ANNUAL REPORT 2019

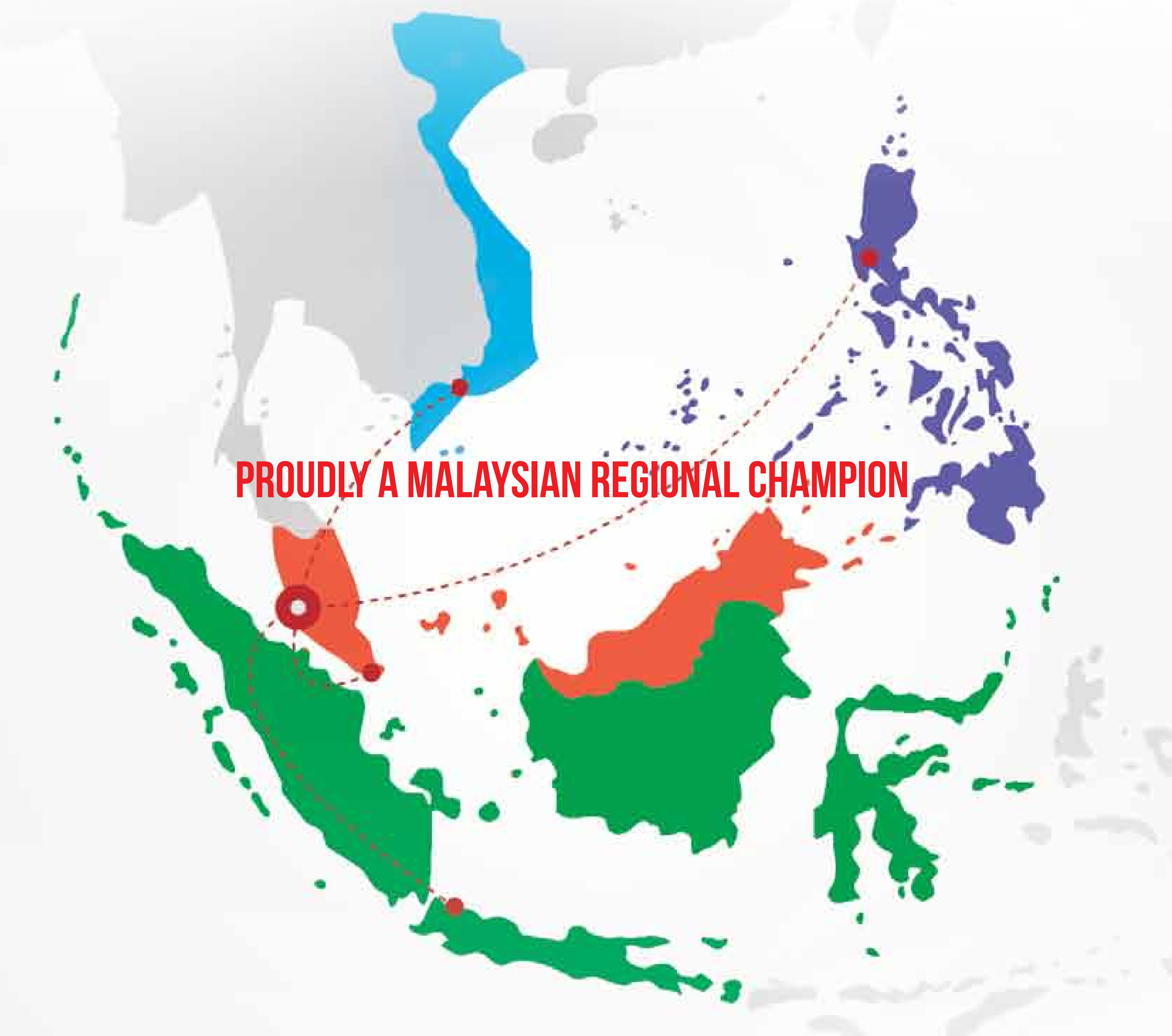
Leong Hup International Berhad

Registration No.: 201401022577 (1098663-D)

Contents

龍合國際有限公司

Leong Hup International Berhad



PROUDLY A MALAYSIAN REGIONAL CHAMPION

TRIBUTE TO **THE CO-FOUNDERS OF LEONG HUP INTERNATIONAL GROUP**

The late Datuk Lau Chong Wang and the late Dato' Lau Bong Wong, both co-founders of Leong Hup International Group of Companies, are synonymous with pioneering the commercialisation and transformation of the poultry industry in Malaysia that began in the 1960s. Their shared vision, entrepreneurial spirit, commercial and business acumen, as well as sheer determination and perseverance had enabled Leong Hup International Group to push boundaries as a Malaysia's first fully integrated poultry operator and break glass ceilings to become South East Asia's regional champion that it is today.

Humble beginnings

In the 1960s, Datuk Lau Chong Wang ("Datuk Lau") and Dato' Lau Bong Wong ("Dato' Lau") joined the family's vegetable wholesale business founded by their late father, Mr Lau Leng Yeaw ("Mr Lau") who had throughout his career steadfastly imparted and reinforced the core values of his enterprising spirit, namely upholding trust, credibility and integrity. Their father's drive and commitment had inspired and driven both Datuk Lau and Dato' Lau to explore further possibilities and into uncharted territories. Mr Lau has been credited to be the earliest proponent of Datuk Lau and Dato' Lau decision to grow the family business by diversifying into other businesses, including rearing of broiler chickens for the local market and subsequently, chicken breeding. Building up the family's poultry business from scratch required many years of hard work, under the joint stewardship of Datuk Lau and Dato' Lau, Leong Hup Poultry Farm Sdn Bhd was then established in 1978 to consolidate the family's poultry business. This marked the beginning of Leong Hup International Group's aggressive expansion in poultry industry and became the basis of both Datuk Lau and Dato Lau's vision which was to be a market leader in the production of poultry.

Datuk Lau Chong Wang
(Left)

Dato' Lau Bong Wong
(Right)

TRIBUTE TO THE CO-FOUNDERS OF LEONG HUP INTERNATIONAL GROUP (cont'd)

Driving expansion

The dynamic partnership of the two co-founders formed the bedrock upon which the Leong Hup International Group's earlier crucial years of success was built on. Datuk Lau oversaw the overall group's strategies, expansion as well as sales and marketing, while Dato' Lau focused on sharpening the operational excellence of the group's farms as a pure-play poultry producer, with a singular focus on achieving meaningful economies of scale in production processes and raw material procurement.

With the rapid rate of growth of Leong Hup International Group, Dato' Lau spearheaded and pushed for the transformation of the group's farm and breeding operations into one of the most modern in the country.

Both the co-founders of Leong Hup International Group were passionate in growing the business and continually invested in the production infrastructure in order to maximise efficiencies and ensured that the group's facilities conform to the highest global standards. The group's size, reputation and track record (in particular, in matters such as biosecurity and product quality) caught the attention of well-known and high-quality genetics companies namely Arbor Acres in the United States of America and Euribrid BV in the Netherlands. The trailblazing co-founders successfully pioneered the country's gaining access to high-quality genetics from Arbor Acres and Euribrid, and would over the years build strong relationships with them, thus setting the country up for the unprecedented rapid development of its nascent commercial poultry production.

Under Datuk Lau watch, the group's aggressive expansion saw it pursuing diversification vertically upwards and downwards along the poultry value chain and as a result, Leong Hup International Group became the pioneer of the integrated "Farm-to-Plate" business model in Malaysia. By 1990, Leong Hup International Group was widely recognised as the largest poultry breeder and integrated farm operator in Malaysia, covering the production of livestock and other poultry related products, livestock feed and food processing. As a result of his foresight, the group deepened its expertise and substantially strengthened its vertically integrated poultry business model. This model would serve to future proof the group's business, as the co-founders looked beyond the Malaysian market and set their sights on further expansion into the burgeoning South East Asia market.

Synergy drive and strengthening regional footprint

Following the successful listing of Leong Hup Holdings Berhad on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE") (now known as the Main Market of Bursa Malaysia Securities Berhad) in 1990, the group ventured into Singapore as well as commercial egg production by acquiring Teo Seng Farming Sdn Bhd (a wholly-owned subsidiary of Teo Seng Capital Berhad, a listed entity on the Main market of Bursa Malaysia Securities Berhad). By the turn of the millennium, the group expanded its footprint further by establishing its presence in Indonesia, via PT Malindo Feedmill TBK, and expanded quickly amid the significant turbulence of the Asian Financial Crisis.

With the Lau family firmly on board and behind Leong Hup International Group, the co-founders would strategise and chart the group's foray into Vietnam, by leveraging on their vast experience in running livestock and feedmill operations in Malaysia and across the group's other markets. Dato' Lau's foresight and conscientiousness had enabled the group to demonstrate its proven ability to transfer and replicate its successful business model into those markets and then tailor it to fit the local environment.

Under the guidance and mentorship of the co-founders, more family members including Mr Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang joined the family business and worked together hand-in-hand to expand the family's poultry empire, with much success. This culminated in the eventual listings of Emivest Berhad on the Second Board of KLSE in 2002 and PT Malindo Feedmill TBK on Jakarta Stock Exchange (now known as Indonesia Stock Exchange) in 2006, while the group's Vietnam operations which started from ground zero in 2007 grew exponentially and hit the RM1 billion revenue benchmark within a decade of operations.

Today, the leaders and employees of the Leong Hup International Group continue to draw inspiration from Datuk Lau and Dato' Lau's legacy. As one of the market leaders in integrated poultry operations in South East Asia, Leong Hup International Berhad continues to honour the vision of the group's co-founders in upholding trust as an exemplary centre for safe, quality and affordable food for the growing population.

OVERVIEW OF LEONG HUP INTERNATIONAL BERHAD

OUR VISION

We aspire to be one of the top integrated poultry operators in the Asian region. We are committed to uphold trust and aim to be an exemplary organization for safe, quality and affordable food.

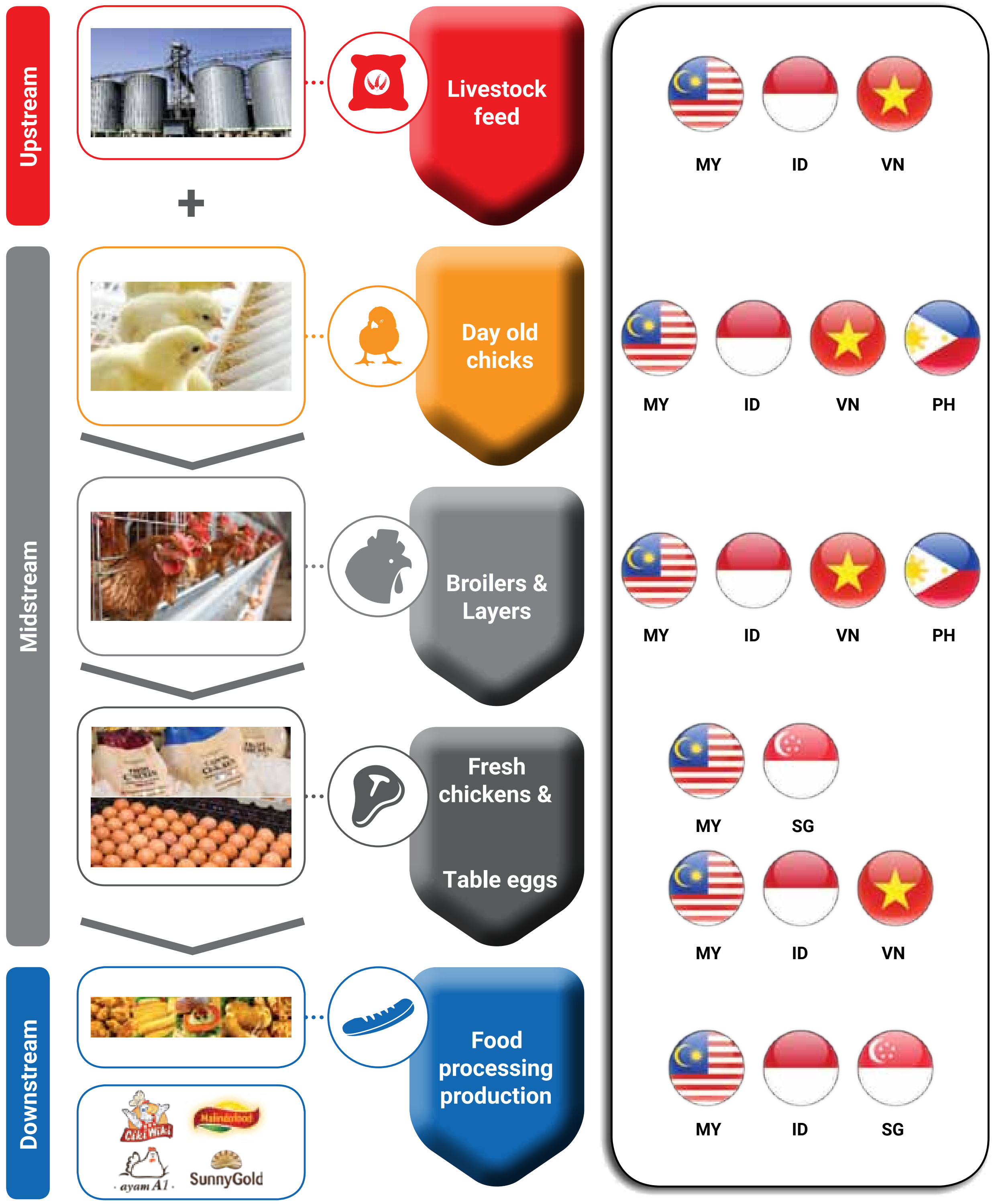
WHO WE ARE

Established in Malaysia in 1978, Leong Hup International Group is one of the largest fully integrated producers of poultry, eggs and livestock feeds in Southeast Asia. Our operations are spread across Malaysia, Indonesia, Vietnam, Singapore and the Philippines, which are attractive consumer markets, with a population of over 540 million people and significant growth potential. As one of Southeast Asia's leading pure play integrated poultry operators, our operations span the entire poultry supply chain, encompassing livestock feed production, poultry breeding, broiler farming, layer production and further processed poultry products.

OUR VALUE CHAIN

Leong Hup International Berhad and subsidiaries (our "Group") are primarily involved in the Feedmill business (upstream) and Livestock business (midstream and downstream).

Regional geographical presence:
across value chain in each of the target markets



OVERVIEW OF **LEONG HUP INTERNATIONAL BERHAD** (cont'd)

WHAT DIFFERENTIATES US

- Fully integrated business model
- Geographically diversified
- One of the largest producers in fast-growing ASEAN consumer markets with rising poultry consumption
- Leading "pure-play" poultry producer, with strong economies of scale and significant market shares in most product segments
- Experienced senior management, supported by seasoned country managers and prominent investors
- Robust historical financial growth and performance, underpinned by a strong track record

AWARDS

Our Group has won numerous awards in the past five years, such as:

2015
Singapore Prestige Brand Award – Established Brands by the Singapore's Association of Small & Medium Enterprises

2015
Blue Rated Program for Pollution Control, Evaluation, and Rating (PROPER) for Company Performance to Manage Environment by the Ministry of Environment and Forestry of the Republic of Indonesia

2016
Top Parent Flock Award by Cobb-Vantress, USA

2016
Outstanding Feed Product Innovation by Vietstock Exhibition

2017
The BrandLaureate BestBrands in Product Branding (Consumer Eggs) by The World Brands Foundation

2017
Best of the Best Award by Forbes Indonesia

2018
The Trusted Company in The Best Product Quality by the Indonesian Achievement Centre

2018
Outstanding Industry Achievement – ASEAN by the Department of Veterinary Sciences Malaysia

2019
The BrandLaureate World BestBrands in Consumer - Integrated Poultry, Egg & Livestock Feed Solutions by The World Brands Foundation

EVENTS **HIGHLIGHT**

Date: 25 April 2019
Event: Launch of Leong Hup International Berhad's Prospectus

Date: 16 May 2019
Event: Leong Hup International Berhad Listing Ceremony

Date: 16 May 2019
Event: Leong Hup Appreciation Night

Date: 24 June 2019
Event: Media Visit to Leong Hup Singapore Operation

EVENTS **HIGHLIGHT**
(cont'd)

Date: 31 October 2019
Event: The BrandLaureate BestBrands Awards 2019, Shangri-la Hotel Singapore
LHI was awarded the BrandLaureate World BestBrands in Consumer – Integrated Poultry, Egg & Livestock Feed Solutions, while Executive Chairman, Mr Lau Chia Nguang, was honoured with the Brandpreneur Leadership of the Year Award

Date: 20 June 2019 & 26 September 2019
Event: Site visit by fund managers to Feedmill and Broiler Farm in Malaysia

Date: 16 December 2019
Event: Visit by 14th Chief Secretary to the Government of Malaysia (Ketua Setiausaha Negara), YBhg Tan Sri Dr. Ismail Haji Bakar to Linggi 1 Farm

CORPORATE SOCIAL **RESPONSIBILITY**

Provision of education aid to students

On 24 May 2019, our Group's subsidiary in Vietnam, Emivest Feedmill (TG) Vietnam Limited Liability Company, participated in a charitable drive to provide education aid and relief to schools in the Ben Tre region. During this event, students from disadvantaged background received donation of exercise books as part of the aid to encourage them to stay in school.

Prevention of African swine fever event held by the Animal Husbandry & Veterinary Department in Thong Nhat, Dong Nai region

In conjunction with this one-day event on 24 May 2019, our Group's Vietnam operation, via Emivest Feedmill Vietnam Company Limited, donated 1,000 litres of animal disinfectant products to the authority, as part of its effort to educate farmers on the importance of biosecurity in farm management. Approximately 1,000 farmers attended and benefitted from this event.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Non-Independent Executive Chairman
Lau Chia Nguang

Non-Independent Executive Director/ Group Chief Executive Officer
Tan Sri Lau Tuang Nguang

Non-Independent Executive Directors
Dato' Lau Eng Guang
Datuk Lau Joo Hong
Lau Joo Han
Lau Joo Keat

Non-Independent Non-Executive Director
Benny Lim Jew Fong

Senior Independent Non-Executive Director
Low Han Kee

Independent Non-Executive Directors
Datin Paduka Rashidah Binti Ramli
Mahani Binti Amat
Chu Nyet Kim
Goh Wen Ling
Tay Tong Poh

AUDIT AND RISK COMMITTEE

Committee Chairman
Low Han Kee
Committee Members
Chu Nyet Kim
Goh Wen Ling

NOMINATION COMMITTEE

Committee Chairman
Tay Tong Poh
Committee Members
Mahani Binti Amat
Benny Lim Jew Fong

REMUNERATION COMMITTEE

Committee Chairperson
Goh Wen Ling
Committee Members
Datin Paduka Rashidah Binti Ramli
Low Han Kee

KEY SENIOR MANAGEMENT

Lau Chia Nguang *(Executive Chairman)*
Tan Sri Lau Tuang Nguang *(Executive Director / Group Chief Executive Officer)*
Dato' Lau Eng Guang
(Executive Director / Group Business Strategist)
Datuk Lau Joo Hong
(Executive Director / Chief Executive Officer of Vietnam operations)
Lau Joo Han
(Executive Director / Chief Executive Officer of Malaysia operations)
Lau Joo Keat
(Executive Director / Country Head of Indonesia operations)
Lau Jui Peng *(Group Breeder Chief Executive Officer)*
Lau Joo Heng *(Chief Executive Officer of Philippines operations)*
Lau Joo Hwa *(Chief Executive Officer of Singapore operations)*
Chew Eng Loke *(Group Chief Financial Officer)*

COMPANY SECRETARIES

Lum Sow Wai (MAICSA 7028519) (SSM PC NO. 202008002373)
Tan Lai Kai (MIA 41018) (SSM PC NO. 202008002788)
Te Hock Wee (MAICSA 7054787) (SSM PC NO. 202008002124)
Lim Hooi Mooi (MAICSA 0799764) (SSM PC NO. 201908000134)

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF1146)
Chartered Accountants
Level 10, 1 Sentral,
Jalan Rakyat,
Kuala Lumpur Sentral,
PO Box 10192,
50706 Kuala Lumpur,
Wilayah Persekutuan.
Tel: +603-2173 1188
Fax: +603-2173 1288

CORPORATE WEBSITE

www.leonghupinternational.com

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.
Tel : +603-2783 9191
Fax : +603-2783 9111

HEAD/MANAGEMENT OFFICE

Lot 3.05, 3rd Floor, Wisma Westcourt,
126, Jalan Kelang Lama,
58000 Kuala Lumpur,
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Fax : +603-7980 0040
E-mail: info@lhhb.com

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Registration no. 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Wilayah Persekutuan.
Tel : +603-2783 9299
Fax : +603-2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Date of Listing : 16 May 2019
Stock Name : LHI
Stock Code : 6633
Stock Sector : Consumer Products & Services
Sub-sector : Agricultural Products

GROUP CORPORATE **STRUCTURE**

As at 30 April 2020

Leong Hup International Berhad

- **100%** Leong Hup Corporate Services Sdn Bhd
- **100%** Leong Hup (Malaysia) Sdn Bhd
  - **51.00%** Advantage Valuations Sdn Bhd
  - **52.19%** Teo Seng Capital Berhad (**2.38%**, **0.04%**)
    - **100.00%** Teo Seng Farming Sdn Bhd
      - **100.00%** Great Egg Industries Sdn Bhd
      - **100.00%** Laskar Fertiliser Sdn Bhd
    - **100.00%** Teo Seng Paper Products Sdn Bhd
    - **100.00%** Teo Seng Feedmill Sdn Bhd
    - **100.00%** Ritma Prestasi Sdn Bhd
      - **100.00%** B-Tech Aquaculture Sdn Bhd
      - **100.00%** Ritma Premier Pte Ltd
      - **100.00%** Professional Vet Enterprise Sdn Bhd
    - **100.00%** Success Century Sdn Bhd
    - **100.00%** Premium Egg Products Pte Ltd
      - **100.00%** BH Fresh Food Pte Ltd
    - **100.00%** Liberal Energy Sdn Bhd
    - **100.00%** Pioneer Prosperity Sdn Bhd [(1)]
  - **100.00%** Leong Hup Agrobusiness Sdn Bhd
    - **51.00%** J.B.Kim Farm Sdn Bhd
    - **51.00%** Mighty Farms Sdn Bhd
    - **100.00%** Exclusive Treasures Sdn Bhd
    - **51.00%** Mantap Untung Sdn Bhd
    - **100.00%** Sweet Vista Sdn Bhd
  - **100.00%** Ladang Ternakan Maju Sdn Bhd
    - **100.00%** Ternakan Emas Sdn Bhd
      - **100.00%** Golden Egg Sdn Bhd
    - **51.00%** Rising Momentum Sdn Bhd
  - **100.00%** Leong Hup Broiler Farm Sdn Bhd
    - **100.00%** Goldkist Breeding Farms Sdn Bhd
  - **100.00%** Ayam A1 Food Corporation Sdn Bhd
    - **100.00%** Ayam A1 Food Processing Sdn Bhd
  - **100.00%** Leong Hup Poultry Farm Sdn Bhd
  - **100.00%** Leong Hup (G.P.S.) Farm Sdn Bhd
    - **100.00%** Leong Hup Aquaculture Sdn Bhd
  - **100.00%** Leong Hup Poultry Farm (Sabah) Sdn Bhd
  - **100.00%** Leong Hup Ruminant Farm Sdn Bhd
    - **60.00%** Leong Hup Agriculture (Desaru) Sdn Bhd
  - **70.00%** New Soon Teng Poultry Sdn Bhd
  - **100.00%** Sri Medan Duck Farm Sdn Bhd
    - **100.00%** Prima Anjung Sdn Bhd
  - **100.00%** Leong Hup Feedmill Malaysia Sdn Bhd
  - **100.00%** Beaming Agrotrade Sdn Bhd
  - **100.00%** Leong Hup Feedmill Sdn Bhd
    - **100.00%** Ideal Multifeed (Malaysia) Sdn Bhd
    - **100.00%** Jaco Nutrimix Sdn Bhd
    - **100.00%** Kayangan Runding Sdn Bhd
    - **20.00%** Indahgrains Logistics Sdn Bhd
  - **100.00%** The Baker's Cottage Restaurant Sdn Bhd
  - **51.00%** F.E. Venture Sdn Bhd
    - **100.00%** Farm Excel Distribution Sdn Bhd
    - **51.00%** Laboratorios Reveex (Asia) Sdn Bhd
- **100%** United Global Resources Limited
  - **100.00%** Emivest Feedmill Vietnam Co., Limited
  - **100.00%** Emivest Feedmill (TG) Vietnam Limited Liability Company
  - **100.00%** Leong Hup Feedmill Vietnam Limited Liability Company
  - **100.00%** Leong Hup (Cambodia) Limited
- **100%** Leong Hup Singapore Pte Ltd
  - **0.53%** PT Malindo Feedmill Tbk
  - **100.00%** Lee Say Group Pte Ltd
    - **75.00%** ES Food International Pte Ltd (**25.00%**)
      - **100.00%** Leong Hup Food Pte. Ltd.
      - **100.00%** Soonly Food Processing Industries Pte Ltd
      - **100.00%** Safa Gourmet Food Pte Ltd
      - **100.00%** Leong Hup Distribution Pte Ltd.
    - **80.00%** Tasty Meat Products Pte Ltd
    - **51.00%** Kendo Trading Pte Ltd
      - **51.00%** Wang Xiang Shun Food Industry Pte Ltd
    - **67.18%** Hup Heng Poultry Industries Pte Ltd
    - **100.00%** Lee Say Food Holdings Pte Ltd
      - **100.00%** PT Ayam Prima Esa
    - **100.00%** Lee Say Breeding Farm Sdn Bhd
      - **100.00%** Heng Kai Hock Farm Sdn Bhd
      - **100.00%** My-Kando Food Industries Sdn Bhd
      - **55.00%** Prestige Fortune Sdn Bhd
        - **100.00%** Prestige Fortune (S) Pte Ltd
- **100%** Dragon Amity Pte Ltd
  - **57.27%** PT Malindo Feedmill Tbk
    - **99.87%** PT Bibit Indonesia
    - **99.97%** PT Prima Fajar
    - **99.99%** PT Malindo Food Delight
    - **99.00%** PT Mitra Bebek Persada
    - **99.95%** PT Leong Ayamsatu Primadona
      - **70.00%** PT Quality Indonesia
- **100%** Leong Hup (Philippines), Inc
  - **40.00%** Greatmammoth Properties, Inc
- **100%** Leong Hup Myanmar Co., Ltd

Note

(1) Under members' voluntary winding-up.

