LEONG HUP INTERNATIONAL BERHAD

ANNUAL REPORT
2023

WHAT'S INSIDE

This report is available at

www.leonghupinternational.com

To access our Annual Report, please download the QR code reader to your smartphone by scanning the image below.

10th Annual General Meeting

Virtual from LHI's HQ office

Date and time: 31 May 2024, 11.00 a.m.

OVERVIEW OF LEONG HUP INTERNATIONAL BERHAD

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 leading pure play integrated poultry operators, our operations span the entire poultry supply chain, encompassing livestock feed production, poultry breeding, broiler farming, layer production, further processed poultry products and quick-service restaurants.

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 organisation for safe, quality and affordable food.

OUR MISSION

We aim to be the market leader in providing livestock feed and poultry products. We embrace a culture of innovation and value-adding to enhance quality and productivity. In addition to adopting the latest farm technology, we constantly provide training to our human capital and comply with internationally-prescribed biosecurity standards.

BUSINESS AT A GLANCE

As one of the foremost integrated poultry operators in Southeast Asia, the Group exhibits a robust geographical presence, extending its operations across five key countries in the region: Malaysia, Indonesia, Singapore, Vietnam, and The Philippines.

Malaysia Indonesia Singapore Vietnam The Philippines

FEEDMILL

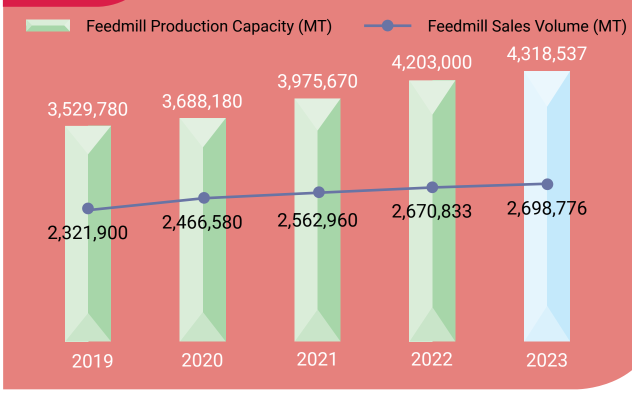
We produce feed for grandparent stock, parent stock, broiler chicken, layer chicken, broiler duck, swine, quail, cattle, goat, aquatic animals and certain domestic pets. Our livestock feed has high nutritional value, tailored to the type of livestock and rearing stage. The key brand name we use in Malaysia and Vietnam is "Leong Hup", the key brand name we use in Indonesia is "Malindo", and the key brand name we use in The Philippines is "Top Specs". Other livestock feed brands that we market are "Gymtech", "Diamond Feed" and "Emivest" in Vietnam.

GEOGRAPHY COVERAGE

An expanding Southeast Asian footprint with a growing market share

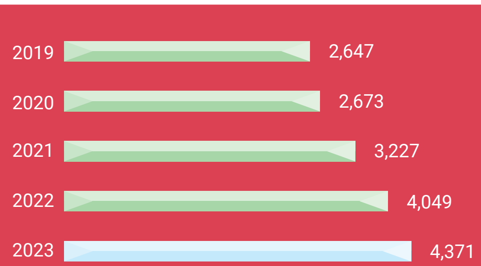
5 feedmills in **Malaysia**
5 feedmills in **Indonesia**
5 feedmills in **Vietnam**
1 feedmill in **The Philippines**

OPERATIONAL DATA[1]



FINANCIAL PERFORMANCE[2] (RM MILLION)

RM4,371 million
Group revenue for Feedmill segment



Notes:
(1) For the financial year ended 31 December 2023. Feed sales volume include both internal and external sales.
(2) Based on group revenue by product segment, as extracted from the audited financial statements of LHI.

Overview of Leong Hup International Berhad

LIVESTOCK

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 fast-growing countries in Southeast Asia, namely Indonesia, Singapore, Vietnam and The Philippines.

We are among the market leaders for prime quality day-old-chicks ("DOC") including parent stock DOC, broiler DOC and layer DOC.

In Malaysia, Indonesia, Vietnam and The Philippines, we produce and distribute broiler chickens for the consumption in 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 processing of poultry and food processing complements 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.

As part of the Group's strategy of downward integration, we have a fast-growing chain of quick service restaurants ("QSR"), Baker's Cottage in Malaysia, LH Deli in The Philippines and Sunny Chick in Indonesia, serving quality ready-to-eat poultry products at outstanding value directly to consumers.

With more than 288 poultry farms and hatcheries in

MY VN

ID PH

Network of Business-to-Consumer Channel as at 31 December 2023

153 Baker's Cottage outlets in Malaysia

54 LH Deli outlets in The Philippines

27 Sunny Chick outlets in Indonesia

Total Group Sales Volume(1)

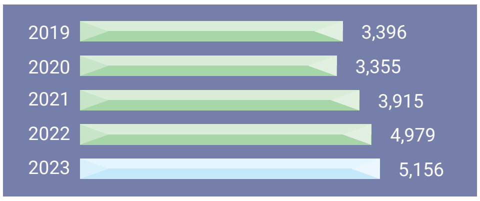
576 million Day-Old-Chicks

174 million Broiler Chickens

1,905 million Table Eggs

Group revenue for Livestock segment(2)

RM5,156 million



Notes:

(1) *For the financial year ended 31 December 2023. Figures for broiler DOC, broiler chickens reflect the total of DOC and broiler chickens supplied internally and sold externally. All table eggs are sold to third parties.*

(2) *Based on group revenue by product segment, as extracted from the audited financial statements of LHI.*

Overview of
Leong Hup International Berhad

AWARDS

The Group has won numerous awards in the past nine years, such as:

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

2016

- Top Parent Flock Award by Cobb-Vantress, USA
- Outstanding Feed Product Innovation by Vietstock Exhibition

2017

- The BrandLaureate Best Brands in Product Branding (Consumer Eggs) by The World Brands Foundation
- Best of the Best Award by Forbes Indonesia

2018

- Outstanding Industry Achievement – ASEAN by the Department of Veterinary Sciences Malaysia
- The Trusted Company in The Best Product Quality by the Indonesian Achievement Centre

2019

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

2020

- Malaysia Integrated Poultry Market Leadership Award by Frost & Sullivan Asia-Pacific Best Practices Award

2021

- Member of The Edge Billion Ringgit Club 2021

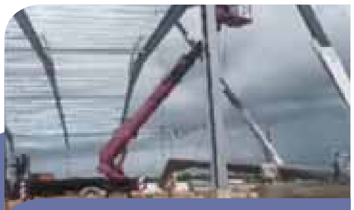
2023

- 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
- Best Poultry Feed Producer Award by Vietstock Exhibition endorsed by The Ministry of Agriculture and Rural Development in Vietnam.

What Differentiates Us

- Fully integrated Farm-to-Plate 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 share 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

EVENTS HIGHLIGHT



Initial phase construction underway for a slaughtering plant in Yong Peng, Malaysia.

Baker's Cottage was honoured as the 'Most Preferred Mooncake Brand' by AEON members. Voted for the traditional flavours and quality, this award highlights Baker's Cottage's commitment to customer satisfaction.

CORPORATE SOCIAL RESPONSIBILITY

MALAYSIA

Baker's Cottage Junior Table Tennis League 2023

Organised by Persatuan Ping Pong Daerah Petaling (PJTTA) and proudly sponsored by Baker's Cottage, the event was at Dewan Ping Pong Baker's Cottage in SMK Damansara Jaya, Petaling Jaya, Selangor. The tournament consisted of four rounds, which took place between September and December 2023.

Experience joyous moments at the Orang Asli Settlement

Our visit to the Orang Asli Settlement provided an opportunity to connect with the indigenous community, learnt about their way of life, and donated cakes as a gesture of support and appreciation. It was a meaningful experience that left a lasting impact on us all.

Walk A Child To School Charity Project 2023

Baker's Cottage of Leong Hup Malaysia Group joined forces with other entities to donate 1,307 pairs of school shoes, underlining the importance of proper footwear for student attendance and well-being.

SINGAPORE

Woodlands Community Food Bank Support Initiative

Provided support to the Food Bank for Low-Income Families through the beneficiary of Woodlands Constituency Office @ Woodlands Community Club.

THE PHILIPPINES

37th International Coastal Cleanup (ICC)

Leong Hup (Philippines) Inc. is committed to environmental conservation and contributed significantly to the effort by mobilizing a team of volunteers who worked with Local Government to collect and document waste at Morong, Bataan.

INDONESIA

Stunting Prevention and Nutrition Improvement Programme

In Indonesia, we contributed to the Government's 'Stunting Prevention and Nutrition Improvement Program' by donating eggs as part of our support to tackle stunting.

Blood donation event occurred in FYE 2023

In 2023, PT Malindo Feedmill Tbk organised multiple blood donation programmes, resulting in the production of a total of 464 blood bags for Indonesian Red Cross (Palang Merah Indonesia/"PMI") for necessary processing and treatment.

