<i>Badan Koordinasi Penanaman Modal</i> (“BKPM”)) on behalf of Minister of Trade	Licence No. 090501476-B Importer Identification Number for Producer (<i>Angka Pengenal Importir Produsen</i> (“API-P”))	Valid as long as Bibit Indonesia conducts its business and shall be re-registered once within 5 years Commencing from 16 January 2015	<ol style="list-style-type: none"> Specific licence for Importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the Importer is not allowed to sell the imported goods Valid as long as the Importer conducts its business Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
3.	Leong Ayamsatu	Directorate General of Customs and Excise	Licence No. 01.004514	NIK	Valid as long as Leong Ayamsatu conducts its business and shall be re-registered once within 5 years Commencing from 22 January 2016	<ol style="list-style-type: none"> 1. Obligatory licence for customs activity 2. Any Company without NIK will only be allowed to conduct any customs activity once and before continuing its customs activity, it needs to register the NIK 3. Conducting customs activity (export/import) without NIK will result to a maximum 8 years imprisonment or a fine in the maximum amount of IDR500,000,000 	Complied
4.	Leong Ayamsatu	BKPM on behalf of Minister of Trade	Licence No. 090503228-B	API-P	Valid as long as Leong Ayamsatu conducts its business and shall be re-registered once within 5 years Commencing from 20 February 2015	<ol style="list-style-type: none"> 1. Specific licence for Importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the Importer is not allowed to sell the imported goods 2. Valid as long as the Importer conducts its business 3. Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
5.	Mitra Bebek	Director of License Service on behalf of Head of BKPM on behalf of Minister of Trade	Licence No. 090514137-B	API-P	Valid as long as Mitra Bebek conducts its business and shall be re-registered once within 5 years Commencing from 14 February 2018	<ol style="list-style-type: none"> 1. Specific licence for Importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the Importer is not allowed to sell the imported goods 2. Valid as long as the importer conducts its business 3. Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied
6.	Malindo Feedmill	Directorate General of Custom and Excise	Licence No. 05.000834	NIK	Valid as long as Malindo Feedmill conducts its business and shall be re-registered once within 5 years Commencing from 21 February 2014	<ol style="list-style-type: none"> 1. Obligatory licence for customs activity 2. Any Company without NIK will only be allowed to conduct any customs activity once and before continuing its customs activity, it needs to register the NIK 3. Conducting customs activity (export/import) without NIK will result to a maximum 8 years imprisonment or a fine in the maximum amount of IDR500,000,000 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
7.	Malindo Feedmill	BKPM on behalf of Minister of Trade	Licence No. 090501558-B	API-P	<p>Valid as long as Malindo Feedmill conducts its business and shall be re-registered once within 5 years</p> <p>Commencing from 25 February 2015</p>	<ol style="list-style-type: none"> 1. Specific licence for Importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the Importer is not allowed to sell the imported goods 2. Valid as long as the Importer conducts its business 3. Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied
8.	Malindo Food Delight	Director Customs Information and Excise	Licence No. 05.029223	NIK	<p>Valid as long as Malindo Food Delight conducts its business and shall be re-registered once within 5 years</p> <p>Commencing from 28 October 2014</p>	<ol style="list-style-type: none"> 1. Obligatory licence for customs activity 2. Any Company without NIK will only be allowed to conduct any customs activity once and before continue its customs activity, it needs to register the NIK 3. Conducting customs activity (export/import) without NIK will result to a maximum 8 years imprisonment or a fine in the maximum amount of IDR500,000,000 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
9.	Malindo Food Delight	BKPM on behalf of Minister of Trade	Licence No. 090502022-B	API-P	Valid as long as Malindo Food Delight conducts its business and shall be re-registered once within a 5 years Commencing from 13 January 2015	<ol style="list-style-type: none"> 1. Specific licence for Importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the Importer is not allowed to sell the imported goods 2. Valid as long as the Importer conducts its business 3. Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied
Part 3: Investment Licence							
1.	Bibit Indonesia	Head of BKPM on behalf of Main Secretary on behalf of Minister of Agriculture	Licence No. 446/T/ PETERNAKAN/2005	Livestock Business	Up to December 2033	<ol style="list-style-type: none"> 1. This licence allows Bibit Indonesia to conduct business activity in Breeding of broiler chicken and hatchery of laying hens at Regency of Subang, West Java 2. The company obligates to submit semester report 	Complied
2.	Bibit Indonesia	Head of BKPM on behalf of Deputy of Investment Service Division on behalf of Minister of Agriculture	Licence No. 8/T/PERTANIAN/2009	Expansion Licence	Valid as long as Bibit Indonesia conducts its business activity	<ol style="list-style-type: none"> 1. This licence allows Bibit Indonesia to expand its business activity in Breeding of broiler chicken and hatchery of laying hens at Regency of Majalengka, West Java 2. The company obligates to submit semester report 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
3.	Bibit Indonesia	Head of BKPM on behalf of Deputy of Investment Service Division on behalf Minister of Agriculture	Licence No. 66/1/IU/II/PMA/ PERTANIAN/2012	Expansion Licence	Valid as long as Bibit Indonesia conducts its business activity	<ol style="list-style-type: none"> 1. This is a licence for Bibit Indonesia to conduct its business activity in Breeding and hatchery with Indonesian Standard Industrial Classification ("KLBI") 01461 at Desa Mekarjaya, Kecamatan Kertajati, Regency of Majalengka, West Java Province 2. The company obligates to submit semester report 	Complied
4.	Bibit Indonesia	Deputy of Investment Service on behalf of Head of BKPM on behalf of Minister of Agriculture	Licence No. 287/1/IU-PL/PMA/2016	Livestock Business Licence on Foreign Investment	Valid as long as Bibit Indonesia conducts its business activity	<ol style="list-style-type: none"> 1. This licence allows Bibit Indonesia to conduct Breeding and Raising of GPS at business location Desa Kodasari, Regency of Majalengka, West Java 2. The company obligates to submit semester report 	Complied
5.	Bibit Indonesia	Head of BKPM	Licence No.1386/1/PI/PMA/2018	Foreign Investment Registration	Up to 24 April 2021	This licence allows Bibit Indonesia to conduct its business in chicken stock breeding at its business location in Majalengka and the company obligates to submit the semester report	Complied
6.	Leong Ayamsatu	Head of BKPM	Licence No 669/II/PMA/1995	Notification Letter on Approval from The President	30 years from the commercial operation of Leong Ayamsatu on December 1999	This notification is a proof that Leong Ayamsatu is allowed to conducts its business as a foreign investment company	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
7.	Leong Ayamsatu	Head of BKPM	Licence No. 450/T/PETERNAK AN/1999	Permanent Livestock Licence	Up to December 2029	This licence allows Leong Ayamsatu to conduct business in breeding and broiler chicken livestock and the company has to submit the obligatory semester report	Complied
8.	Leong Ayamsatu	Head of BKPM	Licence No. 261/1/IU-PL/PMA/2016	Livestock Expansion of Foreign Investment	Valid as long as Leong Ayamsatu conducts its business activity	This licence allows Leong Ayamsatu to expand its business in Breeding and Broiler Chicken Livestock with additional business location at Kuta Jurung, Kecamatan Senembah Tanjung Muda Hilir, Regency of Deli Serdang, North Sumatera Province and the Company has to submit the obligatory semester report	Complied
9.	Leong Ayamsatu	Head of BKPM	Licence No. 490/1/IP-PL/PMA/2017	Expansion of In-Principal Foreign Investment	Valid for 3 years Commencing from 26 October 2017	This licence valid as a temporary permission for Leong Ayamsatu in conducting its business at Desa Margasari, Kec. Dawuan, Subang, West Java and the Company has to submit the obligatory semester report	Complied
10.	Mitra Bebek	Deputy of Investment Service on behalf of Head of BKPM	Licence No. 2262/1/IP/PMA/2017	Investment Principle Licence	Valid as long as Mitra Bebek conducts its business activity	This licence allows Mitra Bebek to start its business as a foreign investment company in Duck and Manila Duck Breeding and obligates the Company to submit report once in every 3 months	Complied
11.	Mitra Bebek	PTSP of Regency of Subang	License No. 524/09/DPMP TSP /2018 dated 7 May 2018	Livestock Business Licence	Valid as long as Mitra Bebek conducts its business activities	This licence allows Mitra Bebek to conduct business and Mitra Bebek has to re-register prior to 6 May 2021	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
12.	Mitra Bebek	Deputy of Investment Application of BKPM	Licence No. 495/1/PI/PMA/2018 dated 14 February 2018	Investment Registration	Valid until 14 February 2021	This licence allows Mitra Bebek to expand new business fields in slaughtering house and poultry meat packaging in its new business location in Sawangan, Depok. Mitra Bebek has to obtain a business licence to start conducting its new business before the expiry of this licence.	Complied
13.	Malindo Feedmill	Head of BKPM	Licence No. 10/I/PMA/1997	Notification Letter on Approval from the President	30 years from the commercial operation of Malindo Feedmill in July 2001	This notification is a proof that Malindo Feedmill is allowed to conduct its business as a foreign investment company	Complied
14.	Malindo Feedmill	Head of BKPM	Licence No. 472/T/INDUSTRI/2001	Head of BKPM Decree on Industrial Business Licence	Valid for 30 years up to July 2031	This licence allows Malindo Feedmill to conduct business and the Company has to submit the obligatory semester report	Complied
15.	Malindo Feedmill	Head of BKPM	Licence No. 130/T/PERDAGA NGAN/2002	Head of BKPM's Letter on Permanent Business Expansion Permit	Valid for 30 years up to July 2031	This licence allows Malindo Feedmill to conduct business as the Main Distributor and the Company has to submit the obligatory semester report	Complied
16.	Malindo Feedmill	Head of BKPM	Licence No. 71/1/IU/II/PMA/INDUSTRI/2012	Expansion Business Licence	Valid as long as Malindo Feedmill conducts its business activity	This licence allows PTMF to conduct the business in Food Industry of Livestock at Jl. Raya Modern Industri, Kawasan Industri modern Cikande, Desa Barengkok, Banten.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
17.	Malindo Feedmill	Head of BKPM	Licence No. 135/1/IU/II/PMA/P ERTANIAN/2012	Expansion Business Licence	Valid as long as Malindo Feedmill conducts its business activity	This licence allows Malindo Feemill to conduct hatchery KBLI : 01461 at Desa Kayu Habang, Kecamatan Bati, Regency of Tanah Laut, Regency of Balangan, South Kalimantan	Complied
18.	Malindo Feedmill	Deputy of Investment Service on behalf of Minister of Industrial	Licence No. 819/1/IU/PMA/ 2015	Industrial Foreign Investment Licence	Valid as long as Malindo Feedmill conducts its business activity	This licence authorizes Malindo Feedmill to conduct its business in Animal's Food Industry (Feedmill)	Complied
19.	Malindo Feedmill	Head of BKPM	Licence No. 199/1/IU- PL/PMA/2015	Expansion Licence of foreign investment livestock business	Valid as long as Malindo Feedmill conducts its business activity	This licence authorizes Malindo Feedmill to expand its business in breeding of broiler chicken and hatchery	Complied
20.	Malindo Feedmill	Head of BKPM	Licence No. 11/1/IU- PL/PMA/2016	Licence of Foreign Investment Livestock Business	Valid as long as Malindo Feedmill conducts its business activity	This licence authorizes Malindo Feedmill to conduct its business in breeding of broiler chicken and hatchery	Complied
21.	Malindo Feedmill	Head of BKPM	Licence No. 1465/1/IU/PMA/ 2016	Decree Head of BKPM Industrial Business Licence	Valid as long as Malindo Feedmill conducts its business activity	This licence authorises Malindo Feedmill to conduct its business in industry of feed	Complied
22.	Malindo Feedmill	Director of Application Service	Licence No. 493/1/PI/PMA/ 2018	Foreign Investment Registration	Valid until 14 February 2021	This licence authorises Malindo Feedmill to expand in new business locations in breeding of broiler chicken and hatchery	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance	
23.	Malindo Feedmill	Director of Application Service	Licence No. 510/1/PI/PMA/2018	Foreign Investment Registration	Valid until 14 February 2021	This licence authorizes Malindo Feedmill to expand in new business locations in breeding of broiler chicken and hatchery	Complied
24.	Malindo Food Delight	Head of BKPM on behalf of Minister of Industry	Licence No. 476/1/IU//PMA/INDUSTRI/2013	Industrial Business Licence	Valid as long as Malindo Food Delight conducts its business activity	This licence allows Malindo Food Delight to conduct its business in meat, fish and poultry food processing and obligates the Company to submit semester report	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

VIETNAM

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
1.	Leong Hup Feedmill Vietnam	Hai Duong Industrial Zones Authority	<p>Certificate of Investment No. 042043000202 ("CI")</p> <p>Certificate of Investment Registration No. 5435488634 ("CIR")</p> <p>Certificate of Investment Registration No. 5435488634 ("CIR 1")</p> <p>Certificate of Investment Registration No. 5435488634 ("CIR 2")</p>	<p>for the establishment of the Company</p> <p>to replace the CI and to increase the contributed capital and to change the progress of the project as set out in the initial certificate</p> <p>to amend the CIR to increase the contributed capital and increase the capacity of the project</p> <p>to amend the CIR 1 to adjust the progress of the Project and increase the invested capital</p>	41 years up to 2 June 2055	None	Complied
2.	Emivest Feedmill (TG)	Tien Giang Industrial Zones Authority	<p>Certificate of Investment No. 532043000041 ("CI")</p> <p>Certificate of Investment No. 532043000041 ("CI 1")</p> <p>Certificate of Investment No. 532043000041 ("CI 2")</p>	<p>for the establishment of the Company and the investment project</p> <p>for change in the information of the legal representative and change in the progress of the project in the CI</p> <p>to increase investment capital and change in the progress of the project set out in the CI 1</p>	44 years up to 28 November 2056 for project at Lot AV-1,2,3,4, Tan Huong Industrial Zone, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Vietnam, and	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
			Certificate of Investment Registration No. 6568462812 ("CIR 3")	for increase size project; the increase land area in use and location of the project; increase investment capital and contribution capital; adjustment to the project implementation progress; and additional duration of the project in the CI 2	40 years up to 28 November 2056 for project at Lot AV-7, Tan Huong Industrial Zone, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Vietnam.	
			Certificate of Investment Registration No. 6568462812 ("CIR 4")	for change in the information of the investor and change in the project implementation progress set out in the CIR 3		
			Certificate of Investment Registration No. 6568462812 ("CIR 5")	for adjustment to the investment capital from expanded investment project at Lot AV-7 to existing investment project at Lot AV-1,2,3,4; and adjustment to the project implementation progress at existing project		
			Certificate of Investment Registration No. 6568462812 ("CIR 6")	for adjusting the project implementation progress set out in the CIR 5		
			Certificate of Investment Registration No. 6568462812 ("CIR 7")	for adjusting the information of the legal representative; increase the investment capital for the project; and increase the investment capital for the current project at lot AV-1,2,3,4 set out in the amended CIR 6		

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
3.	Emivest Feedmill Vietnam	Binh Duong Industrial Zones Authority	<p>Certificate of Investment No. 462045000677 ("Original CI")</p> <p>Certificate of Investment No. 462045000677 ("Amended CI 1")</p> <p>Certificate of Investment No. 462045000677 ("Amended CI 2")</p> <p>Certificate of Investment No. 462045000677 ("Amended CI 3")</p> <p>Certificate of Investment Registration No. 2170575268 ("Amended CIR 4")</p> <p>Certificate of Investment Registration No. 2170575268 ("Amended CIR 5")</p>	<p>for the establishment of the Company and the investment project</p> <p>for additional business line; increase investment capital; and adjust target and scale of the project in the Original CI</p> <p>for merging Emivest Aquaculture VietNam Company Limited merged into Emivest Feedmill VietNam Company Limited. And so, increase investment capital; increase charter capital; increase scale of the project; change location of project in the Amended CI 1</p> <p>For amendment of the administrative boundaries in the Amended CI 2</p> <p>for additional code HS2308 into the list goods to exercise right to import and export; increase investment capital; increase contribution capital; and adjust target and scale of the project in the Amended CI 3</p> <p>for adjust contribution capital in the Amended CIR 4</p>	48 years up to 30 June 2057	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
4.	Branch of Emivest Feedmill Vietnam– Emivest Animal Medicine and Vitamin Plant	Binh Duong Industrial Zones Authority	<p>Certificate of Investment Registration No. 8737487285 (“EFVL – Medicine Branch”)</p> <p>Certificate of Investment Registration No. 8737487285 (First amendment)</p> <p>Certificate of Investment Registration No. 8737487285 (Second amendment)</p>	<p>For implementing investment project: Factory of EFVL - Animal Medicine and Vitamin Plant</p> <p>For adjusting contribution capital of Factory of EFVL - Animal Medicine and Vitamin Plant</p> <p>For changing name of investment project and delaying project implementation progress of Factory of EFVL - Animal Medicine and Vitamin Plant</p>	41 years up to 30 June 2057	None	Complied
5.	Emivest Feedmill Vietnam – Dong Nai Branch	Dong Nai Industrial Zones Authority	Certificate of Investment Registration No. 2107056045 (“EFVL Factory in Dong Nai”)	For implementing investment project of EFVL – Dong Nai Branch	41 years up to 14 May 2058	None	Complied
6.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 01	Dong Nai Sub-Department of Livestock production and Veterinary	Veterinary permit	In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up to 16 June 2022	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
7.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 06	Dong Nai Sub-Department of Livestock production and Veterinary	Veterinary permit	In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up to 15 March 2022	None	Complied
8.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 04	Dong Nai Sub-Department of Livestock production and Veterinary	Veterinary permit	In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up to 16 June 2022	None	Complied
9.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 07	Dong Nai Sub-Department of Livestock production and Veterinary	Veterinary permit	In recognition of the free status in regard to the following diseases: Avian influenza, Newcastle	5 years up to 9 November 2021	None	Complied
10.	Emivest Feedmill Vietnam– Binh Duong Livestock Branch – Breeder Farm 08	Binh Duong Department of Animal Health and Aquaculture	Veterinary permit	In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up 10 March 2022	None	Complied
11.	Emivest Feedmill Vietnam – Binh Duong Livestock Branch – Pullet Farm 01	Binh Phuoc Sub-Department of Livestock production and Veterinary	Veterinary permit	In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up to 3 August 2022	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
12.	Emivest Feedmill Vietnam – Binh Duong Livestock Branch – Pullet Farm 02	Binh Duong Department of Animal Health and Aquaculture	Veterinary permit	In recognition of the free status in regard to the following diseases: H5N1	5 years up to 4 August 2022	None	Complied
13.	Emivest Feedmill Vietnam– Dong Nai Livestock Branch – Breeder Farm 07 ⁽¹⁾	People's Committee of Dinh Quan District, Dong Nai Province	Livestock Licence	Registration of Business Line (chicken breeding)	-	None	Complied

Note:

(1) *Emivest Feedmill Vietnam (Dong Nai Livestock Branch) Breeder Farm 04, Breeder Farm 07 and Breeder Farm 08 and Emivest Feedmill Vietnam (Binh Duong Livestock Branch) Pullet Farm 01 and Pullet Farm 02 are exempted from having to obtain livestock licence as the farms were built prior to 31 December 2014*