PROFILE OF THE **BOARD OF DIRECTORS**

Lau Chia Nguang

Non-Independent Executive Chairman

Lau Chia Nguang, Male, a Malaysian aged 68, is our Non-Independent Executive Chairman and President Commissioner of PT Malindo Feedmill TBK ("Malindo Feedmill"). He completed his primary school education in 1964. He has over 41 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 one of our Group's subsidiaries. He led our Group's broiler business in Malaysia from 1985 to 2002.

He led the expansion of our Group's poultry business to Jakarta in 1996 with the incorporation of PT Leong Ayamsatu Primadona. 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.

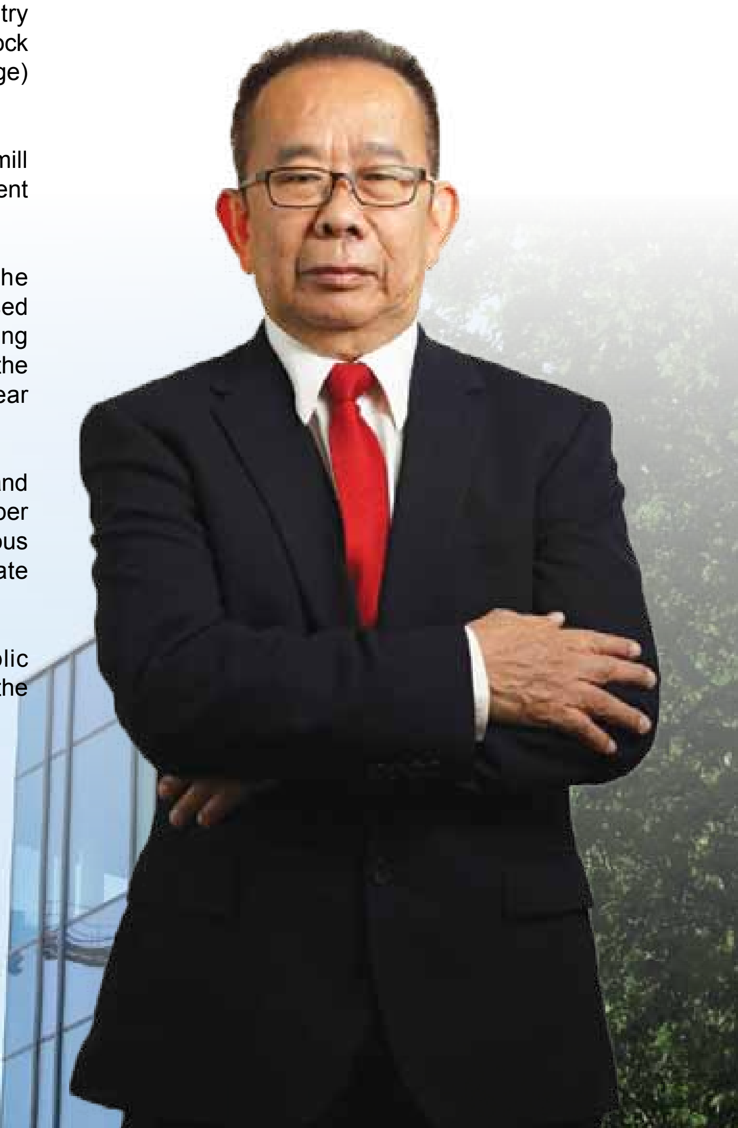
He served as President Director of Malindo Feedmill from 2014 to June 2018 and is currently the President Commissioner of Malindo Feedmill since June 2018.

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, as well as the BrandLaureate Brandpreneur Leadership of the Year Award 2019 by the World Brands Foundation.

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.

He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He is the brother of Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the uncle of Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries; and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended all the four (4) Board meetings held during the financial year.



PROFILE OF THE BOARD OF DIRECTORS (cont'd)

Dato' Lau Eng Guang

Non-Independent Executive Director & Group Business Strategist

Dato' Lau Eng Guang, Male, a Malaysian aged 65, 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 41 years of experience and expertise in the integrated livestock industry.

In 1978, he joined one of our Group's subsidiaries where he oversaw its finances and corporate affairs.

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 Leong Hup Holdings Bhd ("LH Holdings") and Emivest Bhd ("Emivest") when both companies were listed on the Main Board of Bursa Securities. He remains as 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.

He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He is the brother of Lau Chia Nguang and Tan Sri Lau Tuang Nguang; and the uncle of Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended all the four (4) Board meetings held during the financial year.

PROFILE OF THE **BOARD OF DIRECTORS**
(cont'd)

Tan Sri Lau Tuang Nguang

Non-Independent Executive Director & Group Chief Executive Officer

Tan Sri Lau Tuang Nguang, Male, a Malaysian aged 61, 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 36 years of experience and expertise in the integrated livestock industry.

He began his career in the family farm business at one of our Group's subsidiaries where he gained experience through running the operations of the Grand Parent Stock ('GPS') and breeder farms and was director from 1978 to October 2018. He has been a director of LH Holdings since 1986. He sat on our Board from 2014 until his resignation on 1 August 2018. He was appointed as our Group's Chief Executive Officer on 13 June 2018 and was re-appointed to our Board on 23 November 2018. As the Group 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 Capital Bhd ("Teo Seng") from 2009 to August 2018 and is the current President Director of Malindo Feedmill, both being our listed subsidiaries.

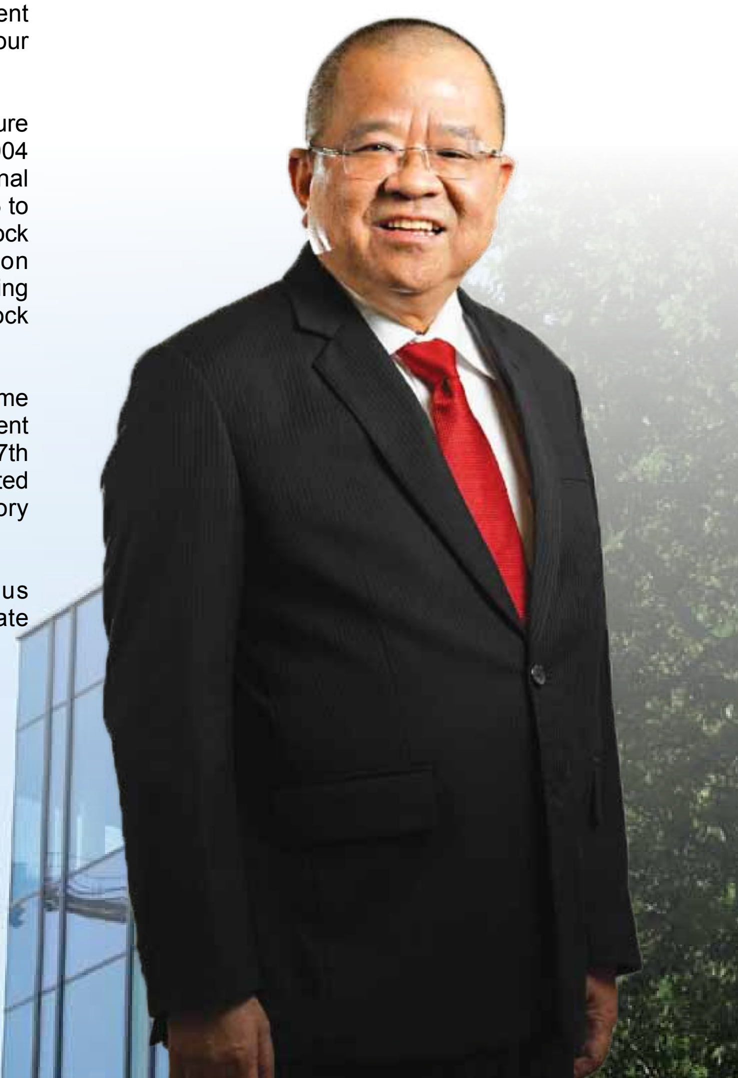
He served as a panel advisor to the Ministry of Agriculture and Agro-based Industry of Malaysia ('MOA') in 2004 and currently sits as a panel member of the National Agriculture Advisory Council to the MOA. From 2005 to 2006, he was the President of the Federation of Livestock Farmers' Association of Malaysia, an association instituted for the safeguarding of the 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 Lifetime Achievement Award which was awarded by Department of Veterinary Services of Malaysia 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.

Currently, he also sits on the boards of various subsidiaries of our Group and several other private limited companies.

He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He is the brother of Dato' Lau Eng Guang and Lau Chia Nguang; and the uncle of Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended all the four (4) Board meetings held during the financial year.



PROFILE OF THE **BOARD OF DIRECTORS**
(cont'd)

Datuk Lau Joo Hong

Non-Independent Executive Director & Chief Executive Officer of Vietnam Operations

Datuk Lau Joo Hong, Male, a Malaysian aged 49, 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 21 years of experience and expertise in the integrated livestock industry and retail market.

He began his career in the family poultry business in 1991 when he joined one of the Group's subsidiaries which was principally involved in the processing and marketing of chicken and related products, where he oversaw the entire operations of that subsidiary.

In 1994, he was also assigned the responsibility of overseeing the entire operations of another subsidiary principally involved in food processing products. 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 has been leading 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 Kuala Lumpur Stock Exchange ("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.

He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He is also a director and substantial shareholder of CW Lau & Sons Sdn Bhd ("CWL&S"), which in turn is a substantial shareholder of Emerging Glory Sdn Bhd ("Emerging Glory"), a major shareholder of our Company. He is the nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the cousin of Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended all the four (4) Board meetings held during the financial year.

PROFILE OF THE **BOARD OF DIRECTORS** (cont'd)

Lau Joo Han

Non-Independent Executive Director & Chief Executive Officer of Malaysia Operations

Lau Joo Han, Male, a Malaysian aged 45, is our Non-Independent Executive Director and Chief Executive Officer for our Group's Malaysia operations. He has over 20 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 Leong Hup Agrobusiness Sdn Bhd) in charge of the marketing and operations of that subsidiary. He rose through the ranks and has been the Chief Executive Officer of Leong Hup (Malaysia) Sdn Bhd ('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 of 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.

He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He is a director and substantial shareholder of Emerging Glory, a major shareholder of our Company.

He is the nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the cousin of Datuk Lau Joo Hong and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended all the four (4) Board meetings held during the financial year.

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Lau Joo Keat

Non-Independent Executive Director & Country Head of Indonesia Operations

Lau Joo Keat, Male, a Malaysian aged 40, is our Non-Independent Executive Director and Country Head for our Group's Indonesia operations. He has approximately 17 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, other various subsidiaries of our Group, and several other private limited companies.

He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He is the nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang and the cousin of Datuk Lau Joo Hong and Lau Joo Han who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended three (3) out of four (4) Board meetings held during the financial year.

PROFILE OF THE **BOARD OF DIRECTORS** (cont'd)

Benny Lim Jew Fong

Non-Independent Non-Executive Director

Benny Lim Jew Fong, Male, a Singaporean aged 47, is our Non-Independent Non-Executive Director. He has over 23 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 is a Chartered Financial Analyst charterholder since 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 Equity Partners (S) Pte Ltd ("Affinity Singapore") at its Singapore office. He is currently the Managing Director in Affinity Singapore where he is responsible for originating, executing and managing investments for Affinity Singapore.

He was appointed to our Board on 9 September 2014. He is also a member of the Nomination Committee of the Company. Currently, he also sits on the boards of portfolio companies as representative of Affinity Singapore.

He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He does not have any family relationship with any Director/major shareholder of our Company. He does not have any conflict of interest with our Company. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended all the four (4) Board meetings held during the financial year.

Datin Paduka Rashidah Binti Ramli

Independent Non-Executive Director

Datin Paduka Rashidah Binti Ramli, Female, a Malaysian aged 60, 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 of Malaysia, including 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.

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.

She is also a member of the Remuneration Committee of the Company. Other than the Company, she is not a Director of any other public companies and listed issuers in Malaysia.

She does not have any family relationship with any Director/major shareholder of our Company. She does not have any conflict of interest with our Company. She has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. She attended all the four (4) Board meetings held during the financial year.

PROFILE OF THE **BOARD OF DIRECTORS** (cont'd)

Mahani Binti Amat

Independent Non-Executive Director

Mahani Binti Amat, Female, a Malaysian aged 65, 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, Kuala Lumpur in 1977.

She began her career with Bank Negara Malaysia in 1977 where she spent 7 years in Reserves Management. In 1984, she moved on to RHB Bank in Singapore where she took on various positions in the Treasury and Offshore Banking as well as Consumer Banking. She returned to RHB Bank Kuala Lumpur in 2001, where she held senior management positions in the Premium Banking and International divisions, up to her last designation in 2004 as the Executive Vice President of Operations and Services. 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 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. She is also a member of the Nomination Committee of the Company. Currently, she is an Independent Non-Executive Director on two (2) public listed companies on the Main Market of Bursa Securities, namely Unisem (M) Bhd and Scicom (MSC) Bhd since 2016 and 2017 respectively. She was also appointed as an Independent Non-Executive Director of AIA Berhad on 18 November 2019.

She does not have any family relationship with any Director/major shareholder of our Company. She does not have any conflict of interest with our Company. She has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. She attended all the four (4) Board meetings held during the financial year.

PROFILE OF THE **BOARD OF DIRECTORS**
(cont'd)

Chu Nyet Kim
Independent Non-Executive Director

Chu Nyet Kim, Female, a Malaysian aged 64, is our Independent Non-Executive Director. She has more than 33 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.

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 is also a member of the Audit and Risk Committee of the Company. She does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company. 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.

She does not have any family relationship with any Director/major shareholder of our Company. She does not have any conflict of interest with our Company. She has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. She attended all the four (4) Board meetings held during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (cont'd)

Goh Wen Ling

Independent Non-Executive Director

Goh Wen Ling, Female, a Malaysian aged 40, is our Independent Non-Executive Director. She has over 15 years of working experience in the legal industry encompassing direct real estate acquisitions and divestments, retail banking and various aspects of financing, 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 marks, 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. She is also the Chairperson of the Remuneration Committee and a member of the Audit and Risk Committee of the Company. She does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

She does not have any family relationship with any Director/major shareholder of our Company. Save for the provision of professional legal services in her capacity as an advocate and solicitor, she does not have any conflict of interest with our Company. She has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. She attended all the four (4) Board meetings held during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (cont'd)

Low Han Kee

Senior Independent Non-Executive Director

Low Han Kee, Male, a Malaysian aged 60, 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 in 1980 with Ernst & Whinney (now known as Ernst and Young) where he completed his qualification as a Certified Public Accountant. From 1985 until 1990, he served at Mulpha International Berhad ("Mulpha"), a trading, construction and engineering company listed on the KLSE. His last designation at Mulpha was Group Chief Accountant. In 1990, he joined Amway (Malaysia) Sdn Bhd as Divisional Manager, Finance & Administration. From 1998, he served as Managing Director of Amway Malaysia Holdings Berhad ("AMHB") which is listed on the Main Market of Bursa Securities until his retirement in 2016. From 2005 until 2016, he also served as President of Amway South East Asia, Australia and New Zealand where he had led the successful opening of Amway's group business in South East Asia including Singapore, Brunei and Vietnam.

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. He is also the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee of the Company. Currently, he is a Non-Independent Non-Executive Director of AMHB.

He does not have any family relationship with any Director/major shareholder of our Company. He does not have any conflict of interest with our Company. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended all the four (4) Board meetings held during the financial year.

PROFILE OF THE **BOARD OF DIRECTORS** (cont'd)

Tay Tong Poh

Independent Non-Executive Director

Tay Tong Poh, Male, a Malaysian aged 58, 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 18 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.

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 Singapore 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 Singapore 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. He is also the Chairman of the Nomination Committee of the Company. He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He does not have any family relationship with any Director/major shareholder of our Company. He does not have any conflict of interest with our Company. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2019. He attended three (3) out of the four (4) Board meetings held during the financial year.

PROFILE OF **KEY SENIOR MANAGEMENT**

Lau Jui Peng

Group Breeder Chief Executive Officer

Lau Jui Peng, Male, a Malaysian aged 48, is our Group Breeder Chief Executive Officer. He has approximately 20 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 one of our Group's subsidiary as the Head of breeder operation. He has held various management positions in that subsidiary including General Manager and Deputy Chief Executive Officer. He has led our Group's Breeder operation since 2013 and was formally appointed as the Group Breeder Chief Executive Officer on 1 January 2016, and is responsible for the production, operation and administration of breeder operation.

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 various subsidiaries of our Group and several private limited companies.

He is also a director and substantial shareholder of CWL&S, which in turn is a substantial shareholder of Emerging Glory, a major shareholder of our Company.

He is the brother of Datuk Lau Joo Hong, nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the cousin of Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

Lau Joo Heng

Chief Executive Officer of Philippines Operations

Lau Joo Heng, Male, a Malaysian aged 45, is the Chief Executive Officer of our Group's Philippines operations. He has 16 years of experience in the operational activities of the 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 from 1999 until he was transferred to a bakery business owned by LH Holdings in 2003 as its Chief Executive Officer. He held positions at various management levels in the family business and our subsidiaries. He left the bakery business to join our Group's Livestock business in 2015 and expanded our Livestock business to Philippines. He was appointed as the Chief Executive Officer of our Philippines operations on 1 January 2016 and has since led our Philippines operations.

Currently, he also sits on the board of Leong Hup (Philippines), Inc. and several other private limited companies. He does not hold any other directorship in public companies and listed issuers in Malaysia.

He is also a director and substantial shareholder of CWL&S, which in turn is a substantial shareholder of Emerging Glory, a major shareholder of our Company.

He is the brother of Datuk Lau Joo Hong, nephew of Lau Chia Nguang, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the cousin of Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

Lau Joo Hwa

Chief Executive Officer of Singapore Operations

Lau Joo Hwa, Male, a Malaysian aged 41, is the Chief Executive Officer of our Group's Singapore operations. He has approximately 17 years of experience in the operational activities of the integrated livestock industry and exposure in retail and export businesses.

He graduated from Victoria University of Melbourne, Australia in 2002 with a Bachelor's 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 one of our Singapore subsidiaries in 2014. He has been the Chief Executive Officer of our Group's Singapore operations since 23 October 2014.

Currently, he also sits on the boards of various subsidiaries of LHI Group and several other private limited companies. He does not hold any other directorship in public companies and listed issuers in Malaysia.

He is the son of Lau Chia Nguang, nephew of Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the cousin of Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

Chew Eng Loke

Group Chief Financial Officer

Chew Eng Loke, Male, a Malaysian aged 51, is our Group Chief Financial Officer. He has over 26 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 Strathdyde, 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 7 January 2015, and was subsequently appointed as our Group Chief Financial Officer on 1 March 2015. He is responsible for all of our Group's overall financial operations.

He does not hold any directorship in public companies and listed issuers in Malaysia.

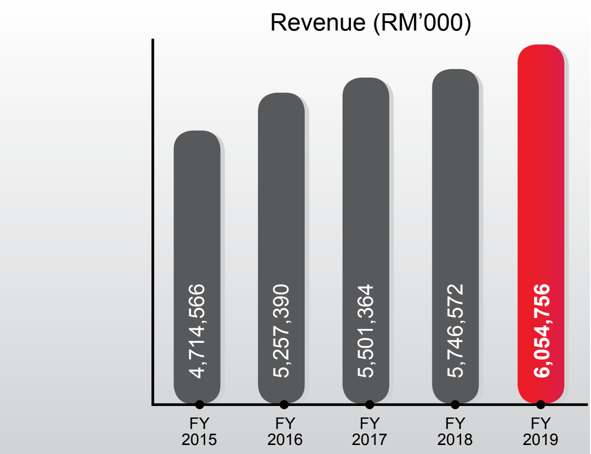
He does not have any family relationship with any Director/major shareholder of our Company. He does not have any conflict of interest with our Company. He has no conviction of any offences within the past five (5) years, or any sanctions and penalties imposed by relevant regulatory bodies during the financial year.

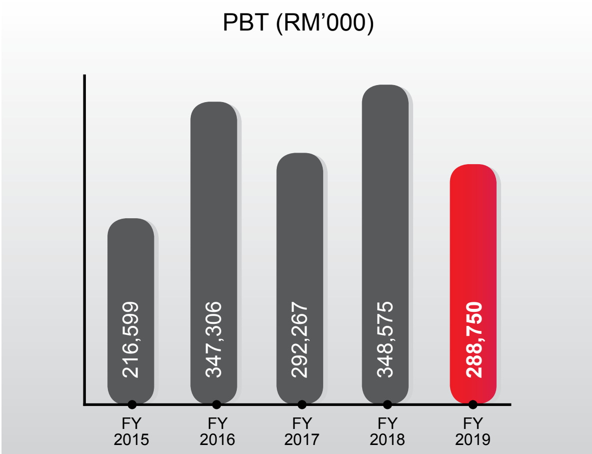
FINANCIAL **HIGHLIGHTS**

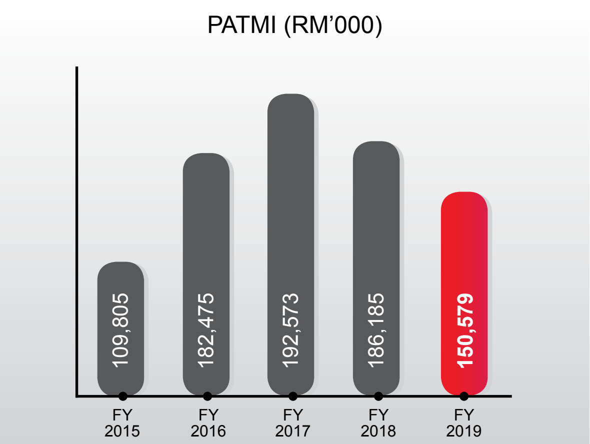
	FY 2015 RM'000	FY 2016 RM'000	FY 2017 RM'000	FY 2018 RM'000	FY 2019 RM'000
Revenue	4,714,566	5,257,390	5,501,364	5,746,572	6,054,756
Profit Before Tax ("PBT")	216,599	347,306	292,267	348,575	288,750
Profit Attributable To Owners Of The Parent ("PATMI")	109,805	182,475	192,573	186,185	150,579
Weighted Average Number of Ordinary Shares In Issue ('000)[1]	3,400,000	3,400,000	3,400,000	3,400,000	3,557,535
Net Earnings Per Share ("EPS") (Sen)	3.23	5.37	5.66	5.48	4.23
PBT Margin (%)	4.59	6.61	5.31	6.07	4.77

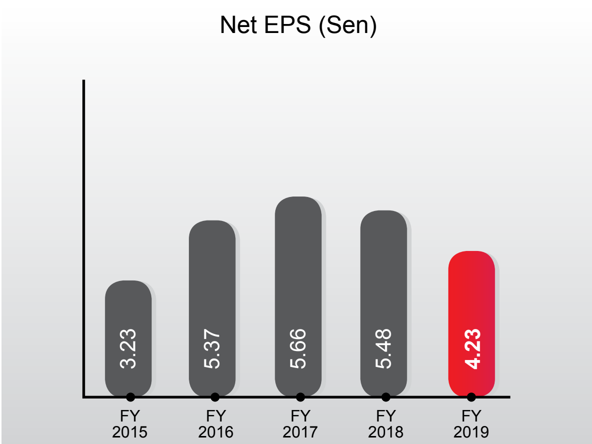
Note:

(1) As the Company undertook a 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. In accordance with MFRS 133 'Earnings per Share', the calculation of basic and diluted earnings per share for all periods presented have been adjusted retrospectively as the number of ordinary shares has increased as a result of the bonus issue or share split. The weighted average number of ordinary shares in issue for financial year ended 31 December 2019 takes into account the issuance of 250,000,000 new ordinary shares of the Company on 15 May 2019.









CHAIRMAN'S **STATEMENT**

Dear Shareholders,

It gives me great pleasure to present to you our first Annual Report of Leong Hup International Berhad as a public listed company.

Lau Chia Nguang

Non-Independent Executive Chairman

CHAIRMAN'S **STATEMENT**
(cont'd)

The financial year end ("FYE") 31 December 2019 was a momentous year for Leong Hup International Berhad ("LHI") and its subsidiaries (the "Group"). Years of hard work and focus to grow our business culminated in the successful listing of LHI on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 May 2019. As one of the largest initial public offerings ("IPO") in the recent history of the stock exchange, we are indeed grateful that our IPO had received extremely favourable support from several large local and overseas institutional funds, Bumiputera investors and the Malaysian public investors at large.

On behalf of the Board of Directors ("Board") and Key Senior Management of LHI, I would like to thank our shareholders – including the ten cornerstone investors of LHI's IPO, namely Employees Provident Fund Board (EPF), Maybank Asset Management Sdn Bhd, AIA Berhad, Louis Dreyfus Company Asia Pte Ltd, Tan Sri Datuk Seri Chua Ma Yu, Ovata Capital Management Limited, RHB Asset Management Sdn Bhd, Factorial Master Fund, Hong Leong Capital Berhad and Guoline (Singapore) Pte Ltd – for their vote of confidence and trust in our Group's strategies and growth potential.

The successful completion of the IPO also marks the realization of our immediate past Executive Chairman and my late brother, Dato' Lau Bong Wong's dream for the LHI Group. Our co-founders, the late Datuk Lau Chong Wang, together with Dato' Lau Bong Wong, had dedicated much of their lifetimes, through their entrepreneurial spirit, vision and sheer hard work, building up the LHI Group from scratch to become one of the leading fully integrated poultry producers in Southeast Asia that it is today.

Shortly after the listing of LHI on Bursa Securities, LHI was inducted into the MSCI Global Small Cap Indexes' MSCI Malaysia Index and the FTSE Bursa Malaysia Mid 70 Index. The aforementioned indices typically serve as bases in exchange traded funds in respect of investments in certain markets and stocks. I am also proud to share with you that our Group's constant drive towards excellence was recognised by the prestigious BrandLaureate BestBrands Awards 2019. This is a testament to LHI's brand strength and success, as consumers seek such brands known for their quality and other value-added features.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The financial year under review has been fraught with uncertainties brought about by ongoing global trade tension, a deteriorating trade environment and as a result, slowing economic growth around the world. In Asia, export-led economies including China, South Korea and Singapore were affected by the spillovers effects of weak export and softer private sector expenditure. While economic growth rate in our markets in Southeast Asia slowed during 2019, domestic demand remained strong during this turbulent period, supported by policy stimulus.

Compared to previous years, we had to contend with more volatile poultry selling prices during FYE 31 December 2019, especially in Malaysia and Indonesia, which mired our Group's performance. Meanwhile, our emerging markets in Vietnam and the Philippines delivered solid financial results. Being geographically diversified in Southeast Asia allows our Group to take advantage of the regional growth in demand and consumption of poultry while mitigating the impact of periodic weaknesses in each country experienced from time to time.