Assistance for victims of the Mount Semeru earthquake

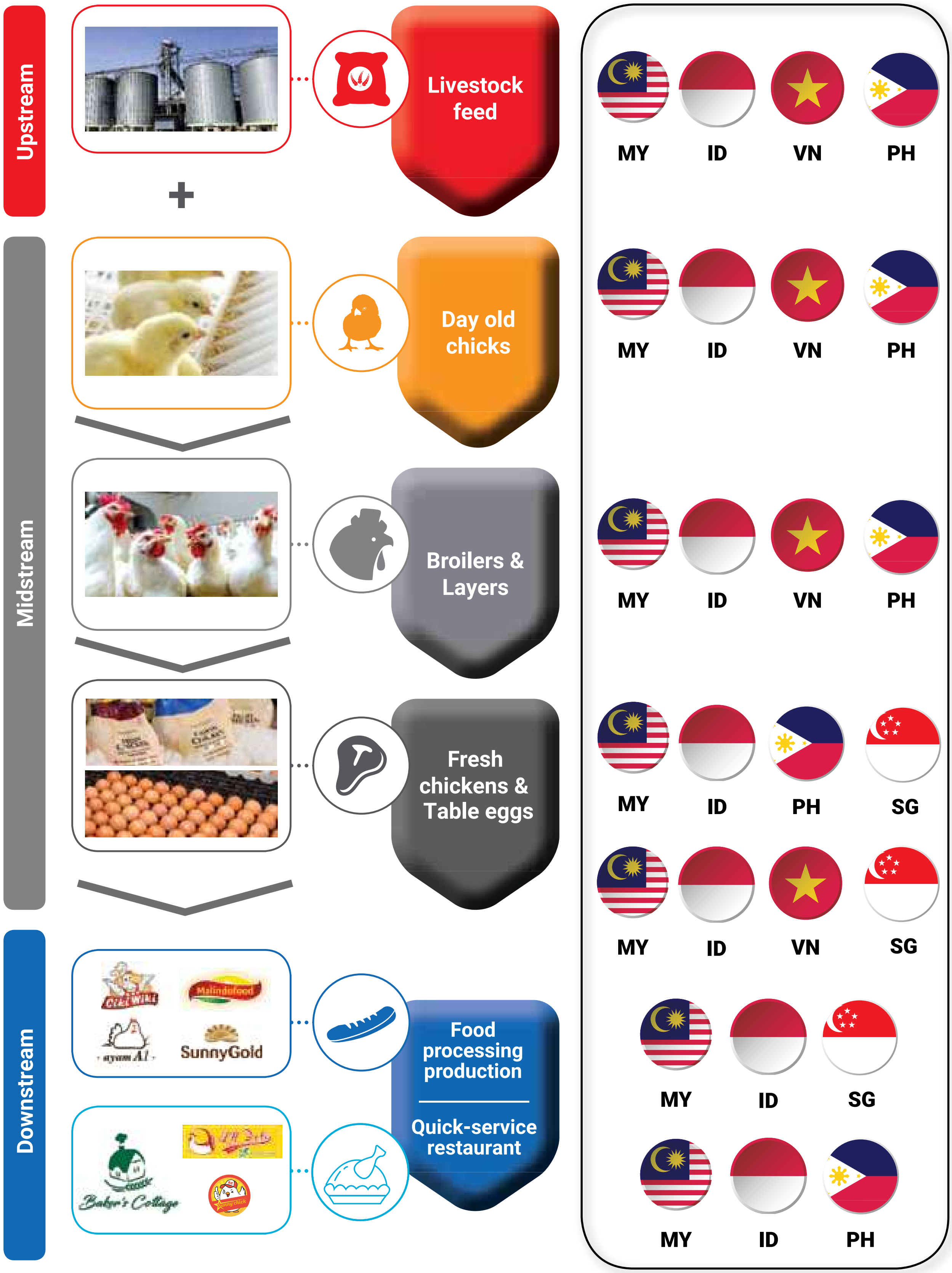
PT Malindo Feedmill Tbk donated eggs in coordination with the Regional Disaster Management Agency to assist the victims of the Mount Semeru eruption in East Java.

OUR VALUE CHAIN

The "Farm-To-Plate" Integrated Business Model of Leong Hup International

Leong Hup International Berhad and subsidiaries (the "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



VALUE-CREATING BUSINESS MODEL

AS AT 31 DECEMBER 2023

OUR CAPITALS

Financial

Shareholders' funds
RM2.96 billion

Total Borrowings
RM2.46 billion

Total Assets
RM6.53 billion

Strong operating cash flows and relationship with financial institutions

Manufactured

Fully-integrated poultry operations and scalable operations comprising:

16 **feedmills** and 288 **poultry farms and hatcheries**

5 **Southeast Asian Countries**

153 **Baker's Cottage** outlets

54 **LH Deli** outlets

27 **Sunny Chick** outlets

Natural

Operating Sites
774

Land Area
297,244,446 sq. ft.

Human

No. of Employees
12,931
Versatile and **talented workforce**

Intellectual

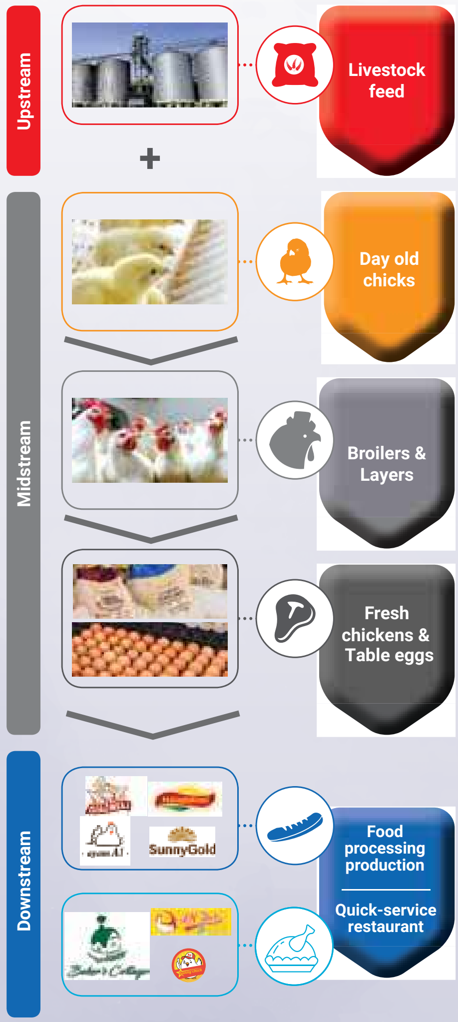
Culture centered on values utilization of technology and automation in business processes to **implement our strategy capacity to embrace change**

Social

- **Solid rapport** with government bodies
- **Resilient supply chain**
- **Extensive market coverage**

BUSINESS ACTIVITIES

Our business model encompasses 5 major Southeast Asian countries, with a farm-to-plate approach fully integrated from the upstream to the downstream. This allows us to leverage economies of scale, creating sustained value for our stakeholders.



Value-Creating Business Model

PRIMARY OUTPUT

- Robust poultry value chain producing safe, quality and affordable poultry and essential proteins for the growing population (see pages 11 to 13 for the Group's Value-Creation Strategies and pages 40 to 58 for the Group's Sustainability efforts for further information)
- Waste generated is managed and treated responsibly (see pages 46 to 47, Sustainability Statement for further information).

OUTCOME(1)

Revenue increased by **5.5%** year-on-year to **RM9.54** billion

Shareholders' fund increased by **14.1%** to **RM2.96** billion

Total assets decreased by **0.9%** to **RM6.53** billion

99.0% Group's flocks that managed in closed-house system

	Volume sold(2) (million)	YoY growth
DOC (chick)	575.9	3.9%
Broiler chickens (birds)	173.6	13.2%
Table eggs (eggs)	1,905.2	9.6%
Feed (kg)	2,698.8	1.0%

Natural

9,570,070 kWh

Of solar power generated for farms, feedmill plants, factories and hatcheries

Human

25.0%

Women workforce

Intellectual

1,716 Animal Feed Formulation

5,475 Total Man-Days Of Employee Training

Social

RM78.96 million **Direct Taxes Paid**

14,450 Suppliers partnered

21,439 Customers served(3)

Notes:

(1) For the financial year ended 31 December 2023.

(2) Feed sales volume include both internal and external sales. Figures for broiler DOC and broiler chickens reflect the total of DOC and broiler chickens supplied internally and sold externally. All table eggs are sold to third parties.

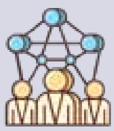
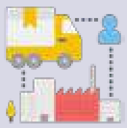
(3) Excludes the retail outlets customers.

Value-Creating Business Model

STAKEHOLDER ENGAGEMENT

The success and sustainability of our business are built upon the pillars of trust and accountability with our stakeholders. The Group endeavours to keep an open line of communication with our stakeholders to manage and address the interests, expectations and concerns of our stakeholder groups.

The Group's engagement activities with fellow stakeholders are summarised as follows:

Stakeholder Groups	How we engage[1]
Government agencies, law enforcers and regulators 	• Regular dialogues and written communications with relevant agencies and ministries • Proactive participation in industry meetings and government sponsored panel discussions on current developments, outlook and issues faced by the poultry industry • Representation in industrial bodies including Federation of Livestock Farmers Association of Malaysia and other equivalent country-specific bodies
Customers & end-consumers 	• Face-to-face interactions • Feedback channels including customer hotline and surveys • Online and social media platforms
Employees 	• One-on-one interactions between staff and line managers • Staff events • Performance reviews and exit interviews
Local community 	• Ongoing interaction with communities via corporate social responsibility initiatives and local stakeholders' needs assessment • Direct engagement around community concerns via personal interactions, meetings and public feedback channels • Communicating through digital and media releases
Suppliers 	• Engagement with suppliers throughout our procurement and vendor application process • Face-to-face interactions
Investors 	• Our corporate website serves as a key information platform • Annual and interim results presentations • One-on-one virtual engagements and non-deal roadshows with analysts and investors to provide updates on financial and corporate developments • Site visits • Electronic announcements (including email alerts on company's announcements) • Editorial and selected social media coverage in the financial media • Incorporating elements of integrated reporting in Annual Report

Note:
(1) See page 42 under Sustainability Statement - Stakeholder Engagement

Value-Creating Business Model

OUR VALUE CREATION

(a) Developing poultry operations that span diverse geographical locations within Southeast Asia

Related key capitals

Financial	Manufactured	Natural	Human	Intellectual	Social

Activities and processes to create value

- Enhance production output to improve efficiency and capture a larger market share in each operational market
- Prioritize operational and commercial excellence to facilitate the expansion of geographical diversification endeavors
- Enhance the local poultry supply chain and deepen localization within the poultry value chain framework
- Continued dedication to internal talent cultivation and the creation of local job opportunities

Outcomes and value created

- Sustained poultry supply to bolster domestic food security
- Boost the adoption of protein consumption within the expanding population
- Support local economies through the creation of jobs and other beneficial multiplier effects
- Attract a varied workforce and retain skilled employees

Highlights

Indonesia Broiler Farm in Serdang 6

In Indonesia, the construction of two closed houses at the Serdang 6 broiler farm was finalized in Q2 2023, with operations commencing in Q3 2023. The investment for this project amounted to RM2.1 million (Rp7.1 billion). These two houses have a capacity of 100,000 broiler chickens per cycle, estimating an annual production of 600,000 broiler chickens.