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

SINGAPORE

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	Leong Hup Food	AVA	Licence No. PM02K0033 Licence to Operate a Food Establishment – to use the premises at 6 Senoko Way Singapore 758029 for the purpose of meat (beef, chicken & mutton) cutting & western small goods processing	Up to 31 October 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied
2.	Leong Hup Food	AVA	Licence No. IM05K1156 Licence for import, export and transhipment of meat products and fish products	Up to 31 October 2019	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import, export or transhipment of each consignment of meat products and fish products. 2. Import, export or transhipment of meat products and fish products is subject to the provisions stated in Wholesome Meat and Fish (Import, Export or Transhipment) Rules. 3. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import or transhipment of any meat products and fish products from any country, territory or place. 4. All consignment of meat products and fish products are required to be stored in a coldroom licensed or warehouse registered with AVA. 5. When any of the particulars of the company have been changed, Licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
					<ul style="list-style-type: none"> 6. Licensee must maintain a GIRO account with AVA for the payment of annual licence fee and permit fees. 7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 8. This licence may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Wholesome Meat and Fish Act or any rules under the Act. 	
3.	Leong Hup Food	AVA	Licence No. ID12J0012 Licence to import poultry (broiler chickens)	Up to 31 August 2019	<ul style="list-style-type: none"> 1. This licence is for import of chicken broilers for consumption only. 2. Each consignment of import shall comply with the requirements laid down in AVA's Veterinary Conditions for The Importation of Domestic Birds. 3. The import of chicken broilers may be subject to such conditions and procedures as imposed by the Director-General, Agri-Food and Veterinary Services from time to time. 4. Each consignment of chicken broilers must be derived from a single AVA-accredited export farm. Importation from any accredited farm may be suspended without prior notice. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
					<p>5. The licensed importer or his authorised agent must declare his importation of chicken broilers for each consignment via TradeNet for approval by AVA.</p> <p>6. On arrival at the port of entry, the consignment of chicken broilers, Cargo Clearance Permit (CCP), Veterinary Health Certificate (VHC) and any other documents specified by AVA shall be presented for inspection. Chicken broilers may be sampled for laboratory tests. CCP and VHC shall be submitted to AVA. If the consignment of chicken broilers is found to be healthy and accompanying documents are in order, the consignment shall be taken directly to an AVA-approved poultry slaughterhouse.</p> <p>7. This licence may be suspended or revoked without prior notice if any of the above conditions are not complied with or at the discretion of the Director-General, Agri-Food and Veterinary Services.</p> <p>8. This licence is non-transferable and valid for 12 months.</p>		
4.	Leong Hup Food	MUIS	Licence No. PRN18060007727	Product Scheme Licence – for certification of products identified in licence as Halal to Muslims according to Islamic Law	Up to 31 May 2019	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
5.	Leong Hup Food	MUIS	Licence No. PRN18050007673 Product Scheme Licence – for certification of products identified in licence as Halal to Muslims according to Islamic Law	Up to 31 May 2019	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied
6.	Soonly Food	AVA	Licence No. SP92M0007 Licence to Operate a Slaughterhouse – to use the premises at 4 Senoko Way Singapore 758028 for the purpose of chicken slaughtering	Up to 31 December 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry.	Complied
7.	Soonly Food	MUIS	Licence No. PAN18050000104 Poultry Abattoir - Scheme Licence for conduct of Halal-slaughtering of fresh poultry according to Islamic Law	Up to 31 May 2019	Certificate is strictly non-transferable and applicable only to freshly-slaughtered whole poultry tagged with MUIS-approved labels.	Complied
8.	LS Poultry	AVA	Licence No. ID12J0013 Licence to import poultry (Broiler Chicken)	Up to 31 August 2019	<ol style="list-style-type: none"> 1. This licence is for import of chicken broilers for consumption only. 2. Each consignment of import shall comply with the requirements laid down in AVA's Veterinary Conditions for The Importation of Domestic Birds. 3. The import of chicken broilers may be subject to such conditions and procedures as imposed by the Director-General, Agri-Food and Veterinary Services from time to time. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
					<ol style="list-style-type: none"> 4. Each consignment of chicken broilers must be derived from a single AVA-accredited export farm. Importation from any accredited farm may be suspended without prior notice. 5. The licensed importer or his authorised agent must declare his importation of chicken broilers for each consignment via TradeNet for approval by AVA. 6. On arrival at the port of entry, the consignment of chicken broilers, Cargo Clearance Permit (CCP), Veterinary Health Certificate (VHC) and any other documents specified by AVA shall be presented for inspection. Chicken broilers may be sampled for laboratory tests. CCP and VHC shall be submitted to AVA. If the consignment of chicken broilers is found to be healthy and accompanying documents are in order, the consignment shall be taken directly to an AVA-approved poultry slaughterhouse. 7. This licence may be suspended or revoked without prior notice if any of the above conditions are not complied with or at the discretion of the Director-General, Agri-Food and Veterinary Services. 8. This licence is non-transferable and valid for 12 months 	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
9.	LS Poultry	AVA	Registration No. IP18A0445	Registration to import processed food products and food appliances	Up to 31 January 2020	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import of each consignment of processed food and food appliances. 2. The import of processed food and food appliances is subject to comply fully with the Sale of Food Act and the Food Regulations. 3. All food products are to obtain from the regulated sources. 4. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import of any food products or food appliances from any country, territory or place, any farm or processing establishment. 5. All consignment of food products are required to be stored in a coldroom licensed or warehouse registered with AVA. 6. When any of the particulars of the company have been changed, licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval		Validity Period	Salient Conditions	Status of Compliance
						8. This Registration to import processed food and food appliances may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Sale of Food Act and the Food Regulations.	
10.	LS Poultry	AVA	Licence No. SP04M0001	Licence to operate a slaughterhouse	Up to 31 December 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry.	Complied
11.	LS Poultry	MUIS	Halal Certificate Registration No. PRN18030000103	Halal Certificate to conduct Halal-slaughtering of fresh poultry according to the Islamic Law	Up to 31 March 2019 ⁽¹⁾	Certificate is strictly non-transferable and applicable only to freshly-slaughtered whole poultry tagged with MUIS-approved labels.	Complied
12.	LS Poultry	MUIS	Halal Certificate Registration No. PRN18030007545	Halal Certificate that certain products supplied by the Company are Halal to Muslims according to the Islamic Law	Up to 31 March 2019 ⁽¹⁾	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied
13.	Saudi Food Manufacturing Enterprises	MUIS	Halal Certificate Registration No. PRN18030007561	Halal Certificate that certain products supplied by the Company are Halal to Muslims according to the Islamic Law	Up to 31 March 2019 ⁽¹⁾	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
14.	Tasty Meat	AVA	Licence No. PM08L0017 Licence to Operate a Food Establishment - to use the premises at 13 Tuas Bay Walk Singapore 637759 for the purpose of western meat products processing	Up to 30 November 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied
15.	Tasty Meat	SFA	Licence No. IM09D0148 Licence for import, export and transshipment of meat products and fish products	Up to 30 April 2020	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import, export or transshipment of each consignment of meat products and fish products. 2. Import, export or transshipment of meat products and fish products is subject to the provisions stated in Wholesome Meat and Fish (Import, Export or Transshipment) Rules. 3. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import or transshipment of any meat products and fish products from any country, territory or place. 4. All consignment of meat products and fish products are required to be stored in a coldroom licensed or warehouse registered with AVA. 5. When any of the particulars of the company have been changed, Licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
16.	Tasty Meat	AVA	Licence No. IP03M2305	Registration to import processed food products and food appliances	Up to 31 December 2019	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import of each consignment of processed food and food appliances. 2. The import of processed food and food appliances is subject to comply fully with the Sale of Food Act and the Food Regulations. 3. All food products are to obtain from the regulated sources. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
					<ol style="list-style-type: none"> 4. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import of any food products or food appliances from any country, territory or place, any farm or processing establishment. 5. All consignment of food products are required to be stored in a coldroom licensed or warehouse registered with AVA. 6. When any of the particulars of the company have been changed, licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 8. This Registration to import processed food and food appliances may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Sale of Food Act and the Food Regulations. 	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval		Validity Period	Salient Conditions	Status of Compliance
17.	Leong Hup Distribution	AVA	Licence No. IM05M1466	Licence for Import, Export and Transhipment of Meat Products and Fish Products	Up to 31 December 2019	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import, export or transhipment of each consignment of meat products and fish products. 2. Import, export or transhipment of meat products and fish products is subject to the provisions stated in Wholesome Meat and Fish (Import, Export or Transhipment) Rules. 3. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import or transhipment of any meat products and fish products from any country, territory or place. 4. All consignment of meat products and fish products are required to be stored in a coldroom licensed or warehouse registered with AVA. 5. When any of the particulars of the company have been changed, Licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 6. Licensee must maintain a GIRO account with AVA for the payment of annual licence fee and permit fees. 7. -The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
18.	Leong Hup Distribution	Energy Market Authority ("EMA")	Licence No. E/36018 Electrical Installation – to use or operate an electrical installation at 31 Fishery Port Road Singapore 619741	From 9 March 2019 up to 8 March 2020	<p>8. This licence may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Wholesome Meat and Fish Act or any rules under the Act.</p> <p>1. Every high voltage apparatus in the installation shall be maintained according to the manufacturer's recommendation. Licensee shall keep record of all the maintenance work conducted and shall be able to submit the maintenance report to the EMA as and when required.</p> <p>2. Requirement for Independent Audit</p> <p>3. The EMA will monitor Licensee's electrical installation for a further period of 12 months after the completion of the works (the "Period").</p> <p>4. In the event that a voltage dip occurs within the Period, the EMA may require Licensee to re-conduct the works</p>	Complied
19.	Leong Hup Distribution	AVA	Licence No. CM96C0018 Licence to Operate a Food Establishment – to use the premises at 31 Fishery Port Road Singapore 619741 for the purpose of coldstore	Up to 31 March 2020	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval		Validity Period	Salient Conditions	Status of Compliance
20.	Leong Hup Distribution	Singapore Civil Defence Force	Reference Number: FCP/I/1330/05 Submission ID: SUB2017040390	Fire Certificate 31 Fishery Port Road, Singapore 619741	From 11 August 2018 up to 10 August 2019	None	Complied
21.	Prestige Fortune (S)	AVA	Licence No. ID12J0021	Licence to Import Poultry (Broiler Chickens)	Up to 31 August 2019	<ol style="list-style-type: none"> 1. This licence is for import of chicken broilers for consumption only. 2. Each consignment of import shall comply with the requirements laid down in AVA's Veterinary Conditions for The Importation of Domestic Birds. 3. The import of chicken broilers may be subject to such conditions and procedures as imposed by the Director-General, Agri-Food and Veterinary Services from time to time. 4. Each consignment of chicken broilers must be derived from a single AVA-accredited export farm. Importation from any accredited farm may be suspended without prior notice. 5. The licensed importer or his authorised agent must declare his importation of chicken broilers for each consignment via TradeNet for approval by AVA. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
					<p>6. On arrival at the port of entry, the consignment of chicken broilers, Cargo Clearance Permit (CCP), Veterinary Health Certificate (VHC) and any other documents specified by AVA shall be presented for inspection. Chicken broilers may be sampled for laboratory tests. CCP and VHC shall be submitted to AVA. If the consignment of chicken broilers is found to be healthy and accompanying documents are in order, the consignment shall be taken directly to an AVA-approved poultry slaughterhouse.</p> <p>7. This licence may be suspended or revoked without prior notice if any of the above conditions are not complied with or at the discretion of the Director-General, Agri-Food and Veterinary Services.</p> <p>8. This licence is non-transferable and valid for 12 months.</p>		
22.	Kendo Trading	AVA	Licence No. CM00K0004	Licence to operate a food establishment	Up to 31 October 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval		Validity Period	Salient Conditions	Status of Compliance
23.	Kendo Trading	AVA	Licence ID12J0003	No. Licence to import poultry (broiler ducks)	Up to 31 August 2019	<ol style="list-style-type: none"> 1. This licence is for import of duck broilers for consumption only. 2. Each consignment of import shall comply with the requirements laid down in AVA's Veterinary Conditions for The Importation of Domestic Birds. 3. The import of duck broilers may be subject to such conditions and procedures as imposed by the Director-General, Agri-Food and Veterinary Services from time to time. 4. Each consignment of duck broilers must be derived from a single AVA-accredited export farm. Importation from any accredited farm may be suspended without prior notice. 5. The licenced importer or his authorised agent must declare his importation of duck broilers for each consignment via TradeNet for approval by AVA. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
					<p>6. On arrival at the port of entry, the consignment of duck broilers, Cargo Clearance Permit (CCP), Veterinary Health Certificate (VHC) and any other documents specified by AVA shall be presented for inspection. Chicken broilers may be sampled for laboratory tests. CCP and VHC shall be submitted to AVA. If the consignment of chicken broilers is found to be healthy and accompanying documents are in order, the consignment shall be taken directly to an AVA-approved poultry slaughterhouse.</p> <p>7. This licence may be suspended or revoked without prior notice if any of the above conditions are not complied with or at the discretion of the Director-General, Agri-Food and Veterinary Services.</p> <p>8. This licence is non-transferable and valid for 12 months.</p>		
24.	Kendo Trading	AVA	Licence No. SP92M0006	Licence to operate a slaughterhouse	Up to 31 December 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied
25.	Hup Heng Poultry	MUIS	Certificate No. PAX18110000108	Halal Certificate for the conducting of Halal-slaughtering of fresh poultry according to Islamic Law – Poultry Abattoir Scheme	Up to 30 November 2019	Certificate is strictly non-transferable and applicable only to freshly-slaughtered whole poultry tagged with MUIS-approved labels.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval		Validity Period	Salient Conditions	Status of Compliance
26.	Hup Heng Poultry	MUIS	Certificate No. PRN18110008193	Halal Certificate that certain products supplied by the Company are Halal to Muslims according to the Islamic Law	Up to 30 November 2019	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied
27.	Hup Heng Poultry	MUIS	Licence PM11K0022	No. Licence to operate a food establishment	Up to 31 October 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied
28.	Hup Heng Poultry	AVA	Licence IM15G0391	No. Licence for import, export and transhipment of meat products and fish products	Up to 31 July 2019	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import, export or transhipment of each consignment of meat products and fish products. 2. Import, export or transhipment of meat products and fish products is subject to the provisions stated in Wholesome Meat and Fish (Import, Export or Transhipment) Rules. 3. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import or transhipment of any meat products and fish products from any country, territory or place. 4. All consignment of meat products and fish products are required to be stored in a coldroom licensed or warehouse registered with AVA. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
					<ol style="list-style-type: none"> 5. When any of the particulars of the company have been changed, Licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 6. Licensee must maintain a GIRO account with AVA for the payment of annual licence fee and permit fees. 7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 8. This licence may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Wholesome Meat and Fish Act or any rules under the Act. 		
29.	Hup Heng Poultry	AVA	Registration No. IP13C0681	Registration to import processed food products and food appliances	Up to 31 March 2020	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import of each consignment of processed food and food appliances. 2. The import of processed food and food appliances is subject to comply fully with the Sale of Food Act and the Food Regulations. 3. All food products are to obtain from the regulated sources. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
					<ol style="list-style-type: none"> 4. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import of any food products or food appliances from any country, territory or place, any farm or processing establishment. 5. All consignment of food products are required to be stored in a coldroom licensed or warehouse registered with AVA. 6. When any of the particulars of the company have been changed, licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 8. This Registration to import processed food and food appliances may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Sale of Food Act and the Food Regulations. 	
30.	Hup Heng Poultry	AVA	Licence No. SP92M0005 Licence to operate a slaughterhouse	Up to 31 December 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied

Note:

(1) The Halal Certificate expired on 31 March 2019. Application for renewal of the Halal Certificate has been received by MUIS on 27 March 2019 and is pending approval.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

PHILIPPINES

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance	
1.	LHPHi	Bureau of Internal Revenue ("BIR")	BIR-ICC No. 2016-09-0077	BIR Importer's Clearance Certificate	Up to 9 September 2019	None	Complied
2.	LHPHi	Bureau of Customs ("BOC")	BOC Certificate of Registration dated 31 October 2018	BOC Importer's Accreditation Certificate	Up to 31 October 2019	None	Complied
3.	LHPHi	Quezon City	Business Permit No. 15-010471	Business Permit for LHPHi Main Office	Up to 31 December 2019	The permits must be posted conspicuously at the place where the business is being conducted and shall be presented and/or surrendered to concerned authorities upon demand.	Complied
4.	LHPHi	Municipality of Cabiao, Nueva Ecija	Business Permit No. 4272	Business Permit for Production Business (Cabiao Farms)	Up to 31 December 2019	The permit is not valid without an Official Receipt, Barangay Clearance, Sanitary Permit and Zoning Clearance. The foregoing requirements has been complied by LHPHi.	Complied
5.	LHPHi	Municipality of Cabiao, Nueva Ecija	Business Permit No. 4273	Business Permit for Breeding Business (Cabiao Farms)	Up to 31 December 2019	The permit is not valid without an Official Receipt, Barangay Clearance, Sanitary Permit and Zoning Clearance. The foregoing requirements has been complied by LHPHi.	Complied
6.	LHPHi	Bureau of Animal Industry ("BAI")	Certificate of Accreditation No. 1711201	BAI Certificate of Accreditation for importation of Day Old Chicks and Hatching Eggs (Cabiao Farms)	Up to 21 November 2019	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance	
7.	LHPHi	BAI	Certificate No. PYF-0337 dated 8 October 2018	BAI Animal Welfare Registration Certificate for Poultry Farm (Breeder) (Cabiao Farms)	Up to 8 October 2021	None	Complied
8.	LHPHi	BAI	Certificate No. PYF – 0316 dated 26 September 2018	BAI Animal Welfare Registration Certificate for Poultry Farm (Hatchery) (Cabiao Farms)	Up to 26 September 2021	None	Complied
9.	LHPHi	BAI	BAI Registration No. 1811-1911-HC-45	BAI Certification of Hatchery that the Farms has met the minimum standard requirements stipulated in DA-BAI-Administrative Circular No. 7 (Cabiao Farms)	Up to 27 November 2019	None	Complied
10.	LHPHi	BAI	BAI Registration No. 1808-2008-PO-963	BAI Certificate of Accreditation for transportation of hatching eggs/day-old chicks/chicken having passed the tests for AI, ND and Salmonella for Cabiao Farm 1	Up to 31 August 2020	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance	
11.	LHPHi	BAI	BAI Registration No. 1810-2010-PO-963	BAI Certificate of Accreditation for transportation of hatching eggs/pullets/culls having passed the tests for AI, ND and Salmonella for Cabiao Farm 2	Up to 31 October 2020	None	Complied
12.	LHPHi	Department of Environment and Natural Resources ("DENR")	ECC No. R3-0902-023-1220	Environmental Compliance Certificate for Cabiao Farm 1	Applicable as long as LHPHi is in operation	Condition No. 6 of ECC No. R3-0902-023-1220 states that the following must be complied with: <ol style="list-style-type: none"> 1. Secure a Permit to Operate Air Pollution Source Control Installations ("APSCI") 2. Secure Discharge Permit Water Pollution Source/Control Facilities ("WPSCF") 3. Submit a quarterly Self-Monitoring Report 4. Register as Hazardous Waste Generator 	Complied
13.	LHPHi	DENR	ECC No. ECC-OL-R03-2017-0117	Environmental Compliance Certificate for Cabiao Farm 2	Applicable as long as LHPHi is in operation	Condition No. 7 of ECC No. ECC-OL-R03-2017-0117, provides that the proponent must comply with the following: <ol style="list-style-type: none"> 1. Secure Permit to Operate APSCI 2. Submit quarterly Self-Monitoring Report 3. Register as Hazardous Waste Generator 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance
14.	LHPHi	DENR	ECC No. R03-11222018-4709 Environmental Compliance Certificate for Samal, Bataan Farm, which has not commenced operations as at the LPD	Applicable as long as LHPHi is in operation	Condition No. 6 of ECC No. R03-11222018 dated 4 December 2018, provides that the proponent must comply with the following: <ol style="list-style-type: none"> 1. Secure Permit to Operate Air Pollution Source Control Installations (APSCI) and Discharge Permit Water Pollution Source/Control Facilities (WPSCF) 2. Designate Pollution Control Officer (PCO) 3. Submit quarterly Self-Monitoring Report (starting Q1 2019) 4. Register as Hazardous Waste (HW) Generator 	In-progress – APSCI and WPSCF Permits and Certificate of Registration of PCO and HW Generator
15.	LHPHi	DENR	Permit No. FLA-18G-03NE-415 DENR Permit to Operate Air Pollution Source and Control Installations for Cabiao Farm 1	Up to 30 July 2023	Permit Conditions: <ol style="list-style-type: none"> 1. Application for renewal must be filed at least 30 days before the expiry date. 2. Emission from operations shall strictly conform with DAO No. 2000-81. 3. Permit holder shall comply with DAO No. 22, series of 2013 on waste generator registration. 4. Permit holder shall submit self-monitoring report on quarterly basis. 5. Permit holder shall provide proof of compliance with the Ecological Solid Waste Management Act. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance	
16.	LHPHi	DENR	Permit No. FLA-18G-03NE-416	DENR Permit to Operate Air Pollution Source and Control Installations for Cabiao Farm 2	Up to 30 July 2023	<p>6. Domestic wastewater/septage generated shall be hauled/transported and treated by government-licensed hauler/treater.</p> <p>Permit Conditions:</p> <ol style="list-style-type: none"> 1. Application for renewal must be filed at least 30 days before the expiry date. 2. Emission from operations shall strictly conform with DAO No. 2000-81. 3. Permit holder shall comply with DAO No. 22, series of 2013 on waste generator registration. 4. Permit holder shall submit self-monitoring report on quarterly basis. 5. Permit holder shall provide proof of compliance with the Ecological Solid Waste Management Act. 6. Domestic wastewater/septage generated shall be hauled/transported and treated by government-licensed hauler/treater. 	Complied

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT

B.1 MATERIAL PROPERTIES OWNED BY OUR GROUP

Details of the material land and buildings/ land use rights owned by us are set out below:

Malaysia

A. Feedmill Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
1.	Ideal Multifeed PN 17840, Lot 1728, in the Mukim of Tangga Batu, District of Melaka Tengah, State of Melaka 9578, Kawasan Perindustrian Tangga Batu, 76400 Melaka Leasehold for a period of 99 years, expiring on 2 July 2080	Feedmill plant known as Tangga Batu Feedmill comprising 1 storey office building with laboratory, warehouse, store, silos, guardhouse	28 August 1996	8,479/ 24,100	<u>Category of land use</u> Industry <u>Express condition</u> Factory use only <u>Conditions or restrictions</u> The land shall not be transferred or leased without the prior consent of the state authority and this restriction is exempted from the first buyer	The land is currently charged to United Overseas Bank (Malaysia) Bhd	7,266

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
2.	LH Feedmill Malaysia ⁽¹⁾ HSM 857 PT 496, in the Mukim of Bukit Rampai, District of Melaka Tengah, State of Melaka Lot 13A, Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka Leasehold for a period of 99 years, expiring on 9 June 2082	Feedmill plant known as Melaka Feedmill comprising office building of 3 storeys, warehouse, store, silos, guardhouse	14 September 1991 29 January 1996 11 March 2009	10,285/ 14,362	<u>Category of land use</u> Industry <u>Express condition</u> Nil <u>Conditions or restrictions</u> The land shall not be transferred, rented or leased	Part of the land is leased to Tenaga Nasional Berhad Charged to Hong Kong Bank Malaysia Berhad Charged to HSBC Bank Malaysia Berhad	5,938
3.	LH Feedmill Malaysia ⁽¹⁾ PM 330 Lot 5012, in the Mukim of Bukit Rampai, District of Melaka Tengah, State of Melaka Lot 5012, Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka Leasehold for a period of 99 years, expiring on 9 June 2082	Feedmill plant known as Melaka Aqua Feedmill comprising office building of 2 storeys with microlab, warehouse, store, guardhouse	4 September 2013	7,517/ 15,114	<u>Category of land use</u> Industry <u>Express condition</u> Industrial use only <u>Conditions or restrictions</u> The land shall not be transferred, rented or leased without the prior consent of the state authority and this restriction is exempted from the first buyer	The land is currently charged to Malayan Banking Berhad	9,282

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
4.	LH Feedmill Malaysia ⁽¹⁾ HSD 137037 PT 129946, in the Mukim of Klang, District of Klang, State of Selangor Lot No.28, Jalan Sungai Pinang 5/4, Taman Perindustrian Pulau Indah, Fasa 2, 42920 Pelabuhan Klang, Selangor Leasehold for a period of 99 years, expiring on 24 February 2097	Feedmill plant known as Westport Feedmill comprising office building of 3 storeys, warehouse, store, silos, guardhouse	15 December 2011	16,245/ 25,106	<u>Category of land use</u> Industry <u>Express condition</u> Nil <u>Conditions or restrictions</u> The land shall not be transferred or leased without the prior consent of the state authority	The land is currently charged to RHB	38,377
5.	Teo Seng Feedmill HSM 16560, PTD 30302, in the Mukim of Tanjong Sembrong, District of Batu Pahat, State of Johor Lot PTD 25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor, Malaysia Freehold	Feedmill plant known as Teo Seng Feedmill comprising office building, warehouse, store, silos, and guardhouse.	16 October 2006	11,548/ 23,237	<u>Category of land use</u> Industry <u>Express condition</u> Nil <u>Conditions or restrictions</u> • Medium industry (Industri Sederhana) area for the business of processing poultry feed and other related usage built in accordance with plan approved by relevant Local Authority	Nil	13,064

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
					<ul style="list-style-type: none"> • All impurities and contamination arising from this activity shall be channelled / disposed of at places determined by the relevant Authority • All policies and conditions set forth and enforced from time to time by the relevant Authority shall be complied with. • The land shall not be transferred in whatsoever manner unless the infrastructure for public amenities in the factory area has been constructed in accordance with plans approved by the relevant local authorities 		

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**B. Livestock Business**

As at the LPD, 116 of our farms and hatcheries in Malaysia are used for our Malaysia Livestock Business while 21 of our farms and hatcheries in Malaysia are used for our Singapore Livestock Business, the composition of which is as follows:

Livestock Business	GPS DOC farms	PS DOC farms	Broiler chicken farms	Layer DOC farms	Layer chicken farms	PS DOD and Broiler duck farms	Hatcheries	Total
Malaysia	6	19	44	3	25	11	8	116
Singapore ⁽¹⁾	-	4	15 ⁽²⁾	-	-	-	2	21
Total	6	23	59	3	25	11	10	137

Notes:

- (1) All of our Singapore Livestock Business' farms and hatcheries are located in Malaysia.
- (2) Excludes the 11 coloured birds' farms operated by us on lands and buildings which we do not own.