Against a challenging market landscape, I am heartened to report that our Group posted another record revenue of approximately RM6.1 billion in FYE 31 December 2019, a 5.4% increase as compared to approximately RM5.7 billion recorded in the preceding year. Encouragingly, group sales volume for DOC, broiler chickens, eggs and livestock feed continue to record year-on-year growth.

While our Group's Livestock segment experienced headwinds and volatile selling prices of poultry products, we saw strong performance in our Feedmill segment and this had helped the Group to cushion the effect felt by the Livestock segment.

Geographically, Indonesia was the largest contributing segment of our Group, contributing RM2,192.3 million (36.3%) to our Group's total revenue for FYE 31 December 2019. Malaysia was the second highest revenue contributor to our Group's total revenue at RM1,647.8 million (27.3%). Vietnam contributed RM1,347.2 million (22.3%) to our Group's total revenue for FYE 31 December 2019, while the remaining contribution was by both Singapore at RM779.1 million (12.9%), and Philippines at RM76.3 million (1.2%) respectively. Our Group posted a profit after tax and minority interests of RM150.6 million in FYE 31 December 2019 as compared to RM186.2 million a year ago.

CHAIRMAN'S **STATEMENT**
(cont'd)

In FYE 31 December 2019, upon completion of the listing of LHI, our Group raised RM275.0 million in gross proceeds from the public issue and our cash position grew to RM764.8 million as at 31 December 2019, as compared to RM458.9 million in the preceding financial year. Net gearing ratio stood at 0.8 times, which is an improvement from 1.1 times a year ago. Correspondingly, our Group's net debt over earnings before interest, tax, depreciation and amortization ("EBITDA") fell to 2.5 times as at 31 December 2019, from 2.9 times last year.

Overall, LHI Group emerged leaner and has a stronger financial standing in FYE 31 December 2019. Group gearing remains at an acceptable level, while our improved cash allows us to capitalize on emerging merger and acquisition opportunities.

Riding on the strength of our Feedmill segment in Vietnam and as part of our effort to capture more pockets of the growing protein consumption in Vietnam, on 9 March 2020, our Group announced the acquisition of a new feedmill in South Vietnam which specializes in aquatic feed production. This acquisition allows our Group to further diversify our range of feed products in Vietnam, following the introduction of new feed products for goat and cattle. Upon further enhancement of the new feedmill's existing capacity, this acquisition will boost our Vietnam operation's feed production capacity by up to 17.5% per annum in FYE 31 December 2021.

FYE 31 DECEMBER 2020 PROSPECTS

As a regional fully integrated poultry producer, we leverage on our geographical diversification to mitigate country-specific concentration risk. Nevertheless, we are not exempted from the impact of global economic and political development. Amidst the deteriorating economic outlook arising from the novel coronavirus pandemic and dramatic drop in global oil prices, there have been increasing, coordinated and targeted efforts by governments and monetary authorities worldwide to ease fiscal and monetary policies, coupled with unprecedented economic stimulus packages to avoid a scenario of global recession. Premised on the above, we expect private consumption in our growth markets in Malaysia, Vietnam, Indonesia and the Philippines to remain positive, albeit lower than previous years. This should bode well for the respective markets' demand for basic food products, including chicken meat. Nevertheless, we continue to face fluctuation in our products' selling prices due to their commoditized nature.

Going forward, apart from ensuring higher utilisation of our feedmills and poultry farms, our razor sharp focus in maintaining cost leadership in our operations remains an ongoing and important agenda, in order to guard our margins.

Another thrust of our Group's strategy is to move further downstream in our developed markets, which is less exposed to volatility in earnings. To this end, we intend to leverage on our market leadership position in Malaysia and Singapore, by adopting a more aggressive approach in rolling out quick-service restaurants under The Baker's Cottage brand in Malaysia and further diversifying our product range and enhancing our value-adding capabilities in Singapore.

Further review of our Group's financial performance and strategies are set out in this Annual Report, under the section Management Discussion and Analysis by the Group Chief Executive Officer.

CORPORATE GOVERNANCE

Our Group is cognisant that long-term, responsible and sustainable growth of businesses will enhance investor confidence and ensure creation of shareholder value. In light of the above, we continue to instill corporate governance best practices and implement various measures to improve our risk management and internal control across our organisation. To ensure that this process can be undertaken effectively and on a continuous basis, I am pleased to inform that your Board is currently well-represented in respect of skills, experience, age, cultural background and gender. The diversity which is present in your Board shall ensure that sound corporate governance, robust risk management process and a culture of prudence continue to drive business decisions across all levels of our operations and organisation.

ACKNOWLEDGEMENTS

On behalf of my fellow Directors, I wish to sincerely thank all our management team and employees for their utmost commitment, dedication and hard work which contributed tremendously to our Group's growth. To my fellow Board members, thank you for your unrelenting support, counsel, insights and guidance to the Group. Our Group's dedicated pool of talents, solid fundamentals and financials will stand us in good stead, as we continue to steer through the various challenges in our business.

We are grateful to our customers, suppliers, bankers, state and federal agencies and government departments, as well as business associates for their continued confidence and unwavering support. Together, we believe we can achieve greater successes and build a more sustainable business that will thrive in the longer term.

MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER

Tan Sri Lau Tuang Nguang

Non-Independent Executive Director & Group Chief Executive Officer

Dear Shareholders,

As one of the leading integrated poultry operators in Southeast Asia,

our Group is geographically diversified with footprints covering 5 key countries in the region, namely:

- Malaysia
- Indonesia
- Singapore
- Vietnam
- Philippines

MANAGEMENT DISCUSSION AND ANALYSIS BY THE
GROUP CHIEF EXECUTIVE OFFICER
(cont'd)

BUSINESS AT A GLANCE

Feedmill

We are the largest integrated producer of livestock feed in Malaysia and the third-largest in Indonesia and Vietnam[1]. We produce feed for grandparent stock, parent stock, broiler chicken, layer chicken, broiler duck, swine, quail, cattle, goat, aquatic animals and certain domestic pets. Our livestock feed has high nutritional value, tailored to the type of livestock and rearing stage. 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.

Growing market share[2]

10.5% in **Malaysia**

5.5% in **Indonesia**

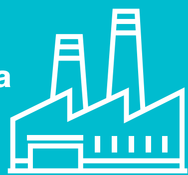
4.0% in **Vietnam**

...with an expanding South East Asia footprint

5 feedmills in **Malaysia**

5 feedmills in **Indonesia**

5 feedmills in **Vietnam**



***3,529,780** metric tonnes*
Total Group production capacity[3]

***2,321,900** metric tonnes*
Total Group sales volume of livestock feed[3]

RM2.65 billion
in revenue contribution[4]

Notes:

(1) By annual production output in 2017. Source: Frost & Sullivan.

(2) By annual production of livestock feed in 2017. Source: Frost & Sullivan.

(3) For the financial year ended 31 December 2019.

(4) Based on group revenue by product segment, as extracted from the audited financial statements of LHI for the financial year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER (cont'd)

Livestock Production

Our Livestock Business is vertically integrated and, in combination with our Feedmill Business, covers the entire poultry value chain. Our integrated "Farm-to-Plate" business model operations began in Malaysia, where our headquarters remain. Today, we have expanded and operate in four other faster-growing countries in South East Asia, namely Indonesia, Singapore, Vietnam and the Philippines.

As the biggest producer of day old chicks ("DOC") in Malaysia and the top three producers of DOC in Indonesia and Vietnam, we are among the market leaders for prime quality DOC including parent stock DOC, broiler DOC and layer DOC[(1)].

In Malaysia, Indonesia, Vietnam and Philippines, we produce and distribute broiler chickens for the consumption of our respective domestic markets. We also export broiler chickens from Malaysia into Singapore. In Malaysia, our table egg production is operated by our subsidiary, Teo Seng Capital Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

The slaughtering of poultry and food processing complement our livestock upstream business and adds value to our upstream live chicken production. "Ayam A1", "SunnyGold", "SAFA", "Ciki Wiki" and "Sobat" are some of the well-known brands that we carry for our food processing products like sausages, frankfurters, nuggets, chicken tempura, frozen seafood, frozen meat and marinated meat in Malaysia, Singapore and Indonesia.

Market leading position[(2)]

Largest integrated poultry producer in Malaysia

Top three integrated producers in Indonesia and Vietnam

Market Leader in poultry processing in Singapore

... with more than 240 poultry farms and hatcheries in

Malaysia

Indonesia

Vietnam

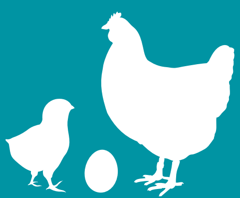
Philippines

Total Group sales volume[(3)]

471.96 million day old chicks

129.94 million broiler chickens

1,729.82 million table eggs



RM3.39 billion in revenue contribution[(4)]

Notes:

(1) Source: Independent market research report dated 10 April 2019 by Frost & Sullivan GIC Malaysia Sdn Bhd.

(2) Based on comparison with selected integrated poultry companies which are also publicly listed in 2017. Source: Frost & Sullivan.

(3) For the financial year ended 31 December 2019.

(4) Based on group revenue by product segment, as extracted from the audited financial statements of LHI for the financial year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER (cont'd)

In the financial year ended ("FYE") 31 December 2019, amidst the escalating US-China trade war and outbreak of the African swine flu in Asia, demand for chicken meat largely remained robust in our markets in Southeast Asia. During the year under review, despite considerable earnings volatility in our Malaysia and Indonesia operations, our Group continued to perform well in key emerging markets namely Vietnam and the Philippines.

In the FYE 31 December 2019, our Group posted a record revenue of RM6.1 billion, which represents an increase of 5.4% from the preceding financial year. During the year under review, our Group registered a lower profit attributable to owners of the company ("PATMI") of RM150.6 million, as compared to RM186.2 million in FYE 31 December 2018, owing to unfavourable poultry selling prices in our Indonesian and Malaysian operations.

Oversupply of broiler chickens in Indonesia had resulted in a slump in poultry selling prices in most parts of FYE 31 December 2019. Despite the aforementioned challenge, we grew our business in Indonesia, as we recorded higher sales volume for broiler DOC, broiler chickens and eggs, whilst the Feedmill segment saw stable volume growth. In the fourth quarter of 2019, government-enforced culling of hatching eggs provided a respite to poultry selling prices in Indonesia and the poultry industry in Indonesia as a whole experienced a positive boost from this coordinated regulatory action.

In Malaysia, while private consumption had remained resilient, overall economic activities was weighed down by softer-than-expected investment growth and a slower growth in export demand amidst trade tensions. Although our Malaysian operations saw continuous volume growth during the year under review, profitability was significantly affected due to depressed average selling prices of broiler DOC and broiler chickens, particularly in the second quarter and fourth quarter of 2019, due to oversupply and unpredictable weather pattern which brought about generally cooler temperatures. Nevertheless, the said impact was mitigated by higher contributions from stable egg prices during the year, coupled with growth in egg production as well as efficient and effective cost control. Lower commodities prices as a result of the US-China trade war had also contributed to lower production cost for our Livestock business.

Vietnam's economy grew by 6.8% in 2019, buoyed by robust domestic demand and increase in exports, manufacturing activities and foreign investments. The country experienced a net positive effect from the US-China trade war which gave a boost to the nation's profile as a manufacturing and export powerhouse, and as a result increased its consumers' purchasing power. Despite the African swine flu which persisted in Vietnam during the year, Vietnam operations achieved a remarkable result, led by the Feedmill segment which benefitted from strong volume growth. Ramp up of feed production was possible following the commencement of Dong Nai feedmill in January 2019. Vietnam's Livestock segment also reported better performance, as average selling prices for broiler DOC and broiler chickens improved during the year under review as African swine flu caused consumers to switch to chicken meat as their alternative source of protein.

In Singapore, we recorded lower EBITDA contribution in FYE 31 December 2019. This was due mainly to the divestment of a subsidiary, Jordon International Food Processing Pte. Ltd. on 30 June 2018. The said divestment was in line with our Group's focus to be a pure-play integrated poultry operator.

Meanwhile, our Philippines operations, which was established in 2015, continue to record promising growth amidst resiliency of the economy's domestic consumption. Its broiler DOC sales volume grew by 34% in FYE 31 December 2019 while broiler chickens production rose 18% as compared to the preceding year.

Despite the market challenges, our Group's financial position remain strong and healthy. As at 31 December 2019, our Group's balance sheet had strengthened with net assets per share attributable to ordinary equity holders rising to RM0.45 from RM0.38 a year ago, representing an increase of RM0.07 or 18.4%; while the Group's net gearing ratio stood at 0.8 times, an improvement from 1.1 times recorded in the preceding financial year.

CAPITAL EXPENDITURE AND STRUCTURE

Our Group capital expenditure ("capex") is driven by our focus to meet the increasing demand for meat protein within our footprints in Southeast Asia. Hence, our ongoing expansion and capex projects are intended to allow us to meet such demand.

Our Group incurred a total of RM400.2 million for capex in FYE 31 December 2019, mainly for the construction of new feedmill plants including warehouse, as well as upgrading of existing farm facilities and equipment. Geographically, 47.3%, 28.3%, 4.3%, 11.5% and 8.6% of our Group's capex was incurred in Malaysia, Indonesia, Singapore, Vietnam and the Philippines, respectively. The source of financing for the capex was mainly from bank borrowings, IPO proceeds and internally-generated funds.

RISKS AND MITIGATING MEASURES

Biosecurity and Disease Control

Outbreaks of livestock diseases at our poultry farms or facilities could significantly restrict our ability to conduct our operations. Avian Influenza such as H5N1 and H7N9 is highly contagious among birds and can cause sickness or death of domesticated birds, including chickens, geese, ducks and turkeys.

MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER (cont'd)

In the event that disease afflict our livestock, it will have an adverse impact on our productivity and mortality of our livestock, which would then have an adverse effect on the revenue and profitability of our Group. Recognising the importance of this risk, the management team carries out several preventive actions to mitigate the risk. We have implemented measures to mitigate this risk with stringent biosecurity control at our poultry farms. Our chicken farms are mainly closed house farming system to minimize the impact of disease transmission through open air. Additionally, we also have dedicated veterinarians for our livestock farms to ensure our livestocks are healthy.

Selling Price Volatility

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

The changes in demand and supply conditions are primarily due to the seasonal factors such as weather, festive seasons and school holidays. 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.

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 fluctuations. We minimize our exposure through vigilance and close monitoring of prevailing market prices and we remain focused on our cost optimization strategy.

Succession Planning

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.

We believe we offer attractive terms of employment including an Employee Share Option Scheme ("ESOS"), which is crucial for our Group to attract and retain qualified personnel. In addition, our Group views proactive succession planning as a strategic importance to ensure long term continuity of business and operations. We continue to recruit more professional staff and to retain them for dedicated needs in our organisation.

OUTLOOK

Despite a promising start to the year 2020, with a string of positive developments from the trade front following the signing of the phase one US-China trade deal that lifted investors' sentiment, as well as initial expectation that the improved trade outlook will continue to generate continuous income growth and employment, we had towards the end of January 2020 witnessed the new decade's first black swan event in the outbreak of the novel coronavirus in Wuhan, China ("Covid-19").

The adverse impact of the Covid-19 pandemic has been felt across the world, affecting commodity prices as well as sectors like tourism (hotels and airlines), retail, entertainment and the food and beverage businesses. Further, geopolitical instability and disagreement amongst the OPEC+ alliance bloc on oil output cuts in March 2020 had triggered a rout in equity markets and collapse in oil price. The abovementioned events cast significant uncertainty to economies worldwide – denting travel and economic activity across the globe, damaging business and consumer confidence as well as leading unemployment rates higher. As a result, economic recession is expected in 2020 and the International Monetary Fund had in its World Economic Outlook published in April 2020, forecasted a global growth of -3%, while predicting a contraction of 1.7% and 0.6% for Malaysia and the ASEAN-5's gross domestic product (GDP), respectively, in 2020, before rebounding in 2021, depending on the severity and length of the Covid-19 pandemic.

On the other hand, the US Dollar has strengthened against a basket of major Asian currencies, as investors turned to safe-haven assets. In ASEAN (including Malaysia, Philippines, Vietnam and Indonesia in which our businesses operate), the majority of raw materials for producing poultry feed, such as corn, wheat and soybean meal are imported from the US and Latin American countries, using the US Dollar as the functional currency. While the strength of the US dollar is expected to exert some pressure on our margins, our Group expects commodity prices to dampened in the near to medium term, as a result of the recessionary pressures from the Covid-19 outbreak and global oil price cuts.

To counter with the cutback on economic activities which trickles down to lower consumption, a combination of further easing of monetary policy by central banks as well as aggressive fiscal stimulus packages by governments around the world are expected to prop up demand and ensure private consumption-driven economies where we operate in, will continue to remain robust. Therefore, we expect conditions in the poultry industry will remain satisfactory.

Our Group will sharpen our focus on execution plans as we continue grow market share in our footprints. Our steadfast focus will remain in our cost optimisation agenda. Combined with our scale, incremental savings from such cost control efforts will protect our margins and enhance our bottom line. This is crucial given the volatile price environment. Implementation of our strategic plans, as set out below, will be underpinned by strong corporate governance standards and continued deployment of technology throughout our operations.

MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER (cont'd)

In Malaysia and Singapore – both of which being the developed markets of our Group – continued drive towards downstream expansion will be a key strategic focus for the year. In Malaysia, riding on the growing popularity of quick-service restaurants ("QSR"), our Group will continue to roll out The Baker's Cottage outlets in its refreshed format. Of particular focus will be the sales of its popular roast chicken and other related fast food products. Our Group intends to expand in secondary townships in West Peninsular Malaysia, with a particular focus on emerging M40 group of consumers and families. In Singapore, we will be offering more customized and diversified products to customers. Currently, our Singapore operations supply several popular ready-to-eat ("RTE") and ready-to-cook ("RTC") products to several major convenience store and supermarket chains. We intend to expand our product range and further our RTE and RTC footprint within the city state.

The financial year under review has been an exceptional year for our Feedmill business, most notably in Vietnam where we are increasing market share at an encouraging pace. To leverage on Vietnam's strength in feed products and its sales and distribution channels, we are now moving into higher margin, premium feed products. This move is also expected to benefit the Livestock segment, as we step up our bundling efforts of cross-selling our DOC in Vietnam and Cambodia. Our Vietnam operation is also aggressively extending our range of feed offered, such as goat and cattle feeds in FYE 31 December 2019, and aquatic feed in FYE 31 December 2020. Underpinned by healthy demand for our quality feed, we will continue to strengthen our position as one of the market-leading integrated poultry operators in Vietnam.

Over in Indonesia, government-enforced culling is seen to be on a more aggressive mode in FYE 31 December 2020, to curb oversupply. Nationally, the culling activities have resulted in a more stable poultry selling prices. As such, over the medium term, this is expected to be positive for the industry while the economy continues to grow. Our Indonesia operation will similarly capitalize on its market position by introducing more range of feed products, while we continue to increase feed volume by expanding market reach within the country.

DIVIDEND POLICY

We have a target payout ratio of 30.0% of our PATMI of each fiscal year on a consolidated basis after taking into account reinvestment opportunities for further expansion in our businesses. Our Board had declared an interim single tier dividend of 1.60 sen per ordinary share for FYE 31 December 2019, which was paid on 30 September 2019.

SUSTAINABILITY **STATEMENT**

The Board of Directors of Leong Hup International Berhad proudly presents this inaugural Sustainability Statement on the sustainability of the businesses of LHI and its subsidiaries.

SUSTAINABILITY **STATEMENT**
(cont'd)

The Board of Directors ("Board") of Leong Hup International Berhad ("LHI") proudly presents this inaugural Sustainability Statement ("Statement") on the sustainability of the businesses of LHI and its subsidiaries (the "Group").

Our Board recognises the importance of conducting business responsibly with due considerations given not only to our Group's financial performance but also the economic, environmental and social ("EES") aspects of business sustainability, optimising value for shareholders as well as stakeholders.

This Statement is prepared in accordance with Paragraph 29, Part A of Appendix 9C and Practice Note 9 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and has also considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits published by Bursa Securities.

GOVERNANCE STRUCTURE FOR SUSTAINABILITY

We place emphasis on business sustainability and have embedded accountability for business sustainability in our governance structure. Our Board holds ultimate responsibility in ensuring our Group's strategy supports long-term value creation and includes strategies on EES considerations.

Our Group Chief Executive Officer ("Group CEO") brings leadership to the implementation of sustainability strategies approved by our Board, which has been put in place to identify, assess, manage and report our Group's material sustainability matters. The Executive Committee, comprising heads of business of our Group's domestic and overseas operations, is led by our Group CEO to ensure that our Group's sustainability processes are effectively carried out. It is also the responsibility of the Executive Committee to ensure our Group has undertaken effective and appropriate engagement with its stakeholders, including ensuring grievance mechanisms are in place to enable stakeholder views and concerns be raised and considered in the conduct of our Group's businesses.

SCOPE

The scope of this Statement includes our Group's key business segments, namely Feedmill and Livestock operations in Malaysia, Singapore, Indonesia, Vietnam and Philippines. Our Group's business operations in these countries are generally summarised as follows:

Business Operations	Malaysia	Indonesia	Singapore	Vietnam	Philippines
Feedmill	✓	✓	-	✓	-
Livestock :					
- Breeder	✓	✓	✓	✓	✓
- Layer	✓	✓	-	✓	-
- Broiler	✓	✓	✓	✓	✓
- Food Processing Production ("FPP")	✓	✓	✓	-	-

MATERIALITY ASSESSMENT AND MATERIAL SUSTAINABILITY MATTERS

Guided by the Listing Requirements, we define material sustainability matters as those which:

- reflect our Group's significant EES impacts; or
- substantively influence the assessments and decisions of stakeholders.

We had engaged an external consultant to facilitate the determination of our Group's material sustainability matters. The materiality process is guided by the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits and has considered international best practices such as the Global Reporting Initiative Standards ("GRI standards"). The assessment was performed by senior leaders of our business operations, including the Executive Committee and their delegates, and has taken into consideration the views and concerns of our stakeholders, such as government agencies, regulators, customers and end-consumers, employees, local community, suppliers and investors, to name a few.

The materiality assessment process has identified the following material sustainability matters for our Group:

- Food Safety and Quality Control
- Biosecurity
- Waste Management
- Employee and Talent Development
- Occupational Safety and Health

Food Safety and Quality Control

As a provider of food source, ensuring the safety of food products has always been a critical focus of our Group's business in delivering accountability to public safety where food consumption is concerned. Food Safety and Quality Control is important to our Livestock business, which includes egg production, farming of broiler chickens and FPP operation which produces food for human consumption, as well as our Feedmill business which produces livestock feed.

Management practices and standards adopted by our Group takes into account various considerations including local laws and regulations, international standards, market demand, as well as existing industrial practices in ensuring the safety and quality of food products.

Food safety controls including risk assessment, hazard analysis, traceability procedures, hygiene controls, etc., are established in our operations to ensure systematic management of food safety. A number of our Group's feedmills, egg production and FPP operations across the region adopt international standards such as ISO 9001 Quality Management System ("ISO 9001"), ISO 22000 Food Safety Management System ("ISO 22000") or FSSC 22000 Food Safety System Certification ("FSSC 22000").

SUSTAINABILITY **STATEMENT** (cont'd)

	Malaysia	Indonesia	Singapore	Vietnam	Philippines
Feedmill	• ISO 22000 • HACCP	• ISO 9001 • ISO 22000 • HACCP • GMP	NA[1]	Medicine & Vitamin Plant • GMP Feedmill Plant • ISO 9001 • ISO 22000 • HACCP	NA[1]
Livestock	Layer Farms • MyGAP Layer Grading Stations • ISO 22000 • HACCP • GMP FPP • Halal • ISO 9001 • HACCP	FPP • Halal • ISO 9001 • ISO 22000 • HACCP • GMP	FPP • Halal • FSSC 22000[2]	-	-

Notes:
1) NA means not applicable.
2) FSSC 22000 covers both ISO 22000 and HACCP.

Most of our Group's feedmills, egg production facilities and FPP operations across Malaysia, Indonesia, Singapore and Vietnam have obtained certification such as ISO 9001, ISO 22000 or FSSC 22000, save for a medicine and vitamin plant in Vietnam which operates in accordance with World Health Organisation's Good Manufacturing Practices ("GMP") and Vietnamese law and regulations pertaining to manufacturing of veterinary drugs. In addition, our layer farms and a number of our broiler chicken farms in Malaysia have obtained the Malaysian Good Agricultural Practices ("MyGAP") certification by the Department of Veterinary Services of Malaysia.

Aside from the medicine and vitamin plant in Vietnam, a number of our key operations have also obtained Hazard Analysis and Critical Control Points ("HACCP") certification, which ensures safety controls are in place, managed, and are functioning effectively in order to manage the safety hazards identified via a systematic analysis of the operations.

In order to maintain the ISO 9001, ISO 22000 and FSSC 22000 certifications, independent surveillance audits are conducted on an annual basis, and independent recertification audits are conducted once every three years to renew the certifications.

In a nutshell, by adopting these quality or food safety standards and certifications, we ensure that food safety and quality standards are clearly set out, communicated and complied with throughout our operations.

SUSTAINABILITY **STATEMENT** (cont'd)

As at 31 December 2019, our Group's broiler operations, located in Malaysia, Indonesia, Vietnam and the Philippines, are supported by more than 750 contract farmers licenced by relevant local authorities to accommodate the size of market demand in these markets. In this regard, we ensure food safety and quality by conducting frequent visits to these contract farms. Any identified practice, or non-adoption of necessary practices, which jeopardises hygiene, safety and quality of meat produce will be highlighted to contract farmers for remedial actions to be undertaken, failing which the business partnership will be reassessed and terminated where necessary.

In forming business partnerships with contract farmers, we are also guided by strict selection criteria, with due consideration given to, among others, the experience, track record, and existing practices adopted by the contract farmers.

Halal Certification

Serving markets with a majority of Muslim consumers, e.g. Malaysia and Indonesia, it is crucial for our products to be halal-certified to ensure the Muslim consumer base is served. We offer halal-certified poultry products across our consumer markets in Malaysia, Singapore and Indonesia, and adheres to halal-procedures across our relevant FPP and downstream operations.

Trainings

Given the complexity of our Group's operating structure, it is important for our employees to have comprehensive knowledge with regards to the processes and practices in place for the purpose of food safety and quality management controls. Hence, we are committed to invest in trainings for employees on subject matters such as the ISO standards, HACCP, GMP, food handling and safety, etc. Relevant employees in our Feedmill and Livestock operations receive trainings on food safety and quality control provided by our Group at least on an annual basis.