The Philippines feedmill warehouse in Tarlac

The development of the raw material warehouse for the feedmill in Tarlac, The Philippines commenced in Q1 2024, with an allocated budget of approximately RM12.8 million. Upon completion, this warehouse will have the capability to accommodate an extra 15,000 metric tons of feeds, thereby expanding the current warehouse capacity by 35%.

The Philippines conversion of broiler to PS farm in Orani

In The Philippines, the transformation of an old broiler farm into a PS farm in Orani, Bataan, commenced operations in March 2023. The total investment was RM12.2 million. This project houses 62,000 birds and had increased the production output by 18%.

The Philippines expansion of 2nd Pelleting line in Tarlac

The expansion of the second pelleting line at the existing Tarlac feedmill was completed in Q3 2023. The total investment was RM4.3 million. Following completion, the capacity has been elevated to 28,000 metric tons per month.

Value-Creating Business Model

(b) Consistently reinforcing the Group's business model for future growth through downstream expansion

Related key capitals					
Financial	Manufactured	Natural	Human	Intellectual	Social

Activities and processes to create value

- Expand downstream along the poultry value chain to enhance proximity to consumers.
- Broaden business-to-consumer ("B2C") channels in Malaysia (Baker's Cottage), The Philippines (LH Deli), and Indonesia (Sunny Chick).
- Expand the variety of value-driven and convenient ready-to-eat ("RTE") and ready-to-cook ("RTC") poultry products to cater to mass consumption.

Outcomes and value created

- Enhance the Farm-to-Plate growth strategy.
- Maximize the profitability of poultry products throughout the value chain in accordance with demand and supply conditions.
- Increase brand awareness and build trust among consumers.

Highlights

- As of 31 December 2023, we had 153 Baker's Cottage outlets, 54 LH Deli outlets and 27 Sunny Chick outlets
- Innovative retail concept offering roast/fried chickens, set meals, pastries, and desserts to cater to local markets
- Utilized delivery applications and social media platforms to broaden retail outreach and increase attractiveness among youthful and urban consumers

Value-Creating Business Model

(c) Optimising capital expenditure and resource allocation

Related key capitals					
Financial	**Manufactured**	**Natural**	**Human**	**Intellectual**	**Social**

Activities and processes to create value

- Continuously review and adjust capital expenditure in response to changing market conditions.
- Strategically allocate resources to automate processes in feedmill and farm operations.
- Invest in to closed-house systems that are more resource-efficient and environmentally friendly.
- Implement technology-enabled flock management and digitally integrate flock harvest with the ERP system.

Outcomes and value created

- Optimise operational efficiency, growth rate, and labor-to-output ratio for feedmill and farm operations.
- Reduce bird stress, mortality rate, and the risk of disease transmission through improved biosecurity measures, automated controls for feeding and climate management.

Highlights

- Repayment of above RM500 million borrowings and lowered the Group's net gearing to 0.6 times. This provides the Group with greater financial stability, flexibility, and opportunities for growth and value creation in the future.
- Progress towards renewable energy adoption by implementing solar systems at our farm and central packing stations.
- Continuous capital expenditure in broiler farm upgrades resulted in 99.0% closed house farming system throughout the Group's internal farms.
- More robust up-to-date information and control days sales outstanding for faster cash conversion cycle and improved working capital management.




CORPORATE INFORMATION

BOARD OF DIRECTORS

Lau Chia Nguang
Non-Independent Executive Chairman

Tan Sri Dato' Lau Eng Guang
Non-Independent Executive Director

Tan Sri Lau Tuang Nguang
Non-Independent Executive Director

Datuk Lau Joo Hong
Non-Independent Executive Director

Lau Joo Han
Non-Independent Executive Director

Lau Joo Keat
Non-Independent Executive Director

Low Han Kee
Senior Independent Non-Executive Director

Datin Paduka Rashidah Binti Ramli
Independent Non-Executive Director

Chu Nyet Kim
Independent Non-Executive Director

Goh Wen Ling
Independent Non-Executive Director

Tay Tong Poh
Independent Non-Executive Director

AUDIT AND RISK COMMITTEE

Committee Chairman
Low Han Kee

Committee Member
Chu Nyet Kim
Goh Wen Ling

NOMINATION COMMITTEE

Committee Chairman
Tay Tong Poh

Committee Member
Chu Nyet Kim

REMUNERATION COMMITTEE

Committee Chairperson
Goh Wen Ling

Committee Member
Datin Paduka Rashidah Binti Ramli
Low Han Kee

SUSTAINABILITY COMMITTEE

Committee Chairman
Datuk Lau Joo Hong

Committee Member
Tan Sri Dato' Lau Eng Guang
Tay Tong Poh

KEY SENIOR MANAGEMENT

Lau Chia Nguang
Executive Chairman

Tan Sri Dato' Lau Eng Guang
Group Business Strategist

Tan Sri Lau Tuang Nguang
Group Chief Executive Officer

Datuk Lau Joo Hong
Group Chief Operating Officer / Chief Executive Officer of Vietnam operations

Lau Joo Han
Chief Executive Officer of Malaysia operations

Lau Joo Keat
Country Head of Indonesia operations

Lau Jui Peng
Group Breeder Chief Executive Officer

Lau Joo Heng
Chief Executive Officer of The 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)

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, Menara TH 1 Sentral,
Jalan Rakyat,
Kuala Lumpur Sentral,
P.O. Box 10192,
50706 Kuala Lumpur,
Wilayah Persekutuan.
Tel : +603-2173 1188
Fax : +603-2173 1288

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Fax : +603-2783 9111
E-mail: info@my.tricorglobal.com

HEAD/MANAGEMENT OFFICE

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+603-7980 3817
Fax : +603-7980 0040
E-mail: info@lhhb.com

SHARE REGISTRAR

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Tel : +603-2783 9299
Fax : +603-2783 9222
E-mail: is.enquiry@my.tricorglobal.com

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 31 MARCH 2024

Leong Hup International Berhad

- **100% Leong Hup Corporate Services Sdn Bhd**
  - 51.00 Advantage Valuations Sdn Bhd
  - 52.28% Teo Seng Capital Berhad (2.39%; 1.04%)
    - 100.00% Teo Seng Farming Sdn Bhd
      - 100.00% Laskar Fertiliser Sdn Bhd
      - 100.00% Teo Seng Integrated Farming 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
      - 65.00% Trendata Science Sdn. Bhd
    - 100.00% Success Century Sdn Bhd
    - 100.00% Premium Egg Products Pte Ltd
      - 100.00% BH Fresh Food Pte Ltd
- **100% Leong Hup (Malaysia) Sdn Bhd**
  - 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% Leong Hup Capital Sdn Bhd
    - 100.00% Heng Kai Hock Farm Sdn Bhd
  - 100.00% Ladang Ternakan Maju Sdn Bhd
    - 100.00% Ternakan Emas Sdn Bhd
      - 100.00% Golden Egg Sdn Bhd
    - 100.00% 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 Ruminant Farm Sdn Bhd
    - 60.00% Leong Hup Agriculture (Desaru) Sdn Bhd
  - 100.00% New Soon Teng Poultry Sdn Bhdd
  - 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 ©
    - 20.00% Indahgrains Logistics Sdn Bhd
  - 100.00% The Baker's Cottage Restaurant Sdn Bhd
  - 100.00% The Baker's Cottage Sdn Bhd
    - 100.00% Baker's Cottage Training Academy Sdn Bhd
    - 100.00% Selasih Prospek 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 Breeding 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
    - 99.89% PT Bibit Indonesia
    - 99.99% PT Prima Fajar
    - 99.99% PT Malindo Food Delight
    - 99.84% PT Mitra Bebek Persada
    - 99.98% PT Leong Ayamsatu Primadona
      - 70.00% PT Quality Indonesia
- **100% Leong Hup (Philippines), Inc**
  - 100.00% Leong Hup Foods (Philippines), Inc
  - 40.00% Greatmammoth Properties, Inc
- **100% Leong Hup Myanmar Co., Ltd**

Note:
© Under Members' Voluntary Winding-Up.
Striking off under Section 550 of the Companies Act 2016.

PROFILE OF THE BOARD OF DIRECTORS

LAU CHIA NGUANG

Non-Independent Executive Chairman and President Commissioner of PT Malindo Feedmill TBK ("Malindo Feedmill")

Nationality	:	Malaysian
Gender	:	Male
Age	:	72

Lau Chia Nguang completed his primary school education in 1964. He has over 45 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 the Group's subsidiaries. He led the Group's broiler business in Malaysia from 1985 to 2002.

He led the expansion of the 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 the 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 with 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 the 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 Tan Sri Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the uncle to 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. He attended four (4) out of five (5) Board meetings held during the financial year.

Profile of the Board of Directors

TAN SRI DATO' LAU ENG GUANG

Non-Independent Executive Director & Group Business Strategist

Nationality	:	Malaysian
Gender	:	Male
Age	:	70

Tan Sri Dato' Lau Eng Guang completed his secondary school education in 1972 and South Australian matriculation in 1974. He has over 45 years of experience and expertise in the integrated livestock industry.

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

He is responsible for the Group's business strategies and risk management and has been involved in various aspects of the 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 Malaysia Securities Berhad ("Bursa Securities"). He remains as 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 the Group and several other private limited companies. He is also the Executive Chairman of Comfort Gloves Berhad ("CGB") since 5 March 2021. He was appointed as member of our Sustainability Committee on 28 November 2023.

Tan Sri Lau's contributions to the industry and the society has earned him a recognition by His Majesty, The King with the conferment of the Commander of the Order of Loyalty to the Crown of Malaysia (P.S.M.) which carries the title "Tan Sri" on 13 November 2021.