In Malaysia, all buildings used must have the requisite CCC for the occupation of buildings or part thereof in accordance with the relevant laws, regulations, rules and requirements. We have been operating our farms or facilities without obtaining the requisite CCC for the occupation of buildings or part thereof in accordance with the relevant laws, regulations, rules and requirements and in the past, we have not experienced any imposition of sanctions by the local councils to obtain certifications or permits in relation to the safety and fitness of buildings for occupation. We are addressing this by taking steps to procure the requisite certification and permits in accordance with the directions of the local councils.

The issuance of a CCC is preceded by the issuance of a KM and building plan approval. Where we are unable to obtain a CCC, we will apply for a KMT and a temporary building plan in order to obtain a TBP. The approvals for a KMT and a TBP are also to be procured in accordance with directions of the local councils. As at the LPD, we have obtained a total of four TBP, two of which are for our Desaru 1 and 2 Farms located in Johor and the other two located at Lendu and Taboh Naning in Melaka.

We are also required to comply with land use condition and where the express condition imposed on the land title does not explicitly permit poultry farming, we may also require the approval of the land authorities for change in express condition. As at the LPD, other than 54 farms that have yet to convert their existing express condition to allow poultry farming or hatchery as the case may be, our farms and hatcheries comply with the existing land use condition.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

The following is a summary of the status of compliance with land use pursuant to the express condition imposed on the land titles of our farms and hatcheries and the various pre-consultation applications for KM and applications for KM or KMT submitted, or to be submitted, to the relevant local authorities for the corresponding farms and hatcheries as at the LPD:

Status	No. of farms and hatcheries	% contribution to the housing capacity of LHI Group's Livestock Business in Malaysia	
		Farms	Hatcheries
(A) Farms and hatcheries which current express condition imposed on the land titles allowing for poultry farming where the status of KM/KMT/CCC/TBP applications are as follows:	83	66.3	86.9
	No. of farms and hatcheries		
- KM applications approved and currently in the process of obtaining the CCC	19		
- Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils	49 ⁽¹⁾		
- KMT applications submitted or to be submitted and subsequently to obtain the TBP	11		
- TBP obtained	4		
Sub-total	<u>83</u>		
(B) Farms and hatcheries that are not able to change their express condition imposed on land titles to allow for poultry farming	11⁽²⁾	5.1	-

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Status	No. of farms and hatcheries	% contribution to the housing capacity of LHI Group's Livestock Business in Malaysia	
		Farms	Hatcheries
(C) Farms and hatcheries where applications for change in express condition are still pending approval where the status of KM/KMT/CCC/TBP applications are as follows:	43 ⁽³⁾	28.6	13.1
	No. of farms and hatcheries		
– KM applications approved and currently in the process of obtaining the CCC	16		
– Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils	24 ⁽¹⁾		
– KMT applications submitted or to be submitted and subsequently to obtain the TBP	3		
– TBP obtained	-		
	Sub-total		
	43		
Total (A + B + C)	137	100	100

Notes:

- (1) If any of the pre-consultation of KM is not successful or the KM application is rejected by local councils, we will proceed to submit KMT applications for these farms and subsequently apply for TBP.
- (2) As at the LPD, 11 farms, comprising nine broiler farms and two breeder farms, are not able to change the express condition imposed on their land titles to allow for poultry farming because these farms are located close to natural water sources or residential areas or the surrounding lands neighbouring these farms have been zoned for residential/ industrial use. Accordingly, we will not submit any KM/KMT and CCC/TBP applications for these farms.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

(3) The breakdown of the farms and hatcheries where applications for change in express condition are still pending is as follows:

	No. of farms and hatcheries	% contribution to the housing capacity of LHI Group's Livestock Business in Malaysia	
		Farms	Hatcheries
(i) Farms and hatcheries that are in conflict with areas for poultry farming i.e. located in (1) close proximity to natural water sources and/or (2) close proximity to residential areas and/or (3) surrounding lands neighbouring these farms have been zoned for residential/ industrial use; and	14	8.4	13.1
(ii) Farms and hatcheries located in areas not in conflict with poultry farming,	29	20.2	-
Total	43	28.6	13.1

These 43 farms and hatcheries have one or more of the following features, being factors that the authorities may take into consideration in reviewing our applications for change in express condition:

Feature of the 43 farms and hatcheries					
(1)		(2)		(3)	
Proximity to natural water sources		Proximity to residential area (including school) and factory		Zoning	
More than 500 meters ^(a)	Within 500 meters	More than 500 meters ^(b)	Within 500 meters	Agricultural	Residential/ industrial use
39	4	32	11	39	4
43		43		43	

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**Notes:**

- (a) Based on feedback from the Department of Irrigation and Drainage, the authority will typically (but not in all instances) request a buffer distance of 500 meters between the farms and natural water sources.
- (b) Based on the guidelines for siting and zoning of industry and residential areas issued by the DOE, a buffer distance of 500 meters between the farms and industry and residential areas (or 300 meters for modern farms using enclosed barns which have gas extraction and odour control systems) is required.

See Section 5.1.1 of this Prospectus on the uncertainty we face in respect of our applications to obtain requisite approvals for change in express condition and/or occupation of buildings as well as the costs to be incurred by our Group to remedy the non-compliances.

We will disclose the status of the applications/pre-consultation of KM submitted to the relevant local authorities for all the 137 farms and hatcheries that we own and operate in our annual report.

Details of the material properties where we operate our Livestock Business are as set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
6.	Leong Hup GPS ⁽²⁾ 19 titles held under GRN 85300 Lot 2950 and 18 others, Mukim of Jementah, District of Segamat, State of Johor 2957- 2970-2980 Ladang, Lot 2950, Jalan Sengkang, Kg Baru Jementah 85200 Segamat, Johor Freehold	Broiler breeder farm known as Jementah 1 Farm comprising single storey chicken houses, single storey office building, storeroom, staff hostel and an electrical substation	Nil ^(3a)	37,949/ 380,580	<u>Category of land use</u> Nil <u>Express condition</u> Poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion <u>Conditions or restrictions</u> Nil	Nil	17,860

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
7.	Leong Hup GPS ⁽²⁾ 7 titles held under GRN 90137, Lot 2918 and 6 others, Mukim of Jementah, District of Segamat, State of Johor 2918-2939-2944 Ladang, Lot 2916, Jalan Sengkang, Kg Baru Jementah 85200 Segamat, Johor Freehold	Broiler breeder farm known as Jementah 2 Farm comprising a single storey chicken house, single storey office building, storeroom, staff hostels and an electrical substation	Nil ^(3b)	182,479/ 142,420	<u>Category of land use</u> Agriculture <u>Express condition</u> Poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion <u>Conditions or restrictions</u> Nil	Nil	11,179
8.	LH Poultry Farm ⁽²⁾ GRN 215771 Lot 6014, Mukim of Tangkak, District of Tangkak, State of Johor Bt 15, Jalan Muar, 84900, Tangkak, Johor Freehold	Broiler breeder hatchery known as Tangkak Hatchery D comprising a single storey hatchery building, a single storey office building, staff hostel and an electrical substation	Nil ⁽⁴⁾	5,426/ 38,268	<u>Category of land use</u> Agriculture <u>Express condition</u> This land shall be used for poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion <u>Conditions or restrictions</u> Nil	Nil	7,501

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
9.	LH Poultry Farm ⁽²⁾ 6 titles held under GM 357, Lot 2677 and 5 others, Mukim of Kulai, District of Kulaijaya/ Kulai, State of Johor Lot 2677, Lot 2680, Lot 2682, Lot 2683, Lot 3642, Lot 3643, Batu 21, Jalan Pontian, Mukim Kulai, Daerah Kulai Jaya, Johor Freehold	Broiler breeder farm known as Nusajaya 1 Farm comprising one office building, stores, staff hostel, guardhouse, spray house and chicken houses	Nil ⁽⁵⁾	76,890/ 121,127	<u>Category of land use</u> Agriculture <u>Express condition</u> This land shall be used for poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion <u>Conditions or restrictions</u> Nil	Nil	14,535
10.	LH Poultry Farm ⁽²⁾ 9 titles held under GM 467, Lot 80 and 8 others, Mukim of Sri Medan, District of Batu Pahat, State of Johor KS 52, Jalan Kangkar Senagar, Kg Bukit Simpa, Parit Sulong, 83500 Batu Pahat, Johor Freehold	Layer breeder Farm known as Parit Sulong Farm comprising a single storey chicken house, single storey office building, warehouse, staff hostel and guardhouse	Nil ⁽⁶⁾	36,057/ 162,988	<u>Category of land use</u> Agriculture <u>Express condition</u> This land shall be used for poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion <u>Conditions or restrictions</u> Nil	GM 467, Lot 80, GM 464, Lot 7451, GM 469, Lot 7452, GM 465, Lot 7454, GM 306, Lot 7456, GM 466, Lot 7457, GM 468, Lot 7459, HSM 2920, MLO 1290 Nil	12,694

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
						GM 470, Lot 7450 Leasing part of land under No. Pers 205/1988 Jil. 1 Fol 33 to Lembaga Letrik Negara, Tanah Melayu ⁽⁷⁾ for a period of 30 years from 1 June 1987 to 31 May 2017	

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

C. Non-farming Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
11.	Beaming Agrotrade ⁽¹⁾ HSM 860, PT 495 in the Mukim of Bukit Rambai, District of Melaka Tengah, State of Melaka Lot 13 (9569), Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka Leasehold for a period of 99 years, expiring on 9 June 2082	Land comprising factory building, warehouses and electrical installation building	30 April 2009/ 16 December 2015	12,513.296/ 17,855	<u>Category of land use</u> Industrial Land <u>Express condition</u> Nil <u>Conditions or restrictions</u> The land shall not be transferred or leased without the prior consent of the state authority. This restriction in interest is not applicable to the first purchaser	Part of the land is leased to Tenaga Nasional Berhad	14,356
12.	LH Feedmill Malaysia ⁽¹⁾ PN 10197, Lot 20004, in Mukim 13, District of Seberang Perai Tengah, State of Pulau Pinang PT 972 (Plot 177), Lorong Perindustrian Bukit Minyak 17, Kawasan Perindustrian Bukit Minyak, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang Leasehold for a period of 99 years, expiring on 5 December 2109	Land comprising warehouses	1 September 2015	57,189 sq ft/ 30,150	<u>Category of land use</u> Industry <u>Express condition</u> Nil <u>Conditions or restrictions</u> The land shall not be transferred, leased or charged without the prior consent of the state authority.	The land is currently charged to Bank Pertanian Malaysia Berhad	9,695

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Notes:

- (1) The land is in the process of being transferred in favour of LH Feedmill Malaysia pursuant to the internal restructuring undertaken by our Company for the transfer of the Feedmill Business from certain subsidiaries within our Group to LH Feedmill Malaysia.
- (2) The land is in the process of being transferred in favour of LH Agrobusiness pursuant to the internal restructuring undertaken by our Company for the transfer of the Livestock Business from certain subsidiaries within our Group to LH Agrobusiness.
- (3a) Leong Hup GPS had on 12 July 2018 submitted the relevant application for KM. If KM cannot be obtained, Leong Hup GPS intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. The estimated cost to obtain the KMT and TBP is not significant. We will disclose the status of the application in our annual report.
- (3b) Leong Hup GPS had on 12 July 2018 submitted the relevant application for KM. On 29 October 2018, Majlis Perbandaran Segamat issued its KM approval subject to conditions. We have obtained the KM together with Borang C(1) on 27 January 2019. We are in the process to submit the building plan for approval with the aim of obtaining the CCC, within two years from the date of this Prospectus. The estimated cost to obtain the KM and CCC is not significant. We will disclose the status of the application in our annual report.
- (4) LH Poultry Farm had on 9 July 2018 submitted the relevant application for KM. On 8 November 2018, Majlis Daerah Tangkak issued its KM approval subject to conditions. Upon issuance of the KM, we will then submit the building plan for approval with the aim of obtaining the CCC, within two years from the date of this Prospectus. The estimated cost to obtain the KM and CCC is not significant. We will disclose the status of the application in our annual report.
- (5) LH Poultry Farm had on 16 July 2018 submitted the relevant application for KM. If KM cannot be obtained, LH Poultry Farm intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. The estimated cost to obtain the KMT and TBP is not significant. We will disclose the status of the application in our annual report.
- (6) LH Poultry Farm had on 20 August 2018 submitted the relevant application for KM. On 26 September 2018, Majlis Daerah Yong Peng issued its rejection of our KM application because of the farm's close proximity to residential area and river. LH Poultry Farm is currently however appealing the decision. If KM cannot be obtained, LH Poultry Farm intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. The estimated cost to obtain the KMT and TBP is not significant. We will disclose the status of the application in our annual report.
- (7) Lembaga Letrik Negara, Tanah Melayu or the National Electricity Board is the predecessor of Tenaga Nasional Berhad.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Indonesia

In Indonesia, a building owner must obtain an IMB to construct a building and GR 36/2005 stipulates that a building owner must obtain a SLF to occupy and utilise a building. The SLF is issued by the regional government before a building can be used and serves as evidence that the building has been constructed in accordance with the permitted specification as provided in the building permit or IMB and complies with relevant building safety standards. GR 36/2005 was implemented in 2005.

The OSS Regulation was enacted on 21 June 2018 and subsequently implemented in July 2018. The OSS Regulation is a web-based platform that integrates business licensing and enables the simultaneous issuance of permits, both at the central and regional government level. Companies are obliged to obtain a SLF and companies can only make applications for a SLF through an online submission system in accordance with the OSS Regulation after the relevant building has been completed and the relevant business licences obtained. Upon registration of these submissions in accordance with the OSS Regulation and completion of the examination of the buildings, the Regional Government will proceed to issue the relevant SLF.

As at the LPD, the Malindo Group has obtained IMB for all of its buildings and two of the Malindo Group's buildings have obtained a SLF. 74 of the Malindo Group's buildings have yet to obtain a SLF. To comply with the SLF requirement, as at the LPD, the Malindo Group has submitted SLF applications for 70 buildings, these being the material properties of the Malindo Group. Hutabarat Halim & Rekan, the Indonesian legal counsel to our Company, has confirmed that these 70 SLF applications are regarded by the relevant authorities as our rectification of any SLF non-compliance for the 70 buildings.

The submitted SLF applications are being processed by the respective regional governments. However, there are 49 SLF applications which cannot be processed by the relevant regional governments due to the following reasons, which were communicated either in writing or verbally to the Malindo Group:

- (i) the relevant regional governments have not enacted the Building Regional Regulation in its regency;
- (ii) the relevant regional governments have not formed the team of building experts to conduct technical review on buildings within the regency; or
- (iii) the relevant regional governments have not been granted authorisation and delegation to issue SLF.

In this regard, so long as the SLF has not been obtained, we will disclose the status of the applications in our annual report.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

A. Feedmill Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
1.	Malindo Feedmill Certificate of HGB No. 561 dated 1 April 2010. Modern Cikande Industrial Estate phase III, Blok Q5, Jalan Raya Jakarta, Serang KM 68, Village of Barengkok, District of Kibin, Regency of Serang, Province of Banten/ 42186 Leasehold for the period expiring on 24 April 2028	Feedmill known as Cikande Feedmill comprising of feedmill tower, warehouse, office building, guard house, silos, generator installation	Nil ⁽¹⁾	43,396/ 50,400	Under Law No. 5 of 1960 on Agrarian Law, a right to build ("HGB") authorises the right owner to construct and own buildings over a plot of land and may be encumbered with a mortgage. The right to build may only be granted to an Indonesian citizen or Indonesian legal entity having domicile within Indonesia. Right to build may be granted for a maximum of 30 years and may be extended for a maximum of 20 years and can be renewed repeatedly. Extension of a right to build is certain to the extent no deviation towards utilisation of a right to build during leasehold period.	a. First Rank Certificate of Mortgage No. 1093/2014 dated 3 March 2014 as security to PT. Bank Central Asia Tbk; and b. Second Rank Certificate of Mortgage No. 4452/2018 dated 7 November 2018 as security to PT. Bank Central Asia Tbk.	IDR149,246,009 (equivalent to RM41,043)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
2.	Malindo Feedmill 8 land titles located in Jl. Pertamina KM 37, Village of Sumberrame, District of Wringinanom, Regency of Gresik, Province of Jawa Timur/ 61176 Leasehold ⁽³⁾	Feedmill known as Gresik Feedmill comprising feedmill, warehouse, office building, guard house, silos, corn receiving, and dryer machine	Nil ⁽²⁾	47,921/ 73,015	Please refer to item 1.	Certificate of HGB No. 1: First Rank Certificate of Mortgage No. 1484/2016 as security to PT. Bank CIMB Niaga Tbk.	IDR48,849,687 (equivalent to RM13,434)
3.	Malindo Feedmill 3 land titles located in Jl. Raya Semarang, KM. 40, Village of Harjowinangun, District of Godong, Regency of Grobogan, Province of Jawa Tengah/ 58162 Leasehold ⁽⁴⁾	Feedmill known as Grobogan Feedmill with feedmill tower, warehouse, office building, guard house, silos and generator installation	Nil ⁽¹⁾	52,214/ 72,796	Please refer to item 1.	Certificate of HGB No. 10: a. First Rank Certificate of Mortgage No. 783/2014 as security to PT. Bank Central Asia Tbk.; and b. Second Rank Certificate of Mortgage No. 1095/2015 as security to PT. Bank Central Asia Tbk.	IDR137,783,078 (equivalent to RM37,890)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
4.	Malindo Feedmill 4 land titles located in Jl. KIMA 19, Kav. EE 5B, Kawasan Industri Makassar, Sub district of Bira, District of Tamalanrea, City of Makassar, Province of Sulawesi Selatan/ 90244	Feedmill known as Makassar Feedmill comprising feedmill tower, warehouse, office building, guard house, silos, generator installation, weigh bridge and dryer machine	Nil ⁽¹⁾	28,544.83/ 23,380	Please refer to item 1.	Certificates of HGB No. 20300, 20301, 20302, and 21934: First Rank and Second Rank Certificate of Mortgage as security to PT. Bank Central Asia, Tbk.	IDR122,347,039 (equivalent to RM33,645)
	All leasehold for the period expiring on 2 December 2041.						
5.	Malindo Feedmill Certificate of HGB No. 37 dated 1 November 1995 (Leasehold for the period expiring on 30 October 2035). Jl. Raya Cakung Cilincing KM 3.5, Sub district of Cakung Barat, District of Cakung, City of East Jakarta, Province of DKI Jakarta/ 13910	Feedmill known as Cakung Feedmill comprising feedmill tower, warehouse, office building, guard house, silos, generator installation, weigh bridge and dryer machine	Nil ⁽¹⁾	13,673/ 5,328	Please refer to item 1.	First Rank Certificate of Mortgage No. 00209/2018 as security for PT. Bank UOB Indonesia	IDR26,564,922 (equivalent to RM7,305)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