Apart from internal controls and assurances, we also have in place formal and informal channels to enable concerns or complaints to be raised for the attention of our Group.

For the financial year under review, there were no product recall or incidents recorded in relation to our Group's products.

Biosecurity

We manage different classes of livestock like grandparent stocks, parent stocks, broiler chickens and layers. It is thus important to keep the flocks healthy and prevent infectious diseases. We adopt stringent biosecurity measures in ensuring the flocks are protected from these diseases. Biosecurity measures are also implemented at feedmills as trucks transporting feed to farms can be a carrier of microorganisms.

All farms managed by our Group are equipped with vehicle disinfectant spray and wheel dips to minimise the risk of bringing disease carrying microorganisms into farms. We subject persons entering our farms to a thorough sanitisation process prior to entry to mitigate the risks of any disease being brought into our farms. Similarly, it is mandatory for visitors to use rubber boots and overalls provided by the farms and use the foot dips with disinfectant before entering production areas. Pest control measures are undertaken to deter pests such as wild birds and rodents from entering farming compounds as they can be a potential source of diseases. Traps are also set up to capture and eliminate pests found within the farming and feedmill compounds.

SUSTAINABILITY STATEMENT (cont'd)

We also actively manage the health of our flocks of live birds, by employing qualified veterinarians to manage and monitor the nutrition programs and through regular health monitoring of the flocks. Our in-house qualified veterinarians regularly visit and engage with contract farms to ensure consistent farming practices are applied.

We recognise the benefits of adopting closed-house systems ("CHS") for flock management, enabling better control over the biosecurity and climate factors such as temperature, humidity, light and airflow, which affect both the growth and health of poultry, thereby offering improved levels of biosecurity. We run our farms on an "all-in-all-out" cyclical basis, with each farm being "offline" for approximately two weeks, prior to subsequent batch of day-old-chicks' entry into the farmhouse. This decreases the likelihood of diseases spreading and allows us to sanitise the farms when they are "offline". As at 31 December 2019, approximately 98% of our Group's flocks are managed in CHS.

We place great importance on monitoring of flocks in each of our farms. Mortality and growth rates are routinely monitored by qualified veterinarians and benchmarked against industry standards to identify any systemic or one-off issues. In addition, our veterinarians conduct pre- and post-mortem inspections at our farms and slaughtering plants, respectively.

As for our Feedmill operations, similar measures have also been deployed, including disinfection spraying for trucks and pest control measures. In addition, our medicine and vitamin plants are also supported by veterinarians in the formulation of nutrition and disease-control components and composition in our livestock feed.

Waste Management

We practise responsible waste management across our operations in protecting the environment. We aim to conduct business with as little impact to the environment as possible.

Hazardous Waste

We have put in place strict policies on handling and disposal of hazardous waste in accordance with local laws and regulations. Employees are provided with safety guidelines with regard to hazardous waste handling to protect their wellbeing as well as the environment.

Across our Group's operations in Malaysia, Indonesia, Vietnam, Singapore and Philippines, qualified contractors with valid licences in handling hazardous waste are contracted to safely dispose hazardous waste generated by our operations. Where required by local laws and/ or regulations, we ensure that our waste management contractors have obtained the necessary pre-approval by relevant authorities to perform such services.

Hazardous waste is largely generated from the Feedmill operations including medicine and vitamin plants. Examples of hazardous waste includes liquid chemicals such as various types of acids and alkalis, used oils, coal waste, palm oil shell waste, etc.

SUSTAINABILITY **STATEMENT**
(cont'd)

Where possible, we endeavour to take further steps to generate value from some hazardous waste. For example, in our Vietnam medicine and vitamin plant, we have contracted qualified contractors to clean plastic containers, which had been previously used to contain hazardous chemicals, in accordance with procedures permissible by local laws and regulations. The cleaned plastic containers are non-hazardous, safe for re-use and are sold to generate income for the business.

Hazardous waste generated from other business segments are also disposed of in accordance with local laws and regulations.

Non-Hazardous Waste

Chicken manure is rich in nitrogen, phosphorus and potassium, and is a great form of fertiliser. Manure generated from our operations is treated differently depending on local practices and it can be sold or donated to local community or small businesses. The management of chicken manure goes beyond a business requirement to dispose the by-product, but also to reduce nuisance such as odour problems in the surrounding community. One of the effective ways to manage this is to manage flocks in CHS, which we have been aggressively implementing over the last several years. In addition, we have also invested in the upgrading of facilities for increased capacity for handling manure such as installation of manure belts in layer houses in Malaysia.

Non-hazardous waste generated from Feedmill operation such as packaging materials and raw material waste, such as corn, soy and wheat hull are mainly sold for recycling or used for other purposes. As for broiler chicken slaughtering operations, the main types of waste generated include chicken blood, chicken/ duck feathers and chicken/ duck inner parts. Where demand is present, some of the waste are sold or donated to the community, while the rest are disposed of accordingly. On the other hand, waste generated from FPP operations includes a mixture of food waste, such as sludge, frying oil, bones, and is not suitable for re-use or recycle. Therefore, most of this waste is disposed in accordance with local laws and regulations.

We have in place systems to properly manage and treat waste water from our operations prior to disposal into the public water system. Generally, all waste water is treated to remove large particles, harmful chemical and biological substance which will affect the quality of public water system. Waste water treatment is commonly managed via on-site water treatment plants, which may include septic tanks, retention ponds, while the treatment process in some operations, such as those based in Singapore, are managed by service providers at a fee.

We undertake continuous effort to monitor our waste management systems and practices in being responsible to the environment and public while optimising business value at the same time.

For the financial year under review, we did not receive any significant complaint regarding improper handling or disposal of waste generated by our operations.

Occupational Safety and Health

The safety and health of our employees are among the key emphases in ensuring we continue to operate as a responsible business. The work of employees in the Feedmill and Livestock operations which may pose health and safety risks include the following:

- operating high temperature equipment, e.g. boilers;
- handling of chemicals, e.g. pesticides, disinfectant, acids and alkalis;
- operating transportation equipment, e.g. forklift and trucks;
- working with machinery or dangerous tools, e.g. in slaughterhouse;
- exposure to hazardous gases, e.g. ammonia, methane, pesticides and disinfectant; and
- exposure to zoonotic disease transmission mediums, e.g. bacteria, viruses and parasites from handling of raw meat.

Throughout our operations, standard operating procedures governing workplace safety and health procedures had been developed and implemented to ensure employees perform their work according to procedures which minimises their exposure to health and safety risks and prevent physical, chemical or biological harm.

We regularly check and maintain our equipment and machinery to ensure they are in safe working condition. In addition, maintenance schedules are developed for machinery and equipment which poses greater health and safety risk to employees such as boilers used in Feedmill operations. Safeguards and controls are also put in place to minimise, where possible, human contact with moving parts of machinery or equipment in order to reduce risks of injuries.

Where handling of chemicals is required, employees are guided by our Group's policies and procedures for chemical handling. Furthermore, chemicals used in the business operations are only handled by qualified personnel who are trained in the handling and managing of such chemicals.

To reduce the concentration of hazardous gases in the working environment, our CHS farms ensure that the facilities are well-ventilated and hazardous gas concentration are monitored to ensure a safe level of exposure is maintained. We provide appropriate personal protective equipment ("PPE") to all employees exposed to high-risk work hazards. For example, gloves are provided to employees working with sharp tools and handling chicken bones to prevent cuts and infections arising from cuts. Gloves and masks are also provided to employees operating in farms and those handling live birds and raw meat, such as in broiler chickens, slaughter houses and FPP operations.

We are of the view that aside from PPE and having established procedures and policies in place to guide safe and healthy practices, safety and health education and training is also essential for employees. This will enable them to understand the safety and health risks they are exposed to at the work environment and how to manage these risks. For the financial year under review, trainings provided to employees include, but are not limited to the following subjects:

SUSTAINABILITY **STATEMENT**
(cont'd)

- occupational safety and health management systems;
- first aid;
- use of PPE;
- responding to natural disasters;
- fire and firefighting scenarios;
- working with machines, e.g. greasing, belt transmissions, etc.;
- hazardous materials and hazardous waste in workplace;
- boiler safety; and
- forklift operations.

In order to facilitate more effective management of occupational safety and health across our operations, we are undertaking measures to standardise the process for reporting of accidents and cases of injury across our operations. For the financial year under review, there was no reported fatality.

Employee and Talent Development

We believe that even the highest standards of business policies and processes will require the combined effort of people with the necessary skills and talent to deliver optimal performance. We view talent and skills in our workforce as vital assets that need to be developed and enhanced on an ongoing basis.

Our Group provides trainings for our employees based on training need analysis conducted during engagements with employees such as performance appraisal sessions. The various categories of trainings include, but not limited to, the following:

- compliance-related trainings – where participants are trained on relevant laws, regulations, best practices, international standards;
- safety and health issues relating to business operations;
- environmental issues relating to business operations;
- skills and techniques required in business operations;
- awareness session on ethical business and work practices; and
- leadership workshops for management and executives.

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SUSTAINABILITY STATEMENT (cont'd)

In FYE 31 December 2019, we provided trainings on the following subjects to our employees:

Management trainings	• Leadership training (for advancement to management position) • Management training on workload analysis
Management systems, international standards, certifications and practices	• Effective ISO audit • ISO 9001:2015 and 2018 Quality Management System • ISO 22000 Food Safety Management System • Risk management • Halal certification • Good Manufacturing Practices
Business operations, processes and general practices	• Slaughtering skills • Forklift operating • Generic manufacturing skills • Inventory management, planning and control • Planning and budgeting • Credit management and debt collection • Taxation and accounting • Human resources skill • Food safety • Work etiquette • Work hygiene
Employee personal development skills and knowledge	• Computer skills • Interpersonal communication • Teamwork training

Workforce Diversity

We are supportive of diversity and inclusion in promoting the principles of meritocracy in our employment practices. We do not practise discrimination in our employment practices and endeavours to practise meritocracy-based assessment of our employees and prospective candidates.

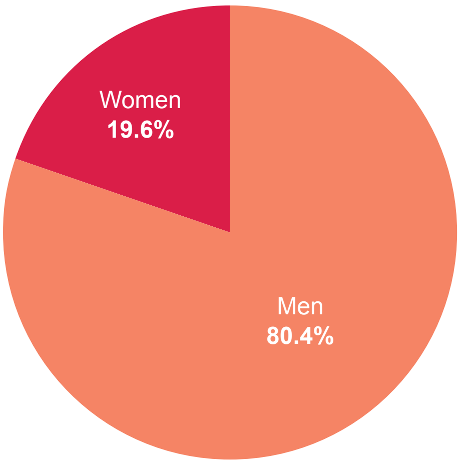
A summary of our Group's workforce diversity indicators for the financial year under review is as follows:

SUSTAINABILITY STATEMENT (cont'd)

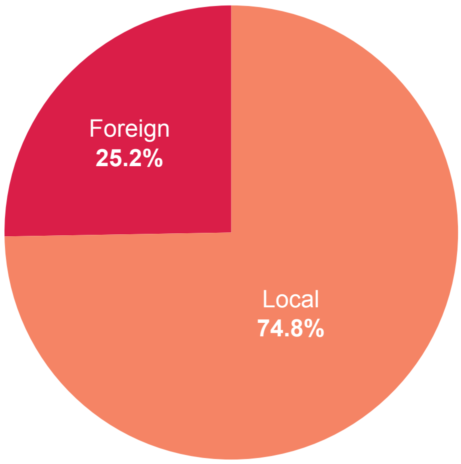
FYE 31 December 2019

	Malaysia		Indonesia		Vietnam		Singapore		Philippines		Group Total	
Gender		%		%		%		%		%		%
Men	3,719	82.2%	3,011	84.2%	1,109	68.4%	612	73.8%	190	94.1%	**8,641**	**80.4%**
Women	803	17.8%	565	15.8%	513	31.6%	217	26.2%	12	5.9%	**2,110**	**19.6%**
Nationality												
Local	2,351	52.0%	3,561	99.6%	1,566	96.5%	365	44.0%	195	96.5%	**8,038**	**74.8%**
Foreign	2,171	48.0%	15	0.4%	56	3.5%	464	56.0%	7	3.5%	**2,713**	**25.2%**
Age Group												
Below 30 years old	2,151	47.6%	1,408	39.4%	730	45.0%	205	24.7%	108	53.5%	**4,602**	**42.8%**
Between 30 and 50 years old	2,020	44.7%	1,987	55.5%	819	50.5%	409	49.3%	90	44.5%	**5,325**	**49.5%**
Above 50 years old	351	7.7%	181	5.1%	73	4.5%	215	25.9%	4	2.0%	**824**	**7.7%**
Total Employees	**4,522**	**100%**	**3,576**	**100%**	**1,622**	**100%**	**829**	**100%**	**202**	**100%**	**10,751**	**100%**

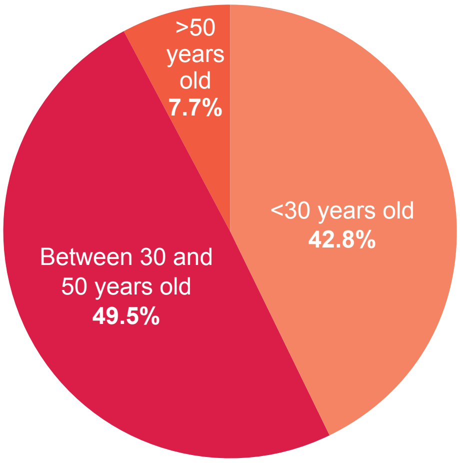
Gender



Nationality



Age Group



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Leong Hup International Berhad ("LHI" or the "Company") is committed to ensuring that good corporate governance is practised throughout the Company and its subsidiaries (the "Group") with the ultimate objective of achieving good financial performance in order to fuel long term sustainable growth and thereby, enhancing shareholders' value. The Board is continuously working towards the principles and practices set out in the Malaysian Code on Corporate Governance ("MCCG") pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Although the Company was listed on the Main Market of Bursa Securities on 16 May 2019, the Board nevertheless wishes to present this statement to its shareholders and stakeholders with an overview of the Company's application of MCCG practices during the financial year ended ("FYE") 31 December 2019.

The detailed application for each best practice as set out in the MCCG during the FYE 31 December 2019 is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's corporate website: https://www.leonghupinternational.com/ as well as the website of Bursa Securities.

The Company has generally applied all the best practices espoused by the MCCG during the FYE 31 December 2019, except for the following which were still being established during the financial year:-

- Practice 4.1 (Having a majority of independent directors on the board);
- Practice 5.1 (Engaging independent experts to conduct board evaluation);
- Practice 6.1 (Having policies and procedures on remuneration of Directors and senior management);
- Practice 11.2 (Adoption of Integrated Reporting);
- Practice 12.1 (Serving 28 days' notice for an Annual General Meeting); and
- Practice 12.2 (All Directors to attend general meeting).

The Company will continue its drive to incorporate good corporate governance practices and to this end, endeavours to look into the application of the abovementioned best practices.

In addition, the Company has applied Step Up 8.4 (establishment of a wholly independent Audit Committee) which is aspirational in nature and voluntary in implementation.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

Roles and Responsibilities of the Board

The Board assumes full responsibilities for the overall performance of the Group by setting the policies, establishing goals and monitoring the achievement of the goals through strategic action plans and careful stewardship of the Group's assets and resources.

The Board meets regularly to review corporate strategies, operations and performance of business segments within the Group. To ensure the effective discharge of its functions and duties, the Board has delegated certain responsibilities to the Board Committees namely, Audit and Risk Committee ("ARC"), Nomination Committee ("NC") and Remuneration Committee ("RC") in carrying out its stewardship. All Board Committees have clearly defined terms of reference and they are actively engaged to ensure that the Group is in adherence with good corporate governance. The Chairman of each Board Committee reports the meeting outcomes and findings to the Board to keep the Board informed and updated on the key matters being deliberated by the Board Committees.

The principal duties and responsibilities assumed by the Board include:

a. Cultivate good corporate governance within the Group and ensure regulatory compliance

The Board remains committed to achieving the highest standards of corporate governance and integrity not only to comply with regulatory compliance but also to enhance value to shareholders and other stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

Roles and Responsibilities of the Board (cont'd)

b. Reviewing and adopting a strategic business plan, budget and financial performance for the Group

The Board plays an important and active role in the development of the Company's strategies. Management will recommend strategies and proposed business plans for the coming year to the Board at a dedicated session. The Board will then evaluate the Management's recommendations, views and assumptions, while taking into consideration the perspectives of all relevant parties before making a decision.

c. Supervision and assessment of management's performance to evaluate whether the businesses are being properly managed

The Board monitors the implementation of business plans by Management and assesses the performance of Management under the leadership of the Group Chief Executive Officer ("Group CEO"). The Board is also continuously informed of key strategic initiatives, significant operational issues and the Group's operational and financial performance.

d. Review of the adequacy and integrity of the Group's internal control system

The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. It covers both operational and financial areas.

e. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks

The Board oversees the Enterprise Risk Management ("ERM") framework of the Group through the Management.

Details of the ERM framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

f. Succession planning includes appointment, training, retaining, fixing of compensation and replacement of Group CEO, Executive Directors and Key Senior Management ("KSM")

The Board delegates the succession planning of the Group CEO, Executive Directors and KSM to the NC. The NC is responsible for reviewing and assessing candidates for the aforesaid positions. A fair remuneration package is critical to attract, retain and motivate the Group CEO, Executive Directors and KSM. As such, the RC is tasked to recommend the remuneration packages for these appointments.

g. Developing and implementing an investor relations programme and shareholders communications policy for the Group

The Board has established an Investor Relations Policy which governs the dissemination of information to shareholders in a fair, transparent and timely manner. The Investor Relations Policy is available on the Company's website at www.leonghupinternational.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

Separation of Position of Chairman and Group CEO

The positions of the Chairman and Group CEO are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of the Company to ensure a balance of power and authority between the Chairman and Group CEO. Mr Lau Chia Nguang is the Chairman of the Board ("Chairman") while the Group CEO position is held by Tan Sri Lau Tuang Nguang.

The Chairman helms by providing leadership and guidance to the Board in meeting corporate goals and manages the processes in ensuring the Board effectively discharges its duties.

The key roles of the Chairman, among others, are as follows:

i. Ensure that the Board functions effectively, cohesively and independently of Management;
ii. Provide governance in matters requiring corporate justice and integrity;
iii. Lead the Board, including presiding over Board Meetings and directing Board discussions to effectively address critical issues within the available time frame;
iv. Promote constructive and respectful relationship between Board members and Management; and
v. Ensure effectiveness in communication between the Company and/or the Group, shareholders and other stakeholders.

The Group CEO is responsible for the day-to-day management of the Company's businesses, organisational effectiveness and implementation of Board strategies, policies and decisions. The delegation structure from the Board to Group CEO is further cascaded to the KSM. Both Group CEO and KSM remain accountable to the Board for the delegated authorities. The responsibilities of the Group CEO in general, are as follows:

i. Develop the strategic directions of the Group;
ii. Ensure the businesses of the Group are properly and efficiently managed by the KSM, who implements the strategies and policies that are adopted by the Board;
iii. Ensure the objectives and standard of performance are understood by employees;
iv. Ensure that the operational planning and control systems are in place;
v. Monitor performance results against planned budget or key performance metrics; and
vi. Take appropriate remedial actions when necessary.

By virtue of the position, the Group CEO as a Board member, also acts as the intermediary between the Board and the KSM.

Qualified and Competent Company Secretaries

The Board are supported by four (4) suitably qualified and competent Company Secretaries who are qualified to act as Company Secretaries under Section 235 of the Companies Act 2016. They are either the member of The Malaysian Institute of Accountants (MIA) or members of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretaries play an advisory role to the Board, particularly with regard to the Company's Constitution, Board policies and procedures and its compliance with the relevant statutory and regulatory requirements and corporate governance matters.

The Company Secretaries attend all Board and Board Committees meetings and ensure the meetings are properly convened and all deliberations and decisions made by the Board are accurately minuted, recorded and kept. The Company Secretaries continuously attend relevant development and training programmes to keep themselves abreast with the regulatory changes and corporate governance development.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. BOARD RESPONSIBILITIES (CONT'D)

Access to Information and Advice

The Board has unrestricted access to all information within the Group from the respective Management at all times and may seek advice from the Management if necessary. The Board is constantly kept informed of various requirements and updates issued by various regulatory authorities. In addition, the Board may obtain independent professional advice in furtherance of their duties whenever necessary at the Company's expense through an agreed procedure.

Board members are provided with updates on operational, financial and corporate issues from time to time. The agenda and reports encompassing qualitative and quantitative information are furnished to the Board members prior to the meetings to enable Directors to have sufficient time to peruse the papers for effective discussion and decision making during the meetings and obtain further explanation/clarification if required. Board members shall receive the relevant board papers at least five (5) days before the Board meetings whilst highly sensitive corporate proposals are circulated during the meeting. KSM who provides additional information or clarification shall be invited to brief the Board. The meeting proceedings shall be minuted and distributed to the Board members on a timely manner and tabled for confirmation in the subsequent meeting.

Board Charter

The Company's Board Charter is a primary document, which clearly sets out the roles and responsibilities of the Board and Board Committees, Chairman and Group CEO, the Executive and Non-Executive Directors, taking into consideration all applicable laws, rules and regulations as well as best practises. It serves as a reference and primary induction literature in providing Board members and Management insight into the function of the Board. The Board Charter also outlines the roles and responsibilities of the Board, the balance and composition of the Board, the authority of the Board and the schedule of matters reserved for the Board. It includes matters pertaining to the establishment of Board Committees, processes and procedures for convening Board and Board Committees meetings, the Board's assessment and review of its performance, compliance with ethical standards, the Board's access to information and advice, and declarations of conflict of interest.

The Board Charter shall be reviewed by the Board periodically to ensure that it remains consistent with the Board's objectives and current laws and practices. The Board Charter was adopted by the Board on 10 April 2019 and is available on the Company's website at www.leonghupinternational.com.

Code of Ethics

The Board has formalised a Directors' Code of Ethics, setting out the standards of conduct expected from Directors. The Directors' Code of Ethics aims to protect the interests of all shareholders and stakeholders. Directors are expected to act in good faith and in the best interest of the Company and exercise due diligence when discharging their duties as Director. The Directors' Code of Ethics is available on the Company's website at www.leonghupinternational.com.

Whistleblowing Policy

Whistleblowing Policy was established during the year and is administered by the ARC. The Group's employees and other stakeholders, including customers and suppliers, are encouraged to voice their grievances and raise their concerns of any unlawful, unethical situation or suspected misconduct directly to the ARC, on a dedicated channel of reporting as set out in the Whistleblowing Policy. The Company's Whistleblowing Policy is available on the Company's website at www.leonghupinternational.com.

The Board emphasises good faith in reporting, with assurance to the employees and other stakeholders that they will not be at risk of any form of victimisation, retribution or retaliation. Any attempt to retaliate, victimise or intimidate against any whistleblower is a serious violation and shall be dealt with serious disciplinary action and procedures.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**
(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION

The Board currently consists of thirteen (13) members comprising one (1) Non-Independent Executive Chairman, five (5) Non-Independent Executive Directors, one (1) Non-Independent Non-Executive Director, one (1) Senior Independent Non-Executive Director and five (5) Independent Non-Executive Directors. The Board considers that its current size is commensurate with the present scope and scale of the Group's business operations. The composition of the Board also fulfils the requirement of Paragraph 15.02(1) of the Listing Requirements. Currently, the Company has yet to adopt the recommendations under the MCCG to have a majority of independent directors on the board. In this regard, the Company endeavours to comply with this practice within two years from its listing on Bursa Securities.

The profile of each Director is presented on page 13 to page 25 of this Annual Report. The Directors, with diverse background and specialisations, collectively brings a wide range of experience and expertise in their relevant fields such as poultry farming, business administration, corporate planning, development, finance, taxation, legal and marketing which are vital for the effective oversight of management's execution of the Group's strategies and policies.

Independence of the Board

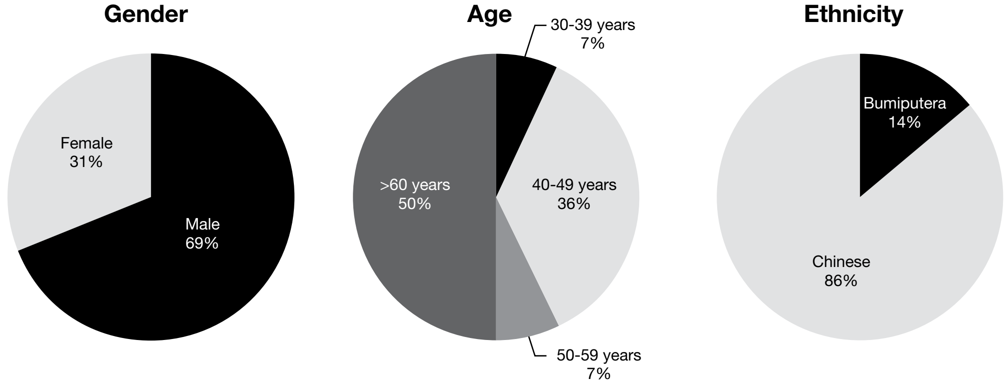
The Board adopted the concept of independence in tandem with the definition of Independent Non-Executive Director under Paragraph 1.01 and Practice Note 13 of the Listing Requirements. The Board undertakes an annual assessment of Independent Directors to assess whether they continue to bring independent and objective judgement to Board deliberations. The Board is satisfied with the level of independence demonstrated by all of the Independent Directors and their ability to provide independent judgement in the best interest of the Company.

As the Company was newly listed, none of the Independent Non-Executive Directors had served the Company for a cumulative term of 9 years. Notwithstanding that, the Board acknowledges the recommendation of the MCCG that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the tenure of nine (9) years, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In exceptional cases, the Independent Director can remain as an Independent Director subject to assessment of the NC and recommendation and justification by the Board to the shareholders at the general meeting. If the Board continues to retain the Independent Director after twelve (12) years, the Board should provide justification and seek shareholders' approval through a two-tier voting process as recommended by the MCCG.

Board Gender Diversity Policies

The Board has always placed diversity as an agenda in strengthening the performance of its Board and Board Committees. The Board has adopted a Diversity Policy during the financial year to ensure that the Board has the diversity of perspectives, experience and skills necessary for effective oversight of the Group. Diversity includes, but not limited to gender, age and ethnicity. Currently, the Board comprises four (4) women directors out of the thirteen (13) Board members, which represents 31% of the Board's composition.