He is the brother of Lau Chia Nguang and Tan Sri Lau Tuang Nguang; and the uncle to 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. He attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

TAN SRI LAU TUANG NGUANG

Non-Independent Executive Director,
Group Chief Executive Officer
& President Director of Malindo Feedmill

Nationality	:	Malaysian
Gender	:	Male
Age	:	65

Tan Sri Lau Tuang Nguang completed his secondary school education in 1975. He has more than 41 years of experience and expertise in the integrated livestock industry.

He began his career in the family farm business at one of the Group's subsidiaries where he gained experience through managing the operations of the Grand Parent Stock ("GPS") and breeder farms and was director from 1978 to October 2018. He was appointed as the Group Chief Executive Officer on 13 June 2018 and was appointed to our Board on 23 November 2018.

As the Group Chief Executive Officer, he oversees the entire business operations of the Group covering Malaysia, Singapore, Indonesia, Vietnam and The Philippines.

He served as a panel advisor to the Ministry of Agriculture and Agro-based Industry of Malaysia ("MOA") in 2004 and sat as a panel member of the National Agriculture Advisory Council to the MOA from 2018 to 2022. He was the past President of the Federation of Livestock Farmers' Association of Malaysia ("FLFAM") for Year 2005/2007, an association instituted for the safeguarding of the livestock farming community's interest and the betterment of the livestock industry and presently is the honourable advisor to the FLFAM.

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 the Group and several other private limited companies. He sat on the board of Teo Seng Capital Bhd ("Teo Seng") from 2009 to August 2018 and is currently the President Director of Malindo Feedmill, both being our listed subsidiaries. He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He is the brother of Tan Sri Dato' Lau Eng Guang and Lau Chia Nguang; and the uncle to 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. He attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

DATUK LAU JOO HONG

Non-Independent Executive Director, Group Chief Operating Officer & Chief Executive Officer for the Group's Vietnam operations

Nationality	:	Malaysian
Gender	:	Male
Age	:	53

Datuk Lau Joo Hong completed his secondary school education in 1988. He has over 25 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 further 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 and was appointed as the Group Chief Operating Officer on 29 September 2020 to oversee the operational matters of the Group as well as assume responsibility for the execution of the Group's overall strategies. On 28 November 2023 he was appointed as Chairman of the Group's Sustainability Committee to oversee the Group's sustainability strategy and initiatives covering environmental, social, governance and economical aspect as well as embedding sustainability practices into the businesses.

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 Main Board of Bursa Securities).

He was appointed to our Board on 9 September 2014. Currently, he also sits on the boards of various subsidiaries of the Group and several other private limited companies and Kwandong Holdings Berhad ("KHB"), a non-listed public company. He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company and KHB.

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, Tan Sri 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. He attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

LAU JOO HAN

Non-Independent Executive Director and Chief Executive Officer for the Group's Malaysia operations

Nationality	:	Malaysian
Gender	:	Male
Age	:	49

Lau Joo Han has over 24 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 divisions. He rose through the ranks and has been the Chief Executive Officer of Leong Hup (Malaysia) Sdn Bhd ("LH Malaysia") since 2014, overseeing the overall business and full operations of LH Malaysia. He was duly appointed and has served as a director of LH Malaysia since 2014.

He has extensive expertise in the upstream and downstream activities of livestock production, operation, development and marketing areas of the poultry industry. He has contributed to the Group's marketing strategies and spearheaded many business expansion projects at LH Malaysia which contributed to the growth of LH Malaysia. He is instrumental in the business transformation of The Baker's Cottage which has served as the business-to-consumer channel of the Group in 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 and held the position 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 the 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.

In line with the ESG programme, he took a pivotal role in promoting the Group's social responsibility initiatives by encouraging young students to engage in sports activities. This encompassed sponsoring a table tennis training centre, organising junior-level table tennis tournaments, and supporting the Table Tennis Association of Malaysia's team to compete in international tournaments.

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

He is the nephew of Lau Chia Nguang, Tan Sri 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. He attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

LAU JOO KEAT

Non-Independent Executive Director and Country Head for the Group's Indonesia operations

Nationality	:	Malaysian
Gender	:	Male
Age	:	44

Lau Joo Keat has more than 21 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 serves as a director of Malindo Feedmill since 2015 and has been the Country Head of the 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 the 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, Tan Sri 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. He attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

LOW HAN KEE

Senior Independent Non-Executive Director

Nationality	:	Malaysian
Gender	:	Male
Age	:	64

Low Han Kee 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 34 years of financial expertise, having held senior finance positions in public listed companies, namely AMHB and Mulpha. He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company and AMHB.

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 and member of Audit Committee 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 (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. He attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

DATIN PADUKA RASHIDAH BINTI RAMLI

Independent Non-Executive Director

Nationality	:	Malaysian
Gender	:	Female
Age	:	64

Datin Paduka Rashidah Binti Ramli 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, 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 does not have directorship in 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 (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. She attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

CHU NYET KIM

Independent Non-Executive Director

Nationality	:	Malaysian
Gender	:	Female
Age	:	68

Chu Nyet Kim has more than 39 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 account 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 a member of the Audit and Risk Committee as well as Nomination Committee of the Company. She was appointed to the Board of CGB on 26 July 2022 as an Independent Non-Executive Director, a public listed company in Malaysia. She is the Chairman of the Audit Committee in CGB. 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 (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. She attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

GOH WEN LING

Independent Non-Executive Director

Nationality	:	Malaysian
Gender	:	Female
Age	:	44

Goh Wen Ling has over 19 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 trademarks, 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 was appointed as Independent Non-Executive Director and Chairperson of Nomination Committee of Teo Seng, Independent Non-Executive Director of MyMBN Berhad and PCCS Group Berhad on 26 May 2022, 7 July 2022 and 1 September 2022 respectively.

She does not have any family relationship with any Director/major shareholder of our Company. Except for providing some legal services as an advocate and solicitor capacity, she does not have any conflict of interest with our Company. She has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. She attended all the five (5) Board meetings held during the financial year.

Profile of the Board of Directors

TAY TONG POH

Independent Non-Executive Director

Nationality	:	Malaysian
Gender	:	Male
Age	:	62

Tay Tong Poh 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 ("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.

He joined Affinity Equity Partners ("Affinity") in 2011 as managing director and Head of Portfolio Management and was responsible for various functions, including performing due diligence and opining on Affinity's investment opportunities, monitoring of investment portfolios, performing portfolio valuation and supervising Affinity's responsible investment policy. He also represented Affinity on the board of directors of several portfolio companies. He retired from Affinity in June 2018 and resigned from the board of directors of the portfolio companies and Affinity's group entities.

He was appointed to our Board on 1 August 2018 and served as Chairman of the Nomination Committee of the Company. He was also appointed as a member of our Sustainability Committee on 28 November 2023. On 1 January 2024, he commenced his appointment as Executive Director of Lumens Capital Partners (Singapore) Pte Ltd, a company licensed in Singapore to conduct fund management activities. 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 the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2023. He attended all the five (5) Board meetings held during the financial year.

PROFILE OF THE KEY SENIOR MANAGEMENT

LAU JUI PENG

Group Breeder Chief Executive Officer

Nationality	:	Malaysian
Gender	:	Male
Age	:	52

Lau Jui Peng has over 24 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 the Group's subsidiaries 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 been the Chief Executive Officer of the Group's Breeder Operation since 2013, 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. On 15 November 2022, he was re-designated as Executive Chairman of Teo Seng. Currently, he also sits on the board of various subsidiaries of the 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, Tan Sri 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year.

Profile of the Key Senior Management

LAU JOO HENG

Chief Executive Officer of the Group's Philippines operations

Nationality	:	Malaysian
Gender	:	Male
Age	:	49

Lau Joo Heng has 20 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 the Group's Livestock business in 2015 and expanded our Livestock business to The Philippines. He has since led our Philippines operations.

Currently, he also sits on the board of Leong Hup (Philippines), Inc., Leong Hup Foods (Philippines), Inc. and several other private limited companies.

He does not hold any 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, Tan Sri 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year.

Profile of the Key Senior Management

LAU JOO HWA

Chief Executive Officer of the Group's Singapore operations

Nationality	:	Malaysian
Gender	:	Male
Age	:	45

Lau Joo Hwa has over 21 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 the Group's Singapore operations since 23 October 2014.

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

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

He is the son of Lau Chia Nguang, nephew of Tan Sri 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. Save as disclosed, he does not have any conflict of interest with the Group. He has no conviction of any offences within the past five (5) years (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year.

Profile of the Key Senior Management

CHEW ENG LOKE

Group Chief Financial Officer

Nationality	:	Malaysian
Gender	:	Male
Age	:	55

Chew Eng Loke has over 30 years of experience in management and financial roles at numerous companies.

He obtained a Bachelor of Economics in 1991 from Monash University, Australia and Master of Business Administration from University of Strathclyde, United Kingdom in 1998. He is a Chartered Accountant of Malaysia Institute of Accountants, a Fellow of CPA Australia and a Chartered Accountant of the Chartered Accountants Australia and New Zealand.

He began his career with The Asia Life Assurance Society Limited in 1991 as an Executive Assistant and assumed the position of Executive Officer until 1992 when he joined Ayamas Food Corporation Berhad ("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, 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 Group Chief Financial Officer on 1 March 2015 and is responsible for all of the 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 (other than traffic offences, if any) or any sanctions and penalties imposed by relevant regulatory bodies during the financial year.