B. Livestock Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq metres unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
6.	Malindo Feedmill 3 land titles located in RT.01/RW01, Village of Pulau Sari, District of Tambang Ulang, Regency of Tanah Laut, Province of Kalimantan Selatan/ 70854. Leasehold ⁽⁵⁾	Broiler breeder farm known as Banjarmasin 2 Farm comprising of single storey chicken house, single storey office building, warehouse, staff hostel, spray house	Nil ⁽⁶⁾	10,297/ 156,689	a. Please refer to item 1. b. Under Law No. 5 of 1960 on Agrarian Law, a right to use ("HP") authorises the right owner to utilise a plot of land and may be encumbered with a mortgage. The right to use may only be granted to (i) an Indonesian citizen; (ii) foreigner having domicile in Indonesia; (iii) Indonesian legal entity having domicile within Indonesia; or (iv) representative of foreign legal entity having domicile in Indonesia. Right to use may be granted for a maximum of 25 years and may be extended for a maximum of 25 years and can be renewed repeatedly. Extension of a right to use is certain to the extent no deviation towards utilisation of a right to use during leasehold period.	Nil	IDR 36,422,167 (equivalent to RM10,016)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq metres unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
7.	Malindo Feedmill Farm with basis of Statement Letter of Relinquishment of Rights on Land/Surat Pemyataan Pelepasan Hak Atas Tanah ("SPPHT") and Deed of Relinquishment of Rights on Land ("APHAT") ⁽⁷⁾ SPPHT No.: 594.3/001/2016 - 594.3/009/2016; 594.3/011/2016 - 595.3/050/2016; and APHAT No. 502 dated 13 February 2017, passed before Dwi Satmoko, S.H., M.Kn., Notary in Rembang. APHAT No. 55 dated 27 June 2016, passed before Emy Suryanti, SH., M.Kn Notary in Rembang. APHAT No. 501 dated 13 February 2017, passed before Dwi Satmoko, SH., M.Kn., Notary in Rembang.	Broiler breeder farm known as Rembang 1 Farm comprising of single storey chicken house, single storey office building, warehouse, staff hostel, spray house	Nil ⁽⁸⁾	26,983/ 150,230	N/A	Nil	IDR 43,504,489 (equivalent to RM11,964)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq metres unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
	APHAT No. 56 dated 27 June 2016, passed before Emy Suryanti, SH., M.Kn Notary in Rembang.						
	APHAT No. 1 dated 4 August 2017, passed before Emy Suryanti, SH.,M.Kn, Notary in Rembang.						
	Jl. Desa Kasreman, Village of Kasreman, District of Rembang, Regency of Rembang, Province of Jawa Tengah/ 59219						

Notes:

- (1) Malindo Feedmill had on 13 August 2018 submitted the relevant applications for the SLF to the relevant authority. The issuance of the SLF for the buildings constructed on these lands is still pending as at the LPD, save for the following:
 - the Regional Government of Serang Regency at West Java Province in response to Malindo Feedmill's SLF application replied in their letter dated 23 August 2018 that it has no authorisation to issue SLF and all SLF applications shall be submitted to the OSS; and
 - the Regional Government of Grobogan Regency at Central Java Province in response to Malindo Feedmill's SLF application replied in their letter dated 31 September 2018 that it has yet to form the Team of Building Experts for Grobogan Regency to conduct technical reviews on buildings within the regency and as such it cannot process Malindo Feedmill's SLF application.
- (2) Malindo Feedmill's SLF application dated 13 August 2018 was submitted on 15 August 2018, to which the Regional Government of Tanah Laut replied in their letter dated 16 August 2018 that Malindo Feedmill's application cannot be processed because the Regional Government of Tanah Laut has yet to enact the Building Regional Regulation as a legal basis to issue SLFs in Tanah Laut Regency.
- (3) The leasehold terms for the following properties are as follows:

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Property identification	Term
<ul style="list-style-type: none"> • Certificate of HGB No. 1 dated 25 October 1994 	Leasehold for the period expiring on 24 September 2024
<ul style="list-style-type: none"> • Certificate of HGB No. 4 dated 7 December 1994 • Certificate of HGB No. 5 dated 3 May 2011 	Leasehold for the period expiring on 24 September 2025
<ul style="list-style-type: none"> • Certificate of HGB No. 45 dated 25 January 2013 • Certificate of HGB No. 47 dated 2 February 2000 	Leasehold for the period expiring on 26 March 2043
<ul style="list-style-type: none"> • Certificate of HGB No. 48 dated 2 February 2000 	Leasehold for the period expiring on 1 August 2043
<ul style="list-style-type: none"> • Certificate of HGB No. 49 dated 2 February 2000 • Certificate of HGB No. 50 dated 2 February 2000 	Leasehold for the period expiring on 18 November 2043
(4) The leasehold term for the property are as follows:	
Property identification	Terms
Certificate of HGB No. 10 dated 1 April 2013	Leasehold for the period expiring on 7 February 2043
Certificate of HGB No. 12 dated 2 February 2016	Leasehold for the period expiring on 29 January 2046
Certificate of HGB No. 13 dated 7 September 2016	Leasehold for the period expiring on 2 September 2046
(5) The leasehold terms for the property are as follows:	
Property identification	Term
Certificate of HP No. 5 dated 12 May 2015	Leasehold for the period expiring on 11 May 2040
Certificate of HGB No. 7 dated 7 December 2015	Leasehold for the period expiring on 3 December 2045
Certificate of HGB No. 8 dated 19 February 2016	Leasehold for the period expiring on 16 February 2046
(6) Malindo Feedmill had on 15 August 2018 submitted the relevant applications for the SLF to the relevant authority. The issuance of the SLF for the buildings constructed on these lands is still pending as at the LPD.	
(7) In Indonesia, registration of land ownership on titles is just a matter of evidence and data collection. As at the LPD, we have not been issued land titles for this property and as such, the leasehold period cannot be established. Indonesian laws also protect owners of lands where titles to such lands have not been issued. SPPHT and APHAT are alternative method of evidencing land ownership.	
(8) Malindo Feedmill had on 10 August 2018 submitted the relevant applications for the SLF to the relevant authority. The issuance of the SLF for the buildings constructed on these lands is still pending as at the LPD.	

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Vietnam

A. Feedmill Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Restriction in interest/ Encumbrances on property	NBV as at 31 October 2018 ('000)
1.	Emivest Feedmill Vietnam Lot A-11A-CN, Bau Bang Industrial Park, Lai Uyen Commune, Binh Duong Province, Viet Nam Leasehold for a period of 47 years, expiring on 30 June 2057	Feedmill comprising factory building, office building, warehouse and silos	N/A ⁽¹⁾	20,418.90/ 40,000	Industrial land	Nil	VND198,631,255 (equivalent to RM35,595)
2.	Emivest Feedmill Vietnam (Emivest Animal Medicine & Vitamin Plant) Lot A-11C-CN, Bau Bang Industrial Park, Lai Uyen Commune, Binh Duong Province, Viet Nam Leasehold for a period of 41 years, expiring on 30 June 2057	Medicine Plant comprising factory building, office building and warehouse	N/A ⁽¹⁾	5,741/ 16,597	Industrial land	Nil	VND80,941,456 (equivalent to RM14,505)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Restriction in interest/ Encumbrances on property	NBV as at 31 October 2018 ('000)
3.	Emivest Feedmill Vietnam (Dong Nai Branch) Lot BB2, 6 Street, Long Khanh Industrial Park, Binh Loc Commune, Long Khanh Town, Dong Nai Province, Vietnam Leasehold for a period of 41 years, expiring on 14 May 2058	Feedmill known as Dong Nai Feedmill comprising factory building, office building, warehouse and silos	N/A ⁽¹⁾	48,277.99/ 74,382	Industrial land	Nil	VND168,763,615 (equivalent to RM30,242)
4.	Leong Hup Feedmill Vietnam Lot CN 10, Tan Truong Industrial Park, Tan Truong Commune, Cam Giang District, Hai Duong Province, Viet Nam Leasehold for a period of 41 years, expiring on 2 June 2055	Feedmill comprising factory building, office building, warehouse and silos	N/A ⁽¹⁾	19,351/ 40,000	Industrial land	Nil	VND253,945,220 (equivalent to RM45,507)
5.	Emivest Feedmill (TG) Address: Lot No. AV-1, 2, 3, 4 Tan Huong IZ, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Viet Nam Leasehold for a period of 44 years, expiring on 28 November 2056	Feedmill comprising factory building, office building, warehouse and silos	N/A ⁽¹⁾	21,637/ 48,681	Industrial land	Land use right and building mortgaged to HSBC Bank (Vietnam) Ltd	VND249,032,909 (equivalent to RM44,627)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**B. Livestock Business**

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (‘000)
6.	Emivest Feedmill Vietnam (Dong Nai Livestock Branch) Xuan Hung Commune, Xuan Loc District, Dong Nai Province	Breeder Farm 6 comprising single story chicken house, staff quarters, prayer room, generator installation	N/A ⁽¹⁾	28,096/ 165,743	Agricultural land	Land and building mortgaged to Bangkok Bank PCL – HCM City Branch	VND112,932,340 (equivalent to RM20,237)
	Leasehold for a period of 41 years, expiring on 12 November 2056						

Note:

(1) Properties in Vietnam are not required to have CCC (or its equivalent).

None of the properties disclosed above are in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties. No valuations have been conducted on any of the properties disclosed above.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**B.2 MATERIAL PROPERTIES LEASED/TENANTED BY OUR GROUP**

Details of the material properties leased/tenanted by us are set out below:

Malaysia

No.	Name of lessor/lessee or landlord/tenant or tenant or sub-tenant/ Lot. no./ Postal address	Description of property/ Existing use	Date of issuance of certificate of fitness for occupation/CCC	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Period of tenancy or lease	Annual rental
1.	Austin Marketing Sdn Bhd (“ Austin Marketing ”) (formerly Sri Medan Layer Farm Sdn Bhd) (lessor)/LH Agrobusiness (lessee) HSD 27084, PTD4990, Mukim Rengam, Daerah Kluang, Negeri Johor	Broiler farm known as Kluang 1, 2 and 3 Farm comprising single storey and double storey chicken houses, single storey office building, warehouse, staff hostel and guardhouse	Nil ⁽¹⁾	472,710 sq ft/ 67 hectares	A lease for a period of fifteen years, from 1 April 2009 to 31 March 2024	Nil ⁽²⁾
2.	Leong Hup Corporation Sdn Bhd (landlord)/ LH Agrobusiness (tenant) GRN 68836, Lot 339 & GRN 68837, Lot 340, Mukim Rompin, Daerah Jempol, Negeri Sembilan	Broiler farm known as Bahau Farm comprising chicken house, single storey office building, warehouse, staff hostel and guardhouse	Nil ⁽³⁾	213,000 sq ft/ 6 hectares	A tenancy for a period of three years, from 1 August 2017 to 31 July 2020	RM21,000
3.	Perbadanan Setiausaha Kerajaan Johor (lessor)/ Leong Hup GPS (lessee) HSD 32179, PTD 1721, Mukim Sedili Kechil, Daerah Kota Tinggi, Negeri Johor Freehold	GPS farm known as Desaru Farm 1-6 comprising single storey chicken houses, single storey office building, warehouse, staff hostel and guardhouse	Nil ⁽⁴⁾	54,829/ 23,169,564	Lease duration of 60 years commencing on 23 May 2011	RM300 to RM648 per acre

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Notes:

- (1) LH Agrobusiness had on 28 August 2018 submitted the relevant application for KM. If KM cannot be obtained, LH Agrobusiness intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. We will disclose the status of the application in our annual report. Any action taken by any relevant authorities for failure to obtain the CCC or TBP for properties leased/tenanted by our Group will not, however, have a material impact on the operations of our Group as the operations carried out on these properties can be relocated.
- (2) On 30 November 1994, Austin Marketing was granted a rent free lease by the State Government of Johor for the purpose of poultry farming for a period of 30 years. Austin Marketing in turn extended the rent free lease of the property for 15 years to LH Agrobusiness.
- (3) LH Agrobusiness had on 23 August 2018 submitted the relevant application for KM. If KM cannot be obtained, LH Agrobusiness intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. We will disclose the status of the application in our annual report. Any action taken by any relevant authorities for failure to obtain the CCC or TBP for properties leased/tenanted by our Group will not, however, have a material impact on the operations of our Group as the operations carried out on these properties can be relocated.
- (4) Leong Hup GPS had on 27 September 2018 submitted the relevant application to apply for KM for Desaru Farms 3, 4, 5 and 6. If KM cannot be obtained, Leong Hup GPS intends to submit the relevant application to apply for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. We will disclose the status of the application in our annual report. Leong Hup GPS has submitted a renewal for the TBP for Desaru Farms 1 and 2 on 23 August 2018 and the TBP has been renewed on 8 October 2018 which is valid until year 2020. Any action taken by any relevant authorities for failure to obtain the CCC or TBP for properties leased/tenanted by our Group will not, however, have a material impact on the operations of our Group as the operations carried out on these properties can be relocated.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**Singapore**

No.	Name of lessor/lessee or landlord/tenant or tenant or sub-tenant/ Lot. no./ Postal address	Description of property/ Existing use	Date of issuance of certificate of fitness for occupation/CCC	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Period of tenancy or lease	Annual rental
1.	Jurong Town Corporation ("JTC") (landlord)/ Lee Say (tenant) Lot No. MK13-1692K 18 Senoko Way Singapore 758040	Poultry processing plant comprising a detached double storey building	20 January 1986	3,043/ 4,801	Lease duration of 30 years commencing on 1 June 2014	SGD110,809 (equivalent to RM330,399 ⁽¹⁾)
2.	JTC (landlord)/ Hup Heng Poultry (tenant) Lot. No. MK13-2091C 28 Senoko Crescent Singapore 758278	Poultry processing plant comprising a detached double storey building	16 March 1992	1,100/ 1,471	Lease duration of 30 years commencing from 1 August 1991 with a further term of 30 years from 1 August 2021	SGD33,944 (equivalent to RM101,211 ⁽¹⁾)
3.	JTC (landlord)/ Hup Heng Poultry (tenant) Lot. No. MK13-2092M 30 Senoko Crescent Singapore 758279	Poultry slaughtering plant comprising a detached double storey building	16 March 1992	1,102/ 1,472	Lease duration of 30 years commencing on 1 June 1991	SGD33,981 (equivalent to RM101,321 ⁽¹⁾)
4.	JTC (landlord)/ Leong Hup Food (tenant) Lot No. MK13-2596M 2 Senoko Way Singapore 758027	1. A triple storey detached building used as workers' dormitory; and 2. A single storey detached building used as a general warehouse	27 August 1997	5,654/ 7,203	Lease duration of 30 years commencing on 1 July 1993	SGD166,245 (equivalent to RM495,693 ⁽¹⁾)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of lessor/lessee or landlord/tenant or tenant or sub-tenant/ Lot. no./ Postal address	Description of property/ Existing use	Date of issuance of certificate of fitness for occupation/CCC	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Period of tenancy or lease	Annual rental
5.	JTC (landlord)/ Leong Hup Food (tenant) Lot No. MK13-1708W 4 Senoko Way Singapore 758028	Poultry processing plant comprising a double storey detached building	2 June 1994	1,712/ 4,320	Lease duration of 30 years commencing on 16 April 1992	SGD99,701 (equivalent to RM297,278 ⁽¹⁾)
6.	JTC (landlord)/ Leong Hup Food (tenant) Lot No. MK13-1709V 6 Senoko Way Singapore 758029	Poultry processing plant comprising a double storey detached building	2 June 1994	2,929/ 4,320	Lease duration of 30 years commencing on 16 April 1992	SGD99,701 (equivalent to RM297,278 ⁽¹⁾)
7.	JTC (landlord)/ Lee Say (tenant) Lot No. MK 13-1710M 8 Senoko Way Singapore 758030	Poultry and food processing plant comprising a single storey detached building with mezzanine office	2 June 1994	3,402/ 4,320	Lease duration of 3 years, 10 months and 26 days commencing on 20 December 2018 with a further term of 30 years from 16 November 2022	SGD106,680 (equivalent to RM318,664 ⁽¹⁾)
8.	JTC (landlord)/ Tasty Meat (tenant) Lot No. MK7-3006K No. 13 Tuas Bay Walk Singapore 637759	Food processing plant comprising a double storey detached building	5 June 2000	471/ 987	Lease duration of 30 years commencing on 24 November 2007	SGD12,807 (equivalent to RM38,187 ⁽¹⁾)
9.	JTC (landlord)/ Leong Hup Distribution Pte. Ltd. (tenant) Lot No. MK6-2183V 31 Fishery Port Road Singapore 619741	Cold room facilities comprising a one and a half storey detached building	6 May 1985	17,315/ 23,595	Lease duration of 12 years 11 months and 16 days ⁽²⁾ commencing on 16 January 2018	SGD578,323 (equivalent to RM1,724,386 ⁽¹⁾)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of lessor/lessee or landlord/tenant or tenant or sub-tenant/ Lot. no./ Postal address	Description of property/ Existing use	Date of issuance of certificate of fitness for occupation/CCC	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Period of tenancy or lease	Annual rental
10.	JTC (landlord)/ BH Fresh Food (tenant) Lot No. MK6-1609A 6 Chin Bee Crescent Singapore 619892	Cold room facilities comprising a detached building	24 February 1986	2,075/ 2,470	Lease duration of 39 years commencing from 1 April 2011	SGD60,535 (equivalent to RM180,497 ⁽¹⁾)
11.	JTC (landlord)/ Kendo Trading (tenant) Lot No. MK5-4758N 233 Pandan Loop Singapore 128421	One building comprising meat processing area, packaging area, cold rooms and office	11 January 1985	2,555/ 5,177	Lease duration of 30 years commencing from 22 June 2015	SGD130,830 (equivalent to RM390,096 ⁽¹⁾)

Notes:

- (1) The conversion rate is as at 31 October 2018.
- (2) Pursuant to an Agreement to Lease dated 15 June 2016 entered into between JTC and Leong Hup Distribution, Leong Hup Distribution was required to fulfil certain investment criteria, including a fixed sum investment and increase in plot ratio, as conditions to JTC granting an extension to the lease period. In consequent thereto, Leong Hup Distribution had constructed a cold room on the premises, and the extension of the lease period will be subject to determination by JTC upon its review of whether its investment criteria has been fulfilled. This is expected to be completed on or before 30 April 2019.

None of the properties disclosed above are in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties. No valuations have been conducted on any of the properties disclosed above.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**B.3 MATERIAL EQUIPMENT**

Details of the material plant and equipment used for our business operations are set out below:

No.	Description	NBV as at 31 October 2018
1.	Plant and equipment at Grobogan Feedmill, Indonesia comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers, silos and corn dryer	IDR40,324,971,051 (equivalent to RM11,089,367)
2.	Plant and equipment at Makassar Feedmill, Indonesia comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers, silos and corn dryer	IDR53,533,657,568 (equivalent to RM14,721,756)
3.	Plant and equipment at a feedmill known as Bau Bang Feedmill, Vietnam comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM10,347,169
4.	Plant and equipment at a feedmill known as Tien Giang Feedmill, Vietnam comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM17,000,952
5.	Plant and equipment at a feedmill known as Hai Duong Feedmill, Vietnam comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM14,474,174
6.	Plant and equipment at a feedmill known as Dong Nai Feedmill, Vietnam comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM23,429,169
7.	Plant and equipment at a feedmill known as Teo Seng Feedmill, Johor comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM18,374,033
8.	Plant and equipment at a paper egg tray manufacturing factory at Johor, comprising paper egg tray machine and electrical installation	RM14,542,074
9.	Plant and equipment at a layer farm known as Layer 14 Farm, Johor comprising equipment relating to layer cages system, cooling pad, automated chicken manure belt and silo	RM10,423,978
		Equivalent to RM167,318,779

ANNEXURE C: BY-LAWS FOR THE ESOS**LEONG HUP INTERNATIONAL BERHAD (“LHI”)
EMPLOYEES’ SHARE OPTION SCHEME (“ESOS”)****1. NAME OF SCHEME**

This ESOS will be called the “LHI’s Employees’ Share Option Scheme”.

2. RATIONALE FOR THE SCHEME

The implementation of the ESOS primarily serves to align the interests of Eligible Persons to the performance of LHI Group. As such, the ESOS is established to achieve the objectives as set out below:

- (i) to provide an incentive to the Eligible Persons to participate more actively in the operations of LHI Group and encourage them to contribute positively to the future growth of LHI Group;
- (ii) to motivate, reward and retain the Eligible Persons who, upon exercising their Options, would have the opportunity to participate in the equity of the Company and thereby relate their contribution directly to the performance of LHI Group whilst at the same time, giving the Eligible Persons a greater sense of ownership; and
- (iii) to make the employees’ remuneration scheme of LHI Group more competitive to attract more skilled and experienced individuals to join LHI Group and contribute to its continued growth and profitability.