The breakdown of the Board by gender, age and ethnicity as at 31 December 2019 are as follows:-



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

Nomination Committee ("NC")

The NC was established by the Board on 24 August 2018 as part of the Company's preparation for its listing on the Main Market of Bursa Securities. The NC comprises exclusively of Non-Executive Directors, a majority of whom are independent. The NC is chaired by an Independent Non-Executive Director. The NC is primarily responsible for the assessment of the performance of the members of the Board on an ongoing basis and to propose new candidates to the Board as and when necessary. The NC is governed by its Terms of Reference which is available on the Company's website at www.leonghupinternational.com.

The members of the NC and their respective designation are as follows:-

	Position
Tay Tong Poh	Chairman
Mahani Binti Amat	Member
Benny Lim Jew Fong	Member

Selection and Assessment of Directors

The NC is responsible for the assessment and recommendation of suitable candidates to the Board on the most appropriate Board composition to ensure that it is able to discharge its duties in an informed and conscientious manner. In identifying candidates for the Board, recommendations from existing Board members, KSM and/or major shareholders will be taking into consideration to gain access to a wider pool of potential candidates. The Board will seek professional advice and/or conduct search by utilising a variety of independent source to identify suitably qualified candidates if required.

The NC considers the following factors in evaluating suitable candidates:-
(a) skills, knowledge, expertise and experience;
(b) commitment (including time commitment) to effectively discharge his/her role as a Director;
(c) professionalism;
(d) merit and against objective criteria with due consideration given to boardroom diversity including gender, age and ethnicity, experience, cultural background, skill, character, integrity and competence;
(e) in the case of candidates for the position of Independent Non-Executive Directors, the Committee shall also evaluate the candidates' ability to discharge such responsibilities/ functions as are expected from Independent Non-Executive Directors; and
(f) in considering independence, it is necessary to focus not only on a Director's background and current activities which qualify him or her as independent, but also whether the Director can act independently of management.

The NC evaluates the effectiveness of the Board and Board Committees, as well as assessing the contribution of each individual Director annually by Committee Evaluation, Self-Assessment Evaluation and/or Peer Review Evaluation. The results, in particular the key strengths and weaknesses identified from the assessment, will be shared with the Board to allow improvements to be undertaken. As the Company was newly listed, the Board did not engage an external independent consultant to undertake a formal annual evaluation of the Board, Board Committees and each individual Director for the financial year under review. Instead, the annual assessment for the FYE 31 December 2019 was facilitated by the Company Secretaries. In addition, the Board has established a Directors' Assessment Policy which outlines well-defined assessment criteria and procedures.

The NC shall meet at least once a year or as and when circumstances dictate. The NC met twice during the financial year and all members registered full attendance.

The NC had during the financial year under review established its Terms of Reference and adopted the annual assessment forms for the Board, Board Committees, Directors and KSM. There were no other activities save for the aforesaid as the Company was only listed on the Main Market of Bursa Securities on 16 May 2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. BOARD COMPOSITION (CONT'D)

Re-election of Directors

In accordance with the Company's Constitution, all Directors who are newly appointed by the Board shall retire from office but shall be eligible for re-election at the next Annual General Meeting ("AGM") held following their appointments. The Constitution further provides that at least one-third (1/3) of the Board shall retire by rotation at each AGM at least once in every three (3) years but shall be eligible for re-election.

Directors who are due for retirement and subject to re-appointment or re-election at the AGM will be assessed by the NC, whose recommendations will be submitted to the Board for consideration, thereafter to be tabled to shareholders for approval at the AGM.

Key Senior Management

The KSM of the Group are as follows:

	Position
Lau Chia Nguang	Executive Chairman
Dato' Lau Eng Guang	Executive Director/Group Business Strategist
Tan Sri Lau Tuang Nguang	Executive Director/Group CEO
Datuk Lau Joo Hong	CEO of the Group's Vietnam operations
Lau Joo Han	CEO of the Group's Malaysia operations
Lau Joo Keat	Country Head of the Group's Indonesia operations
Lau Jui Peng	Group Breeder CEO
Lau Joo Heng	CEO of the Group's Philippines operations
Lau Joo Hwa	CEO of the Group's Singapore operations
Chew Eng Loke	Group Chief Financial Officer

The KSM are responsible to assist the Group CEO for the day-to-day running of the Group's businesses, implementation of the Board's policies and decision making related to operational and financial matters.

3. REMUNERATION

Remuneration Committee ("RC")

The RC was established by the Board on 24 August 2018 as part of its preparation for listing of the Company on the Main Market of Bursa Securities. The RC comprises exclusively of Independent Non-Executive Directors. The RC is primarily responsible for the establishment, review and recommendation of the remuneration packages of Executive Directors, Non-Executive Directors and KSM in a formal and transparent manner, although this process has yet to be formalised during the financial year under review, as the Company was only listed on 16 May 2019. The RC will formulate policies, guideline and set criteria for remuneration package for Directors and KSM to ensure that they are fairly and appropriately remunerated. The remuneration policy aims to attract, retain and motivate Directors and KSM to drive long term objectives. The Term of Reference of RC is available on the Company's website at www.leonghupinternational.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

Remuneration Committee ("RC") (cont'd)

The members of the RC and their respective designation are as follows:

	Position
Goh Wen Ling	Chairperson
Datin Paduka Rashidah Binti Ismail	Member
Low Han Kee	Member

The RC will review and assess the remuneration packages, reward structure and benefits applicable to the Executive Directors and KSM on an annual basis and makes recommendations to the Board. The Board as a whole will determine the remuneration of the Executive Directors and KSM with each individual Director abstaining from the deliberation and decision of their own remuneration. The RC may obtain independent advice in establishing the level of remuneration for the Executive Directors and KSM. The remuneration packages of Executive Directors and KSM comprise a fixed salary and allowances as well as bonus approved by the Board whilst the remuneration of the Non-Executive Directors comprises annual fees, meeting allowance and reimbursement of expenses for their services in connection with Board and Board Committee meetings.

The remuneration paid/payable to the Board for the FYE 31 December 2019 is tabulated as follows:-

(a) Company

	RM'000					
Director	Salaries	Fees	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Executive Chairman Lau Chia Nguang	–	–	–	–	–	–
Executive Director Dato' Lau Eng Guang	–	–	–	–	–	–
Tan Sri Lau Tuang Nguang	–	–	–	–	–	–
Datuk Lau Joo Hong	–	–	–	–	–	–
Lau Joo Han	–	–	–	–	–	–
Lau Joo Keat	–	–	–	–	–	–
Sub-Total	**–**	**–**	**–**	**–**	**–**	**–**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

Remuneration Committee ("RC") (cont'd)

The remuneration paid/payable to the Board for the FYE 31 December 2019 is tabulated as follows:- (cont'd)

(a) Company (cont'd)

Director	RM'000					
	Salaries	Fees	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Non-Executive Director Benny Lim Jew Fong	–	–	–	–	–	–
Datin Paduka Rashidah Binti Ramli	–	(1)120	–	–	(1)14	134
Mahani Binti Amat	–	(1)120	–	–	(1)12	132
Chu Nyet Kim	–	(1)130	–	–	(1)16	146
Goh Wen Ling	–	(1)160	–	–	(1)22	182
Low Han Kee	–	(1)170	–	–	(1)22	192
Tay Tong Poh	–	(1)130	–	–	(1)10	140
Tee Yock Siong *(Alternate to Benny Lim Jew Fong)* *(Resigned w.e.f. 30 April 2020)*	–	–	–	–	–	–
Total	**–**	**830**	**–**	**–**	**96**	**926**

(b) Group

Director	RM'000					
	Salaries	Fees	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Executive Chairman Lau Chia Nguang	3,063	–	2,389	–	619	6,071
Executive Director Dato' Lau Eng Guang	2,200	–	1,800	–	740	4,740
Tan Sri Lau Tuang Nguang	1,969	568	2,725	–	836	6,098
Datuk Lau Joo Hong	3,439	–	1,771	–	450	5,660
Lau Joo Han	1,998	114	1,350	96	1,267	4,825
Lau Joo Keat	1,962	–	1,844	–	435	4,241
Sub-Total	**14,631**	**682**	**11,879**	**96**	**4,347**	**31,635**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

Remuneration Committee ("RC") (cont'd)

The remuneration paid/payable to the Board for the FYE 31 December 2019 is tabulated as follows:- (cont'd)

(b) Group (cont'd)

Director	RM'000					
	Salaries	Fees	Bonus	Benefit-in-kind	Other Emoluments	TOTAL
Non-Executive Director Benny Lim Jew Fong	–	–	–	–	–	–
Datin Paduka Rashidah Binti Ramli	–	[1]120	–	–	[1]14	134
Mahani Binti Amat	–	[1]120	–	–	[1]12	132
Chu Nyet Kim	–	[1]130	–	–	[1]16	146
Goh Wen Ling	–	[1]160	–	–	[1]22	182
Low Han Kee	–	[1]170	–	–	[1]22	192
Tay Tong Poh	–	[1]130	–	–	[1]10	140
Tee Yock Siong *(Alternate to Benny Lim Jew Fong)* *(Resigned w.e.f. 30 April 2020)*	–	–	–	–	–	–
Total	**14,631**	**1,512**	**11,879**	**96**	**4,443**	**32,561**

Note:
[1] Subject to shareholders' approval at the 6th Annual General Meeting of the Company.

The Directors who are also shareholders of the Company will abstain from voting at general meetings in respect of the resolutions pertaining to the approval of their own fees.

Foster Commitment of Directors

Time Commitment

The Directors are aware of the time commitment expected from them to attend to matters of the Company. An annual meeting calendar is prepared and circulated to the Directors before the beginning of each calendar year to facilitate the Directors' schedule planning. Additional meetings will be held as and when required.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

Time Commitment (cont'd)

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. The Board and Board Committee members' meeting attendances for the FYE 31 December 2019 are as follows:-

Director	Board Meeting	ARC Meeting	NC Meeting	RC Meeting
Lau Chia Nguang	4/4	–	–	–
Dato' Lau Eng Guang	4/4	–	–	–
Tan Sri Lau Tuang Nguang	4/4	–	–	–
Datuk Lau Joo Hong	4/4	–	–	–
Lau Joo Han	4/4	–	–	–
Lau Joo Keat	3/4	–	–	–
Benny Lim Jew Fong	4/4	–	2/2	–
Datin Paduka Rashidah Binti Ramli	4/4	–	–	3/3
Mahani Binti Amat	4/4	–	22	–
Chu Nyet Kim	4/4	4/4	–	–
Goh Wen Ling	4/4	4/4	–	3/3
Low Han Kee	4/4	4/4	–	3/3
Tay Tong Poh	3/4	–	2/2	–

Training and Development of Directors

Pursuant to the Listing Requirements, the Directors are mindful that they shall receive appropriate training which may be required from time to time to keep abreast with the current developments of the industry as well as the new statutory and regulatory requirements. The Board will identify the training needs of the Directors based on feedback provided by the NC during the annual Board evaluation.

During the financial year under review, the Directors have attended several training and development programmes conducted by highly competent professionals that are relevant to the Company. The Director will continue to attend relevant seminars and workshops to keep themselves abreast of regulatory and legislative reforms that impact Board and Board Committee work. The training and development programmes participated by each of the Board member during the financial year are as follows:

		List of Training Programmes/ seminars attended/participated	Date
1.	Lau Chia Nguang	Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
		The Mandatory Accreditation Programme (MAP) for directors & executives of listed company	21-22 November 2019
2.	Dato' Lau Eng Guang	Key obligations of a listed company – Main Market Listing Requirements	29 August 2019

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

Training and Development of Directors (cont'd)

		List of Training Programmes/ Seminars attended/participated	Date
3.	Tan Sri Lau Tuang Nguang	Briefing On Disclosure Compliance By Public Listed Companies	2 August 2019
4.	Datuk Lau Joo Hong	Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
5.	Lau Joo Han	Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
6.	Lau Joo Keat	The Mandatory Accreditation Programme (MAP) for directors & executives of listed company	23-24 July 2019
7.	Benny Lim Jew Fong	The Mandatory Accreditation Programme (MAP) for directors & executives of listed company	11-12 April 2019
		Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
8.	Datin Paduka Rashidah Binti Ramli	The Mandatory Accreditation Programme (MAP) for directors & executives of listed company	19-20 August 2019
		Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
9.	Chu Nyet Kim	The Mandatory Accreditation Programme (MAP) for directors & executives of listed company	11-12 April 2019
		National Tax Conference organised by Lembaga Hasil Dalam Negeri Malaysia (LHDNM) and Chartered Tax Institute of Malaysia (CTIM)	5-6 August 2019
		Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
		Session on Corporate Governance and Anti-corruption	31 October 2019
		Post Budget Seminar 2020 (Kuala Lumpur) organised by ACCA Malaysia	5 November 2019
		Managing Talent-Evolving Career Opportunities & Future Competencies organised by ACCA Indonesia	7 November 2019
		Deloitte Indonesia Tax & Legal update seminar 2019	21 November 2019

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. REMUNERATION (CONT'D)

Training and Development of Directors (cont'd)

		List of Training Programmes/ Seminars attended/participated	Date
10.	Goh Wen Ling	The Mandatory Accreditation Programme (MAP) for directors & executives of listed company	26-27 February 2019
		Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
		Session on Corporate Governance and Anti-corruption (Securities Commission)	31 October 2019
11.	Mahani Bin Amat	Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
		Session on Corporate Governance and Anti-corruption (Securities Commission)	31 October 2019
		Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009	4 November 2019
12.	Low Han Kee	Governance Symposium – Malaysian Institute of Accountants	7 March 2019
		Economic Prosperity & Taxation – Chartered Tax Institute of Malaysia	5-6 August 2019
		Fighting Corruption: A New Era of Corporate Governance	21 August 2019
		Key obligations of a listed company – Main Market Listing Requirements	29 August 2019
13.	Tay Tong Poh	The Mandatory Accreditation Programme (MAP) for directors & executives of listed company	11-12 April 2019
		Key obligations of a listed company – Main Market Listing Requirements	29 August 2019

All Directors have attended the Mandatory Accreditation Programme as prescribed in the Listing Requirements.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT AND RISK COMMITTEE ("ARC")

The ARC was established by the Board on 24 August 2018 as part of the Company's preparation for its listing on the Main Market of Bursa Securities. The ARC consists of three (3) members, all of whom are Independent Non-Executive Directors. The ARC is chaired by Mr Low Han Kee, a Senior Independent Non-Executive Director, who is distinct from the Chairman of the Board. The ARC is to provide robust and comprehensive oversight on financial reporting, objectivity and effectiveness of internal audit function and external audit processes, reportable related party transactions, conflict of interest situations as well as risk management matters. Whilst a stand-alone Risk Management Committee was not established, the ARC strives to ensure that there are adequate deliberations on risk management matters, being one of the duties of ARC as envisaged under its Terms of Reference.

The members of the ARC and their respective designation are as follows:

	Position
Low Han Kee	Chairman
Chu Nyet Kim	Member
Goh Wen Ling	Member

The roles and responsibilities of the ARC, as well as their rights are set out in the Terms of Reference and is available on the Company's website at www.leonghupinternational.com.

Assessment of External Auditors

The ARC considered the adequacy of experience and resources of the audit firm and the professional staff assigned to the audit, independence of PricewaterhouseCoopers PLT ("PwC") and the level of non-audit services rendered to the Group and the Company for the FYE 31 December 2019.

The ARC undertakes an annual assessment on the suitability, objectivity and independence of the External Auditors. Having assessed their performance, the ARC will recommend their re-appointment to the Board, upon which shareholders' approval will be sought at the AGM. The ARC had obtained written assurance from the External Auditors, confirming that they are and have been, independent throughout the conduct of the audit engagement with the Company in accordance to the terms of relevant professional and regulatory requirements

The Company has established an External Auditors' Assessment Policy that requires a former key audit engagement partner of the Company's External Auditors to observe a cooling-off period of at least two years before being appointed as a member of the ARC. The said policy also sets out the process to assess the suitability, objectivity and independence of the External Auditors. In addition, the audit partner is regulated by the MIA guidelines to be subject to a seven-year rotation to ensure independence of external auditors.

Further information on the ARC are detailed in the ARC Report as contained in the Annual Report.

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board regards risk management and internal control as an integral part of the overall management processes in the Group to safeguard shareholders' interests. The ARC assists the Board in discharging its roles and responsibilities to oversee the effectiveness and adequacy of the risk management and internal control system of the Group.

To maintain total independence in the management of internal control environment and remain in compliance with the Listing Requirements, the Company has appointed a professional firm to manage the Company's internal audit function on an outsourced basis.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

The key reporting systems and procedures that have been put in place within the Group are as follows:

i. regular and comprehensive information provided to the ARC and the Board covering financial and operational performance;
ii. regular visits to the operating units by members of the Board and KSM;
iii. regular internal audit visits, which monitors compliance with procedures and assesses the integrity of financial information; and
iv. defined delegation of responsibilities to the Board and Management for all aspects of the business.

Recognising the importance of risk management processes and practices, the Board has formalised a risk management framework to enable Management to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

Further details relating to the review on internal control system are set out in the Statement on Risk Management and Internal Control on page 70 to page 75 of the Annual Report. During the financial year under review, the ARC oversaw implementation of the risk management framework and policy, and also undertook a review of the effectiveness of the same.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of informing shareholders and other stakeholders of all the significant developments concerning the Group on a timely basis with strict adherence to the Listing Requirements. Shareholders and prospective investors are kept informed of all major developments within the Group by way of announcements via Bursa LINK in a timely manner, quarterly financial results and corporate website with an overview of the Group's financial and operational performance. The Group constantly maintains transparency in its business activities and will continuously keep shareholders and prospective investors well informed on the Group's activities.

Since the launch of the Company's prospectus in April 2019 in conjunction with its listing on the Main Market of Bursa Securities, the Management has conducted a number of media and analyst briefings, site visits as well as issued press statements on the corporate, financial and business affairs of the Company.

The Company has established an Investor Relations Policy to ensure an accurate, clear, timely and quality disclosure of material information. The Company has also established a corporate website including the creation of a section where information on the Company's announcements/submission to the regulators and the salient features of the Board Charter, Board Committees' Term of Reference and relevant Board policies can be accessed.

2. CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum for dialogue and interaction with shareholders. The forthcoming AGM will be the first AGM of the Company as a public listed company. The Board will provide a platform to shareholders to raise questions pertaining to the business activities of the Group at the AGM. The Chairman together with other Directors and External Auditors are expected to be present at the forthcoming AGM to respond to any enquiries from the shareholders as well as to have discussion with shareholders, if required. Shareholders who are unable to attend, are allowed to appoint proxies to attend and vote on their behalf.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

2. CONDUCT OF GENERAL MEETING (CONT'D)

The venue of the forthcoming AGM at The Vertical (CCEC Vertical), Bangsar South is not in a remote location. The Notice of AGM and related circular/statement to shareholders will be issued at least 28 days before the AGM in order to provide sufficient time for shareholders to understand and evaluate the subject matter. A summary of key matters discussed at the AGM will be made accessible through the Company's website at https://www.leonghupinternational.com/ as soon as practicable upon being reviewed and approved by the Board.

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all resolutions set out in the notice of AGM will be put to vote by way of poll. The Board will make an announcement on the detailed results showing the number of votes cast for and against each resolution at the AGM to facilitate greater shareholder participation.

KEY FOCUS AREA IN RELATION TO CORPORATE GOVERNANCE PRACTICES

Corporate governance was clearly imperative for the Group in the FYE 31 December 2019 against the backdrop of a relatively challenging economic environment that is characterised by volatile market conditions and commodity prices. Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for shareholders.

Since the listing of the Company, the Board has established and adopted various Board policies during the year, as part of its efforts to align the Company's corporate governance with the latest regulatory requirements. This led to the adoption of some new policies including Corporate Disclosure Policies and Procedures, Directors' Assessment Policy, Diversity Policy, External Auditors' Assessment Policy, Insider Dealing Policy, Investor Relations Policy, Related Party Transactions Policies & Procedures, Succession Planning Policy and Whistleblowing Policy.

This CG Overview Statement was approved by the Board on 19 May 2020.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Leong Hup International Berhad ("LHI" or the "Company") was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 May 2019 ("Listing"). In conjunction with the Listing, the Company undertook a public issue of 250,000,000 new ordinary shares at an issue price of RM1.10 per share, raising gross proceeds of RM275 million ("IPO Proceeds"). The status of the utilisation of the IPO Proceeds for the financial year ended ("FYE") 31 December 2019 is as follows:

Purpose	Proposed utilisation (RM '000)	Actual amount of utilisation (RM '000)	Re-allocation (RM '000)	Balance unutilised (RM '000)	Intended timeframe for utilisation from the date of Listing
Capital expenditure	207,733	(51,779)	–	155,954	within 24 months
Working capital	32,959	(37,284)	4,325 [1]	–	within 6 months
Defray fees and expenses for IPO and Listing	34,308	(29,983)	(4,325) [1]	–	within 3 months
Total	**275,000**	**(119,046)**	**–**	**155,954**	

Note:
[1] The unutilised balance of RM4.325 million allocated for estimated IPO and listing expenses has been re-allocated to working capital during the financial year.

The utilisation of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 25 April 2019 ("Prospectus").

AUDIT AND NON-AUDIT FEES

Details of the audit and non-audit fees paid/payable to PricewaterhouseCoopers PLT and Member firms of PricewaterhouseCoopers International Limited are as follows:

	Group 2019 (RM'000)	Company 2019 (RM'000)
Statutory audit fees paid/payable to - PricewaterhouseCoopers PLT	1,379	180
Non-audit fees[1] paid/payable to:-		
- PricewaterhouseCoopers PLT	1,925	1,870
- Member firms of PricewaterhouseCoopers International Limited	952	788

Note:
[1] Non-audit fees mainly for services performed in connection with LHI's initial public offering.

ADDITIONAL COMPLIANCE **INFORMATION**
(cont'd)

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

During the Extraordinary General Meeting held by the Company on 11 January 2019, the shareholders had given their approval for the Company to grant ESOS options to the eligible Directors and employees, subject to the By-Laws governing the ESOS. The Company had granted ESOS options under this scheme to eligible Directors and employees. The ESOS has a duration of five (5) years, which is effective from 11 April 2019 until April 2024. Total numbers of ESOS options offered and accepted are 36,356,000 units and 35,092,000 units, respectively. Information in relation to ESOS are illustrated in the tables below:

	During FYE 31 December 2019	Since commencement of ESOS
Total number of options granted and accepted	35,092,000	35,092,000
Total number of options exercised	–	–
Total number of options forfeited/lapsed	(194,000)	(194,000)
Total number of options expired	–	–
Total number of options outstanding	34,898,000	34,898,000
Options Granted to Directors and Chief Executive	**During FYE 31 December 2019**	**Since commencement of ESOS**
Aggregate options granted	8,490,000	8,490,000
Aggregate options exercised	–	–
Aggregate options outstanding	8,490,000	8,490,000
Options Granted to Directors and Key Senior Management	**During FYE 31 December 2019**	**Since commencement of ESOS**
Aggregate maximum allocation in percentage	50.00%	50.00%
Actual percentage granted	36.07%	36.07%

MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed below, there were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors, Chief Executive Officer or major shareholders, either still subsisting at the end of the FYE 31 December 2019 or entered into since the end of the previous period:

On 28 November 2019, Leong Hup Feedmill Malaysia Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Darma Canggih Sdn Bhd for the acquisition of a parcel of leasehold industrial land identified as PN 24346, Lot 102515, Mukim Klang, District Klang, state of Selangor, for a total cash consideration of RM6,300,000.

RECURRENT RELATED PARTY TRANSACTIONS

The Company will only be seeking its shareholders' ratification and first shareholders' mandate for the Recurrent Related Party Transactions ("RRPT"), following its listing on 16 May 2019, at the forthcoming Annual General Meeting to be held on 26 June 2020 ("AGM"). The details of the proposed shareholders' ratification, proposed shareholders' mandate and proposed new shareholders' mandate are disclosed in the Circular to Shareholders dated 28 May 2020.

ADDITIONAL COMPLIANCE INFORMATION
(cont'd)

STATUS OF COMPLIANCE OF CERTAIN OWNED AND TENANTED OUTLETS INVOLVING THE CERTIFICATE OF FITNESS FOR OCCUPATION /CERTIFICATE OF COMPLETION AND COMPLIANCE

As disclosed in the Company's prospectus dated 25 April 2019, LHI and its subsidiaries (the "Group") undertook to resolve non-compliance of certain owned buildings in Malaysia involving the Certificate of Completion and Compliance ("CCC") and to disclose the status of the applications/pre-consultation of Planning Permission (Kebenaran Merancang) ("KM") submitted to the relevant local authorities for all the 137 farms and hatcheries in Malaysia that it owns and operates. In addition, the Group also undertook to disclose the status of Certificate of feasible function (Sertifikat Laik Fungsi) ("SLF") application for its owned buildings in Indonesia.

The status of compliance with regard to the affected buildings in Malaysia as at 30 April 2020 are as follows:

		No. of farms and hatcheries
(A)	**Farms and hatcheries which current express condition imposed on the land titles allowing for poultry farming where the status of KM/Temporary Planning Permission (Kebenaran Merancang Terhad) ("KMT")/CCC/Temporary Building Permit ("TBP") applications are as follows:-**	
-	KM applications approved and currently in the process of obtaining the CCC	29
-	KMT applications approved and currently in the process of obtaining the TBP	2
-	Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils	42
-	KMT applications submitted or to be submitted and subsequently to obtain the TBP	9
-	TBP obtained	4
Sub-total		**86**
(B)	**Farms and hatcheries that are not able to change their express condition imposed on land titles to allow for poultry farming**	**11**
(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:-**	
-	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	18
-	KMT applications submitted or to be submitted and subsequently to obtain the TBP	3
-	TBP obtained	–
Sub-total		**40**
Total		**137**

The status of the SLF application for the affected buildings in Indonesia as at 30 April 2020 are as follows:

Of the SLF applications for 70 material properties submitted to relevant authorities in Indonesia, 30 SLF applications cannot be processed by the relevant regional governments due to the following reasons:

(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.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, issued by the Task Force on Internal Control, with the support and endorsement of Bursa Securities as well as the Malaysian Code on Corporate Governance 2017, the Board of Directors ("Board") is pleased to present the Statement on Risk Management and Internal Control for the financial year ended ("FYE") 31 December 2019, which outlines the nature and scope of risk management and internal control of Leong Hup International Berhad and its subsidiaries (the "Group").