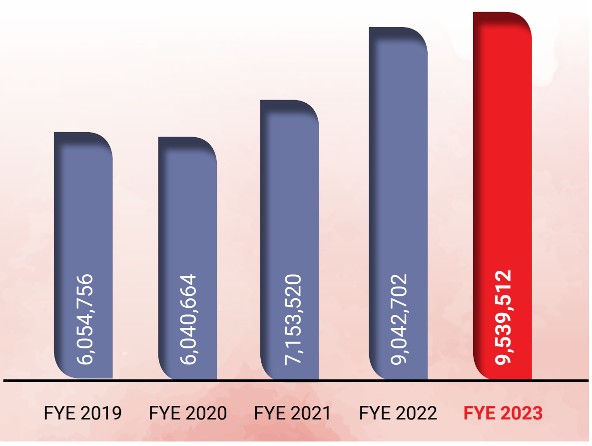
FINANCIAL HIGHLIGHTS

	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)
Revenue	6,054,756	6,040,664	7,153,520	9,042,702	**9,539,512**
Profit Before Taxation	288,750	157,126	140,315	326,555	**554,745**
Profit Attributable to Owners of the Parent	150,579	113,145	85,403	218,891	**301,737**
Weighted Average Number of Shares in Issue ('000)@	3,557,535	3,650,000	3,650,000	3,650,000	**3,650,000**
Net EPS (Sen)	4.23	3.10	2.34	6.00	**8.27**
PBT Margin (%)	4.77	2.60	1.96	3.61	**5.82**

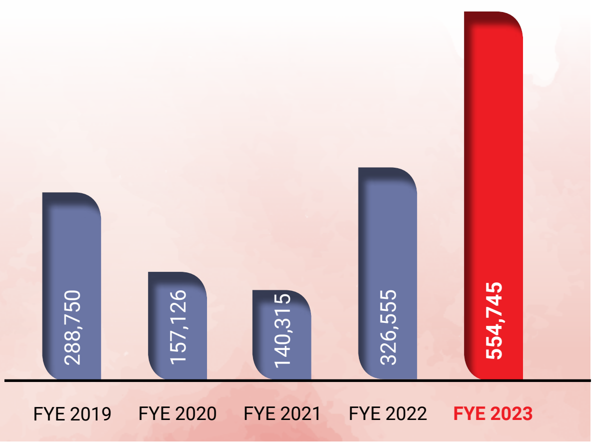
Note:

@ 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. 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 increases as a result of 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.

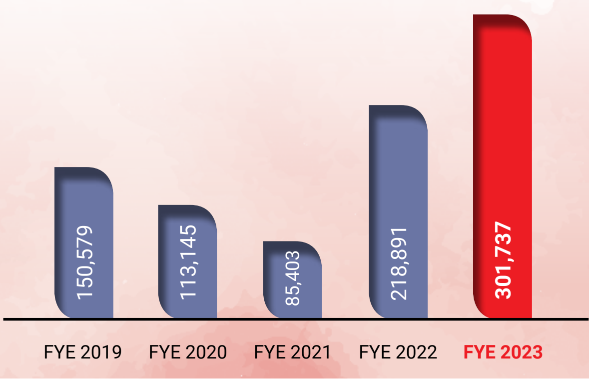
REVENUE (RM'000)



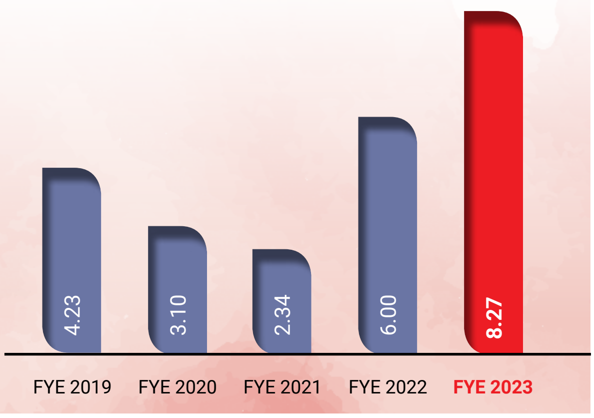
PBT (RM'000)



PATMI (RM'000)



NET EPS (SEN)



CHAIRMAN'S STATEMENT

Dear Shareholders & Stakeholders,

The Group witnessed a remarkable surge in profit after tax and minority interest **soaring** from RM218.89 million in FYE 2022 to **RM301.74 million** in **FYE 2023**, marking a substantial **increase of 37.9%.**

LAU CHIA NGUANG
Non-Independent Executive Chairman

OUR OPERATIONAL LANDSCAPE

In 2023, the global economy emerged from COVID-19 challenges, marked by significant developments like China's easing of restrictions, which sparked optimism for a robust recovery. The year highlighted the varied pace of recovery across nations, influenced by regional dynamics, and government interventions. Efforts to revitalize markets and stimulate economic growth were evident globally, showcasing a diverse tapestry of resilience and recuperation in the face of the pandemic's lingering impact

The ongoing war in Europe disrupts global supply chains, particularly energy and agricultural sectors. Russia's role as a major supplier of oil and natural gas, along with Ukraine's major contributions to the world's wheat and corn supply, led to widespread disruptions, and increased global inflationary pressures. Meanwhile, the Israeli-Palestinian conflict briefly led to minor volatility in oil prices, with disruptions in regional trade routes. However, this impact was short-lived, and prices stabilized towards the end of 2023. On the other hand, wheat and corn prices also stabilized in the second half of 2023. These conflicts underscore the vulnerability of global economic systems to geopolitical unrest, illustrating the extensive impact such tensions can have on global production costs, consumer prices, and economic stability.

In 2023, the global food price index of the Food and Agriculture Organization ("FAO"), which monitors the international prices of major traded food commodities, saw a decline to an average of 124.7 points from the record high average of 144.7 points in 2022[1].

In the financial landscape, the Federal Reserve of the United States sustained the upward trend in interest rates from the previous year to reduce demand and control inflation. In 2023, the federal funds rate increased four times, rising from 4.50% to 5.50%[2], as a result, the inflation rate in the US dropped from 6.5% to 3.4%[3].This trend was mirrored by other nations, including the European Union and Southeast Asian countries such as Malaysia, Indonesia, The Philippines, and Singapore. The collective impact of these measures helped to temper inflationary pressure globally. In Malaysia, the Overnight Policy Rate ("OPR") rose from 2.7% to 3.0%[4], leading to a decrease in the annual inflation rate from 3.3% to 2.5%[5]. While, in Indonesia, the interest rate rose from 5.5% to 6.0%[6], resulting in a decrease in the inflation rate from 4.2% to 3.7%[7]. Despite raising the policy rate from 5.5% to 6.5%[8], The Philippines experienced an increase in inflation from 5.8% to 6.0%[9]. This was attributed to higher transport charges, electricity rates, and international oil prices, as well as higher-than-expected minimum wages outside the National Capital Region[10]. In Singapore, inflation declined from 6.1% to 4.8%[11] following an increase in the policy rate from 2.53% to 3.62%[12]. Meanwhile, Vietnam saw its annual inflation rate rise from 3.2% to 3.3%[13] as the government lowered the interest rate from 6% to 4.5%[14].

In term of gross domestic product ("GDP"), Malaysia expanded by 3.7%[15] in 2023, marking a deceleration from the robust growth observed in the preceding year (2022: 8.7%). The slowdown in growth can be ascribed to the exceptionally high growth in 2022, which was largely a result of the pent-up demand from 2021.

Vietnam experienced a decrease in GDP growth to 5.05%[16] in 2023, down from the previous 8.0%, primarily due to weakened external demand. Meanwhile, The Philippines reported a deceleration in economic growth to 5.6%[17] from 7.6% in 2022, driven by escalating inflation and interest rate hikes that curtailed household spending power. Indonesia recorded a 5.1%[18] GDP growth in 2023 compared to 5.31% in 2022, influenced by subdued export growth and the impact of tight monetary policies on demand. Singapore registered a reduced GDP growth of 1.1%[19] compared to the previous year's 3.8%.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

In the face of a challenging macro environment, Leong Hup International ("LHI" or the "Group"), has demonstrated resilience and achieved notable progress. I am pleased to announce that LHI has delivered commendable results for the fiscal year ended 31 December 2023 with a record revenue of RM9.54 billion, propelled by robust performance of both the Livestock and Feedmill segments.

Upon a review of geographical segmentation, Indonesia maintained its position as the largest segment and contributed RM3.62 billion (38.0%) to the Group's total revenue for FYE 2023. Malaysia followed as the second-highest at RM2.39 billion (25.0%), and Vietnam contributed RM2.11 billion (22.2%). Meanwhile, Singapore and The Philippines contributed RM826.12 million (8.7%) and RM576.57 million (6.1%) respectively.

The Group witnessed a remarkable surge in profit before tax which soared from RM326.56 million in FYE 2022 to RM554.75 million in FYE 2023, marking a substantial increase of 69.9%. Additionally, net profit attributable to the Company's owners has grown from RM218.89 million in FYE 2022 to RM301.74 million in FYE 2023. Earnings per share have correspondingly increased by 37.8% to 8.27 sen, compared to 6.00 sen in the previous year. Maintaining a healthy balance sheet, the Group held a cash position of RM699.51 million, shareholders' funds amounted to RM2.96 billion, and a reduced net gearing ratio of 0.60 times.

Chairman's Statement

The Group's Return on Equity has improved to 14.5% in FYE 2023 from 9.4% in FYE 2022, thanks to our strong financial performance, operational resilience and efficiency. Further details on the Group's financial performance and financial position for FYE 2023 are set out in the Management Discussion and Analysis by the Group Chief Executive Officer in pages 35 to 39 of the Annual Report.

FUTURE PROSPECTS

The global economic outlook for 2024 appears optimistic, characterized by a healthy inflation level and anticipated interest rate reductions. This is expected to potentially drive GDP growth and, consequently, increase demand for our products. However, persistent disruptions from the ongoing conflict in the Middle East and the inherent volatility of the US dollar against the Malaysian Ringgit continue to pose challenges, impacting corn and soy prices, a trend likely to persist into the upcoming financial year.