3. DEFINITIONS AND INTERPRETATIONS

3.1 In these By-Laws, except where the context otherwise requires, the following expression shall have the following meanings:

Act	: The Companies Act 2016, as amended from time to time including any re-enactment thereof;
Adviser	: Any person who is eligible to act as a principal adviser as defined in the Securities Commission Malaysia’s Principal Adviser Guidelines;
Authorised Nominee	: A person who is authorised to act as a nominee as specified in accordance with the schedule prescribed under Part VIII of the Rules of Bursa Depository;
Available Balance	: The unissued Shares of the Company which is available for offer of Options subject to the maximum limit as set out in By-Law 4.2 hereof and after deducting all Shares under Options which have been granted;
Board	: The Board of Directors of LHI;
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W);
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W);
By-Laws	: The rules, terms and conditions of the ESOS as set out herein, and shall include any amendments, variations or supplements made thereto from time to time;
CDS	: Central Depository System;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

CDS Account	:	The account established by Bursa Depository for a Depositor for the recording of deposits and withdrawal of securities and dealings in such securities by the Depositors;
Central Depositories Act	:	The Securities Industry (Central Depositories) Act 1991, as amended from time to time and any re-enactment thereof;
Court	:	The High Court of Malaya;
Date of Expiry	:	The last day of the duration of the ESOS or any extended period pursuant to By-Law 5.3 hereof;
Date of Offer	:	The date on which an Offer is made by the ESOS Committee to an Eligible Person from time to time during the Option Period to participate in the ESOS;
Depositor	:	A holder of a CDS Account;
Director(s)	:	A natural person who holds a directorship in LHI and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007;
Effective Date	:	The date the last of the approvals and/or conditions referred to in By-Law 5.1 hereof have been obtained and/or complied with;
Eligible Person(s)	:	An Executive Director and/or Employee who fulfils the conditions as set out in By-Law 7 hereof, for eligibility to participate in the ESOS;
Employee(s)	:	A natural person who is employed by and is on the payroll of any company in the LHI Group;
Entitlement Date	:	The date as at the close of business on which the names of the shareholders of LHI must appear on LHI's record of depositors in order to be entitled to participate in any dividends, rights, allotments or other forms of distribution;
ESOS or Scheme	:	The employees' share option scheme for the grant of Options to Eligible Persons to subscribe for new LHI Shares upon the terms as set out herein and such scheme shall be known as the LHI Employees' Share Option Scheme;
ESOS Committee	:	The committee appointed from time to time by the Board pursuant to By-Law 18 hereof to administer the ESOS;
Executive Director(s)	:	A natural person who holds a directorship in an executive capacity in LHI Group on the Date of Offer and is involved in the day-to-day management of any company within the LHI Group and excluding non-executive and alternate directors in the Company or any company within the LHI Group;
Exercise Period	:	The specific period or periods within an Option Period during which Options may be exercised by Grantees, as determined by the ESOS Committee subject to By-Law 5 hereof;
Exercise Price	:	The price at which the Grantee shall be entitled to subscribe for every new LHI Share by exercising his Option as determined in accordance with By-Law 10 hereof;
Grantee(s)	:	Any Eligible Person who has accepted the Offer by the Company in accordance with the provisions of By-Law 9 hereof;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

LHI or Company	: Leong Hup International Berhad (1098663-D);
LHI Group or Group	: LHI and its Subsidiaries;
LHI Share(s) or Share(s)	: Ordinary share(s) in LHI;
Listing Requirements	: The Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time;
Market Day(s)	: Any day from Mondays to Fridays (both days inclusive) which is not a public holiday, and on which Bursa Securities is open for trading of securities;
Maximum Allowable Allocation	: The maximum number of new Shares that can be offered and allotted to an Eligible Person to be determined by the ESOS Committee in accordance with the provisions of By-Law 8 hereof;
Maximum Limit	: The maximum number of new LHI Shares which may be issued and allotted pursuant to the ESOS, which shall not exceed five percent (5%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the ESOS;
Offer	: An offer made in writing by the ESOS Committee to an Eligible Person in the manner indicated in By-Law 6 hereof;
Option(s)	: The right of a Grantee to subscribe for new LHI Share(s) at the Exercise Price pursuant to the contract constituted by the selected Eligible Person's acceptance of an Offer in the manner indicated in By-Law 9 hereof;
Option Period	: A period commencing from the date an Offer is accepted in accordance with By-Law 9 hereof and expiring on the last day of the period referred to in By-Law 5 hereof or such other date which the ESOS Committee may in its discretion decide, subject always to any further extension of period or early termination in accordance with the provisions of By-Law 5 hereof, provided that no Option Period shall extend beyond the period referred to in By-Law 5 hereof;
RM and sen	: Ringgit Malaysia and sen, respectively;
Rules of Bursa Depository	: The rules of Bursa Depository, as issued pursuant to the Central Depositories Act;
Senior Management	: An Employee of LHI Group who falls within such grading as determined by the ESOS Committee at its sole and absolute discretion from time to time;
Subsidiaries	: Subsidiaries of LHI falling within the meaning of Section 4 of the Act (which for the avoidance of doubt shall exclude the Company's associate company(ies)), which are not dormant and shall include such subsidiaries which are existing as at the Effective Date and those which are incorporated or acquired at any time during the duration of the ESOS but exclude such subsidiaries which have been divested in the manner provided for in By-Law 26 hereof;
"Trust Deed"	: The trust deed(s) constituting the Trust to be executed between the Trustee and the Company;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

“Trust”	: The trust to be established to facilitate the implementation of the ESOS;
“Trustee”	: The trustee(s) who may be appointed by LHI for the administration of the Trust from time to time;
Vesting Conditions	: The conditions which are required to be fulfilled by an Eligible Person before the Option(s) is/are capable of being vested onto the Eligible Person, to be communicated in an Offer pursuant to By-Law 6.3 (vii);
VWAMP	: Volume weighted average market price.

In these By-Laws:

- (i) headings are for ease of reference only and do not affect the meaning of these By-Laws;
- (ii) any reference to a statutory provision or applicable law shall include any subordinate legislation made from time to time under the provision or law and any Listing Requirements, policies and/or guidelines of Bursa Securities and/or any other relevant regulatory authority (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or any other relevant regulatory authority);
- (iii) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the expiry of the ESOS and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly been replaced;
- (iv) words denoting the singular shall include the plural and references to any gender shall include all genders whether male, female or neuter;
- (v) any liberty or power which may be exercised or any determination which may be made hereunder by the ESOS Committee or the Board may be exercised at the ESOS Committee's or the Board's discretion; and
- (vi) if an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day **PROVIDED ALWAYS** if such date shall fall beyond the duration of the ESOS, then the stipulated day shall be taken to be the preceding Market Day.

4. MAXIMUM NUMBER OF NEW LHI SHARES AVAILABLE UNDER THE SCHEME

- 4.1 Each Option shall be exercisable into one (1) new LHI Share, in accordance with the provisions of these By-Laws.
- 4.2 The total number of new LHI Shares which may be made available under the ESOS shall not exceed in aggregate five percent (5%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any one time during the duration of the ESOS as provided in By-Law 5.3 hereof.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 4.3 Notwithstanding the provision of By-Law 4.2 hereof or any other provisions contained herein, in the event the maximum number of new LHI Shares comprised in the Options granted under the ESOS exceeds the aggregate of five percent (5%) of the number of issued shares (excluding treasury shares, if any) of LHI as a result of LHI purchasing its own Shares pursuant to Section 127 of the Act or LHI undertaking any other corporate proposal and thereby diminishing its number of issued shares, no further Options shall be offered until the total number of new LHI Shares to be issued under the ESOS falls below five percent (5%) of the Company's total number of issued shares (excluding treasury shares, if any). Any Options granted prior to the adjustment of the number of issued shares of LHI shall remain valid and exercisable in accordance with the provisions of these By-Laws.

5. DURATION, EXTENSION AND TERMINATION OF THE SCHEME

- 5.1 The ESOS shall come into force on the Effective Date, which shall be the date of full compliance on which the last of the following approvals and/or conditions have been obtained and/or complied with:
- (i) submission to Bursa Securities of the final copy of these By-Laws together with a letter of compliance pursuant to paragraph 6.42 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
 - (ii) approval or approval-in-principle, as the case may be, from Bursa Securities for the listing of and quotation for the new LHI Shares to be issued under the ESOS;
 - (iii) shareholders' approval for the ESOS at a general meeting;
 - (iv) approval of any other relevant authorities for the ESOS, if applicable; and
 - (v) fulfilment of all conditions attached to the above approvals, if any.
- 5.2 The Company shall through its Adviser submit no later than five (5) Market Days after the Effective Date, a confirmation letter to Bursa Securities of the full compliance of By-Law 5.1 hereof stating the Effective Date of the ESOS, together with a certified true copy of the relevant resolutions passed by the shareholders of the Company in the general meeting approving the ESOS.
- 5.3 The ESOS shall be in force for a period of five (5) years commencing from the Effective Date **PROVIDED ALWAYS THAT** on or before the expiry thereof, the Board shall have the sole and absolute discretion upon recommendation of the ESOS Committee, without the Company's shareholders' approval in a general meeting being required, to extend in writing the tenure of the ESOS for another five (5) years or such shorter period as it deems fit immediately from the expiry of the first five (5) years, **PROVIDED ALWAYS THAT** the ESOS shall not in aggregate exceed ten (10) years from the Effective Date or such longer period as may be allowed by the relevant authorities. Such renewed ESOS shall be implemented in accordance with the terms of these By-Laws set out herein, save for any amendments and/or changes to the relevant statutes and/or regulations currently in force. Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the ESOS provided that the Company shall serve appropriate notices to each Grantee and make any announcements to Bursa Securities (if required) within thirty (30) days prior to the expiry of the original ESOS.
- 5.4 Offers can only be made during the duration of the ESOS before the Date of Expiry, which date shall be at the end of the five (5) years from the Effective Date, or if the ESOS shall be extended, at the end of such extended term.
- 5.5 Notwithstanding anything to the contrary, all unexercised Options shall lapse after 5.00 p.m. on the Date of Expiry.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 5.6 Notwithstanding the provision of By-Law 5.3 hereof and subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities, the ESOS may be terminated by the Company at its sole and absolute discretion without obtaining the approvals or consents from the Grantees and/or the shareholders, by way of a board resolution upon the recommendation of the ESOS Committee at any time during the continuance of the ESOS whereupon such termination, (i) no further Offers shall be made by the ESOS Committee; (ii) all outstanding Options unexercised shall be automatically terminated; and (iii) all Offers made but not yet accepted by the Eligible Persons shall automatically lapse.
- 5.7 The Company shall immediately upon the termination of the ESOS before the Date of Expiry announce to Bursa Securities:
- (i) the effective date of termination;
 - (ii) the number of options exercised or shares vested; and
 - (iii) the reasons for termination.
- 5.8 Subject to the relevant approvals being obtained, the Company may implement a new employees' share option scheme after the expiration or termination of the ESOS pursuant to By-Law 5.6 hereof.

6. OFFER

- 6.1 The ESOS Committee may, at any time during the duration of the ESOS as defined in By-Law 5 hereof, make Offers in writing to any Eligible Person selected by the ESOS Committee which selection shall be at the sole and absolute discretion of the ESOS Committee.
- 6.2 The actual number of new LHI Shares which may be offered to an Eligible Person shall be at the sole and absolute discretion of the ESOS Committee and, subject to the Maximum Allowable Allotment as set out in By-Law 8 hereof and any adjustments that may be made under By-Law 15 hereof, shall not be less than one hundred (100) LHI Shares and shall always be in multiples of one hundred (100) LHI Shares.
- 6.3 The ESOS Committee shall state the following particulars in the letter of Offer:
- (i) the number of Options that are being offered to the Eligible Person;
 - (ii) the number of LHI Shares which the Eligible Person shall be entitled to subscribe for upon the exercise of the Options being offered;
 - (iii) the Option Period;
 - (iv) the Exercise Period;
 - (v) the Exercise Price;
 - (vi) the Offer Period as defined in By-Law 9.1 hereof;
 - (vii) the conditions which are required to be fulfilled by an Eligible Person prior to such Option becoming vested onto the Eligible Person including but not limited to service and/or performance criteria and number of Options exercisable for each year of continued service as set out in By-Law 11.1 ("**Vesting Conditions**"); and
 - (viii) any other information deemed necessary by the ESOS Committee.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 6.4 No Offer shall be made to any Director in an executive capacity in LHI or major shareholder of LHI or persons connected with them unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in a general meeting.

For the purpose of these By-Laws, "persons connected" with the Director in an executive capacity in LHI or major shareholder of LHI shall have the same meaning given in relation to persons connected with a director or major shareholder as defined in paragraph 1.01 of the Listing Requirements.

- 6.5 Without prejudice to By-Law 18 hereof, in the event of an error or omission on the part of the Company or the ESOS Committee in stating any of the particulars referred to in By-Law 6.3 hereof, the Company or the ESOS Committee shall, within one (1) month after discovery of the error or omission, do all such things and acts to rectify such error or omission and if necessary, issue a supplemental letter of Offer, stating the correct particulars referred to in By-Law 6.3 hereof.
- 6.6 Subject to By-Laws 4 and 8.3 hereof, nothing herein shall prevent the ESOS Committee from making more than one (1) Offer to any Eligible Person **PROVIDED ALWAYS THAT** the total aggregate Options offered to each Eligible Person (including Options already offered under previous Offers, if any) shall not exceed the Maximum Allowable Allocation of such Eligible Person at the time the subsequent Offer (if any) is made.
- 6.7 The ESOS Committee has the sole and absolute discretion not to make further additional Offers regardless of the amount of Available Balance.
- 6.8 The Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Eligible Person or the Eligible Person ceasing to be employed by LHI Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Person in the manner set out in By-Law 9 hereof.
- 6.9 An Offer may be made upon such terms and conditions as the ESOS Committee may decide from time to time. Each Offer shall be made in writing and is personal to the Eligible Person and is non-assignable and non-transferable.
- 6.10 After each adjustment following an alteration of the Company's share capital as stipulated in By-Laws 15.1 and 15.2 hereof and the Company informing the Grantee of such adjustment pursuant to By-Law 15.6 hereof, upon the return by a Grantee of the original letter of Offer to the Company, that letter of Offer shall be amended or a new letter of Offer shall be issued within one (1) month from the date of return of the original letter, to reflect the adjustment made to the number of Options granted to the Grantee and/or the Exercise Price.
- 6.11 The Company shall keep and maintain at its expense, a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allocation, the number of Options offered, the number of Options exercised, the Date of Offer and the Exercise Price.

7. ELIGIBILITY

- 7.1 An Employee or Executive Director who as at the Date of Offer, fulfils the following conditions shall be eligible to participate in the ESOS:
- (i) has attained eighteen (18) years of age;
 - (ii) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (iii) must have been confirmed in service and have served at least six (6) months in the employment of LHI Group;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (iv) where the Employee or Executive Director is under an employment contract, the contract is for a duration of at least one (1) year and shall have not expired within three (3) months from the Date of Offer; and
- (v) has fulfilled any other criteria as may be imposed by the ESOS Committee from time to time,

PROVIDED ALWAYS THAT the selection of any Eligible Person for participation in the ESOS shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. Notwithstanding the above, the ESOS Committee may, at its sole and absolute discretion, waive any of the eligibility conditions set out above.

The eligibility does not confer on an Eligible Person, a claim or right to participate or a right to claim or any rights whatsoever in the ESOS unless the ESOS Committee has made an Offer to the Eligible Person, the Eligible Person has accepted the Offer, and the Eligible Person has fulfilled the Vesting Conditions, in accordance with the terms of the Offer and these By-Laws.

- 7.2 Subject to the provisions of By-Law 25 hereof, no Eligible Person shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the LHI Group during the duration of the ESOS.
- 7.3 Subject to By-Law 4.2 hereof, in the event that the ESOS Committee has determined that certain Eligible Persons are entitled to be offered additional Options and the Available Balance is insufficient to grant their full additional entitlements, the Available Balance may be distributed on such basis as the ESOS Committee may determine.

8. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOTMENT

- 8.1 Subject to any adjustments as may be made under these By-Laws, the aggregate number of new LHI Shares that may be offered and allotted under the ESOS to any Eligible Person shall be determined by the ESOS Committee at its sole and absolute discretion, after taking into consideration, amongst others, the Eligible Person's position, ranking, performance, contribution, seniority, length of service, fulfilment of the eligibility criteria as referred to in By-Law 7 hereof or such other matters which the ESOS Committee may in its sole and absolute discretion deem fit, subject to, amongst others, the following:
 - (i) the aggregate number of new LHI Shares to be issued pursuant to the exercise of the Options granted under the ESOS shall not exceed the Maximum Limit and the ESOS Committee shall not be obliged in any way to offer an Eligible Person the Options for all the specified maximum number of Shares the Eligible Person is entitled to under the ESOS;
 - (ii) any Offer, allocation of Options under the ESOS and the related allotment of Shares to any Executive Directors, major shareholders or the chief executive officer of the Company and any person connected with them, shall require prior approval of the shareholders of the Company in a general meeting. The Executive Directors, major shareholders or chief executive officer of the Company and persons connected with them shall not vote on the resolution approving the said Offer, allocation and allotment;
 - (iii) the Executive Directors and Senior Management shall not be allowed to participate in the deliberation or discussion of their respective allocation of Options and/or allocations of Options to persons connected with them under the ESOS;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (iv) not more than ten percent (10%) of the Shares available under the ESOS shall be allocated to any Eligible Person, who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) (or such other percentage as the relevant authorities may permit) or more of the number of issued shares (excluding treasury shares, if any) of the Company;
- (v) not more than fifty percent (50%) (or such other percentage as the relevant authorities may permit) of the Options available under the ESOS shall be allocated, in aggregate to the Executive Directors and Senior Management; and
- (vi) any performance target to be achieved before the Options can be granted and/or exercised by an Eligible Person shall be determined by the ESOS Committee.

For the avoidance of doubt, the ESOS Committee shall have sole and absolute discretion in determining whether the granting of the Options to the Eligible Persons will be based on staggered granting over the duration of the ESOS or in one (1) single grant. The ESOS Committee shall also have sole and absolute discretion in determining whether the Options granted are subject to any vesting period and if so the vesting conditions and whether such vesting conditions are subject to any performance targets.

For the purpose of these By-Laws, "persons connected" with the Eligible Person shall have the same meaning given in relation to persons connected with a director or major shareholder as defined in paragraph 1.01 of the Listing Requirements.

- 8.2 The allocation of Options pursuant to the ESOS shall be verified by the Audit Committee of the Company, as being in compliance with the criteria set out in these By-Laws (where relevant) at the end of each financial year of the Company.
- 8.3 A Grantee who is promoted during the duration of the ESOS may be eligible for consideration of new additional Shares under the ESOS at the sole and absolute discretion of the ESOS Committee up to the Maximum Allowable Allocation to be determined by the ESOS Committee for the category to which he/she has been promoted to. A Grantee who is demoted to a lower employment category for whatever reason shall only be entitled to the allocation of that lower category unless an Offer has been made and accepted by him/her before such demotion.
- 8.4 An Employee or Executive Director who during the duration of the ESOS becomes an Eligible Person may be eligible to participate in the ESOS, the number of new Shares of which is to be decided by the ESOS Committee at its sole and absolute discretion subject to any Maximum Allowable Allocation for the category to be determined by the ESOS Committee. Any Eligible Person holding more than one (1) position in the Group and thereby falling within more than one (1) category of Employees in the Group shall only be entitled to the Maximum Allowable Allocation of the higher category.

9. ACCEPTANCE OF THE OFFER

- 9.1 An Offer shall be valid for a period of thirty (30) calendar days from the Date of Offer or such longer period as the ESOS Committee at its sole and absolute discretion, determines on a case to case basis ("**Offer Period**"). Acceptance of the Offer by an Eligible Person shall be made by way of a written notice from the Eligible Person to the ESOS Committee in the form prescribed by the ESOS Committee and accompanied by the payment of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the acceptance of each Offer (regardless of the number of Shares comprised therein).

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 9.2 In the event that the Eligible Person fails to accept the Offer or pay the acceptance consideration as set out in By-Law 9.1 hereof within the Offer Period and in the manner aforesaid, the Offer shall be deemed to have lapsed. The Options comprised in such Offer may, at the discretion of the ESOS Committee, be re-offered to other Eligible Persons.

10. EXERCISE PRICE

Subject to any adjustments made under these By-Laws and pursuant to the Listing Requirements, the Exercise Price shall be:

- (i) in respect of any Offer which is made in conjunction with the listing of the Company, the Final Retail Price;
- (ii) in respect of any Offer which is made subsequent to the listing of the Company, as determined by the ESOS Committee and shall be based on the five (5)-day VWAMP of LHI Shares immediately preceding the Date of Offer, with a discount, if any, **PROVIDED ALWAYS THAT** such discount is not more than ten per cent (10%), if deemed appropriate, or such other percentage of discount as may be permitted by any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time during the Option Period.

For the purposes of By-Law 10 (i) above, "Final Retail Price" shall refer to the final price paid by investors for the Shares issued by the Company under its retail offering pursuant to its initial public offering, as determined in the manner described in the Company's prospectus for the said initial public offering.

The Exercise Price as determined in the manner set out above shall be conclusive and binding on the Grantee.

11. EXERCISE OF OPTIONS

- 11.1 Subject to By-Law 11.6 hereof and the terms and conditions of an Offer as mentioned in By-Law 6.9 hereof, the Options under the Offer can be exercised by the Grantee by written notice in the prescribed form to the Company during the Exercise Period in respect of all or any part of the LHI Shares comprised in the Options under the Offer, such part being in multiples of one hundred (100) LHI Shares. In the event that the balance of LHI Shares comprised in the Options of any Grantee is less than one hundred (100) LHI Shares, the said balance of the Options shall if exercised, be exercised in a single tranche.

- 11.2 Except where it is decided otherwise and announced by the ESOS Committee, an Option is exercisable by the Grantee only on a Market Day during the Option Period and while the Grantee remains an Eligible Person.

Except where it is decided otherwise and announced by the ESOS Committee:

- (i) The aggregate number of Shares which a Grantee can subscribe under his/her Options in a particular year of the Scheme (the first year to be calculated from the Effective Date and expiring 12 months after the Effective Date, and subsequent years shall be successive 12-month periods thereafter), shall at times be subject to a maximum of **twenty-five per cent (25%)** of the total number of Shares comprising the Options held by such Grantee, as follows:

Year of Scheme	Maximum percentage
Year 1	25%
Year 2	25%
Year 3	25%
Year 4	25%

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (ii) A Grantee may, in any one year, exercise his Option according to the maximum percentage stipulated in the table above. Subject to By-Law 11.7 hereof, if any Grantee does not wholly exercise his/her Options up to the maximum percentage allowed in a particular year, the remaining unexercised Options for any particular year will be accumulated to the said Grantee's entitlement in the following year.