BOARD'S RESPONSIBILITIES

The Board acknowledges its responsibilities in maintaining a sound system of risk management and internal control to manage risk exposure within the acceptable level of tolerance. The roles of the Board include creating a risk-awareness culture within the Group, i.e. identifying, approving the key risks and ensuring adequate implementation of appropriate internal control system to manage the identified risks with continuous effective reviews on the controls to safeguard the Group's profitability and assets.

In acknowledging that having a sound risk management and internal control system is imperative, the Board has approved a governance structure that ensures effective oversight of risks and internal controls within the Group. The Board is assisted by the Audit and Risk Committee ("ARC") to ensure independent oversight of internal control and risk management.

Due to the inherent limitations in any system of internal control and risk management, the Board recognises that such systems are designed to manage rather than to eliminate all the risks that may hinder the Group from achieving its business objectives and as such can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT AND INTERNAL CONTROL

All the members of the ARC comprise of Independent Non-Executive Directors and have responsibilities including:

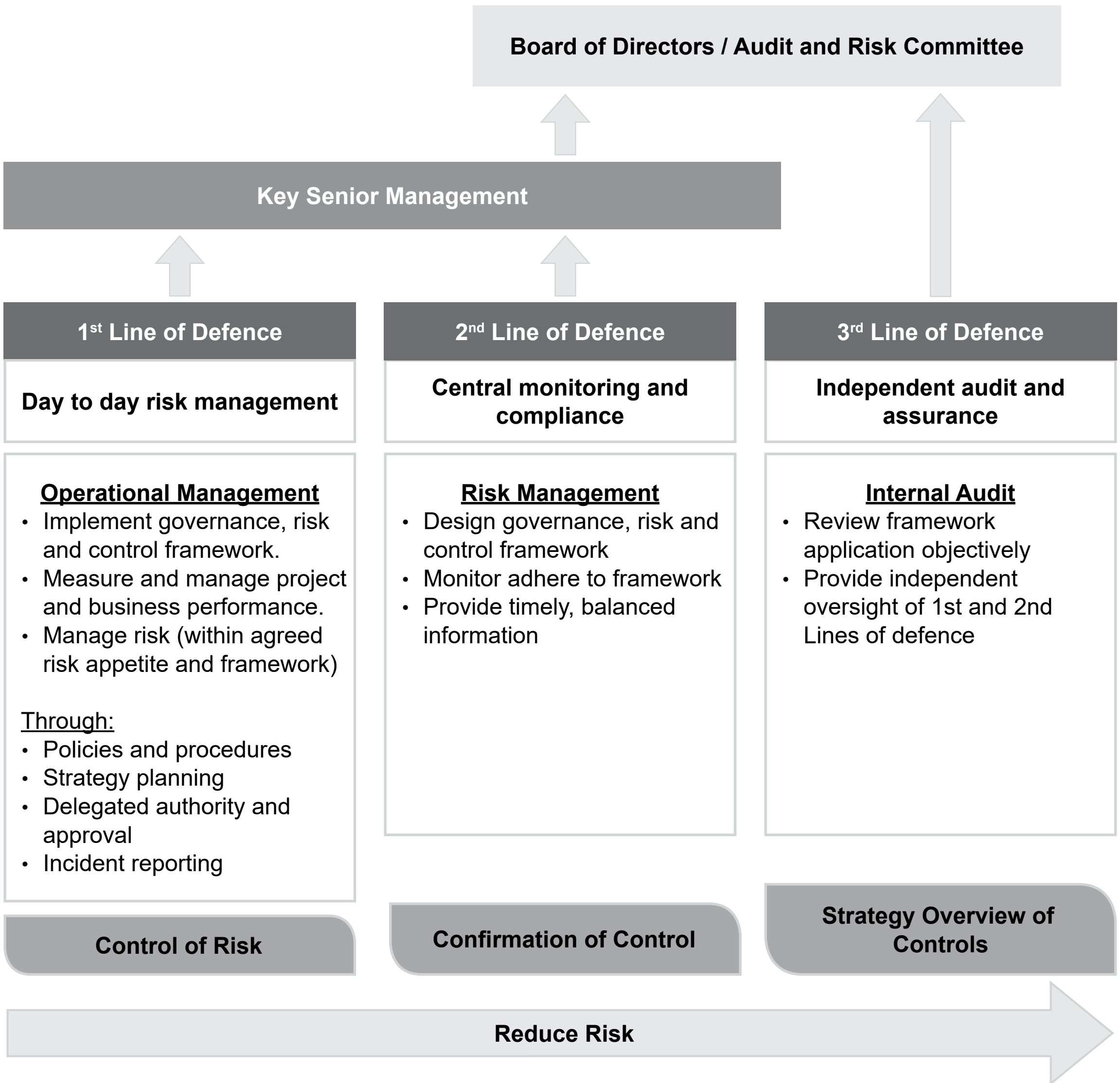
i. Consider the adequacy and effectiveness of risk management function and internal control system within the Group;
ii. Review risk management reports on interval basis;
iii. Discuss any significant risk or exposure and mitigation plan undertaken by the Group;
iv. Understand the scope of internal and external auditors' review of internal control;
v. Evaluate new risks identified by management including the likelihood of emerging risks happening in the future and consider the need to put in place the appropriate controls;
vi. Review and recommend the Group's level of risk tolerance and actively identify, assess and monitor key business risks;
vii. Recommend for the Board's approval the Group's risk management framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto; and
viii. Evaluate the effectiveness of the risk management framework, risk management processes and support system to identify, assess, monitor and manage the Group's key risks.

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

a) Risk Management

The Board has an Enterprise Risk Management ("ERM") Framework which outlines the Group's processes for identifying, assessing, managing, monitoring and communicating the risk faced by the Group. Through effective planning, organising, leading and controlling the activities of the Group, the ERM would facilitate in the achievement of corporate objectives, safeguarding business assets and ensuring business sustainability in the long-run.

The organisational structure of the Group established for effective risk management is as follows. The underlying principle of the Three Lines of Defence is that through the oversight of the Board and effective management control, the probability of the risk being effectively managed is increased.



RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

a) Risk Management (cont'd)

The Group operates within an ERM framework approved by the Board to protect itself from the following principal risks:

- **Strategic Risk**

  The shifting competitive landscape of the poultry industry, through the consolidation of poultry producers and market share, has had an impact on the way the Group operates. The Group's overall business strategy involves entering into new markets, investments in new facilities and expansion of production capacity. Nevertheless, the Group endeavours to align its business strategies with the objective of generating sustainable long-term growth, while ensuring deeper integration of its upstream and downstream segments so as to capture a bigger market share arising from the demand growth in its markets. To this end, the Group continues to invest in Information Technology infrastructure and systems to achieve an efficient and effective outcome. Prudent cost management also ensures that the Group can remain competitive with a strong financial position, amidst a market that frequently faces pricing volatility.

- **Operational Risk**

  The Group's operational risks include, among others, customer relationship management, supply chain management for both livestock and feed, product quality management, disease outbreak control, health and safety controls, talent management, treasury management, legal and regulatory compliance, plant operations management and etc. Any non-performance or failure of the above will have an impact on the Group's operations. Premised on the fact that the Group is geographically-diversified in five countries, management of the Group's day-to-day operational risks are decentralised at the respective business unit level across different countries. Such decentralisation allows for closer monitoring of the relevant stress points that could potentially lead to disruption of the Group's operations, while appropriate measures and procedures are in place to escalate and resolve incidents to ensure minimum disruption to each business unit.

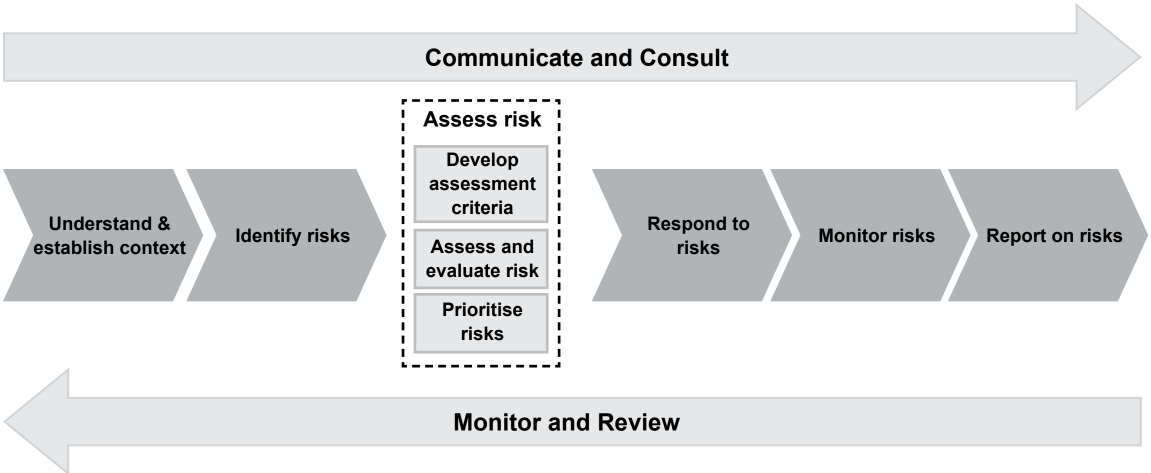
- **Financial Risk**

  The Group is exposed to various financial risks arising from its operations and the use of financial instruments. Such risks include credit risk, liquidity risk, foreign currency exchange risk and interest rate risk. The Group's risk management objectives coupled with the required quantitative and qualitative disclosures relating to its financial risks are set out in the Group's financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

a) Risk Management (cont'd)

The Group's risk management process consists of inter-related components as follows:



i. **Communicate and consult** the ERM framework to the whole organisation;
ii. **Understand and establish** the basic parameters and set the scope for the processes;
iii. **Identify risks** to identify internal and external factors that influence how potential events may affect strategy implementation and achievement of objectives;
iv. **Assess risks** to analyse identified risks in order to form a basis for determining how they should be managed;
v. **Respond to risks** for management to avoid, transfer, share, mitigate or accept the risk, taking into account the Group's risk profile;
vi. **Monitor risks** which are periodic reviews to ensure that the risk responses by management are carried out effectively;
vii. **Report on risks** for relevant information to be communicated to the key senior management, ARC and the Board;
viii. **Monitor and Review** for risk management processes be monitored, and modifications be made as necessary, to ensure that the system can react dynamically and change as the conditions warrant.

b) Internal Control

The Board continues to uphold, implement and monitor a sound and effective control environment to identify, evaluate and manage the weaknesses of the Group's internal control system.

The Group has an established organisational structure with clearly defined lines of responsibilities and appropriate levels of delegation. Key duties and roles are segregated amongst different personnel and operational functions such as sales and collections, procurement and payment, production, financial management and reporting, and capital expenditure management.

The internal control system entails, among others, the proper delegation of duties and responsibilities from the Board to the Group Chief Executive Officer, Executive Directors and key senior management (collectively "Management") in management of the Group. In this respect, Management essentially comprises personnel who are in a position to identify and manage relevant risks to the Group and design appropriate internal controls to manage these risks.

Management conducts operational and management meetings to discuss matters of concern in relation to the day-to-day activities, ageing of inventories and receivables and the Group's strategic business plan.

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

b) Internal Control (cont'd)

Internal Audit ("IA") Function

The Group's IA function is independent and adopts the International Professional Practices Framework ("IPPF") which is based on the Committee of Sponsoring Organisation of the Treadway Commission ("COSO") framework in carrying out IA assignments of the Group. The IPPF includes, among others, the attributes and performance standards for IA promulgated by the Institute of Internal Auditors.

The Group's internal audit services for the FYE 31 December 2019 and financial year ending 31 December 2020 are outsourced to an independent external party, Deloitte Risk Advisory Sdn Bhd ("Internal Auditor").

The Internal Auditors report directly to the ARC, assists the Board in assessing the adequacy and integrity of the internal control system established by Management based on an agreed scope of work as outlined in an IA Plan tabled to and approved by the ARC. There is no restriction placed upon the scope of the IA function and the Internal Auditors are allowed to access the records and meet / interview relevant personnel of the Group.

During the financial year under review, the ARC reviewed the work of the Internal Auditors, its observations and recommendations to ensure that it obtained the necessary level of assurance with respect to the adequacy and operating effectiveness of internal controls.

The Internal Auditors reviewed the Group's internal control systems and reported its observations, management responses and action plans thereof directly to the ARC. The IA function covered the following key processes and framework of the Group to assess the adequacy and operating effectiveness of internal controls to address the business and compliance risks therein during the financial year:

i. ERM Framework

- Reviewed and enhanced the existing ERM framework which includes the risk management standard operating procedures, processes and risk management methodology;
- Conducted risk awareness workshops to management teams at key business units; and
- Developed operational risk profile.

ii. Related Party Transactions ("RPT") and Recurrent Related Party Transactions ("RRPT")

Assessed the controls pertaining to the following:

- Group policy and procedures on RPT and RRPT;
- Compliance with Listing Requirements;
- RPT and RRPT transacted at arm's length basis;
- RPT database maintained by the management; and
- RPT and RRPT reporting and monitoring processes at the Group level and subsidiaries levels.

iii. Warehouse Maintenance Management

Assessed the controls pertaining to the following:

- Repair and preventive maintenance;
- Inspection and monitoring processes including tracking list of fixed assets for preventive maintenance; and
- Monitoring of repair and maintenance costs.

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

b) Internal Control (cont'd)

Internal Audit ("IA") Function (cont'd)

iv. Warehouse Safety and Health Management

Assessed the controls pertaining to the following:

- Policies and procedures on warehouse safety and health;
- Hazard identification and assessment processes;
- Hazard prevention and control procedures; and
- Awareness and training provided to staff.

The total cost incurred for the IA function in respect of the FYE 31 December 2019 amounted to RM230,000.

CONCLUSION

The Board, through the ARC, has reviewed the adequacy and effectiveness of the risk management and internal control systems, together with the relevant actions that have been taken or are being taken to remedy internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the Internal Auditors directly to the ARC.

The Board is of the view that there were no material weaknesses in the system of internal control that directly resulted in material losses, contingencies or uncertainties that otherwise warrant detailed disclosure in the Annual Report.

The Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that the Group's risk management and internal control system are operating effectively in all material aspects for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

The Board will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed the Statement on Risk Management and Internal Control in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") (previously RPG 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the FYE 31 December 2019.

The external auditors reported to the Board that nothing had come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of internal controls of the Group.

This statement is issued in accordance with a resolution of the Board dated 19 May 2020.

AUDIT AND RISK COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the following Audit and Risk Committee ("ARC") Report and its summary of work for the financial year ended ("FYE") 31 December 2019 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

COMPOSITION

The ARC was established by the Board on 24 August 2018 as part of its preparation for listing of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The ARC comprises three (3) members, all of whom are Independent Non-Executive Directors.

All members of the ARC are financially literate. None of the members were former key audit partners of the Company's existing External Auditors. Ms Chu Nyet Kim is a member of the Malaysian Institute of Accountants. The composition of ARC meets the requirements of Paragraph 15.09 of the Listing Requirements.

The members of the ARC and their respective designation are as follows:

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

TERMS OF REFERENCE

The Terms of Reference of the ARC is available on the Company's website at www.leonghupinternational.com.

MEETINGS

The ARC met four times during the FYE 31 December 2019. The details of their attendance are as follows:

	Number of meetings attended/ Number of meetings held
Low Han Kee	4/4
Chu Nyet Kim	4/4
Goh Wen Ling	4/4

AUDIT AND RISK **COMMITTEE REPORT**
(cont'd)

SUMMARY OF WORKS OF THE ARC

During the financial year under review, the ARC carried out the following activities in discharging their duties and responsibilities in accordance with its Terms of Reference:

1. **Financial Reporting and Compliance**

   Prior to the listing of the Company on the Main Market of Bursa Securities on 16 May 2019 ("Listing"), the ARC reviewed the Audited Financial Statements for the financial period ended 31 October 2018 ("Financial Statements") (for inclusion in the Company's Prospectus in conjunction with the Company's Initial Public Offering) with the External Auditors and Group Chief Financial Officer ("Group CFO") on 10 April 2019 and 21 December 2018 respectively. In reviewing the Financial Statements, the ARC discussed in length with the Group CFO and the External Auditors, in particular, compliance with Malaysian Financial Reporting Standards ("MFRS").

   The ARC also reviewed the unaudited financial report of the Company and its subsidiaries (the "Group") for the first quarter ended 31 March 2019 on 10 May 2019 before recommending the same to the Board of Directors for approval and release to Bursa Securities in compliance with the Listing Requirements.

   After the Listing, the ARC had on 28 August 2019 and 25 November 2019 reviewed the unaudited quarterly financial reports of the Group for the quarters ended 30 June 2019 and 30 September 2019 respectively to ensure that the quarterly financial results complied with MFRS and Appendix 9B of the Listing Requirements. The Group CFO was present during the meetings to present and explain the financial performance of the Group to the members of ARC.

2. **Internal Audit**

   The Group's internal audit and risk management services for the FYE 31 December 2019 and financial year ending 31 December 2020 are outsourced to an independent professional firm, Deloitte Risk Advisory Sdn Bhd ("Internal Auditors"). The Internal Auditors conducted the audit work as per the Audit Plan approved by the ARC. The ARC received and reviewed the internal audit findings and reports from the Internal Auditors on a quarterly basis.

   The ARC had one private session with the Internal Auditors during the financial year i.e. on 28 August 2019 without the presence of the Management to discuss audit related matters.

   Please refer to the Statement on Risk Management and Internal Control in this Annual Report for the summary of works of the internal audit function during the FYE 31 December 2019.

3. **External Audit**

   The shareholders had at the shareholders' meeting held on 13 May 2019 approved the re-appointment of PricewaterhouseCoopers PLT as the External Auditors of the Company for the ensuing year.

   At the ARC meeting held on 28 August 2019, the ARC reviewed, discussed and approved the Audit Plan of the Group which includes the scope of work of the External Auditors for the FYE December 2019 to ensure that the time allocated to audit the areas of high risks as highlighted in the Group's risk matrices are adequately dealt with and the level of resources and experience assigned to the examination were appropriate.

   The ARC met with the External Auditors without the presence of the Management on 28 August 2019 to discuss key issues within their responsibilities and to ensure there were no restrictions on their scope of audit.

   The ARC is responsible to monitor the performance, objectivity and independence of the External Auditors. In view thereof, the ARC had on 25 November 2019 reviewed and recommended the External Auditors Assessment Policy to the Board for approval.

AUDIT AND RISK COMMITTEE REPORT
(cont'd)

SUMMARY OF WORKS OF THE ARC (CONT'D)

4. Related Party Transactions

The ARC reviewed the related party transactions ("RPTs") including recurrent related party transactions ("RRPTs") within the Company and the Group every quarter to ensure that the RPTs and RRPTs are carried out on arm's length, fair, reasonable and on normal commercial terms and are not detrimental to the interest of the minority shareholders of the Company.

The ARC reviewed the processes and procedures in the Related Party Transactions Policies & Procedures to ensure that related parties are appropriately identified and the RPTs and RRPTs are appropriately reviewed, approved and reported. The said policy was last reviewed by the ARC in August 2019.

5. Others

(a) The ARC had reviewed the proposed interim single tier dividend for the FYE 31 December 2019, taking into consideration the cash flow requirements before recommending to the Board for approval.

(b) An external consultant was engaged to perform a Transfer Pricing Diagnostic Review on the Group to ensure that the requirements of the respective jurisdictions are strictly complied with.

DIRECTORS' RESPONSIBILITY STATEMENT

for the Annual Audited Financial Statements

The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs), and the requirements of the Act in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements for the FYE 31 December 2019, the Directors have:

- applied the appropriate and relevant accounting policies consistently and in accordance with applicable approved accounting standards;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors also have a general responsibility to keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy to ensure compliance with the Act as well as to take reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

Financial Statements

DIRECTORS' **REPORT**

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

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

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

SIGNIFICANT EVENT

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

FINANCIAL RESULTS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

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

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

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

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

There were no debentures issued during the financial year.

DIVIDENDS

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

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

ULTIMATE HOLDING COMPANY

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

EMPLOYEE SHARE OPTION SCHEME

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

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

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits as disclosed in Note 41 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

CORPORATE OVERVIEW BUSINESS REVIEW GOVERNANCE FINANCIAL STATEMENTS ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

Notes:

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

1 CN Lau Holdings Sdn Bhd
2 TN Lau Holdings Sdn Bhd
3 Emerging Glory Sdn Bhd through CW Lau & Sons Sdn Bhd
4 Emerging Glory Sdn Bhd
5 HN Lau & Sons Sdn Bhd

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

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

DIRECTORS' **REPORT**
(cont'd)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

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

Notes:

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

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

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

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:

(i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

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

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

DIRECTORS' REPORT
(cont'd)

SUBSIDIARIES

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

LIST OF DIRECTORS OF SUBSIDIARIES

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

Lau Chia Nguang
Dato' Lau Eng Guang
Lau Hai Nguan
Tan Sri Lau Tuang Nguang
Datuk Lau Joo Hong
Lau Jui Peng
Lau Joo Heng
Lau Joo Han
Lau Joo Hwa
Lau Joo Kiang
Lau Joo Keat
Lau Joo Yong
Adrian Ferdinand Oroh
Ali bin Mohamad Lazam
Brian M. O. Connor
Carlos Cabanes Royo
Choong Keen Shian
Choo Joo Thong
Chua Soon Huat
Chua Teck Choh
Chua Teck Lee
Dato' Dr. Ma'amor bin Osman
Dato' Mohamed Salleh bin Ahmad
Dato' Koh Low @ Koh Kim Toon
Dato' Seri Abdul Azim Bin Mohamad Zabidi
Dato' Zainal bin Hassan
David Morella Jorba
Dr. Aidawani binti Abd Latif
Dr. Jayasankar A/L T. Sankaran
Na Hap Cheng
Na Yok Chee
Nam Hiok Joo
Nam Hiok Yong
Nam Ya Jun
Na Yi Chan
Ng Eng Leng
Ong Gee Tiong
Ong Guang Yang
Ong Pang Teck
Quek Cheaw Kwang
Rewin Hanrahan
Rudy Hartono Husin
Sespriansyah
Soh Heng Tean
Sim Kim Hwa
Tan Bet Beng
Dr. Masri bin Sehap
Dr. Norwati Akma binti Abd Samad
Er Teck Hwa
Frederick Ng Yong Chiang
Goh Kar Meng
Goh Kok Tin
Hao Tet Choy
Joval Ramos
Koh Bock Swi
Koh Kim Chui
Lau Choon Seng
Law Kim Kow
Lee Chai Soon
Lee Choon Seng
Lee Lai Hock
Lee Zhiwei
Liew Keng Teck
Lim Hock Mow
Lim Meng Bin
Lim Yong Poh
Loh Wee Ching
Loke Poh Lam
Low Eng Guan
Low Kim Seng
Low Chiew Boey
Lt. Kol. (Rtd) Kudri bin Haji Siraj
Ma Chin Chew
Mazlan bin A. Talib
Na Eluen
Tan Chin Heng
Tan Joo Hock
Tan Lai Kai
Tan Koon Seng
Tan Shiah Siah
Tan Soon Teck
Tang Ung Lee
Tay Kong Howe
Teo Soon Heng
Tuan Haji Ahmad Bin Rahman
Wong Chee Seng
Wong Hwa Yao
Wong Sui Teck
Wong Wai Meng
Yongkie Handaya
Yip Ah Chean
Zarina Binti Abdul Kadir

DIRECTORS' REPORT
(cont'd)

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

AUDITORS' REMUNERATION

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

AUDITORS

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

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

Signed on behalf of the Board of Directors:

LAU CHIA NGUANG
DIRECTOR

TAN SRI LAU TUANG NGUANG
DIRECTOR

Kuala Lumpur

STATEMENT BY **DIRECTORS**

pursuant to Section 251(2) of the Companies Act 2016

We, Lau Chia Nguang and Tan Sri Lau Tuang Nguang, being two of the Directors of Leong Hup International Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 94 to 216 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 May 2020.

LAU CHIA NGUANG
DIRECTOR

TAN SRI LAU TUANG NGUANG
DIRECTOR

Kuala Lumpur

STATUTORY **DECLARATION**

pursuant to Section 251(1) of the Companies Act 2016

I, Chew Eng Loke, the officer primarily responsible for the financial management of Leong Hup International Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 94 to 216 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW ENG LOKE
(MIA No. 24215)

Subscribed and solemnly declared by the abovenamed

At: Kuala Lumpur

On: 19 May 2020

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the members of Leong Hup International Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Leong Hup International Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 94 to 216.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

INDEPENDENT **AUDITORS' REPORT**
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
The biological assets of the Group comprise breeders, layers, broilers and hatching eggs. In determining the fair value of the biological assets, the Group uses the discounted cash flows model and significant judgement is involved in determining the key assumptions which will impact the amount of fair value of biological assets recognised. We focused on this area because there are key judgements involved in determining the following key assumptions: • expected number of day-old-chick produced by each breeder • expected table eggs produced by each layer • expected hatchability of the hatching eggs • expected salvage value of breeders and layers • expected selling price of day-old-chick, table eggs and broilers • mortality rate of livestock • feed consumption rate and feed costs • other estimated costs to be incurred for the remaining life of the biological assets, and at the point of sales • discount rates The accounting policy for biological assets has been disclosed in Note 2.27 to the financial statements. The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 18 to the financial statements.	We evaluated the appropriateness of the methodology and key assumptions used by management in valuation of the biological assets. We have checked the mathematical accuracy of the valuation model prepared by management. We involved our valuation experts to check the discount rate used in computing the discounted cash flows of the biological assets to arrive at the fair value. We have corroborated the expected production of day-old chick, table eggs and feed consumption rate to the historical data provided to us by management as well as the manufacturer's guidebook of the particular breed of poultry. In respect of the projected selling prices and feed costs, we have back-tested by comparing the projected prices against historical prices and checked the reasonableness of the adjustments made for abnormal market movements. We have test checked the mortality rate assumption against historical actual mortality rate and found them to be in agreement. We assessed the appropriateness of the range used to test the sensitivity analysis performed by management as disclosed in Note 18. Based on the above procedures performed, we found that management's judgement and assumptions used are supported by available evidence.