The Group maintains a steadfast commitment to delivering operational excellence. Our focus remains on organic growth and expanding the capacity of existing businesses opportunistically, particularly when interest costs are lower. This strategy aligns with our substantial reduction in borrowing over the past year, contributing to enhanced economies of scale. The ongoing priorities include cost optimization and improving the sales mix of our products. Furthermore, we are actively pursuing downstream expansion initiatives to fortify resilience and enhance margin stability.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I want to express gratitude to all our stakeholders, including governing authorities, regulatory bodies, business associates, vendors, and customers, for their ongoing support and confidence in the Group. A special acknowledgment goes to our management and employees for their dedicated efforts, contributing significantly to the Group's continued success, especially in these challenging times. I also extend heartfelt thanks to my fellow Board members for their invaluable advice and guidance throughout the year.

We are committed to working diligently to achieve our corporate objectives and enhance our operational performance. Guided by clear strategic priorities, we aim to foster growth and create value for our shareholders and stakeholders.

[1] https://www.fao.org/worldfoodsituation/foodpricesindex/en/
[2] https://www.forbes.com/advisor/investing/fed-funds-rate-history/
[3] https://tradingeconomics.com/united-states/inflation-cpi
[4] https://www.bnm.gov.my/monetary-stability/opr-decisions
[5] https://www.nst.com.my/business/economy/2024/01/1004180/malaysias-inflation-rate-remained-15-pct-dec-2023-dosm
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[7] https://www.focus-economics.com/country-indicator/indonesia/inflation-aop/
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[9] https://www.psa.gov.ph/price-indices/cpi-ir
[10] https://www.bsp.gov.ph/SitePages/PriceStability/VisualMPR/MonetaryPolicyReport_November2023.aspx
[11] https://www.straitstimes.com/business/singapore-inflation-eases-to-48-in-2023-from-61-in-2022-december-prices-rise-at-faster-pace#:~:text=For%202023%2C%20all%2Ditems%2C,data%20showed%20on%20Jan%2023.
[12] https://eservices.mas.gov.sg/statistics/dir/DomesticInterestRates.aspx
[13] https://www.focus-economics.com/country-indicator/vietnam/inflation/
[14] https://tradingeconomics.com/vietnam/interest-rate
[15] https://www.cnbc.com/2024/02/16/malaysias-2023-economic-growth-misses-expectations.html
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[17] https://asia.nikkei.com/Economy/Philippines-misses-official-target-with-5.6-GDP-growth-in-2023
[18] https://www.reuters.com/markets/asia/indonesia-2023-gdp-growth-slows-51-2024-02-05/
[19] https://www.businesstimes.com.sg/singapore/singapores-2023-gdp-growth-revised-down-marginally-11-2024-forecast-kept-1-3

MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER

The Group is delighted to announce its **record-breaking profit**, surpassing RM1 billion in EBITDA with an impressive **RM1.04 billion in FYE 2023**. Throughout the year, the Group successfully decreased its borrowings by RM574.63 million, resulting in a reduced net gearing ratio of 0.60 times.

TAN SRI LAU TUANG NGUANG
Non-Independent Executive Director & Group Chief Executive Officer

Management Discussion and Analysis by the Group Chief Executive Officer

INTRODUCTION

Despite challenging business environment in 2023 due to global supply chain disruptions, interest rate hikes and the weakening of local currencies against US Dollar, the Group is thrilled to deliver another breakthrough result for financial year ended ("FYE") 31 December 2023.

Disrupted global supply chains continues through from 2022 due to extreme weather events caused by climate change which had impacted corn and soybean meal prices. This was worsened by Ukraine-Russia war which had the potential to spiral into global conflict. The escalation of Israel-Harmas conflict since October 2023, further deteriorated the sluggish global economy and caused crude oil price to surge above USD80/barrel in October 2023[1]. We are fortunate that average corn price trended downward by 24.7%[2] in August 2023, compared with a year ago. This decline was attributed to the increased supplies from the US and Brazil, coupled with stagnant demand. While soybean meal average price also softened by 3.5% in August 2023 from a year ago despite a short surge in November 2023 prior to waning in December 2023[3].

While corn and soybean meal prices which were traded in US dollars were trending downwards, the local currencies where our operating subsidiaries are located had also weakened by 1.9% to 3.8% on 12-month average compared to 2022. Amongst all, Ringgit was the most depreciated currency where it had weakened from average of RM4.19 - USD1.00 in January 2022 to average of RM4.66 - USD1.00 in December 2023, a 11.2% decline which made import more expensive[4].

While commodity prices have softened, they are still high compared with 2020. In August 2020, corn price averaged USD325 (RM1,361) per 100 bushel while soybean meal averaged USD298 (RM1,248) per MT. In contrast it averaged USD469 (RM2,185) per 100 bushel for corn and USD399 (RM1,861) per MT for soybean meal in December 2023.

FINANCIAL PERFORMANCE REVIEW

It is vital to embrace a cautious and strategic management in charting the business direction during hard times to deliver out sized results. We are delighted to announce our consecutive record-breaking yearly financial performance and the achievement of our best-ever results in FYE 2023. The Group's profit attributable to owners of the Company ("PATMI") surged to RM301.7 million in FYE 2023 from RM218.9 million a year ago as cumulative revenue grew 5.5% to RM9.5 billion. In addition, EBITDA exceeded RM1 billion for the first time at RM1.04 billion.

Revenue of livestock and poultry segment improved to RM5.2 billion from RM5.0 billion in FYE 2022 driven by robust broiler day-old-chicks ("DOC") average selling price and better table egg average selling price from improved sales mix and sales volume in Malaysia while feedmill revenue jumped 7.9% y-o-y to RM4.4 billion bolstered by its higher sales volume and average selling price in Indonesia and The Philippines.

Chicken and egg are staples of the Malaysian diet. The per capita consumption of chicken meat stood at a sizeable amount of 48.0kg while per capita consumption of table egg averaged 374 per year in 2022[5] - one of the highest in the world. With the supply of broiler chicken having caught up with demand, the Malaysia government lifted the ceiling price controls on broiler chicken with effect from 1 November 2023 to allow the market price to float freely and at the same time ceased the broiler chicken subsidy. Floating the price of broiler chicken gives the industry unfiltered information on the actual demand and supply dynamics of the market. Higher prices indicate there is not enough supply in the market, hence producers can increase production to meet demand. It creates a healthier and more sustainable poultry industry in long term.

On 22 December 2023, Leong Hup Feedmill Malaysia Sdn Bhd ("LFM"), a wholly-owned subsidiary of the Company received a Notice of Finding of An Infringement under Section 40 of the Competition Act 2010 dated 11 December 2023, together with the Decision of Infringement of Section 4(1) read with Sections 4(2)(a) and 4(3) of the Competition Act 2010 ("Decision") dated 11 December 2023 from Malaysia Competition Commission ("MyCC"). In the Decision, MyCC maintains its proposed decision of 5 August 2022, that LFM had engaged in price-fixing infringement under Section 40 of the Competition Act 2010 with imposition of financial penalty of RM157.4 million on LFM. The Company and LFM strongly believe that MyCC's finding of infringement is without merit and had on 9 January 2024 appealed the Decision via the filing of the Notice of Appeal with the Competition Appeal Tribunal after consultation with our external legal counsels.

In overall, our Malaysia operation delivered superb results for FYE 2023 with a revenue of RM2.4 billion while earnings before interest, tax, depreciation and amortisation ("EBITDA") surged from RM360.8 million in FYE 2022 to RM583.3 million in FYE 2023.

Management Discussion and Analysis by the Group Chief Executive Officer

Our Indonesia's earning bottomed out during Q1'23 but improved subsequently, after the Indonesian government reimposed the culling of hatching eggs from Q2 2023. The normalisation of raw material prices and easing supply chain bottlenecks alleviate margin pressure in FYE 2023. During the year, our broiler chicken sales volume in Indonesia jumped by 19.7% which lowered our fixed operating cost per bird. We also achieved higher sales volume and average selling price of livestock feed in Indonesia. Its EBITDA improved to RM171.7 million in FYE 2023 from RM138.3 million a year ago.

Vietnam had an intensely hot summer and the unprecedented drought in mid-2023 strained energy supplies in northern Vietnam, resulting in rolling blackouts and sudden power outages that caused upheavals among manufacturers. Vietnam is a regional manufacturing hub that relies heavily on trade. Exports fell 4.4% from 2022 to USD355.5 billion[6] due to weaker demand from key trade partners such as United States and China. Reduced factory orders led to layoffs in the manufacturing sector which affected lower-income consumers while bearish real estate market affected middle and upper income consumers. Challenging external environment and weaker domestic demand led to a slowdown in economic growth to 5.05% in 2023 from an expansion of 8.02% in 2022[7].

Our sales in Vietnam were affected by weaker purchasing power. Our broiler chicken sales volume shrunk by 11.3% while DOC sales volume dropped by 32.4% in FYE 2023. Although average livestock feed selling price was marginally higher, average selling price of broiler chickens and DOC were about 9% lower compared to prior year. Our Vietnam's revenue slid to RM2.1 billion from RM2.2 billion in FYE 2022 as consumers reined in spending. As a result, EBITDA slid from RM145.4 million in FYE 2022 to RM141.1 million in FYE 2023.

Singapore's GDP grew by 1.1%, in 2023 moderating from the 3.8% growth in 2022[8]. Malaysia's broiler chicken export ban on 1 June 2022, which was partially lifted on 11 October 2022 and fully lifted on 1 July 2023 caused significant changes to our market in Singapore. Some of our customers in Singapore have shifted to the purchase of frozen chicken instead of fresh chicken. Frozen chicken in Singapore are mainly from South America and commands lower margins. Nevertheless, the resumption of broiler chicken export had allowed EBITDA to strengthen to RM81.6 million in FYE 2023 from RM60.1 million in FYE 2022.

According to the Philippine Statistics Authority, The Philippines' average inflation was 6.0% in 2023, 0.2% higher than 2022[9]. Its annual GDP growth came in at 5.6%, well short of the 7.6% pace a year ago[10]. Since May 2022, the Monetary Board of Bangko Sentral ng Pilipinas (BSP) has raised its benchmark rate by a total of 350 basis points in 2022 and another 100 basis points in 2023 to curb inflation causing BSP's Target Reverse Repurchase rate to soar from 2.0% to 6.5%. Rising inflation and interest rate hikes dampened household spending as wages had not risen as quickly.