11.3 Trust

- (i) The Company intends to establish a Trust to be administered by the Trustee for purposes of implementing the ESOS. The appointed Trustee shall administer the Trust in accordance with the Trust Deed, and shall in particular, be responsible for the administration of the ESOS.
- (ii) The Trustee shall open and maintain a Trust Account into which the Company and/or its Subsidiaries shall inject monies for the purposes of the ESOS, in particular to enable the Trustee to use the same to subscribe for LHI shares and to pay for expenses in relation to the administration of the Trust in accordance with these By-laws.
- (iii) Upon the Trustee receiving a written instruction from the ESOS Committee that a Grantee has elected to exercise his ESOS Option(s) pursuant to By-law 11.1, the Trustee shall utilise the monies in the Trust Account to subscribe for such number of new LHI Shares in respect of which the written instruction is given. The Grantee would not be required to make any payment in respect of the ESOS Option(s) exercised as the funding of the Exercise Price is provided by the Company (via the Trustee) to the Trust.
- (iv) The Company shall allot and issue the said LHI Shares which will be placed into a CDS Account of the Trustee or its authorised nominee.
- (v) Subject to there being sufficient monies in the Trust Account, the Trustee or its authorised nominee shall be irrevocably authorised and instructed to assist with the sale and transfer of such number of LHI Shares in respect of which the instruction is given, and the proceeds from the sale of the LHI Shares shall be credited into the Trust Account.
- (vi) The net gains from the sale of the said LHI Shares after deducting the exercise cost i.e. Exercise Price x number of LHI Shares (in respect of which the written instruction is given) and the related transaction costs, will be released to such Grantee. The balance of the proceeds, if any, will remain in the Trust Account and may be used by the Trustee towards subsequent subscription of shares and administration expenses. For purposes of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements and make rules, regulations or impose terms and condition or delegate part of its power relating to the administration of the Trust as the ESOS Committee may in its discretion direct for the implementation and administration of the Trust.
- (vii) The Board shall have power from time to time to appoint or rescind the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed.

- 11.4 The ESOS Committee shall ensure that there is sufficient monies in the Trust Account at all times to cater for the exercise of Options by the Grantees in accordance with these By-Laws.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 11.5 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service or are found to have had no basis or justification), the ESOS Committee shall have the right to suspend the Grantee's Options pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate at its sole and absolute discretion having regard to the nature of the charges made or brought against the Grantee **PROVIDED ALWAYS THAT:**
- (i) in the event that such Grantee shall subsequently be found not guilty of the charges which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the rights of such Grantee to exercise his Options;
 - (ii) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, all unexercised and partially exercised Options of the Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the Grantee, upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the Grantee in any other forum;
 - (iii) in the event the Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its sole and absolute discretion whether or not the Grantee may continue to exercise his Options or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise rights; and
 - (iv) in the event that no decision is made and/or disciplinary proceedings are not concluded prior to the expiry of the Exercise Period, the Options of such Grantee shall immediately lapse on the expiry of the Exercise Period without notice,
- and nothing herein shall impose any obligation of the ESOS Committee to enquire into or investigate the substantiveness and/or validity of such disciplinary proceeding(s) and the ESOS Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the ESOS Committee's exercise of or failure to exercise any of its rights under these By-Laws.
- 11.6 All Options to the extent unexercised on the expiry of the Exercise Period applicable thereto shall lapse.
- 11.7 Any failure to comply with the procedures specified by the ESOS Committee or to provide information as required by the Company, the ESOS Committee and/or the Trustee in the notice to exercise shall result in the notice to exercise being rejected at the discretion of the ESOS Committee. The ESOS Committee shall inform the Grantee of the rejection of the notice of exercise within ten (10) Market Days from the date of rejection and the Grantee shall not have deemed to have exercised his/her Options.
- 11.8 The Company, the Board, the ESOS Committee and the Trustee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities whatsoever and howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Shares or in procuring the relevant authorities to list and quote the Shares subscribed for by a Grantee or any delay in receipt or non-receipt by the Company of the notice to exercise the Options or for any errors in any Offers.
- 11.9 Every Option shall be subjected to the condition that no new LHI Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)**12. RIGHTS ATTACHING TO THE NEW LHI SHARES**

The new LHI Shares to be issued and allotted pursuant to the exercise of the Options in accordance with By-law 11 shall, upon issuance and allotment rank *pari passu* in all respects with the then existing LHI Shares, and be entitled to all rights (including voting, dividend, allotment, distribution, transfer, and other rights, including those arising on a liquidation of the Company), attaching to the then existing LHI Shares, save and except that the new LHI Shares so issued and allotted will not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared, made or paid, for which the Entitlement Date is prior to the date of allotment of such new LHI Shares.

Fractional entitlements (if any) will be disregarded and shall be dealt with in such manner as the Board shall in its sole and absolute discretion thinks expedient in the interest of the Company.

The new LHI Shares will be subject to all provisions of the Constitution of the Company as may thereafter be amended from time to time.

13. NON-TRANSFERABILITY

- 13.1 An Option is personal to the Grantee and subject to the provisions of By-Laws 14.1, 14.2, 14.3 and 14.5 hereof, it is exercisable only by the Grantee personally during his lifetime whilst he is in the employment in any company in the LHI Group.
- 13.2 An Option so granted shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee save and except in the event of the death of the Grantee as provided under By-Law 14.5 hereof. Any such transfer, assignment, disposal or encumbrance shall result in the automatic cancellation of the Option.

14. TERMINATION OF THE OPTION

- 14.1 In the event a Grantee ceases to be in the employment of LHI Group for whatever reason prior to the full exercise of the Options, such Options or the balance thereof, as the case may be, shall forthwith cease to be valid without any claim against the Company **PROVIDED ALWAYS THAT** the ESOS Committee may, at its sole and absolute discretion, by notice in writing, permit such Options to remain exercisable during the Exercise Period if such cessation occurs by reason of:
- (i) retirement on or after attaining the normal retirement age; or
 - (ii) retirement before attaining the normal retirement age but with the consent of the relevant employer company within the LHI Group; or
 - (iii) transfer to any company outside the LHI Group at the direction of the Company subject to the approval and/or ratification by the Board; or
 - (iv) retrenchment; or
 - (v) ill-health, injury, physical or mental disability; or
 - (vi) any separation scheme implemented by the Company, provided that the affected Eligible Person shall exercise the Options prior to expiry of three (3) months from the date of the separation scheme; or
 - (vii) any Director not being re-appointed during a general meeting of the Company, that Director shall exercise the Options prior to expiry of three (3) months from the date he/she ceased to be a Director; or
 - (viii) any other circumstances which are acceptable to the ESOS Committee subject to the approval and/or ratification by the Board.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

Upon the termination of Options pursuant to the above, the Grantee shall have no right to compensation or damages or any claim against the Company for any loss of any right or benefit under the ESOS which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his/her ceasing to hold office or employment or from the suspension of his/her right to exercise his/her Options or his/her Options ceasing to be valid.

- 14.2 Unless otherwise agreed in writing by the ESOS Committee at its sole and absolute discretion, upon the resignation/cessation of the Grantee from his employment or directorship with the LHI Group (as the case may be), an Option shall lapse forthwith on the date the Grantee tenders his resignation. Any Option which lapses upon the resignation/cessation of the Grantee from his employment or directorship with the LHI Group (as the case may be), shall become available to be offered to other Eligible Persons, at the discretion of the ESOS Committee.
- 14.3 An Option shall immediately become void and of no further force and effect upon the Grantee being adjudicated a bankrupt.
- 14.4 In the event of the liquidation of the Company, all unexercised Options shall lapse.
- 14.5 Where a Grantee dies before the expiry of the Exercise Period, the whole or any part of the Options held by the Grantee that are unexercised may be exercised by the legal representatives of the Grantee in accordance with the terms and/or conditions as set out by the ESOS Committee **PROVIDED ALWAYS THAT** no Option shall be exercised after the expiry of the Exercise Period.

15. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

15.1 Subject to By-Law 15.3 hereof, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of LHI Shares or reduction of capital or any other variation of capital, the Company shall cause such adjustments to be made to:

- (i) the number of Options granted to a Grantee (excluding Options already exercised);
- (ii) the Exercise Price;
- (iii) the number of Options and/or Exercise Price comprised in an Offer which is open for acceptance (but has yet to be accepted in accordance with the terms and conditions of the Offer and the ESOS),

for purposes of ensuring that the capital outlay to be incurred by a Grantee in subscribing for the same proportion of the issued capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment (i.e not taking into account Options already exercised) shall remain unaffected.

15.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 15.1 hereof:

- (i) any adjustment to the Exercise Price shall be rounded up to the nearest one (1) sen; and
- (ii) in determining a Grantee's entitlement to subscribe for new LHI Shares, any fractional entitlements will be disregarded.

15.3 By-Law 15.1 hereof shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (i) an issue of new LHI Shares or other securities convertible into LHI Shares or rights to acquire or subscribe for LHI Shares in consideration or part consideration for an acquisition of any other securities, assets or business;
 - (ii) a special issue of new LHI Shares approved by the relevant governmental authorities;
 - (iii) a private placement/restricted issue of new LHI Shares by the Company;
 - (iv) an issue of new LHI Shares arising from the exercise of any conversion rights attached to securities convertible to LHI Shares or upon exercise of any other rights including warrants and/or convertible loan stocks (if any) issued by the Company;
 - (v) an issue of new LHI Shares upon the exercise of Options pursuant to the ESOS;
 - (vi) an issue of further Options to Eligible Persons under these By-Laws; and
 - (vii) a share buy-back arrangement by the Company, pursuant to Section 127 of the Act. In this event, the following provisions shall apply:
 - (a) if the number of LHI Shares in respect of the Options granted by the Company as at the date of designation of the LHI Shares so purchased as treasury shares or cancellation of such Shares is greater than fifteen percent (15%) of the total number of issued shares of the Company after such designation or cancellation, the ESOS Committee shall not make any further Offers; and
 - (b) if the number of LHI Shares in respect of the Options granted by the Company as at the date of designation of the LHI Shares so purchased as treasury shares or cancellation of such Shares is less than fifteen percent (15%) of the total number of issued shares of the Company after such designation or cancellation, the ESOS Committee may make further Offers only until the total number of Options granted by the Company is equivalent to fifteen percent (15%) of the total number of issued shares of the Company after such designation or cancellation.
- 15.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Division 7 of the Act, By-Law 15.1 hereof shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 hereof is applicable, but By-Law 15.1 hereof shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 hereof is not applicable as described in By-Law 15.3 hereof.
- 15.5 In the event the Court sanctions a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme for reconstruction of the Company under Section 366 of the Act or its amalgamation with any other company or companies under Section 366 of the Act any Options should remain exercisable by the Grantee at any time and from time to time in the period commencing with the date upon which the compromise or arrangement is sanctioned by the Court and ending with the date upon which it becomes effective or within the Exercise Period, whichever expires first. Upon the compromise or arrangement becoming effective, all Options, to the extent unexercised shall automatically lapse and shall become null and void.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 15.6 An adjustment pursuant to By-Law 15.1 hereof shall be made according to the following terms:
- (i) in the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the Entitlement Date in respect of such issue; or
 - (ii) in the case of a consolidation or subdivision of LHI Shares or reduction of capital, on the Market Day immediately following the date such consolidation, subdivision or reduction shall become effective.

Upon any adjustment being made, the ESOS Committee shall within thirty (30) days from the adjustment date give notice in writing to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

All adjustments other than a bonus issue must be confirmed in writing by an approved company auditor of the Company or such other persons as allowed by Bursa Securities (who shall act as an expert and not as an arbitrator), to be in his/her opinion fair and reasonable. For the purpose of these By-Laws, an approved company auditor shall have the meaning given in Section 2(1) of the Act.

- 15.7 All adjustments made pursuant to By-Law 15 shall be final and binding.
- 15.8 The Company shall ensure that any adjustments made must be in compliance with the provisions for adjustment as provided in By-Law 15.9 hereof.
- 15.9 In addition to By-Law 15.1 hereof and not in derogation thereof, the Exercise Price and the number of Options so far unexercised shall from time to time be adjusted, calculated or determined by the ESOS Committee and certified by an approved company auditor of the Company or such other persons as allowed by Bursa Securities in accordance with the following relevant provisions in consultation with the Adviser and/or the external auditor:
- (i) If and whenever a consolidation or subdivision or conversion of LHI Share occurs, the Exercise Price and/or the additional number of Options to be issued shall be adjusted, calculated or determine in accordance with the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{A}{B} \right]$$

$$\text{Number of additional Options} = T \times \left[\frac{B}{A} \right] - T$$

Where:

S = existing Exercise Price;

A = the aggregate number of issued LHI Shares immediately before such consolidation, subdivision or conversion;

B = the aggregate number of new LHI Shares after such consolidation, subdivision or conversion; and

T = existing number of Options held.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

Each such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective (being the date when the LHI Shares are traded on Bursa Securities), or such period as may be prescribed by Bursa Securities.

- (ii) If and whenever the Company shall make any issue of LHI Shares to ordinary shareholders by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{A}{A + B} \right]$$

and the number of additional Options to be issued shall be calculated as follows:

$$\text{Number of additional Options} = T \times \left[\frac{A+B}{A} \right] - T$$

Where:

- A = the aggregate number of issued LHI Shares immediately before such bonus issue or capitalisation issue;
- B = the aggregate number of new LHI Shares to be issued pursuant to any allotment to ordinary shareholders of the Company by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund);
- S = as S in By-Law 15.9(i) hereof; and
- T = as T in By-Law 15.9(i) hereof.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (iii) If and whenever the Company shall make:
- (a) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (b) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for LHI Shares by way of rights; or
 - (c) any offer or invitation to its ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into LHI Shares or securities with rights to acquire or subscribe for LHI Shares,

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

then and in respect of each such case, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{C - D}{C} \right]$$

and in respect of the case referred to in By-Law 15.9(iii)(b) and (iii)(c) hereof, the number of additional Options to be issued shall be calculated as follows:

$$\text{Number of additional Options} = T \times \left[\frac{C}{C - D^*} \right] - T$$

Where:

S = as S in By-Law 15.9(i) hereof;

T = as T in By-Law 15.9(i) hereof;

C = the prevailing market price of each Share at the close of business on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation;

D = (A) in the case of an offer or invitation to acquire or subscribe for LHI Shares by way of rights under By-Law 15.9(iii)(b) hereof or for securities convertible into LHI Shares or securities with rights to acquire or subscribe for LHI Shares under By-Law 15.9(iii)(c) hereof, the value of rights attributable to one (1) LHI Share (as defined below); or

(B) in the case of any other transaction falling within By-Law 15.9(iii) hereof, the fair market value, as determined by an auditor of the Company, of that portion of the Capital Distribution attributable to one (1) LHI Share.

For the purpose of definition (A) of D above, the "value of the rights attributable to one (1) LHI Share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

C = as C in By-Law 15.9(iii) hereof;

E = the subscription price for one (1) additional LHI Share under the terms of such offer or invitation or subscription price for one (1) additional LHI Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) LHI Share under the offer or invitation; and

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

F = the number of LHI Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional LHI Share or security convertible into rights to acquire or subscribe for one (1) additional LHI Share.

D* = the value of rights attributable to one (1) LHI Share (as defined below).

For the purpose of definition D* above, the "value of rights attributable to one (1) LHI Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = as C in By-Law 15.9(iii) hereof;

E* = the subscription price for one (1) additional LHI Share under the terms of such offer or invitation to acquire or subscribe for LHI Shares; and

F* = the number of LHI Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional LHI Share.

For the purpose of By-Law 15.9(iii) hereof, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of LHI Shares (not falling under By-Law 15.9(ii) hereof) or other securities issued by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or capital redemption reserve fund).

Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders of LHI as shown in the audited consolidated profit and loss accounts of the Company.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transactions.

- (iv) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.9(ii) hereof and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 15.9(iii)(b) or (c) hereof and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H \times I)}{(G + H + B) \times C} \right]$$

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

and where the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.9(ii) hereof and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 15.9(iii)(b) hereof and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional Options to be issued shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

B = as B in By-Law 15.9(ii) hereof;

C = as C in By-Law 15.9(iii) hereof;

G = the aggregate number of issued LHI Shares on the Entitlement Date;

H = the aggregate number of new LHI Shares under an offer or invitation to acquire or subscribe for LHI Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into LHI Shares or rights to acquire or subscribe for LHI Shares, as the case may be;

H* = the aggregate number of new LHI Shares under an offer or invitation to acquire or subscribe for LHI Shares by way of rights;

I = the subscription price of one (1) additional LHI Share under an offer or invitation to acquire or subscribe for LHI Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional LHI Share, as the case may be;

I* = the subscription price of one (1) additional LHI Share under the offer or invitation to acquire or subscribe for LHI Shares;

S = as S in By-Law 15.9(i) hereof; and

T = as T in By-Law 15.9(i) hereof.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (v) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for LHI Shares as provided in By-Law 15.9(iii)(b) hereof together with an offer or invitation to acquire or subscribe for securities convertible into LHI Shares or rights to acquire or subscribe for LHI Shares as provided in By-Law 15.9(iii)(c) hereof, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C} \right]$$

and the number of additional Options to be issued shall be calculated in the following manner:

$$\text{Number of Additional Options} = T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

Where:

- C = as C in By-Law 15.9(iii) hereof;
- G = as G in By-Law 15.9(iv) hereof;
- H = as H in By-Law 15.9(iv) hereof;
- H* = as H* in By-Law 15.9(iv) hereof;
- I = as I in By-Law 15.9(iv) hereof;
- I* = as I* in By-Law 15.9(iv) hereof;
- J = the aggregate number of LHI Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for LHI Shares by the ordinary shareholders;
- K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional LHI Share;
- S = as S in By-Law 15.9(i) hereof; and
- T = as T in By-Law 15.9(i) hereof.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (vi) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.9(ii) hereof and also makes an offer or invitation to acquire or subscribe for LHI Shares to its ordinary shareholders as provided in By-Law 15.9(iii)(b) hereof, together with rights to acquire or subscribe for securities convertible into LHI Shares or with rights to acquire or subscribe for LHI Shares as provided in By-Law 15.9(iii)(c) hereof, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C} \right]$$

and the number of additional Options to be issued shall be calculated in the following manner:

$$\text{Number of Additional Options} = T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

- B = as B in By-Law 15.9(ii) hereof;
- C = as C in By-Law 15.9(iii) hereof;
- G = as G in By-Law 15.9(iv) hereof;
- H = as H in By-Law 15.9(iv) hereof;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

H* = as H* in By- Law 15.9(iv) hereof;

I = as I in By- Law 15.9(iv) hereof;

I* = as I* in By- Law 15.9(iv) hereof;

J = as J in By- Law 15.9(v) hereof;

K = as K in By- Law 15.9(v) hereof;

S = as S in By- Law 15.9(i) hereof; and

T = as T in By- Law 15.9(i) hereof.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (vii) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of LHI and requiring an adjustment under By-Laws 15.9(iii)(b), (iii)(c), (iv), (v) or (vi) hereof), the Company shall issue either any LHI Shares or any securities convertible into LHI Shares or any rights to acquire or subscribe for LHI Shares, and in any such case, the Total Effective Consideration per LHI Share (as defined below) is less than ninety per cent (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the LHI Shares will be issued and/or transferred upon conversion of such securities or exercise of such rights is determined, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{L + M}{L + N} \right]$$

Where:

L = the number of LHI Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of LHI Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses);

N = the aggregate number of LHI Shares so issued or, in the case of securities convertible into LHI Shares or rights to acquire or subscribe for LHI Shares, the maximum number (assuming no adjustment of such rights) of LHI Shares issuable upon full conversion of such securities or the exercise in full of such rights; and

S = as S in By-Law 15.9(i) hereof.

For the purpose of By-Law 15.9(vii), the "Total Effective Consideration" shall be determined by the Board with the concurrence of an external auditor of the Company and shall be:

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (a) in the case of the issue of LHI Shares, the aggregate consideration receivable by the Company on payment in full for such LHI Shares; or
- (b) in the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (c) in the case of the issue by the Company of securities with rights to acquire or subscribe for LHI Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and "Total Effective Consideration per LHI Share" shall be the Total Effective Consideration divided by the number of LHI Shares issued as aforesaid or, in the case of securities convertible into LHI Shares or securities with rights to acquire or subscribe for LHI Shares, by the maximum number of LHI Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 15.9(vii), the Average Price of a LHI Share shall be the average price of one (1) LHI Share as derived from the last dealt prices for one (1) or more board lots of LHI Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such LHI Shares is determined.

Each such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day next following the date on which the issue is announced, or (failing any such announcement) on the Market Day next following the date on which the Company determines the offering price of such LHI Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately following the date of the completion of the above transaction.