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

Information other than the financial statements and auditors' report thereon

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

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

INDEPENDENT **AUDITORS' REPORT**
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon (cont'd)

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

INDEPENDENT **AUDITORS' REPORT**
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SHIRLEY GOH
01778/08/2020 J
Chartered Accountant

Kuala Lumpur
19 May 2020

STATEMENTS OF
COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

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

STATEMENTS OF **COMPREHENSIVE INCOME**
(cont'd)

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

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

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

STATEMENTS OF **FINANCIAL POSITION**
(cont'd)

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

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

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

STATEMENTS OF CHANGES IN EQUITY
(cont'd)

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

STATEMENTS OF **CHANGES IN EQUITY**
(cont'd)

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

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Profit before tax		288,750	348,575	55,343	54,256
Adjustments for:					
Expense recognised in respect of defined benefit plan	34	10,520	6,371	–	–
Depreciation of:-					
property, plant and equipment		204,301	189,671	127	–
investment properties		254	253	–	–
right-of-use assets		20,961	–	–	–
Amortisation of:-					
land use rights		–	6,840	–	–
intangible assets		–	347	–	–
Property, plant and equipment written off		3,168	2,428	–	–
Gain on disposal of property, plant and equipment		(1,597)	(850)	–	–
Loss on disposal of right-of-use assets		292	–	–	–
Gain on disposal of land use rights		–	(199)	–	–
Gain on disposal of a subsidiary		–	(78)	–	–
Unrealised loss/(gain) on foreign exchange		494	596	75	(16)
Fair value loss on derivative financial instruments		704	113	–	–
Share of profit of associates		(384)	(586)	–	–
Written off of Value Added Tax receivable		–	9,837	–	–
Bad debts written off		419	428	–	–
Impairment loss on trade receivables	20	17,232	2,144	–	–
ESOS expenses		6,503	–	1,578	–
Reversal of impairment loss on other receivables	21	(634)	(119)	–	–
Dividend income		–	–	(66,138)	(84,894)
Interest income		(12,866)	(8,492)	(2,246)	(126)
Finance costs	7	136,640	109,494	2,855	5,552
		674,757	666,773	(8,406)	(25,228)
Changes in working capital:					
Biological assets		(26,492)	(38,622)	–	–
Inventories		(99,714)	(64,226)	–	–
Receivables		141,167	(189,285)	(6)	(909)
Payables		37,901	50,351	(9,485)	11,137
Cash generated from/(used in) operations		727,619	424,991	(17,897)	(15,000)
Tax (paid)/refunded		(57,025)	(75,746)	264	(195)
Net cash flow from/(used in) operating activities		670,594	349,245	(17,633)	(15,195)

STATEMENTS OF CASH FLOWS
(cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Repayment from:-					
ultimate holding company		21,435	–	–	–
related companies		–	27,045	–	–
subsidiaries		–	–	–	287
Advances to: -					
related companies		–	(13,724)	–	–
subsidiaries		–	–	(90,000)	(15,000)
Advances to an associate		(15,368)	–	–	–
Proceeds from disposal of:-					
property, plant and equipment		3,880	3,715	–	–
land use rights		–	356	–	–
Dividend income received from:-					
an associate	16	540	504	–	–
subsidiaries		–	–	66,138	84,894
former subsidiary	15	–	16,296	–	–
Interest income received		12,866	7,388	2,246	126
Additions of:					
property, plant and equipment	10	(387,162)	(397,118)	(578)	–
right-of-use assets	13	(17,515)	–	–	–
land use rights	12	–	(25,834)	–	–
Subscription to subsidiaries ordinary shares		–	–	(47,033)	(3,500)
Acquisition of a subsidiary	15	(1,338)	–	–	–
Disposal of shares of subsidiary	15	2,187	5,771	–	–
Increase in fixed deposits pledged		(6,694)	(2,986)	–	–
Placement of fixed deposit	27	(16,700)	–	–	–
Net cash flow (used in)/from investing activities		(403,869)	(378,587)	(69,227)	66,807

STATEMENTS OF **CASH FLOWS**
(cont'd)

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

STATEMENTS OF **CASH FLOWS**
(cont'd)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

STATEMENTS OF **CASH FLOWS**
(cont'd)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

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

* Short-term borrowings exclude bank overdrafts.

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

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2019

1 GENERAL INFORMATION

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

Principal place of business

Lot 3.05, 3rd Floor, Wisma Westcourt
No. 126, Jalan Kelang Lama
58000 Kuala Lumpur, Wilayah Persekutuan
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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

MFRS 16 "Leases"

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

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

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

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

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

The Group as a lessee

(a) Leases classified as operating leases under MFRS 117

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards, amendments to published standards and interpretations that are effective (cont'd)

<u>**The Group as a lessee (cont'd)**</u>

(a) Leases classified as operating leases under MFRS 117 (cont'd)

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

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

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

(b) Leases classified as finance leases under MFRS 117

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

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

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

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

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

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

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

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

- MFRS 17 "Insurance Contracts"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation

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

(a) Subsidiaries

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

Business combinations under acquisition method

For business combinations accounted under acquisition method, the consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss (Note 2.5).

Acquisition-related costs are expensed as incurred.

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

Business combination under common control

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

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

Transactions between Group companies

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

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

Non-controlling interests

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

(b) Associates

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

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

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

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Goodwill

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

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

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment (cont'd)

Accounting policies applied from 1 January 2019

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

Accounting policies applied until 31 December 2018

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. (see accounting policy Note 2.8 on impairment of non-financial assets).

2.7 Investment properties

Investment properties, comprising principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

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

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to their residual values over their estimated useful lives of 8 to 50 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.9 Financial assets

(a) Classification

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

(c) Measurement (cont'd)

<u>**Debt instruments**</u>

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

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

(i) Amortised cost

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

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

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

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

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

<u>**Equity instruments**</u>

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

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

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

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

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

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

The measurement of ECL reflects:

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

(d) Subsequent measurement – Impairment (cont'd)

Significant increase in credit risk

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

The following indicators are incorporated:

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

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization
- the debtor is insolvent

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

(d) Subsequent measurement – Impairment (cont'd)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

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

(ii) Individual assessment

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

Write-off

(i) Trade receivables

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

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

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

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

2.10 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Derivative and hedging activities

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

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

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

2.12 Financial guarantee contracts

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

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

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

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

2.13 Leases

(a) Accounting by lessee

Accounting policies applied from 1 January 2019

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases (cont'd)

(a) Accounting by lessee (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases (cont'd)

(a) Accounting by lessee (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

Lease liabilities

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

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

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

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

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

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases (cont'd)

(a) Accounting by lessee (cont'd)

Accounting policies on lessee accounting applied until 31 December 2018

Finance leases

Until 31 December 2018, leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(b) Accounting by lessor

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

Finance leases

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

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2.8 on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases (cont'd)

(b) Accounting by lessor (cont'd)

Operating leases

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

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

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

2.14 Trade and other receivables

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

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

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

2.15 Inventories

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

2.16 Cash and cash equivalents

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Share capital

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

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

(d) Purchase of own shares

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

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

(e) Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing:

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

<u>Diluted earnings per share</u>

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Trade payables

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

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

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

2.19 Borrowings and borrowing costs

(i) Borrowings

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

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

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

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

Deferred tax assets including tax benefit from investment tax credit, including reinvestment allowance are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

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

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

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits

(a) Short term employee benefits

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

(b) Post-employment pension benefits

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Share-based payments - Employee options

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

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

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

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

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

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

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

Modification and Cancellation

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Provisions

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

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

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

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

2.24 Contingent assets and liabilities

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

2.25 Revenue recognition

(i) Revenue from contracts with customers

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Revenue recognition (cont'd)

(i) Revenue from contracts with customers (cont'd)

Sales of chicken and other poultry related products

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

Sales of poultry feed

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

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

(ii) Revenue from other sources

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

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

2.26 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Foreign currencies (cont'd)

(ii) Transactions and balances (cont'd)

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Biological assets

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

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

Breeders

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

Commercial layers

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

Broilers

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

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

Hatching eggs

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

2.28 Land use rights

Accounting policies applied from 1 January 2019

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Land use rights (cont'd)

Accounting policies on applied until 31 December 2018

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

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

2.29 Segment reporting

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

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

2.30 Government grants

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

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Biological assets

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

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(i) Biological assets (cont'd)

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

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

(ii) Impairment of goodwill

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

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

(iii) Post-employment benefit obligation

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

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

(iv) Income taxes

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

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

(v) Deferred taxes

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

4 REVENUE

The Group derives the following types of revenue:

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

Disaggregation of revenue from contracts with customers by product segments:

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

5 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

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

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

6 PROFIT FROM OPERATIONS

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
(cont'd)

7 FINANCE COSTS

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

8 TAX EXPENSE

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

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8 TAX EXPENSE (CONT'D)

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

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

8 TAX EXPENSE (CONT'D)

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

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

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

Tax Recoverable

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

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

9 EARNINGS PER SHARE ("EPS")

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

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

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

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

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

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

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

Diluted EPS

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
(cont'd)

10 PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE **FINANCIAL STATEMENTS**
(cont'd)

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under hire purchase liabilities RM'000	Motor vehicles, furniture, fittings, equipment and renovation RM'000	Motor vehicles, furniture, fittings, equipment and renovation under hire purchase liabilities RM'000	Construction-in-progress RM'000	Total RM'000
Net book value (cont'd)										
At 31 December 2019:										
Cost	295,466	–	1,776,655	24,725	1,084,017	57,733	456,139	57,954	187,612	3,940,301
Accumulated depreciation	–	–	(567,317)	(3,202)	(661,806)	(9,095)	(278,393)	(21,556)	–	(1,541,369)
Accumulated impairment loss	–	–	(953)	(5)	–	–	(1,465)	–	(38)	(2,461)
Net book value	295,466	–	1,208,385	21,518	422,211	48,638	176,281	36,398	187,574	2,396,471

NOTES TO THE **FINANCIAL STATEMENTS**
(cont'd)

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

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

(b) Additions of property, plant and equipment

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

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

11 INVESTMENT PROPERTIES

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

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

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

	2019 RM'000	2018 RM'000
Group		
Within 1 year	523	826
In the 2nd year	197	355
In the 3rd year	51	197
In the 4th year	51	51
In the 5th year	–	51
Total undiscounted lease payments	823	1,481

12 LAND USE RIGHTS

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
(cont'd)

13 RIGHT-OF-USE ASSETS

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

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

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

13 RIGHT-OF-USE ASSETS (CONT'D)

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

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

Additions of right-of-use assets

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

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

14 INTANGIBLE ASSETS

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

14 INTANGIBLE ASSETS (CONT'D)

Goodwill on consolidation

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

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

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

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

	2019 %	**2018 %**
Manufacturing of animal feeds		
Revenue growth rate	2.0	2.0
EBITDA margin	8.0	6.8
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0
Trading of animals health products		
Revenue growth rate	5.1	4.0
EBITDA margin	23.0	27.0
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0
Poultry farming and breeding		
Revenue growth rate	8.9	9.0
EBITDA margin	8.8	8.7
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0

14 INTANGIBLE ASSETS (CONT'D)

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

	2019 %	2018 %
Processing and marketing of consumer products		
Revenue growth rate	3.1 - 3.7	2.0 - 4.2
EBITDA margin	10.0	11.0
Discount rate	12.0	11.0
Terminal growth rate	1.0	2.0

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

Business customer relationship

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

15 INVESTMENT IN SUBSIDIARIES

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

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

Name of the Company	Effective percentage of ownership 2019 %	Effective percentage of ownership 2018 %	Principal activities
Direct subsidiaries			
Leong Hup (Malaysia) Sdn. Bhd. *	100.00	100.00	Investment holding
United Global Resources Limited *	100.00	100.00	Investment holding and trading of materials
Leong Hup Singapore Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Investment holding
Dragon Amity Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Investment holding
Leong Hup Corporate Services Sdn. Bhd. *	100.00	100.00	Management services provider

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15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Direct subsidiaries (cont'd)			
Leong Hup (Philippines), Inc # (Incorporated in Philippines)	100.00	100.00	To engage in the raising, breeding, cross breeding, fattening and pasturing of poultry and similar stocks
Leong Hup Myanmar Co., Ltd (Incorporated in Myanmar)	100.00	–	Incorporated on 16 October 2019. Dormant
Indirect subsidiaries			
Leong Hup Poultry Farm Sdn. Bhd. *	100.00	100.00	Provision of farming related services
Leong Hup Broiler Farm Sdn. Bhd. *	100.00	100.00	Provision of farming related services
Leong Hup (G.P.S.) Farm Sdn. Bhd. *	100.00	100.00	Provision of farming related services
Leong Hup Agrobusiness Sdn. Bhd. *	100.00	100.00	Poultry farming, trading of broiler chickens, day old chicks, poultry feeds, medicine, processing and marketing of chicken and related products, renting of farm buildings, confectionary and investment holding
Ayam A1 Food Corporation Sdn. Bhd. *	100.00	100.00	Provision of manufacturing related services
Leong Hup Feedmill Malaysia Sdn. Bhd. *	100.00	100.00	Manufacturing and marketing of animal feeds
Ladang Ternakan Maju Sdn. Bhd. *	100.00	100.00	Provision of farming related services
Advantage Valuations Sdn. Bhd. *	51.00	51.00	Investment holding
F. E. Venture Sdn. Bhd. ^	51.00	51.00	Trading of animal feeds and veterinary products and investment holding
Leong Hup Poultry Farm (Sabah) Sdn. Bhd. *	100.00	100.00	Poultry farming and related products
Leong Hup Ruminant Farm Sdn. Bhd. *	100.00	100.00	Investment holding
Leong Hup Feedmill Sdn. Bhd. *	100.00	100.00	Provision of manufacturing related services
Sri Medan Duck Farm Sdn. Bhd. *	100.00	100.00	Provision of farming related services
Beaming Agrotrade Sdn. Bhd. *	100.00	100.00	Dormant

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15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Indirect subsidiaries (cont'd)			
The Baker's Cottage Restaurant Sdn. Bhd ^	100.00	100.00	Operating a restaurant dealing with food and beverage
Ayam A1 Food Processing Sdn. Bhd. *	100.00	100.00	Provision of manufacturing related services
Goldkist Breeding Farms Sdn. Bhd. *	100.00	100.00	Provision of farming related services
J.B. Kim Farm Sdn. Bhd. *	51.00	51.00	Rearing of broiler chicken for sales
Mighty Farms Sdn. Bhd. *	51.00	51.00	Rearing of broiler chicken for sales
Exclusive Treasures Sdn. Bhd. *	100.00	100.00	Rearing of broiler chicken for sales
Sweet Vista Sdn. Bhd. *	100.00	100.00	Rearing of broiler chicken for sales
Mantap Untung Sdn.Bhd. *	51.00	51.00	Rearing of broiler chicken for sales
Ternakan Emas Sdn. Bhd. *	100.00	100.00	Dormant
Golden Egg Sdn. Bhd. *	100.00	100.00	Dormant
Rising Momentum Sdn. Bhd. *	51.00	51.00	Rearing of broiler chicken for sales
Farm Excel Distribution Sdn. Bhd. ^	51.00	51.00	Trading of health and beauty products
Laboratorios Reveex (Asia) Sdn. Bhd. ^	26.01	26.01	Trading of veterinary products
Leong Hup Aquaculture Sdn. Bhd.*	100.00	100.00	Operator of fish rearing
Teo Seng Capital Berhad *α	29.02	28.43	Investment holding and provision of management services
Teo Seng Farming Sdn. Bhd. *	29.02	28.43	Poultry farming and investment holding
Teo Seng Paper Products Sdn. Bhd. *	29.02	28.43	Manufacturing and marketing of egg trays
Teo Seng Feedmill Sdn. Bhd. *	29.02	28.43	Manufacturing and marketing of animal feeds
Ritma Prestasi Sdn. Bhd.*	29.02	28.43	Distribution of pet food, medicine and other animal health related products
Professional Vet Enterprise Sdn. Bhd. *	29.02	–	Trading of veterinary pharmaceutical biological products and farming equipment
Success Century Sdn. Bhd. *	29.02	28.43	Poultry farming

15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Indirect subsidiaries (cont'd)			
B-Tech Aquaculture Sdn. Bhd. *	29.02	28.43	Dormant
Laskar Fertiliser Sdn. Bhd. *	29.02	28.43	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produce
Great Egg Industries Sdn. Bhd. *	29.02	28.43	Dormant
Liberal Energy Sdn. Bhd. *	29.02	28.43	General trading and generation of energy by establishment of biogas plants - Dormant
Pioneer Prosperity Sdn. Bhd. *	29.02	28.43	Dormant – under members' voluntary winding up process
Premium Egg Products Pte. Ltd. # (Incorporated in Singapore)	29.02	28.43	Wholesaler importers, exporters of eggs products
BH Fresh Food Pte. Ltd. # (Incorporated in Singapore)	29.02	28.43	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income
Ritma Premier Pte. Ltd. # (Incorporated in Singapore)	29.02	28.43	Distribution of pet food, medicine and other animal health related products
Leong Hup Agriculture (Desaru) Sdn. Bhd. *	60.00	60.00	Plantation – cultivation of fruits
Ideal Multifeed (Malaysia) Sdn. Bhd. *	100.00	100.00	Manufacturing and marketing of animal feeds
Jaco Nutrimix Sdn. Bhd. *	100.00	100.00	Ceased operation
Prima Anjung Sdn. Bhd. *	100.00	100.00	Poultry farming, sale of poultry and related products and aquaculture
Kayangan Runding Sdn. Bhd. *	100.00	100.00	Property investment holding
New Soon Teng Poultry Sdn. Bhd. *	70.00	70.00	Rearing of colourbird
Emivest Feedmill Vietnam Co., Limited # (Incorporated in Vietnam)	100.00	100.00	Operating poultry hatcheries and breeder farms and producing animal and poultry feed

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15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Indirect subsidiaries (cont'd)			
Emivest Feedmill (TG) Vietnam Limited Liability Company # (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup Feedmill Vietnam Limited Liability Company # (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup (Cambodia) Limited ^ (Incorporated in Cambodia)	100.00	100.00	Trading of animals feed
Lee Say Group Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry and investment holding
Tasty Meat Products Pte. Ltd. ^ (Incorporated in Singapore)	80.00	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Kendo Trading Pte. Ltd. # (Incorporated in Singapore)	51.00	51.00	Slaughtering, processing and sale of fresh and frozen poultry products
Lee Say Food Holdings Pte. Ltd. ^ (Incorporated in Singapore)	100.00	100.00	Investment holding
PT Ayam Prima Esa & (Incorporated in Indonesia)	100.00	100.00	Dormant – in liquidation process
Heng Kai Hock Farm Sdn. Bhd. *	100.00	100.00	Poultry farming and related products
Lee Say Breeding Farm Sdn. Bhd. *	100.00	100.00	Provision of farming related services
Wang Xiang Shun Food Industry Pte. Ltd. ^ (Incorporated in Singapore)	26.01	26.01	Production, processing and preserving of meat and meat products
Hup Heng Poultry Industries Pte. Ltd. # (Incorporated in Singapore)	67.18	67.18	Slaughtering of poultry, wholesale, processing and preserving of meat and meat product
ES Food International Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Investment holding
Leong Hup Food Pte.Ltd. # (Incorporated in Singapore)	100.00	100.00	General importers and distributor of chickens and other meat products
Safa Gourmet Food Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Halal meat processing, manufacturing, wholesale and retail

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15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2019 %	2018 %	Principal activities
Indirect subsidiaries (cont'd)			
Soonly Food Processing Industries Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry
Prestige Fortune Sdn. Bhd. *	55.00	55.00	Poultry farming operations and the provision of consultancy services relating to poultry farming operations
Prestige Fortune (S) Pte. Ltd. # (Incorporated in Singapore)	55.00	55.00	Wholesale and distribution of poultry
Leong Hup Distribution Pte Ltd # (Incorporated in Singapore)	100.00	100.00	General trading of frozen food products and provision of warehousing activities
My-Kando Food Industries Sdn. Bhd. *	100.00	100.00	Poultry farming, rental of chicken coops and related activities
PT Malindo Feedmill Tbk #β (Incorporated in Indonesia)	57.80	58.04	Investment holding, poultry feed industry and Day Old Chicks (DOC) farming
PT Bibit Indonesia # (Incorporated in Indonesia)	57.72	57.96	Broiler grandparent stock farming
PT Prima Fajar # (Incorporated in Indonesia)	57.78	58.02	Trading and service and broiler chicken farm
PT Leong Ayamsatu Primadona # (Incorporated in Indonesia)	57.77	58.01	Day old chicks (DOC) and broiler chicken farm
PT Malindo Food Delight # (Incorporated in Indonesia)	57.79	58.03	Processing and preserving of meat
PT Quality Indonesia # (Incorporated in Indonesia)	40.44	40.59	Duck farming
PT Mitra Bebek Persada # (Incorporated in Indonesia)	57.22	57.46	Duck farming

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

15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests

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

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

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

15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests (cont'd)

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

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

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

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15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests (cont'd)

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

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

15 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests (cont'd)

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

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

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

15 INVESTMENT IN SUBSIDIARIES (CONT'D)

31.12.2019

Addition of investments in subsidiaries

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

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

The incorporation has no material financial impact to the Group.

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

Changes in equity interest in subsidiaries

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

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

15 INVESTMENT IN SUBSIDIARIES (CONT'D)

31.12.2019 (cont'd)

Acquisition of a subsidiary

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

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

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

15 INVESTMENT IN SUBSIDIARIES (CONT'D)

31.12.2018

Addition of investments in subsidiaries

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

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

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

Changes in equity interest in subsidiaries

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

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

15 INVESTMENT IN SUBSIDIARIES (CONT'D)

31.12.2018 (cont'd)

Disposal of a subsidiary

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

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

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

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15 INVESTMENT IN SUBSIDIARIES (CONT'D)

31.12.2018 (cont'd)

Disposal of a subsidiary (cont'd)

(b) **Proceeds from disposal**

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

Net cash flow from disposal of subsidiary

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

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16 INVESTMENT IN ASSOCIATES

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

Nature of investment in associates for 2019 and 2018:

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

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

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

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

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

16 INVESTMENT IN ASSOCIATES (CONT'D)

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

	Associates	
	2019	**2018**
	RM'000	**RM'000**
Summarised statements of financial position:		
Total non-current assets	15,599	3,572
Total current assets	10,389	6,991
Total current liabilities	(18,062)	(1,990)
Net assets	7,926	8,573
Summarised statements of comprehensive income:		
Revenue	7,604	8,084
Profit for the financial year	2,023	2,929
Total comprehensive income	2,023	2,929
Group's share of profit for the financial year	384	586
Group's share of total comprehensive income	384	586
Dividend received	540	504
Reconciliation of net assets to carrying amount:		
Group's share of net assets	1,567	1,715
Carrying amount of the Group's interests in the associate	1,567	1,715

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

17 DEFERRED TAXATION

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

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

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

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

17 DEFERRED TAXATION (CONT'D)

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

NOTES TO THE **FINANCIAL STATEMENTS**
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18 BIOLOGICAL ASSETS

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

The movement of biological assets can be analysed as follows:

	Group	
	2019 **RM'000**	**2018** **RM'000**
Breeders (grandparent and parent stock)		
At 1 January	185,828	163,306
Additions	97,053	77,786
Change in fair value	88,905	69,432
Livestock losses	(31,316)	(29,368)
Depopulation	(125,011)	(93,659)
Foreign currency translation	1,921	(1,669)
At 31 December	217,380	185,828
Layers		
At 1 January	71,199	64,140
Additions	12,051	12,150
Change in fair value	32,918	41,584
Livestock losses	(11,577)	(10,431)
Depopulation	(36,858)	(36,155)
Foreign currency translation	(10)	(89)
At 31 December	67,723	71,199

18 BIOLOGICAL ASSETS (CONT'D)

The movement of biological assets can be analysed as follows: (cont'd)

	Group	
	2019	2018
	RM'000	RM'000
Broilers		
At 1 January	48,886	50,501
Additions	181,618	248,052
Change in fair value	356,207	329,360
Livestock losses	(32,931)	(32,528)
Sales of live birds	(506,192)	(546,321)
Foreign currency translation	76	(178)
At 31 December	47,664	48,886
Hatching eggs		
At 1 January	42,155	33,140
Additions	610,145	488,105
Discarded eggs	(170,094)	(131,295)
Hatched and sold as day-old-chick	(438,243)	(347,476)
Foreign currency translation	340	(319)
At 31 December	44,303	42,155
Others	1,322	1,506
	378,392	349,574

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

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

18 BIOLOGICAL ASSETS (CONT'D)

The Group has classified its biological assets measured at fair value within Level 3 of the fair value hierarchy. (See Note 46) The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation mode.