Our Philippines operations changed strategy to sell more broiler chicken and dressed chicken instead of DOC to optimize unit margins. This is an advantage of our integrated poultry business as we can decide the most optimal point in the value chain to monetise our products when there is demand-supply imbalance.

Our Philippines livestock feed segment continue to grow as sales volume soared by 85.0% in FYE 2023 compare to a year ago. As our plant in Sapang, Central Luzon achieved more than 90% utilisation since Q3'22, we had out sourced some production to a third party for some months which increased our monthly production by 4,752MT while awaiting for our 2nd palleting line with 14,000MT capacity at Sapang to be commissioned. As a result, our Philippines' revenue boosted to RM576.6 million in FYE 2023, 45.7% higher than prior year while EBITDA improved to RM65.7 million in FYE 2023 from RM60.6 million registered in FYE 2022.

As both our livestock and feed segment continues to grow, our Group's balance sheet strengthens. As at 31 December 2023, our shareholders' funds increased to RM3.0 billion and net assets attributable to ordinary equity holders increased to RM0.61 per share, representing an increase of 11.6% from a year ago, as we closed the year with a lower net gearing ratio of 0.60 times.

CAPITAL EXPENDITURE

Our Group invested RM229.6 million in capital expenditure ("capex") during FYE 2023. Our capex is driven by our focus to meet the long-term demand upside for meat protein within our footprints in Southeast Asia. We continue to cautiously deploy resources towards our downstream business, such as our business-to-consumer channels as well as coldrooms, to enhance revenue and preserve margins. We believe that these downstream investments are essential to our Group's ongoing Farm-to-Plate strategy, as we continue to expand our upstream activities and deliver an overall business that is resilient and sustainable.

Management Discussion and Analysis by the Group Chief Executive Officer

RISK 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 are highly contagious among birds and can cause sickness or death of domesticated birds, including chickens, geese, ducks and turkeys. 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 implemented measures to mitigate this risk with stringent biosecurity control at our livestock 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 that 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 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 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 selling prices or affect our selling prices negatively. 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. Additionally, our investments in our business-to-consumer channels such as The Baker's Cottage chain have enabled our Group to stabilize profit margins.

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, 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 will continue to recruit more professional staff and to retain them for dedicated needs in our organisation.

OUTLOOK

We expect the operating environment to remain challenging for the rest of 2024 especially with the increase of Sales and Service Tax (SST) by 2% and additional scope of SST in Malaysia which will add to the cost-push inflation and dampen consumer sentiment. On the other hand, we look forward to the subsidy rationalisation which should benefit the lower income groups which have higher propensity to consume. This would increase overall demand in the economy and the higher economic multiplier effect would increase consumption of our products.

The Group will remain steadfast to emphasis on cost management, efficiency improvement and automation initiatives across our operations. We will constantly monitor the macro headwinds and take appropriate measures to alleviate the impacts using our integrated business model to bolster our market share in line with our volume expansion.

Management Discussion and Analysis by the Group Chief Executive Officer

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. On 18 April 2023, the Company declared dividend of 1.80 sen per ordinary share, amounting to RM65,700,000 in respect of the financial year ending 31 December 2023 and paid to shareholders on 23 May 2023.

On 28 November 2023, the Group had declared a single tier dividend of 1.20 sen per ordinary share in respect of the financial year ended 31 December 2023 and paid on 29 January 2024. On 25 April 2024, our Board had declared a single tier dividend of 1.3 sen per ordinary share which will be paid to shareholders on 27 May 2024 for financial year ending 31 December 2024.

[1] (Source: https://www.nasdaq.com/market-activity/commodities/cl:nmx)
[2] (Source: https://www.nasdaq.com/market-activity/commodities/zc/historical)
[3] (Source: https://www.nasdaq.com/market-activity/commodities/zm/historical)
[4] (Source: https://www.bnm.gov.my/exchange-rates)
[5] (Source: https://www.dvs.gov.my/index.php/pages/view/4564)
[6] (Source: https://asia.nikkei.com/Economy/Vietnam-s-5-economic-growth-for-2023-misses-official-target)
[7] (Source:https://www.bloomberg.com/news/articles/2023-12-29/vietnam-economy-has-strength-as-quarterly-growth-beats-estimates)
[8] (Source: https://www.singstat.gov.sg/-/media/files/news/gdp4q2023.ashx)
[9] (Source: https://psa.gov.ph/price-indices/cpi-ir).
[10] (Source: https://www.psa.gov.ph/content/gdp-expands-56-percent-fourth-quarter-2023-brings-full-year-2023-gdp-growth-rate-56-percent)

SUSTAINABILITY STATEMENT

As one of Southeast Asia leading fully integrated poultry producers, Leong Hup International Berhad and its subsidiaries strive to conduct its business practices in a responsible and sustainable manner.

Sustainability Statement

Leong Hup International Berhad, a leader among Southeast Asia's fully integrated poultry producers, continues to uphold its commitment to sustainable and ethical growth. Our 2023 focus was clear: to enrich our business practices with sustainability at their core, ensuring that as we grew, we positively impacted our region's environment and its people.

Leong Hup International Berhad ("LHI") and its subsidiaries ("LHI Group" or "Group") is committed to ensure that it continues to grow and stay relevant within its Southeast Asia footprint, by embedding appropriate elements of sustainability across our businesses and operations.

The content of this Sustainability Statement ("Statement") reports on the Group's on-going sustainability initiatives for the financial year ended ("FYE") 31 December 2023 and illustrates our various endeavours to build up the three key pillars of our sustainability efforts, namely economic, environmental and social ("EES") aspects. 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 – 3rd Edition and its accompanying Toolkits published by Bursa Securities. For this report, the Group did not enlist external or internal assurance but may contemplate it in the future. We have relied on internal data and mechanisms to ensure the accuracy of the information disclosed herein.

GOVERNANCE STRUCTURE FOR SUSTAINABILITY

The Group recognises that sustainability is the collective responsibility of all responsible and ethical corporate citizens. Towards this end, we are committed to ensure that our businesses are conducted with integrity through good governance, taking into cognisance industry best practices as well as prevailing rules and regulations. Our Board holds ultimate responsibility in ensuring the Group's strategy supports long-term value creation and includes strategies on EES considerations underpinning sustainability.

The Group formalised its commitment on ESG journey on 28 November 2023, following the formation of its Sustainability Committee ("SC"). The SC is led by Datuk Lau Joo Hong as commitee chairman and Tan Sri Dato' Lau Eng Guang and Tay Tong Poh as committee members. The SC assists the Board in discharging its duties pertaining to sustainability matters, which its roles and responsibilities are set out in the Terms of Reference of Sustainability Committee.

SCOPE

This report covers our main areas of business, which are Feedmill and Livestock operations in Malaysia, Singapore, Indonesia, Vietnam, and The Philippines. We run our business in these countries as described below:

Business operations	MY	ID	SG	VN	PH
Feedmill	√	√	–	√	√
Livestock:					
- Breeder	√	√	–	√	√
- Layer	√	√	–	√	–
- Broiler	√	√	–	√	√
- Food Processing Production ("FPP")	√	√	√	–	–
- Quick-Service Restaurant ("QSR")	√	√	–	–	√

Sustainability Statement

STAKEHOLDER ENGAGEMENT

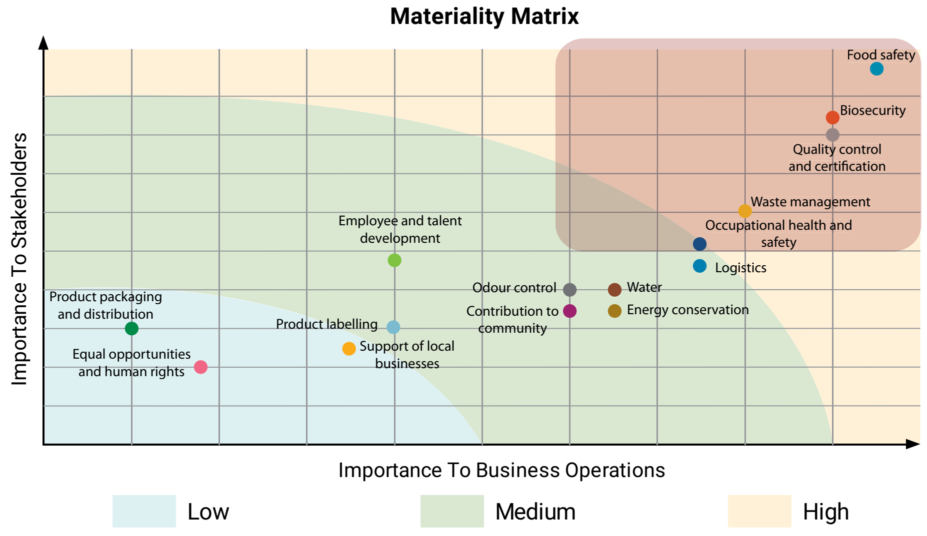
At Leong Hup International Berhad, we believe in the power of open communication and responsibility to maintain the trust and support of our stakeholders. Our efforts to engage and listen to our stakeholders form the core of our business strategy. Here's a summary of how we connected with our stakeholders throughout the financial year 2023:

Stakeholder Groups	Engagement method	Frequency of engagement
Government agencies, law enforcers and regulators	Face-to-face meeting	Regular
Customers & end-consumers	Face-to-face meeting Customer survey Social Media	Regular Ad hoc Regular
Employees	Townhall Dialogue Performance appraisal Employee survey	Regular Regular Regular Regular
Local community	Public feedback channel Face-to-face meeting	Ad hoc Ad hoc
Suppliers	Face-to-face meeting	Regular
Investors	Annual General Meeting Written communications	Annual Regular

MATERIALITY MATRIX

Materiality matrix reflects the significance of matters towards our business growth and stakeholders' interest. It is established based on the results of a materiality assessment and important to ensure LHI's business remains on track to create sustainable value for all our stakeholders.