For the purposes of By-Law 15.9(iii), (iv), (v) and (vi) the current market price in relation to one (1) existing LHI Shares for any relevant day shall be the VWAMP for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

- (viii) The foregoing provisions on adjustment of the Exercise Price shall be subject to the following:
 - (a) On any such adjustment the resultant Exercise Price shall be rounded up to the nearest one (1) sen and in no event shall any adjustment involve an increase in the Exercise Price or reduce the number of Options so far as unexercised to which the Grantee is already entitled to;
 - (b) No adjustment shall be made to the Exercise Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of "would be less than one (1) sen" or the number of Options so far as unexercised is less than one (1) Option and any adjustment that would otherwise be required then to be made will not be carried forward;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (c) If an event giving rise to any such adjustment shall be capable of falling within any two (2) or more of paragraphs (i) to (ii) of By-Law 15.1 hereof (both inclusive) or if such event is capable of giving rise to more than one (1) adjustment, the adjustment shall be made in such manner as the Directors of the Company and the external auditor of the Company may agree;
- (d) If for any reason an event giving rise to an adjustment to the Exercise Price and/or the number of Options so far as unexercised to which a Grantee may be entitled to is cancelled, revoked or not completed, the adjustment shall not be required to be made or shall be reversed with effect from such date and in such manner as the Directors of the Company and the external auditor of the Company may agree;
- (e) In any circumstances where the Board considers that adjustments to the Exercise Price and/or the number of Options so far as unexercised as provided for hereunder should be made or should not be made or should be calculated on a different basis or different date, the Company may appoint the external auditors of the Company or Adviser to consider whether for any reasons whatsoever (to the extent permissible by the Listing Requirements or any other relevant regulations) the adjustment calculation or determination to be made (or the absence of an adjustment calculation or determination) is appropriate or inappropriate as the case may be. If such external auditor or Adviser shall consider the adjustment calculation or determination to be inappropriate, the adjustment shall be modified or nullified (or an adjustment calculation or determination made even though not required to be made) in such manner as may be considered by such external auditors or Adviser to be appropriate;
- (f) If the Board and the external auditors of the Company or Adviser are unable to agree upon any adjustment required under these provisions, the Board shall refer the adjustment to the decision of another external auditor or Adviser; and
- (g) In making adjustments hereunder, the other external auditor or Adviser (as the case may be) shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decisions shall be conclusive and binding on all person having an interest in the Options.

16. LISTING OF AND QUOTATION FOR NEW SHARES

If at the time of allotment of the new LHI Shares pursuant to the exercise of the Options, the then existing issued ordinary shares of the Company are quoted on Bursa Securities, the Company shall make an application to Bursa Securities within eight (8) Market Days after the receipt of the notice of exercise and remittance from the Grantee or such other period as may be prescribed by Bursa Securities, for the listing of and quotation for such new LHI Shares and use its best endeavours to obtain such approval unless a blanket approval for the listing of and quotation for the new LHI Shares arising from the ESOS has been obtained.

17. RETENTION PERIOD

The new LHI Shares to be allotted and issued to Grantees pursuant to the exercise of the Options under the ESOS may be dealt with or disposed of by such Grantees who will not be subject to any retention period.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)**18. ADMINISTRATION**

- 18.1 This ESOS shall be administered by the ESOS Committee comprising such number of Directors and/or Senior Management personnel as shall be appointed by the Board from time to time. The ESOS Committee shall, subject to these By-Laws administer the ESOS and regulate the ESOS Committee's own proceedings in such manner as it shall think fit.
- 18.2 Without limiting the generality of By-Law 18.1 hereof, the ESOS Committee may, for the purpose of administering the ESOS, do all acts and things, rectify any errors in its Offers, recommend to the Board to establish, amend and revoke rules and regulations relating to the ESOS and its administration, execute all documents and delegate any of its powers and duties relating to the ESOS as it may in its discretion consider to be necessary or desirable for giving effect to the ESOS.
- 18.3 The Board shall have power at any time and from time to time to rescind the appointment of any person in the ESOS Committee as it shall deem fit and may appoint replacement members to the ESOS Committee.
- 18.4 The Board shall have the power to determine all matters pertaining to the ESOS Committee, including without limitation setting the terms of reference for the ESOS Committee, composition, duties, powers and limitations. The Board is entitled at any time and from time to time to change the terms of reference of the ESOS Committee.

19. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

- 19.1 Subject to the compliance with the Listing Requirements and any laws and/or regulations of other relevant authorities, the ESOS Committee may at any time and from time to time recommend to the Board any additions or amendments to or deletions of these By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, amend or delete all or any of these By-Laws upon such recommendation **PROVIDED ALWAYS THAT** no additions or amendments to or deletions of these By-Laws shall be made which will:
- (i) prejudice any rights then accrued to any Grantee without the prior consent or sanction of that Grantee; or
 - (ii) increase the number of LHI Shares available under the ESOS beyond the maximum imposed by By-Law 4.2 hereof; or
 - (iii) alter to the advantage of any Eligible Person in respect of any matters which are required to be contained in these By-Laws by virtue of Appendix 6E of the Listing Requirements, without the prior approval of the Company's shareholders in a general meeting unless allowed otherwise by the provisions of the Listing Requirements.
- 19.2 Any amendments/modifications to these By-Laws shall not contravene any of the provisions of the guidelines on employees' share option schemes as stipulated under the Listing Requirements and/or by any other relevant regulatory authority in relation to ESOS.
- 19.3 Upon amending and/or modifying all or any of the provisions of the ESOS, the Company shall within five (5) Market Days, submit a confirmation letter to Bursa Securities for the amendments made, that the said amendment and/or modification complies and does not contravene any of the provisions of the Listing Requirements pertaining to ESOS pursuant to paragraph 2.12 of the Listing Requirements. In such event, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make all necessary announcements to Bursa Securities in respect of such amendments and/or modifications.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

20. DISPUTES

In the event of any dispute or difference arising between the ESOS Committee and an Eligible Person or a Grantee, as to any matter or thing of any nature arising hereunder, the ESOS Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) to the Eligible Person or the Grantee, as the case may be **PROVIDED ALWAYS THAT** where the dispute or difference is raised by a member of the ESOS Committee, the said member shall abstain from voting in respect of the decision of the ESOS Committee in that instance. The said decision shall be final and binding on the parties unless the Eligible Person or the Grantee, as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen (14) calendar days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the Board, whose decision shall be final and binding in all respects.

21. SCHEME NOT A TERM OF EMPLOYMENT

The ESOS shall not form part of or constitute or in any way be construed as a term or condition of employment of any employee. The ESOS shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the LHI Group under which the Eligible Person is employed or any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment.

22. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the administration and management of the ESOS including but not limited to the fees, costs and expenses relating to the Trust and the allotment and issuance of new LHI Shares pursuant to the exercise of the Options shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs (including any taxes and stamp duty) and expenses incurred in relation to his/ her acceptance and exercise of the Options (including all brokerage fees, commission and such other incidental costs arising from the sale of the shares).

23. CONSTITUTION

Notwithstanding the terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Constitution of the Company, the provisions of the Constitution of the Company shall prevail at all times.

24. INSPECTION OF AUDITED FINANCIAL STATEMENTS

All Grantees are entitled to inspect the latest audited financial statements of the Company during the normal business hours on any working day at the registered office of the Company.

25. TRANSFER FROM OTHER COMPANIES TO THE LHI GROUP

In the event that:

- (i) an executive director or employee who was employed in a company related to but not within the LHI Group and is subsequently transferred from such company to any company within the LHI Group; or
- (ii) an executive director or employee who was in the employment of a company which subsequently becomes a company within the LHI Group as a result of a restructuring exercise or otherwise involving LHI and/or any company within the LHI Group;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

(the first mentioned company in (i) and (ii) above are hereinafter referred to as the “**Previous Company**”), such an executive director or employee of the Previous Company (“**the Affected Director/Employee**”), subject to By-Law 7 hereof, will:

- (i) be entitled to continue to exercise all such unexercised Option(s) which were granted to him under the Previous Company's employees' share option scheme (“**Previous Company's ESOS**”) in accordance with the by-laws of the Previous Company's ESOS but he shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further options of such Previous Company's ESOS; and/or
- (ii) be eligible to participate in the ESOS only for the remaining duration of the ESOS, subject to the ESOS Committee's approval; and/or
- (iii) if the Affected Director/Employee had participated in the Previous Company's ESOS, the number of new LHI Shares to be offered to such Affected Director/Employee under the ESOS shall be subject to the sole and absolute discretion of the ESOS Committee.

26. DIVESTMENT FROM THE LHI GROUP

If a Grantee who was in the employment of a company in the LHI Group, which was subsequently divested wholly, or in part, from the LHI Group, resulting in such company no longer be a subsidiary of LHI pursuant to Section 4 of the Act, then such Grantee:

- (i) notwithstanding such divestment and subject to the provisions of By-Laws 11 and 14.2 hereof will be entitled to continue to exercise all such unexercised Options which were granted to him under the ESOS within a period of three (3) months from the date of completion of such divestment or within the Exercise Period, whichever ends earlier, failing which the right of such Grantee to subscribe for that number of the new LHI Shares or any part thereof granted under such unexercised Options shall automatically lapse and be null and void and of no further force and effect; and
- (ii) shall not be eligible to participate for further Options under the ESOS.

For the avoidance of doubt, where the Grantee was in the employment of a company in the LHI Group and that company was subsequently partially divested but remained as a subsidiary of LHI pursuant to Section 4 of the Act, then such Grantee shall continue to be entitled to all his/her rights in relation to the unexercised Options and he/she shall be eligible for further participation of the Options under the ESOS.

27. TAKE-OVER AND MERGERS

Notwithstanding By-Law 11 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant regulatory authorities, in the event of:

- (i) a take-over offer being made for the Company, under the Rules on Take-overs, Mergers and Compulsory Acquisitions, to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over offer (“**Offeror**”) or any persons acting in concert with the Offeror), any unexercised Options shall remain in force and be exercisable until the expiry of the Exercise Period applicable thereto; and

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of new LHI Shares under the provisions of the Capital Markets and Services Act, 2007 (or other legislation applicable at the point of time), and gives notice to the Company and Grantee that it intends to exercise such right on a specific date, a Grantee will be entitled to exercise any unexercised Options from the date of service of the said notice until and inclusive of the date on which the right of compulsory acquisition is exercised **PROVIDED ALWAYS THAT** any Options to the extent unexercised after the date on which the right of compulsory acquisition is exercised shall lapse and immediately cease to have any effect.

28. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEMES

- 28.1 Subject to the approval of the relevant authorities and compliance with the requirements of the relevant authorities, the Company may establish a new employees' share option scheme after the Date of Expiry if the ESOS is not renewed or after termination of the ESOS pursuant to By-Law 5.6 hereof. Where the ESOS has been renewed (in accordance with By-Law 5.3 hereof), a new employees' share option scheme may be established upon expiry of the renewed ESOS, if any.
- 28.2 The Company may establish more than one (1) employees' share option scheme during the duration of the ESOS as provided in By-Law 5.3 hereof provided always that the aggregate number of Shares available under all the employees' share option schemes does not exceed fifteen percent (15%), or any other percentage as may be allowed by Bursa Securities, of the total number of issued shares of the Company (excluding treasury shares) at any point in time.

29. NO COMPENSATION

- 29.1 A Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the ESOS which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 29.2 No Eligible Person or Grantee or legal personal representatives shall bring any claim, action or proceeding against the Company or the Board, the ESOS Committee, the Trustee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Options or his Options ceasing to be valid pursuant to the provisions of these By-Laws, as may be amended from time to time in accordance with By-Law 19 hereof or termination of the ESOS in accordance with By-Law 5 hereof.

30. TAXES

All taxes (including income tax), if any, arising from the exercise of any Option under the ESOS shall be borne by the Grantee.

31. WINDING UP

In the event of a members' voluntary winding-up and a resolution is passed for the winding-up or liquidation of the Company, all unexercised Options shall automatically lapse and be null and void and of no further force and effect from the date of the members' resolution for such winding-up or liquidation of the Company.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

In the event a petition is presented in Court for the winding-up or liquidation of the Company, all rights to exercise the Options shall automatically be suspended from the date of the presentation of the petition. If a court order winding-up the Company pursuant to the petition for winding-up is made, all unexercised Options shall automatically lapse and be null and void and of no further force and effect from the date of the court order. Conversely, if the petition for winding-up is dismissed by the Court, the right to exercise the Options shall accordingly be unsuspended.

32. RIGHTS OF A GRANTEE

The Options shall not carry any rights to vote at any general meeting of the Company. The Grantee shall not in any event be entitled to any dividends, rights or other entitlements on his unexercised Options.

33. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

34. GOVERNING LAW AND JURISDICTION

34.1 The ESOS shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the Options in accordance with these By-Laws and terms of the ESOS, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

34.2 In order to facilitate the making of any Offer under the ESOS, the Board may provide for such special terms to the Eligible Person(s) who are employed by any corporation in the Group in a particular jurisdiction as the Board may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The Board may further approve such supplements to or amendments, restatements or alternative versions of the ESOS as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the ESOS as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the ESOS. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of the ESOS, as then in effect, unless the ESOS has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Eligible Person(s) pursuant to the ESOS shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.

35. NOTICE

35.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the ESOS shall be in writing and shall be deemed to be sufficiently given:

- (i) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his address, such notice shall be deemed to have been received three (3) Market Days after posting; or
- (ii) if it is given by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; or

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (iii) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company and the ESOS Committee.

- 35.2 Any notification or other notice required to be given to the Company or the ESOS Committee shall be properly given if sent by registered post or delivered by hand to the Company at its business address or any other address which may be notified in writing by the ESOS Committee from time to time.

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**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018**

The Board of Directors of Leong Hup International Berhad (“LHI”) is pleased to append the following unaudited consolidated financial information of LHI and its subsidiaries (“LHI Group” or “Group”) for the financial year ended (“FYE”) 31 December 2018 which should be read in conjunction with the explanatory notes on page D-1 to D-26.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Unaudited	Audited
		31.12.2018	31.12.2017
		RM'000	RM'000
Revenue		5,746,572	5,501,364
Other income		30,796	29,953
Change in biological assets		38,622	18,795
Change in closing inventories		64,226	(7,509)
Purchases of inventories and livestock		(4,042,214)	(3,835,415)
Employee benefit costs including Directors' remuneration		(523,771)	(504,176)
Depreciation of:			
Property, plant and equipment		(189,671)	(188,892)
Investment properties		(253)	(255)
Amortisation of:			
Land use rights		(6,840)	(7,124)
Intangible assets		(347)	(2,855)
Utilities costs		(136,723)	(130,879)
Repair and maintenance		(73,925)	(62,244)
Transportation expenses		(91,376)	(80,298)
Other expenses		(357,613)	(346,482)
Profit from operations	17	457,483	383,983
Finance costs		(109,494)	(92,184)
Share of profit of associates		586	468
Profit before tax		348,575	292,267
Tax expense	18	(101,822)	(44,859)
Net profit for the financial year		246,753	247,408

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cont'd)

		<u>Unaudited</u>	<u>Audited</u>
		<u>31.12.2018</u>	<u>31.12.2017</u>
	Note	<u>RM'000</u>	<u>RM'000</u>
Other comprehensive loss:			
Items that will be subsequently reclassified to profit or loss:			
Currency translation differences		(20,008)	(104,944)
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of post-employment benefit obligation		3,932	(2,917)
Income tax relating to remeasurement of post-employment benefit obligation		(906)	625
		<u>3,026</u>	<u>(2,292)</u>
Other comprehensive loss for the financial year		(16,982)	(107,236)
Total comprehensive income for the financial year		<u>229,771</u>	<u>140,172</u>
Profit for the financial year attributable to:			
Equity holders of the Company		186,185	192,573
Non-controlling interests		60,568	54,835
		<u>246,753</u>	<u>247,408</u>
Total comprehensive income attributable to:			
Equity holders of the Company		175,520	109,989
Non-controlling interests		54,251	30,183
		<u>229,771</u>	<u>140,172</u>
Basic and diluted earnings per share (sen)	24	<u>5.48</u>	<u>5.66</u>

The unaudited consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to this unaudited consolidated financial information for the FYE 31 December 2018 and LHI Group's latest annual audited financial statements for the FYE 31 December 2017 included in the Accountants' Report in Section 13 of the Prospectus (as defined below).

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Unaudited	Audited
		31.12.2018	31.12.2017
		RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,216,811	2,045,801
Investment properties		22,304	22,557
Land use rights		157,620	141,710
Intangible assets		97,273	106,475
Investment in associates		1,715	1,633
Derivative financial assets	22	823	-
Deferred tax assets		59,629	64,457
Tax recoverable		19,928	28,271
Total non-current assets		2,576,103	2,410,904
Current assets			
Biological assets		349,574	313,270
Inventories		575,623	516,833
Trade receivables		649,207	563,990
Other receivables, deposits and prepaid expenses		176,269	132,085
Amount due from ultimate holding company		21,435	20,331
Amounts due from fellow subsidiaries		1,568	725
Derivative financial assets	22	356	-
Tax recoverable		25,002	16,928
Cash and bank balances		458,858	502,411
Total current assets		2,257,892	2,066,573
TOTAL ASSETS		4,833,995	4,477,477
EQUITY AND LIABILITIES			
Equity			
Share capital		1,230,132	1,230,132
Merger reserve		(658,787)	(658,787)
Reserves		730,496	614,300
Equity attributable to owners of the Company		1,301,841	1,185,645
Non-controlling interests		463,587	456,377
Total equity		1,765,428	1,642,022

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited	Audited
		31.12.2018	31.12.2017
		RM'000	RM'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		102,650	83,754
Finance lease liabilities	20	28,366	29,181
Bank borrowings	21	1,015,967	745,254
Post-employment benefits obligation		36,796	36,943
Total non-current liabilities		1,183,779	895,132
Current liabilities			
Trade payables		248,887	242,221
Other payables and accrued expenses		270,968	256,688
Amounts due to fellow subsidiaries		3,340	3,870
Finance lease liabilities	20	21,814	20,466
Bank borrowings	21	1,304,792	1,398,615
Derivative financial liabilities	22	2,391	1,136
Tax payable		32,596	17,327
Total current liabilities		1,884,788	1,940,323
TOTAL LIABILITIES		3,068,567	2,835,455
TOTAL EQUITY AND LIABILITIES		4,833,995	4,477,477

The unaudited consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to this unaudited consolidated financial information for the FYE 31 December 2018 and LHI Group's latest annual audited financial statements for the FYE 31 December 2017 included in the Accountants' Report in Section 13 of this Prospectus (as defined below).

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

The unaudited consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to this unaudited consolidated financial information for the FYE 31 December 2018 and the LHI Group's latest annual audited financial statements for the FYE 31 December 2017 included in the Accountants' Report in Section 13 of this Prospectus (as defined below).

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	348,575	292,267
Adjustments for:		
Expense recognised in respect of defined benefit plan	6,371	7,126
Depreciation of:		
- property, plant and equipment	189,671	188,892
- investment properties	253	255
Amortisation of:		
- land use rights	6,840	7,124
- intangible assets	347	2,855
Property, plant & equipment written off	2,428	1,997
Investment property written off	-	2
Bad debts written off	428	5
Gain on disposal of property, plant and equipment	(850)	(93)
(Gain)/loss on disposal of land use rights	(199)	490
Gain on disposal of a subsidiary	(78)	-
Unrealised loss on foreign exchange	596	350
Share of profits of associates	(586)	(468)
Write off of Value Added Tax receivable	9,837	-
Impairment loss on property, plant and equipment	-	1,483
Impairment loss on trade receivables	2,144	1,824
Reversal of impairment loss on other receivables	(119)	(1,682)
Fair value loss on derivative financial instruments	113	1,137
Interest income	(8,492)	(6,501)
Finance costs	109,494	92,184
Operating profit before working capital changes	<u>666,773</u>	<u>589,247</u>
Changes in working capital:		
Biological assets	(38,622)	(2,251)
Inventories	(64,226)	27,254
Receivables	(172,989)	(25,750)
Payables	50,351	12,117
Cash generated from operations	<u>441,287</u>	<u>600,617</u>
Income tax paid	(75,746)	(76,227)
Net cash flow from operating activities	<u>365,541</u>	<u>524,390</u>

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment from ultimate holding company	-	7,297
Repayment from related parties	27,045	-
Advances to related parties	(13,724)	(13,357)
Proceeds from disposal of:		
- property, plant and equipment	3,715	5,214
- land use rights	356	1,927
Dividend income received from an associate	504	456
Interest income received	7,388	6,501
Additions of:		
- property, plant and equipment	(363,707)	(336,140)
- investment properties	-	(51)
- land use rights	(25,834)	(31,939)
(Increase)/decrease in fixed deposits pledged	(2,986)	1,197
Acquisition of subsidiaries	-	(5,394)
Net cash inflow/(outflow) from disposal of subsidiaries	5,771	(2,373)
Net cash flow used in investing activities	(361,472)	(366,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(108,619)	(91,882)
Drawdown of long term loans	569,841	519,981
Repayment of long term loans	(270,118)	(220,032)
Net (repayment)/drawdown of short term borrowings	(128,910)	249,938
Repayment of finance lease liabilities	(25,313)	(13,288)
Acquisition of non-controlling interests	(10,902)	(458,184)
Dividends paid to:		
- shareholders	(58,000)	(38,400)
- non-controlling interests	(8,279)	(20,028)
Net cash flow used in financing activities	(40,300)	(71,895)
Net change in cash and cash equivalents	(36,231)	85,833
Effects of exchange translation differences	(807)	8,402
Cash and cash equivalents at the beginning of the financial year	427,424	333,189
Cash and cash equivalents at the end of the financial year	390,386	427,424

The unaudited consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to this unaudited consolidated financial information for the FYE 31 December 2018 and the LHI Group's latest annual audited financial statements for the FYE 31 December 2017 included in the Accountants' Report in Section 13 of this Prospectus (as defined below).

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

1. BASIS OF PREPARATION

The consolidated financial information of the LHI Group comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the FYE 31 December 2018, and selected explanatory notes ("**Consolidated Financial Information**").

The Consolidated Financial Information of the LHI Group has been prepared for inclusion as an annexure to the Prospectus of LHI in connection with the initial public offering of the ordinary shares in the Company ("**Shares**") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Prospectus**").

Accounting policy on recognition and measurement

The accounting policies on recognition and measurement adopted in this Consolidated Financial Information are consistent with those disclosed and adopted in the latest annual audited consolidated financial statements of the LHI Group for the FYE 31 December 2017, which has been prepared in accordance with Malaysian Financial Reporting Standards ("**MFRS**") and International Financial Reporting Standards.