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

18 BIOLOGICAL ASSETS (CONT'D)

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

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

Sensitivity analysis

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

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

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

19 INVENTORIES

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

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

20 TRADE RECEIVABLES

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

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

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

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

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20 TRADE RECEIVABLES (CONT'D)

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

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

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

Amounts recognised in profit or loss

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

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

21 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

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

21 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

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

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

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

22 AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

23 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

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

24 AMOUNTS DUE FROM SUBSIDIARIES

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

25 AMOUNT DUE FROM AN ASSOCIATE

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

26 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

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

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

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

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

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

27 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

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

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

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

28 SHARE CAPITAL

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

28 SHARE CAPITAL (CONT'D)

(i) Bonus Issue

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

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

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

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

(ii) Share Split

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

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

(iii) Issuance of new shares

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

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

29 MERGER RESERVE

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

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

30 RESERVES

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

(i) <u>Foreign currency translation reserve</u>

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

(ii) <u>Retained earnings</u>

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

(iii) <u>ESOS reserve</u>

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

31 EMPLOYEE SHARE OPTION SCHEME

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

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

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

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

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

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

31 EMPLOYEE SHARE OPTION SCHEME (CONT'D)

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

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

Fair value of share option and assumptions

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

	2019
Fair value per Option at grant date	RM 0.352
Share price at grant date	RM 1.10
Exercise price	RM 1.10
Options life (expected weighted average life)	4.9 years
Expected dividends yield	1.39%
Risk-free interest rate (based on Malaysian Government Securities)	3.60%
Expected volatility	37.71%

32 LEASE LIABILITIES

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

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

33 BANK BORROWINGS

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

33 BANK BORROWINGS (CONT'D)

The term loans of the Group include:

(a) Secured

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

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

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
(cont'd)

33 BANK BORROWINGS (CONT'D)

(a) Secured (cont'd)

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

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

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

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

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

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

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

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

33 BANK BORROWINGS (CONT'D)

(b) Unsecured

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

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

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

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

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

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

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

33 BANK BORROWINGS (CONT'D)

The term loans of the Group include: (cont'd)

(c) Hire purchase liabilities

Future instalment payments under hire purchase liabilities are as follows:

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

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

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

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

33 BANK BORROWINGS (CONT'D)

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

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

The currency profile of borrowings is as follows:

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

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

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

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

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

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

34 POST-EMPLOYMENT BENEFITS OBLIGATION

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

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

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

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

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

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

34 POST-EMPLOYMENT BENEFIT OBLIGATION (CONT'D)

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

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

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

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

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

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

35 DEFERRED INCOME – GOVERNMENT GRANTS

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

36 TRADE PAYABLES

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

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

37 OTHER PAYABLES AND ACCRUED EXPENSES

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

Provision for claims

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

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

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

37 OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

Amounts due to related parties

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

38 AMOUNTS DUE TO SUBSIDIARIES

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

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

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

39 AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

40 DIVIDEND PAID

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

41 SIGNIFICANT RELATED PARTY DISCLOSURES

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

Related parties and relationship

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

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

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

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

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Significant related party transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Significant related party transactions (cont'd)

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

Significant related party balances

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

Key management personnel compensation

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

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Directors of the Company:				
Fees	830	979	822	354
Salaries, bonuses and other benefits	29,246	17,129	–	–
Defined contribution benefits	2,483	1,736	–	–
ESOS expense (i)	1,578	–	–	–
	34,317	19,844	822	354
Management Team other than Directors of the Company:				
Fees paid to Directors of subsidiaries	337	598	–	–
Salaries, bonuses and other benefits	13,687	5,860	–	–
Defined contribution benefits	768	477	–	–
ESOS expense (i)	860	–	–	–
	16,652	6,935	–	–
	49,789	26,779	822	354

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

42 CAPITAL COMMITMENTS

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

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

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

43 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

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

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

44 CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

44 CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

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

44 CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

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

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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

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

(i) Trade receivables

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

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

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

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

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

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

(i) Trade receivables (cont'd)

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

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

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

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

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

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

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

(ii) Other debt investments financial assets at amortised costs

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

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

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

(iii) Financial guarantee contracts

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

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

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

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

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

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

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

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

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

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

Company

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

(c) Foreign currency risk

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
(cont'd)

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency risk (cont'd)

Foreign currency exposure

	MYR RM'000	SGD RM'000	USD RM'000	IDR RM'000	Others RM'000	Total RM'000
Group						
2019						
Financial assets						
Trade receivables	681	16,970	6,534	–	–	24,185
Other receivables	1,885	609	7,944	3	101	10,542
Cash and bank balances	30,775	15,197	114,918	185	4,859	165,934
	33,341	32,776	129,396	188	4,960	200,661
Financial liabilities						
Trade payables	(1,263)	(1,398)	(40,592)	–	(1,628)	(44,881)
Other payables	(10,329)	(2,780)	(2,257)	–	–	(15,366)
Bank borrowings	(91)	(24,476)	(31,574)	–	–	(56,141)
Lease liabilities	(205)	(4,679)	–	–	–	(4,884)
	(11,888)	(33,333)	(74,423)	–	(1,628)	(121,272)
Net currency exposure	21,453	(557)	54,973	188	3,332	79,389
2018						
Financial assets						
Trade receivables	1,209	14,704	8,296	–	–	24,209
Other receivables	2,331	298	3,122	474	–	6,225
Cash and bank balances	22,593	10,612	53,744	400	480	87,829
	26,133	25,614	65,162	874	480	118,263
Financial liabilities						
Trade payables	(1,455)	(932)	(29,284)	–	(2,020)	(33,691)
Other payables	(9,822)	(1,704)	(4,488)	(528)	–	(16,542)
Bank borrowings	(61)	(11,151)	(42,570)	–	–	(53,782)
	(11,338)	(13,787)	(76,342)	(528)	(2,020)	(104,015)
Net currency exposure	14,795	11,827	(11,180)	346	(1,540)	14,248

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency risk (cont'd)

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

Profit for the year increases/(decreases):

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

(d) Interest rate risk

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

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

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

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

45 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Interest rate risk (cont'd)

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

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

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

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

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

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

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

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

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

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

(b) Fair value measurement

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

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

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

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

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value measurement (cont'd)

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

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

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value measurement (cont'd)

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

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

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

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

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

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

47 CAPITAL MANAGEMENT

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

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

47 CAPITAL MANAGEMENT (CONT'D)

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

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

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

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

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

48 OPERATING SEGMENTS

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

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

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

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
(cont'd)

48 OPERATING SEGMENTS (CONT'D)

Business segments

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

48 OPERATING SEGMENTS (CONT'D)

Business segments (cont'd)

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

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

48 OPERATING SEGMENT (CONT'D)

Geographical Information

Revenue

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

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

EBITDA

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

Non-current assets

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

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

48 OPERATING SEGMENTS (CONT'D)

Geographical Information (cont'd)

Total Borrowings (excluding lease liabilities)

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

Major customers

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

49 EFFECT ON ADOPTION OF MFRS 16 'LEASES'

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

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

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

49 EFFECT ON ADOPTION OF MFRS 16 'LEASES' (CONT'D)

MFRS 16 "Leases"

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

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

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

50 SIGNIFICANT EVENT

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

51 EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

(a) Acquisition of feedmill

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

(b) COVID-19 pandemic

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

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

52 APPROVAL OF FINANCIAL STATEMENTS

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

TOP 10
PROPERTIES OWNED

by Leong Hup International Berhad and its Subsidiaries

(pursuant to Appendix 9C Part A (25) of Main Market Listing Requirements)

LIST OF PROPERTY, PLANT AND EQUIPMENT

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition / Revaluation
1	Lost BB2, Road No 6, Long Khanh IP, Binh Loc Commune, Long Khanh City, Dong Nai, Vietnam	Feedmill Land & building	Leasehold expiring on 14 May 2058	74.382 m^2	1	60,778	May-19
2	2 Senoko Way, Singapore	Dormitory	Leasehold expiring on 30 June 2053	7,202.8 m^2	27	55,400	June-06
3	HSD 32179 PTD 1721, Mukim of Sedili Kechil, District of Kota Tinggi, State of Johor Darul Ta'zim, Malaysia	Desaru Chicken house 1-6	Prepaid Lease Payment expiring on year 2070	381.2 acres	2-6	46,455	April-12
4	Lot AV-1,2,3,4 Tan Huong IZ, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Vietnam	Feedmill Land & building	Leasehold expiring on 28 November 2056	48,680.9 m^2	6	42,579	March-13
5	Lot CN10, Tan Truong Industrial Zone, Tan Truong Ward, Cam Giang District, Hai Duong Province, Vietnam	Feedmill Land & building	Leasehold expiring on 02 June 2055	40,009 m^2	4.5	42,499	May-16
6	Pajakan Negeri 24345 & 24355, Lot102514 & Lot 102526, Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia	Industrial Land/ Feedmill plant	Leasehold expiring on 24 February 2097	269,201 sq ft	8	37,523	December-97
7	Grobogan 1, Indonesia	Feedmill Plant	Prepaid Lease Payment expiring on 7 February 2043	56,064 m^2	5	36,480	July-14
	Grobogan 2, Indonesia	Feedmill Plant	Prepaid Lease Payment expiring on 2 September 2046	16,732 m^2	5		

TOP 10 **PROPERTIES OWNED**
(cont'd)

LIST OF PROPERTY, PLANT AND EQUIPMENT (CONT'D)

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition / Revaluation
8	Makassar, Indonesia	Feedmill Plant	Prepaid Lease Payment expiring on 2 December 2041	23,380 m^2	4	33,186	December-15
9	08 Senoko Way S758030, Singapore	A single storey detached factory with a mezzaine office	Leasehold expiring on 16 November 2052	4,318 m^2	28	32,982	December-18
10	Lot A_11B_CN, Bau Bang IZ, Lai Uyen Commune, Bau Bang District, Binh Duong Province, Vietnam	Feedmill Land & building	Leasehold expiring on 26 December 2056	12.000 m^2	9	32,131	April-10

ANALYSIS OF SHAREHOLDINGS

as at 4 May 2020

Total Number of Issued Shares	:	3,650,000,000
Class of Shares	:	Ordinary shares
Voting Right	:	One vote per ordinary share
Number of Shareholders	:	7,899

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total Shareholdings	%
Less than 100 shares	9	197	0.000
100 – 1,000 shares	706	493,774	0.014
1,001 – 10,000 shares	3,799	21,532,952	0.590
10,001 – 100,000 shares	2,789	97,095,240	2.660
100,001 to less than 5% of issued shares	594	1,274,778,537	34.925
5% and above of issued shares	2	2,256,099,300	61.811
Total	**7,899**	**3,650,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(According to the Register of the Substantial Shareholders as at 4 May 2020)

	Direct		Indirect	
	No. of Shares	% (1)	No. of Shares	% (1)
Emerging Glory Sdn Bhd ("EGSB")	1,927,201,000	52.800	–	–
Clarinden Investments Pte Ltd	328,898,300	9.011	–	–
Concordant Investments Pte Ltd	–	–	328,898,300 (2)	9.011
Affinity Asia Pacific Fund IV L.P.	–	–	328,898,300 (3)	9.011
Affinity Asia Pacific Fund IV (No. 2) L.P.	–	–	328,898,300 (3)	9.011
CW Lau & Sons Sdn Bhd ("CWL&S")	–	–	1,927,201,000 (4)	52.800
Datuk Lau Joo Hong	27,670,543	0.758	1,927,201,000 (5)	52.800
Lau Jui Peng	24,583,822	0.674	1,927,201,000 (5)	52.800
Lau Joo Heng	24,583,822	0.674	1,927,201,000 (5)	52.800
Lau Joo Han	76,837,532	2.105	1,927,201,000 (4)	52.800

Notes:

(1) Calculated based on 3,650,000,000 Shares.

(2) Deemed interested by virtue of its shareholdings in Clarinden Investments Pte Ltd pursuant to Section 8(4) of the Companies Act 2016 (the "Act").

(3) Deemed interested by virtue of its shareholdings in Clarinden Investments Pte Ltd through its shareholdings held in Concordant Investments Pte Ltd pursuant to Section 8(4) of the Act.

(4) Deemed interested by virtue of its/his shareholdings in EGSB pursuant to Section 8(4) of the Act.

(5) Deemed interested by virtue of his shareholdings in EGSB through its shareholdings held in CWL&S pursuant to Section 8(4) of the Act.

ANALYSIS OF SHAREHOLDINGS
(cont'd)

DIRECTORS' SHAREHOLDINGS
(According to the Register of the Directors' Shareholdings as at 4 May 2020)

	Direct		Indirect	
	No. of Shares	% [1]	No. of Shares	% [1]
Lau Chia Nguang	–	–	58,633,207 [2]	1.606
Dato' Lau Eng Guang	59,347,007	1.626	–	–
Tan Sri Lau Tuang Nguang	–	–	62,721,960 [3]	1.718
Datuk Lau Joo Hong	27,670,543	0.758	1,927,201,000 [4]	52.800
Lau Joo Han	76,837,532	2.105	1,927,201,000 [5]	52.800
Lau Joo Keat	–	–	58,633,207 [6]	1.606
Benny Lim Jew Fong	–	–	–	–
Datin Paduka Rashidah Binti Ramli	500,000	0.014	–	–
Chu Nyet Kim	600,000	0.016	–	–
Goh Wen Ling	550,000	0.015	–	–
Mahani Binti Amat	500,000	0.014	–	–
Low Han Kee	500,000	0.014	–	–
Tay Tong Poh	500,000	0.014	–	–

Notes:
[1] Calculated based on 3,650,000,000 Shares.
[2] Deemed interested by virtue of his shareholdings in CN Lau & Sons Sdn Bhd pursuant to Section 8(4) of the Act.
[3] Deemed interested by virtue of his shareholdings in TN Lau Holdings Sdn Bhd pursuant to Section 8(4) of the Act.
[4] Deemed interested by virtue of his shareholdings in EGSB through its shareholdings held in CWL&S pursuant to Section 8(4) of the Act.
[5] Deemed interested by virtue of his shareholdings in EGSB pursuant to Section 8(4) of the Act.
[6] Deemed interested by virtue of his shareholdings in HN Lau & Sons Sdn Bhd pursuant to Section 8(4) of the Act.

THIRTY (30) LARGEST SHAREHOLDERS
as at 4 May 2020

No.	Name of Shareholders	No. of Shares	%
1.	Emerging Glory Sdn Bhd	1,927,201,000	52.800
2.	Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd for Clarinden Investments Pte Ltd	328,898,300	9.011
3.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	180,000,000	4.931
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	109,500,000	3.000
5.	HSBC Nominees (Tempatan) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-TEMP)	92,821,960	2.543
6.	HSBC Nominees (Tempatan) Sdn Bhd Lau Joo Han	60,000,000	1.644
7.	CN Lau Holdings Sdn Bhd	58,633,207	1.606
8.	Lau Eng Guang	58,633,207	1.606
9.	Louis Dreyfus Company Asia Pte Ltd	54,545,400	1.494
10.	Permodalan Nasional Berhad	39,531,600	1.083
11.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for AIA Bhd.	32,127,200	0.880
12.	Pertubuhan Keselamatan Sosial	31,500,000	0.863

ANALYSIS OF **SHAREHOLDINGS**
(cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)
as at 4 May 2020

No.	Name of Shareholders	No. of Shares	%
13.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	29,000,000	0.795
14.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	29,000,000	0.795
15.	HN Lau & Sons Sdn Bhd	28,633,207	0.784
16.	HSBC Nominees (Tempatan) Sdn Bhd Lau Joo Hong	24,840,400	0.680
17.	Lau Joo Heng	24,583,822	0.674
18.	Lau Jui Peng	24,583,822	0.674
19.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	17,922,200	0.491
20.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Maybank Private Wealth Management for Lau Joo Han (PW-M00713)(420894)	16,837,532	0.461
21.	Hong Leong Capital Berhad	15,380,000	0.421
22.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Azimah Properties Sdn Bhd (PBCL-0G0797)	13,463,000	0.369
23.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	10,000,000	0.274
24.	Guoline (Singapore) Pte Ltd	10,000,000	0.274
25.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	9,083,100	0.249
26.	AmanahRaya Trustees Berhad Amanah Saham Nasional	8,611,100	0.236
27.	Permodalan Nasional Berhad Bumiputera Wealth Fund	8,000,000	0.219
28.	AmanahRaya Trustees Berhad ASN Umbrella for ASN Imbang (Mixed Asset Balanced) 2	7,000,000	0.192
29.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for LGT Bank AG (Foreign)	7,000,000	0.192
30.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	6,897,100	0.189
	Total	**3,264,227,157**	**89.430**

NOTICE OF SIXTH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be held at **Connexion Conference & Event Centre, The Zenith function room (Level M1), The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Friday, 26 June 2020** at **10.30 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to the Explanatory Notes to the Agenda)**

2. To approve the payment of Directors' fees of RM830,000 for the financial year ended 31 December 2019. ***(Ordinary Resolution 1)***

3. To approve the payment of Directors' fees of up to RM830,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears. ***(Ordinary Resolution 2)***

4. To approve the payment of Directors' benefits of RM144,000 from the date of the last Annual General Meeting until the date of the forthcoming Annual General Meeting of the Company. ***(Ordinary Resolution 3)***

5. To approve the payment of Directors' benefits up to an aggregate amount of RM144,000 from the date of the forthcoming Annual General Meeting until the next Annual General Meeting of the Company. ***(Ordinary Resolution 4)***

6. To re-elect the following Directors who are retiring in accordance with Clause 127 of the Constitution of the Company:-

   (a) Datuk Lau Joo Hong ***(Ordinary Resolution 5)***
   (b) Mr Lau Joo Keat ***(Ordinary Resolution 6)***
   (c) Mr Benny Lim Jew Fong ***(Ordinary Resolution 7)***
   (d) Ms Chu Nyet Kim ***(Ordinary Resolution 8)***

7. To re-appoint PricewaterhouseCoopers PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. ***(Ordinary Resolution 9)***

NOTICE OF SIXTH **ANNUAL GENERAL MEETING**
(cont'd)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modifications:

8. **Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016** *(Ordinary Resolution 10)*

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental/ regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

9. **Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature** *(Ordinary Resolution 11)*

   "**THAT** all the Recurrent Related Party Transactions entered into by the Company and/or its subsidiaries ("the Group") with the related parties as set out in Section 2.4(i) of Part A of the Circular to Shareholders dated 28 May 2020 from 16 May 2019, being the date of listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, up to the date of the forthcoming Annual General Meeting, which were necessary for the Group's day-to-day operations, undertaken in the ordinary course of business at arm's length basis and on normal commercial terms and are not detrimental to the interest of the minority shareholders of the Company, be and are hereby approved, confirmed and ratified."

10. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** *(Ordinary Resolution 12)*

    "**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Group be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4(i) of Part A of the Circular to Shareholders dated 28 May 2020 provided that such transactions are:-

    (a) necessary for the Group's day-to-day operations;

    (b) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and

(c) not detrimental to the interest of the minority shareholders of the Company.

THAT the authority conferred shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at such Annual General Meeting whereby the authority is renewed; or

(ii) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to this resolution."

11. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** ***(Ordinary Resolution 13)***

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Group be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4(ii) of Part A of the Circular to Shareholders dated 28 May 2020 provided that such transactions are:-

(a) necessary for the Group's day-to-day operations;

(b) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and

(c) not detrimental to the interest of the minority shareholders of the Company.

THAT the authority conferred shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at such Annual General Meeting whereby the authority is renewed; or

(ii) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

NOTICE OF SIXTH **ANNUAL GENERAL MEETING**
(cont'd)

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to this resolution."

12. **Proposed Authority for the Company to Purchase its own Shares ("Proposed Share Buy-Back Authority")** ***(Ordinary Resolution 14)***

"**THAT** subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given for the Company to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company provided that:-

(a) the aggregate number of ordinary shares in the Company purchased and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;

(b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase; and

(c) the Directors of the Company may decide either to retain the shares so purchased as treasury shares or cancel the shares so purchased or retain part of the shares so purchased and cancel the remainder or resell the treasury shares on Bursa Malaysia Securities Berhad or distribute the treasury shares as dividends or transfer the treasury shares under an employees' share scheme or as purchase consideration or otherwise use the treasury shares for such other purpose in the manner as prescribed by the applicable laws, guidelines, rules and regulations.

THAT the authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required by law to be held; or

(c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

NOTICE OF SIXTH **ANNUAL GENERAL MEETING**
(cont'd)

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own shares before the aforesaid expiry date and, in any event, in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps to implement, finalise and give full effect to the Proposed Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors deem fit and expedient at their discretion in the best interest of the Company."

13. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

LUM SOW WAI (MAICSA 7028519) (SSM PC NO. 202008002373)
TAN LAI KAI (MIA 41018) (SSM PC NO. 202008002788)
TE HOCK WEE (MAICSA 7054787) (SSM PC NO. 202008002124)
LIM HOOI MOOI (MAICSA 0799764) (SSM PC NO. 201908000134)
Company Secretaries

Kuala Lumpur

28 May 2020

NOTES:

1. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 19 June 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.*

2. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*

3. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*

4. *Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*

NOTICE OF SIXTH **ANNUAL GENERAL MEETING**
(cont'd)

6. *Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.*

7. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*
   (i) In hard copy form
   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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

   (ii) By electronic means via Tricor TIIH Online website at https://tiih.online
   Please refer to the Administrative Details of the 6th Annual General Meeting enclosed for further information on electronic submission.

8. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

9. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*

10. *Last date and time for lodging the proxy form is Wednesday, 24 June 2020 at 10.30 a.m.*

11. *Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:*
    a. MyKad (Malaysian), or
    b. Police report (for loss of MyKad) / Temporary MyKad (Malaysian), or
    c. Passport (Foreigner).

12. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's Share Registrar's office earlier.*

13. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of general meeting will be put to vote by way of poll.*

REMOTE PARTICIPATION AND VOTING ("RPV")

With the RPV facility, shareholders will have the option to participate and vote remotely at the 6th Annual General Meeting, via the RPV facility as available at the Share Registrar's TIIH Online website at *https://tiih.online*. Please read and follow the procedures as set out in the Administrative Details of the 6th Annual General Meeting enclosed herein.

NOTICE OF SIXTH **ANNUAL GENERAL MEETING**
(cont'd)

EXPLANATORY NOTES TO THE AGENDA

(i) ***Item 1 of the Agenda***
<u>Audited Financial Statements for the financial year ended 31 December 2019</u>

This item is meant for discussion only. The provision of Section 248(2) and Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such this Agenda item is not a business which requires a motion to be put to vote by shareholders.

(ii) ***Ordinary Resolutions 1 and 2***
<u>Payment of Directors' fees</u>

The payment of the Directors' fees of RM830,000 for the financial year ended 31 December 2019 will only be made if the proposed Ordinary Resolution 1 has been passed at the 6th Annual General Meeting of the Company.

The Directors' fees proposed for the financial year ending 31 December 2020 are calculated based on the current board size and assuming that all Non-Executive Directors will hold office until 31 December 2020. This resolution is to facilitate payment of Directors' fees on current financial year basis. The payment of the Directors' fees will only be made quarterly in arrears if the proposed Ordinary Resolution 2 has been passed at the 6th Annual General Meeting of the Company. In the event the proposed Directors' fees are insufficient (due to enlarged board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

(iii) ***Ordinary Resolutions 3 and 4***
<u>Payment of Directors' benefits</u>

Directors' benefits include meeting allowances payable to Directors and in determining the estimated amount, the Board of Directors ("Board") has considered various factors including the current board size and number of scheduled meetings for the Board and Board Committee for the period from the date of the forthcoming Annual General Meeting until the next Annual General Meeting as well as the number of Independent Directors involved in the meeting. In the event the proposed amount is insufficient (due to more meetings/enlarged board size), approval will be sought at the next Annual General Meeting for the shortfall.

(iv) ***Ordinary Resolutions 5 to 8***
<u>Re-election of Directors</u>

Datuk Lau Joo Hong, Mr Lau Joo Keat, Mr Benny Lim Jew Fong and Ms Chu Nyet Kim are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 6th Annual General Meeting.

The Board of Directors has through the Nomination Committee considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

(v) ***Ordinary Resolution 9***
<u>Re-appointment of Auditors</u>

The Board has through the Audit and Risk Committee, considered the re-appointment of PricewaterhouseCoopers PLT as the Auditors of the Company. The factors considered by the Audit and Risk Committee in making the recommendation to the Board to table their re-appointment at the 6th Annual General Meeting are disclosed in the Corporate Governance Overview Statement of the 2019 Annual Report.

NOTICE OF SIXTH **ANNUAL GENERAL MEETING**
(cont'd)

(vi) ***Ordinary Resolution 10***
Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed resolution, if passed, will empower the Directors to allot up to a maximum of 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

This is a renewal of the mandate obtained from shareholders at the last Annual General Meeting held on 13 May 2019. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 13 May 2019 and the mandate will lapse at the conclusion of the 6th Annual General Meeting.

(vii) ***Ordinary Resolutions 11 to 13***
Proposed Shareholders' Ratification, Proposed Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature

The proposed resolutions, if passed, will ratify all the recurrent related party transactions entered into by the Group from 16 May 2019 up to the date of the forthcoming Annual General Meeting and allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related parties as identified in Section 2.4 of Part A of the Circular to Shareholders dated 28 May 2020 in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad without the necessity to convene separate general meetings to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and is subject to renewal on an annual basis. Further details relating to this proposed resolutions are set out in Part A of the Circular to Shareholders dated 28 May 2020, which was circulated together with the Company's 2019 Annual Report.

(viii) ***Ordinary Resolution 14***
Proposed Share Buy-Back Authority

The proposed resolution, if passed, will empower the Company to purchase its own shares up to ten percent (10%) of the total number of issued shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Further information relating to this proposed resolution is set out in Part B of the Statement to Shareholders dated 28 May 2020, which is circulated together with the Company's 2019 Annual Report.

NOTICE OF SIXTH ANNUAL GENERAL MEETING
(cont'd)

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

LEONG HUP INTERNATIONAL BERHAD
Registration No. 201401022577 (1098663-D)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.

No. of shares held

PROXY FORM

I/We .... Tel. ....
[Full name in block, MyKad/Passport/Company No.]

of ....
[Full address]

being a Member of the abovenamed Company, hereby appoint the following person(s):

Full Name (in Block Letters)	MyKad/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			

and

Full Name (in Block Letters)	MyKad/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			

or failing whom, the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Sixth Annual General Meeting of the Company to be held at **Connexion Conference & Event Centre, The Zenith function room (Level M1), The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Friday, 26 June 2020** at **10.30 a.m.** or at any adjournment thereof, and to vote as indicated below:

Description of Resolution	Resolution	FOR	AGAINST
To approve the payment of Directors' fees of RM830,000 for the financial year ended 31 December 2019.	Ordinary Resolution 1		
To approve the payment of Directors' fees of up to RM830,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears.	Ordinary Resolution 2		
To approve the payment of Directors' benefits of RM144,000 from the date of the last Annual General Meeting until the date of the forthcoming Annual General Meeting of the Company.	Ordinary Resolution 3		
To approve the payment of Directors' benefits up to an aggregate amount of RM144,000 from the date of the forthcoming Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 4		
To re-elect Datuk Lau Joo Hong as Director.	Ordinary Resolution 5		
To re-elect Mr Lau Joo Keat as Director.	Ordinary Resolution 6		
To re-elect Mr Benny Lim Jew Fong as Director.	Ordinary Resolution 7		
To re-elect Ms Chu Nyet Kim as Director.	Ordinary Resolution 8		
To re-appoint PricewaterhouseCoopers PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 9		
Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary Resolution 10		
Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 11		
Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 12		
Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 13		
Proposed Share Buy-Back Authority.	Ordinary Resolution 14		

(Please indicate with "X" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from so doing at his/her discretion.)

Signed this day of

Signature*
Member

** Manner of execution:*
(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Fold This Flap For Sealing

NOTES:

1. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 19 June 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.*
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   - *(ii) By electronic means via Tricor TIIH Online website at https://tiih.online*
     Please refer to the Administrative Details of the 6th Annual General Meeting enclosed for further information on electronic submission.
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9. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*
10. *Last date and time for lodging the proxy form is Wednesday, 24 June 2020 at 10.30 a.m.*
11. *Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:*
    - *a. MyKad (Malaysian), or*
    - *b. Police report (for loss of MyKad) / Temporary MyKad (Malaysian), or*
    - *c. Passport (Foreigner).*
12. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's Share Registrar's office earlier.*
13. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of general meeting will be put to vote by way of poll.*

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AFFIX
STAMP

THE 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

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LEONG HUP INTERNATIONAL BERHAD Registration No.: 201401022577 (1098663-D)
3rd Floor, Wisma Westcourt, 126, Jalan Klang Lama, 58000 Kuala Lumpur, Wilayah Persekutuan, Malaysia
Hotline : +603-7980 8086 / +603-7980 3817 **Fax :** +603-7980 0040 **Email :** info@lhhb.com

www.leonghupinternational.com