Accounting policy on presentation of the consolidated financial information

The Consolidated Financial Information includes each of the headings and subtotals that were included in the latest annual audited consolidated financial statements of the LHI Group for the FYE 31 December 2017. Selected explanatory notes as identified by the Directors are included to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the LHI Group since the FYE 31 December 2017.

The Consolidated Financial Information for the FYE 31 December 2018 is unaudited. The unaudited Consolidated Financial Information for the FYE 31 December 2018 should be read in conjunction with the LHI Group's latest annual audited consolidated financial statements for the FYE 31 December 2017 which is included in the Accountants' Report of Section 13 of the Prospectus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Standards, amendments to published standards and interpretations that are effective**

The LHI Group has applied the following amendments for the first time for the financial period beginning on 1 January 2018:

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

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

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards early adopted by the Group

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

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

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

- MFRS 16 'Leases'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- Amendments to MFRS 9 'Financial Instruments - Prepayment Features with Negative Compensation'
- Annual Improvements to MFRSs 2015 – 2017 Cycle'

The effects of adoption of the above new standards and amendments to standards and interpretation do not have a material effect on the financial statements of LHI Group. The effects of the adoption of MFRS 16 'Leases' are as follows:

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

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

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

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

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

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

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- Total assets and total liabilities of the Group is expected to increase by approximately RM91 million respectively due to the recognition of right-of-use asset and lease liabilities relating to leases other than short-term leases and leases of low-value;
- Everything else held constant, the rental expense is expected to decrease by approximately RM14 million while the amortisation of right-of use asset and interest expense are expected to increase by approximately RM16 million, the net difference of approximately RM2 million for the FYE 31 December 2019 will not have material impact on the basic and diluted earnings per share of the Group;
- Everything else held constant, EBITDA of the Group is expected to improve by approximately RM14 million as the rental expense was charged against EBITDA line under MFRS 117, while the amortisation charge and interest expense will be excluded from the EBITDA line under MFRS 16.

3. SEASONAL AND CYCLICAL FACTORS

The Group's Feedmill Business (as described in explanatory note 8 below) is not subject to seasonal factors.

The Livestock Business (as described in explanatory note 8 below) is subject to certain seasonal factors, such as the weather, festive seasons and school holidays.

- *Weather:* whilst poultry grown in closed-houses are not affected by variations in the weather, poultry grown in open-houses are. When the weather is hotter, poultry tends to grow at a slower rate, thus reducing the supply to the market, and therefore increasing prices. By contrast, when the weather is cooler, poultry tends to grow at a faster rate, thus increasing the supply to the market, and therefore depressing prices. As such, the change in the weather has affected and will affect the production of the Group's Livestock Business.
- *Festive seasons:* typically, poultry consumption is higher during the festive seasons such, as Ramadan and Christmas and poultry consumption is lowest during the period immediately following Ramadan.
- *School holidays:* during school holidays we see an increase in sales in each of the jurisdictions where the group operate, other than in Singapore, where sales are slightly lower.

4. UNUSUAL ITEMS

There were no unusual items affecting the LHI Group's assets, liabilities, equity, net income or cash flows during the FYE 31 December 2018.

5. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the previous financial year that have a material effect on the results of the current financial year under review.

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)**6. DEBT AND EQUITY SECURITIES**

There were no issuance or repayment of debts and equity securities, share buy-back and share cancellations for the FYE 31 December 2018.

7. DIVIDEND

During the FYE 31 December 2018, the Company paid a final single-tier dividend of RM60.73 per share on 955,370 ordinary shares, amounting to RM58,000,000 in respect of the FYE 31 December 2017.

No interim dividend was declared for the FYE 31 December 2018.

8. SEGMENT INFORMATION

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

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

- Livestock and poultry related products – production and distribution of breeder and broiler day-old-chick, broiler chickens, eggs, animal health products and consumer food products.
 - Feedmill – Manufacturing and trading of animal feeds.
- (a) The management team assesses the performance of the operating segments based on their earnings before interest, tax, depreciation and amortisation (“**EBITDA**”). The accounting policies of the operating segments are the same as LHI Group’s accounting policies.

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

- (b) Each operating segment assets is measured based on all assets of the segment.
- (c) Each operating segment liabilities is measured based on all liabilities of the segment.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily LHI’s headquarters) and head office expenses. These include investment properties, tax recoverable/payable and borrowings.

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

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**

8. SEGMENT INFORMATION (CONTINUED)

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

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**

8. SEGMENT INFORMATION (CONTINUED)

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

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

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

8. SEGMENT INFORMATION (CONTINUED)

Geographical information

	Revenue ⁽¹⁾		EBITDA	
	Unaudited	Audited	Unaudited	Audited
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,657,470	1,580,947	205,163	230,208
Singapore	988,955	1,088,641	122,487	156,481
Indonesia	1,901,109	1,737,619	220,286	105,780
Vietnam	1,130,358	1,055,915	101,454	88,104
Philippines	54,540	24,217	5,204	2,536
	5,732,432	5,487,339	654,594	583,109

Note:

⁽¹⁾ Comprising revenue from sales of goods

	Non-current assets		Borrowings and finance lease liabilities	
	Unaudited	Audited	Unaudited	Audited
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,239,551	1,081,116	965,185	802,975
Singapore	344,149	371,583	546,651	538,076
Indonesia	573,388	583,050	516,483	549,255
Vietnam	304,205	257,233	333,636	296,716
Philippines	34,430	25,194	8,984	6,494
	2,495,723	2,318,176	2,370,939	2,193,516

Major customers

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

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

9. SIGNIFICANT RELATED PARTIES TRANSACTIONS

Related parties and relationship

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

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

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

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

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
9. SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)
Significant related party transactions

The related party transactions described below were carried out on terms and conditions negotiated amongst the related parties. The significant related parties' transactions are as follows:

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Ultimate holding company:		
- Interest income	1,104	-
- Sales of a subsidiary – The Baker's Cottage Sdn Bhd	-	20,331
Fellow subsidiaries:		
- Rental expense charged	(1,687)	(1,602)
Companies controlled by Lau family:		
- Sales of goods	390,809	309,709
- Purchases of goods	(210,174)	(137,398)
- Transportation charges paid/payable	(13,597)	(13,431)
- Purchases of sundries paid/payable	(2,171)	(620)
- Acquisition of non-controlling interests – ES Food International Pte Ltd	-	(104,353)
- Disposal of a subsidiary – Jordon International Food Processing Pte Ltd	30,370	-
- Advances granted	13,724	13,357
- Repayment of advances	(27,045)	-
- Interest income	349	544
Companies controlled by Nam family:		
- Transportation charges paid/payable	(8,652)	(8,072)
Transaction with non-controlling interests:		
- Disposal of a subsidiary – Jordon International Food Processing Pte Ltd	29,184	-

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluation of property, plant and equipment during the financial year under review. As at 31 December 2018, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

11. CAPITAL COMMITMENTS

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

	As at 31.12.2018 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	31,375
- approved by Directors but not contracted	341,238
	<u>372,613</u>

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

12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or liabilities as at the end of the current financial year and up to the date of this report.

13. CHANGES IN THE COMPOSITION OF THE GROUP

On 30 June 2018, an indirect subsidiary, Kendo Trading Pte. Ltd., entered into a sale and purchase agreement with Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd) and Lee Chai Soon to dispose of its 2,000,000 ordinary shares, representing 100% of the issued and paid up capital of its wholly owned subsidiary, Jordon International Food Processing Pte. Ltd. for a total cash consideration of SGD20,100,000 (equivalent to RM59,554,000) net of cash and bank balances disposed of SGD8,304,000 (equivalent to RM24,599,000) and dividend payable to the non-controlling shareholders of SGD9,850,000 (equivalent to RM29,184,000).

14. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Save for the Pre-IPO Exercise and ESOS as disclosed in Sections 6.1.4 and 4.2.5 of the Prospectus, respectively, there were no material events subsequent to the financial year under review.

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)
15. REVIEW OF GROUP PERFORMANCE
15.1 FYE 31 DECEMBER 2018 COMPARED TO THE FYE 31 DECEMBER 2017

	Unaudited	Audited	
	31.12.2018	31.12.2017	%
	RM'000	RM'000	change
Revenue from sales of goods:			
Livestock and other poultry related products	3,470,580	3,349,534	3.6
Feedmill	2,261,852	2,137,805	5.8
	<u>5,732,432</u>	<u>5,487,339</u>	4.5
EBITDA:			
Livestock and other poultry related products	397,004	382,291	3.8
Feedmill	265,745	234,465	13.3
Intersegment elimination	(8,155)	(33,647)	(75.8)
	<u>654,594</u>	<u>583,109</u>	12.3
EBITDA margin:			
Livestock and other poultry related products (%)	11.4	11.4	
Feedmill (%)	11.7	11.0	
Profit before tax ("PBT"):			
Group PBT	348,575	292,267	19.3
PBT margin (%)	6.1	5.3	

The following table sets out the average selling prices of our Broiler DOCs, Broiler chickens, eggs, processed products, traded products and livestock feed to external customers for the financial years indicated:

	FYE 31 December	
	2018	2017
Malaysia		
Broiler DOCs per chick (RM)	1.84	1.95
Broiler chickens per kg (RM)	4.37	4.75
Per egg (RM)	0.29	0.26
Livestock feed per kg (RM)	1.99	1.93
Indonesia		
Broiler DOCs per chick (IDR)	5,980	4,431
Broiler chickens per kg (IDR)	18,612	16,648
Processed products per kg (IDR)	40,431	43,419
Livestock feed per kg (IDR)	6,431	6,173
Singapore		
Traded products per kg (SGD)	3.26	3.52
Fresh chickens per kg (SGD)	4.28	4.30
Ducks per kg (SGD)	4.67	5.10
Vietnam		
Broiler DOCs per chick (VND)	9,229	8,017
Broiler chickens per kg (VND)	25,339	24,932
Per egg (VND)	1,579	1,307
Livestock feed per kg (VND)	8,620	7,920
Philippines		
Broiler DOCs per chick (PHP)	27.91	26.14
Broiler chickens per kg (PHP)	77.64	76.71

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)
(i) Livestock and poultry related products

The Group's revenue from sales of livestock and other poultry related products increased by about 3.6% from RM3,349.5 million in the FYE 31 December 2017 to RM3,470.6 million in the FYE 31 December 2018. The increase was primarily due to an increase in the sales volume and average selling price of eggs in Malaysia, increase in the average selling price of Broiler DOCs in Indonesia, as well as an increase in the sales volume and average selling price of Broiler chicken in Indonesia.

The overall revenue was partially offset by a decrease of 9.5% in the revenue from sales of livestock and other poultry related products in Singapore primarily due to the loss of revenue from a subsidiary, Jordon International Food Processing Pte. Ltd. ("**Jordon**") following the disposal of Jordon on 30 June 2018 as well as an overall decrease in the average selling prices of traded products and ducks in the FYE 31 December 2018.

Notwithstanding, the EBITDA margin from livestock and other poultry related products remained at 11.4% in the FYE 31 December 2018 in comparison with the FYE 31 December 2017.

(ii) Feedmill

The Group's revenue from feedmill increased by 5.8% from RM2,137.8 million in the FYE 31 December 2017 to RM2,261.9 million in the FYE 31 December 2018. The increase was primarily due to an increase in the revenue from feedmill in Vietnam. The said increase was mainly due to the increase in the average selling price of livestock feed in Vietnam from VND7,920 in the FYE 31 December 2017 to VND8,620 in the FYE 31 December 2018 as well as an overall increase in sales volume of 11.6% in Vietnam.

The EBITDA margin from feedmill increased from 11.0% in the FYE 31 December 2017 to 11.7% in the FYE 31 December 2018. The said increase is mainly due to the overall increase in the average selling price of livestock feed in Vietnam, Indonesia and Malaysia for the FYE 31 December 2018 in comparison with the FYE 31 December 2017.

(iii) Group PBT

The overall PBT of the Group increased by 19.3% from RM292.3 million in the FYE 31 December 2017 to RM348.6 million in the FYE 31 December 2018. The increase was mainly due to the overall increase of average selling prices of the Group's products in the FYE 31 December 2018 which resulted in the improvement in PBT margin from 5.3% in the FYE 31 December 2017 to 6.1% in the FYE 31 December 2018.

15.2 FYE 31 DECEMBER 2018 COMPARED TO THE FPE 31 OCTOBER 2018

	Unaudited	Audited
	FYE 31.12.2018	FPE 31.10.2018
	RM'000	RM'000
Revenue	5,746,572	4,690,295
EBITDA	654,594	541,755
PBT	348,575	291,283
Net profit for the financial year/period	246,753	219,788
EBITDA margin	11.4%	11.6%
PBT margin	6.1%	6.2%
Net profit margin	4.3%	4.7%

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

The following table sets out the average selling prices of our Broiler DOCs, Broiler chickens, eggs, processed products, traded products and livestock feed to external customers for the financial year/period indicated:

	FYE 31 December 2018	FPE 31 October 2018
Malaysia		
Broiler DOCs per chick (RM)	1.84	1.86
Broiler chickens per kg (RM)	4.37	4.57
Per egg (RM)	0.29	0.28
Livestock feed per kg (RM)	1.99	1.96
Indonesia		
Broiler DOCs per chick (IDR)	5,980	5,815
Broiler chickens per kg (IDR)	18,612	18,583
Processed products per kg (IDR)	40,431	45,530
Livestock feed per kg (IDR)	6,431	6,385
Singapore		
Traded products per kg (SGD)	3.26	3.29
Fresh chickens per kg (SGD)	4.28	4.29
Ducks per kg (SGD)	4.67	4.73
Vietnam		
Broiler DOCs per chick (VND)	9,229	9,187
Broiler chickens per kg (VND)	25,339	25,524
Per egg (VND)	1,579	1,609
Livestock feed per kg (VND)	8,620	8,556
Philippines		
Broiler DOCs per chick (PHP)	27.91	28.65
Broiler chickens per kg (PHP)	77.64	79.56

The Group generated RM1,056.3 million of revenue and RM57.3 million of PBT from November to December 2018. However, the Group's overall PBT margin decreased slightly from 6.2% in the FPE 31 October 2018 to 6.1% in the FYE 31 December 2018.

The decrease in the Group's overall profit margins is mainly due to an overall decrease in the average selling price of livestock and other related products in Malaysia in November and December 2018 in comparison with the FPE 31 October 2018 primarily attributable to the cooler weather, which increased the supply of livestock in the market and thus, suppressed the average selling price of livestock as further described in explanatory note 3 above. Notwithstanding the foregoing, the sales volume remained relatively stable in November and December 2018. The decrease in the Group's overall profit margins was also partially offset by the increase in the average selling price of livestock feed in Malaysia, Indonesia and Vietnam.

16. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
17. PROFIT FROM OPERATIONS

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Profit from operations is arrived at after charging/(crediting):		
Bad debts recovered	(740)	-
Dividend income	(19)	-
Foreign exchange (gain)/loss	(2,239)	3,411
Fair value loss on derivative financial instruments	113	1,137
Impairment loss/(reversal of impairment loss) on:		
- property, plant and equipment	-	1,483
- trade receivables	2,144	1,824
- other receivables	(119)	(1,682)
Interest income	(8,492)	(6,501)
Listing expenses	22,876	-
(Gain)/Loss on disposal of:		
- property, plant and equipment	(850)	(93)
- land use rights	(199)	490
Rental expenses	14,483	15,260
Rental income	(1,949)	(2,211)
Write-off of:		
- bad debts	428	5
- investment properties	-	2
- property, plant and equipment	2,428	1,997
- Value Added Tax receivables	9,837	-

18. TAXATION

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	26,209	37,622
- Foreign tax	55,371	35,737
- (Over)/under provision in prior years	(3,261)	494
	<u>78,319</u>	<u>73,853</u>
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	23,503	(28,994)
Tax expense	<u>101,822</u>	<u>44,859</u>
Effective tax rate	<u>29.2%</u>	<u>15.3%</u>

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

18. TAXATION (CONTINUED)

The Group's effective tax rate increased from 15.3% in the FYE 31 December 2017 to 29.2% in the FYE 31 December 2018 primarily due to:

- (i) deferred tax expenses of RM6.1 million recognised in the FYE 31 December 2018 due to the increase in real property gain tax rates in Malaysia from 5% to 10% pursuant to the 2019 Budget announced by the Malaysian government in November 2018;
- (ii) recognition of RM20.5 million in deferred tax credits in the FYE 31 December 2017 pursuant to the Indonesian Government's tax incentive, which allowed the Group to recognise deferred tax assets for two of its subsidiaries in Indonesia. The aforementioned Indonesian Government's tax incentive was a one-off incentive and was not applicable in the FYE 31 December 2018 and for the financial years going forward; and
- (iii) non-tax deductible listing expenses of approximately RM22.8 million recognised in the FYE 31 December 2018.

19. STATUS OF CORPORATE PROPOSAL

As set out in Section 2.1 of the Prospectus, the SC has approved LHI's IPO and Listing (the details of which is set out in Section 4.2 of the Prospectus). Barring any unforeseen circumstances, the Listing is expected to be completed by the end of May 2019. Save for the IPO and Listing, there is no other major corporate proposal pending completion as at the date of this report.

20. FINANCE LEASE LIABILITIES

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Minimum lease payments:		
- Not later than 1 year	24,356	22,714
- Later than 1 year and not later than 5 years	30,291	30,896
	<u>54,647</u>	<u>53,610</u>
Less: Future finance charges	(4,467)	(3,963)
Present value of finance lease liabilities	<u>50,180</u>	<u>49,647</u>
Present value of finance lease liabilities:		
- Not later than 1 year	21,814	20,466
- Later than 1 year and not later than 5 years	28,366	29,181
	<u>50,180</u>	<u>49,647</u>

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**

21. BANK BORROWINGS

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	-	130,954
Bank overdrafts	33,744	53,315
Term loans	218,378	163,984
Revolving credits	88,379	311,890
Trust receipts	-	36,873
	<u>340,501</u>	<u>697,016</u>
<u>Unsecured:</u>		
Bankers' acceptances	407,449	239,363
Bank overdrafts	20,327	10,232
Term loans	42,677	39,673
Revolving credits	190,291	165,014
Trust receipts	303,547	247,317
	<u>964,291</u>	<u>701,599</u>
Total current borrowings	<u>1,304,792</u>	<u>1,398,615</u>
Non-current		
<u>Secured:</u>		
Term loans	836,300	633,127
<u>Unsecured:</u>		
Term loans	179,667	112,127
Total non-current borrowings	<u>1,015,967</u>	<u>745,254</u>
Total borrowings	<u>2,320,759</u>	<u>2,143,869</u>
	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
The currency profile of borrowings is as follows:		
Ringgit Malaysia	908,107	751,843
Singapore Dollar	553,550	539,559
US Dollar	42,570	82,659
Indonesian Rupiah	485,204	518,976
Vietnamese Dong	322,345	244,337
Philippines Peso	8,983	6,495
	<u>2,320,759</u>	<u>2,143,869</u>

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
22. DERIVATIVES

The Group uses forward foreign exchange contracts and interest rate swap contracts to manage its exposure to various financial risks. The notional amount, fair value and maturity tenor of the derivative instruments are as follows:

	Unaudited 31.12.2018		Audited 31.12.2017	
	Contract/ Notional amount RM'000	Fair value amount RM'000	Contract/ Notional amount RM'000	Fair value amount RM'000
Non-current asset				
Interest rate swap contracts				
- More than 3 years	72,000	823	-	-
Current asset				
Forward foreign exchange contracts				
- Less than 1 year	31,020	356	-	-
Derivative financial assets	103,020	1,179	-	-
Current liabilities				
Forward foreign exchange contracts	125,615	(2,391)	31,933	(1,136)
Derivative financial liabilities	125,615	(2,391)	31,933	(1,136)

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the FYE 31 December 2017. These instruments are managed in accordance with the Group's policies.

Forward foreign exchange contracts

Forward foreign exchange contracts were entered into by subsidiaries in currencies other than their functional currency in order to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. The forward foreign currency contracts are stated at fair value, using the prevailing market rates. All changes in the fair value of the derivatives are taken to profit or loss.

Interest rate swap contracts

The Group has entered into interest rate swap contracts in 2018 to convert floating rate liabilities to fixed rate liabilities to reduce the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments. The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. Changes in the fair value of the derivatives are taken to profit or loss.

23. MATERIAL LITIGATION

Save as disclosed in Section 14.6 of the Prospectus, there were no changes in material litigation as at the date of this report.

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
24. EARNINGS PER SHARE ("EPS")

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

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

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

	Unaudited	Audited
	31.12.2018	31.12.2017
Profit attributable to equity holders of the Company (RM'000)	186,185	192,573
Weighted average number of ordinary shares in issue ('000)	955	955
Adjustment for Bonus Issue ⁽ⁱ⁾ ('000)	1,229,177	1,229,177
Adjustment for Share Split ⁽ⁱ⁾ ('000)	2,169,868	2,169,868
	<u>3,400,000</u>	<u>3,400,000</u>
Basic and diluted EPS ⁽ⁱⁱ⁾ (sen)	<u>5.48</u>	<u>5.66</u>

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

- (i) As the Company undertook a bonus issue of 1,229,176,622 new Shares and a share split exercise involving the subdivision of 1,230,131,992 Shares into 3,400,000,000 Shares on 11 January 2019 and 18 January 2019 respectively, the basic and diluted earnings per Share have been adjusted to reflect the new number of Shares of 3,400,000,000.
- (ii) In accordance with MFRS 133 'Earnings per Share', the calculation of basic and diluted earnings per shares for all periods presented have been adjusted retrospectively as the number of ordinary shares has increases as a result of bonus issue or share split as disclosed in explanatory note 24(i) above.