The materiality assessment conducted by the Group has highlighted several key sustainability issues that are crucial to our operations, particularly in the areas of EES aspects. These issues are also among the common sustainability concerns detailed in Annexure Practice Note 9-A ("PN9-A") of the Listing Requirements of Bursa Securities. This year, we have maintained our material sustainability matters and their prioritisation as of FYE 31 December 2023. The materiality matrix is illustrated below:



MATERIALITY MATRIX (CONT'D)

We define material sustainability matters as those reflecting the Group's significant EES impacts or substantially influence stakeholder assessments and decisions in accordance with Listing Requirements and the common material sustainability matters set out in Annexure PN9-A. Senior leaders of our business operations, including the Executive Committee and their delegates, determined the most relevant material sustainability matters relating to the EES aspects, taking into consideration views and concerns of our stakeholders.

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

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

SUSTAINABILITY EFFORTS

Driven by the Group's commitment to excellence, we prioritise high-quality animal feed and poultry products. Considering economic, environmental, and social aspects, our aim is a positive impact on the well-being of all involved.

1. Towards the economy

1.1. Food Safety, Quality Control and Certification

We are one of the largest fully integrated producers of poultry, eggs, and livestock feed in Southeast Asia, operating in Malaysia, Singapore, Indonesia, Vietnam and The Philippines. Poultry is the preferred animal-based protein with consumers in our operating markets, given its relative affordability and quality. As a provider of food source, the Group commits itself to ensuring the safety of food products and delivering accountability to public safety where food consumption is concerned. In respect of our Livestock business, food safety and quality control become pertinent where human consumption of the Group's product is involved and this include egg production, farming of broiler chickens and FPP operations. In respect of our Feedmill business, livestock feed produced by the Group plays an important role in the growth and health of livestock and consequently, ensures uninterrupted supply of meat protein in the food production chain.

The Group's ability to ensure food safety and quality control stems from management practices and standards adopted by the Group's various business operations, which take into account various considerations including, among others, local laws and regulations, international standards, certifications, 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, are established in our operations to ensure systematic management of food safety. A number of the Group's feedmills, egg production and FPP operations across the region adopts international standards and certifications such as ISO 9001 Quality Management System ("ISO 9001"), ISO 22000 Food Safety Management System ("ISO 22000"), FSSC 22000 Food Safety System Certification ("FSSC 22000"), Safe Food Industry Responsibility ("MeSTI") or Veterinary Control Number ("Nomor Kontrol Veteriner" / "NKV").

Sustainability Statement

SUSTAINABILITY EFFORTS (CONT'D)

1. Towards the economy (Cont'd)

1.1. Food Safety, Quality Control and Certification (Cont'd)

Business operations	Malaysia	Indonesia	Singapore	Vietnam	The Philippines
Feedmill	· ISO 22000	· ISO 9001 · ISO 22000 · HACCP · GMP · NKV	NA[1]	Medicine & Vitamin Plant · GMP · ISO 17025[7] Feedmill Plant · ISO 22000 · HACCP	NA[1]
Livestock	Layer/Broiler/ Breeder/Duck Farms · MyGAP FPP · Halal · ISO 22000 · ISO 9001 · HACCP · MeSTI · VHM[5] QSR · Halal	Layer Farms · NKV Breeder Farms · CFOAI[3] · SNI[4] Boiler Farms · CFOAI[3] FPP · Halal · HAS 23000[6] · ISO 9001 · ISO 22000 · HACCP · GMP · NKV	FPP · Halal · FSSC 22000[2]	Layer Farms · Halal · ISO 22000	NA[1]

Notes:
1) NA means not applicable
2) FSSC 22000 covers both ISO 22000 and HACCP
3) Compartment Free of Avian Influenza
4) SNI ("Standar Nasional Indonesia") for Day Old Chick
5) Veterinary Health Mark
6) Halal Assurance System Status
7) For Testing and calibration laboratories

Most of the Group's feedmills, egg production facilities and FPP operations across Malaysia, Indonesia, Singapore and Vietnam have obtained certification for either ISO 9001 or ISO 22000, or its alternative – 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, 87.5% of our layer farms and approximately 70.7% of our broiler chicken farms in Malaysia have obtained the Malaysian Good Agricultural Practices ("MyGAP") certification by the Department of Veterinary Services of Malaysia. MyGAP is a prerequisite for overseas export of livestock, which requires farmhouses to operate on a closed-house system ("CHS") with comprehensive farm management and considerations given to animal welfare and health, safety and environment standards.

SUSTAINABILITY EFFORTS (CONT'D)

1. Towards the economy (Cont'd)

1.1. Food Safety, Quality Control and Certification (Cont'd)

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 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. 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. Any ineffectiveness of our food safety and quality management process will be highlighted via our internal audit activities or annual ISO audit activities for remedial actions to be conducted. During the financial year under review, there were no reported food safety issues.

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 adhere to halal procedures across our relevant FPP and downstream operations.

Trainings

Given the complexity of the 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 the 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 the Group.

1.2 Biosecurity

We recognise the benefits of adopting 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 three weeks, prior to subsequent batch of day-old-chicks entering 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 2023, approximately 99.0% of the 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, the on-site veterinarians conduct pre- and post-mortem inspections at our farms and slaughtering plants, respectively.

SUSTAINABILITY EFFORTS (CONT'D)

1. Towards the economy (Cont'd)

1.2 Biosecurity (Cont'd)

As at 31 December 2023, the Group's broiler operations, located in Malaysia, Indonesia, Vietnam and The Philippines, are supported by more than 964 contract farmers (851 as at 31 December 2022) 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, and sometimes via formal audits. Any identified practices, 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. The Group continued emphasis on increasing the use of own broiler farms rather than contract farms has also resulted in higher farm efficiency, as we are able to run our farms better than most of our contract farmers, who are smaller and less experienced than we are. This is also in line with the Group's "Farm-to-Plate" business model which allows us to effectively manage quality while optimising cost efficiencies across the value chain. By doing so, it allows our industry to promote sustainable growth while at the same time, produce more broilers to ensure national food security.

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.

2. Towards the Environment

2.1 Waste Management

The Group prioritizes responsible hazardous and non-hazardous waste management across our operations to protect the environment. We actively divert waste from disposal where possible, minimizing environmental impact. However, recognizing the necessity, we also ensure proper disposal of waste, striking a balance in our commitment to environmental responsibility.

Hazardous Waste

We have strict policies on handling and disposal of hazardous waste in accordance with local laws and regulations, to ensure employees and workers are provided with safety guidelines with regard to handling hazardous waste and to ensure business responsibility in environmental protection is carried out. Across the Group's operations in Malaysia, Indonesia, Vietnam, Singapore and The 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 and etc.

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, such as used injection needles and used medicine bottles from broiler, breeder and layer operations are also disposed off in accordance with local laws and regulations.

SUSTAINABILITY EFFORTS (CONT'D)

2. Towards the Environment (Cont'd)

2.1 Waste Management (Cont'd)

Non-Hazardous Waste

The chicken manure from the farm can either be disposed off, donated/sold to local community or small businesses, or recycled into organic fertilisers. Chicken manure is rich in nitrogen, phosphorus and potassium, and is a great form of fertiliser. We create organic fertiliser derived from fully fermented chicken manure, processed into granular form. Our fertiliser undergoes a rigorous manufacturing process utilizing cutting-edge technologies. By recycling chicken manure, we transform it into organic fertiliser, enhancing soil structure and quality for improved nutrient and water retention. 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 a 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 includes mainly packaging materials and raw material waste, such as corn, soy and wheat hull, and 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, chicken/ duck inner parts. Where demand is present, some of the waste are sold or donated to the community, while the rest are disposed off accordingly. On the other hand, waste generated from FPP operations includes a mixture of food waste, such as sludge, frying oil and 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 wastewater from our operations prior to disposal into the public water system. Generally, all wastewater is treated to remove large particles, harmful chemical and biological substance which will affect the quality of public water system. Wastewater 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 delivering our responsibility to the environment and public while optimising business value at the same time.

Sustainability Statement

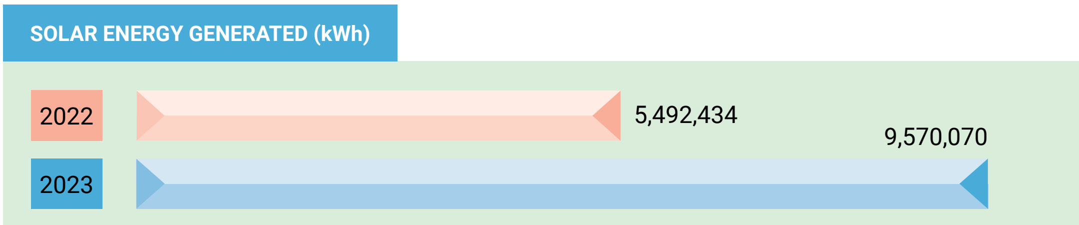
SUSTAINABILITY EFFORTS (CONT'D)

2. Towards the Environment (Cont'd)

2.2 Energy Management

Poultry, eggs, and livestock feed production are energy-intensive processes that require substantial electricity consumption. We believe it is important to source energy in a sustainable manner by continuously identifying opportunities to shift from non-renewable to renewable energy sources.

The Group secures electricity for its operations from the national grid, primarily powered by fossil-fired plants. Additionally, LHI relies on fuel as a secondary energy source, utilized for its vehicles, machinery, equipment, and power generators during site work, especially in areas where grid electricity is intermittent or unavailable. Furthermore, there is an ongoing transition towards renewable energy through the installation of solar systems at our farm and central packing station. The solar energy installation experienced a 74% increase, rising from 5,492,434 kWh to 9,570,070 kWh. The graph provided below depicts the growth in solar energy generation.



We care about the environment, so at our workplace, we do things to be eco-friendly. We save energy by setting the air conditioning at a reasonable level and turning off machines when not in use. We recycle in our offices and use recycled paper whenever we can to reduce the need for new paper.

Further details of our Energy Consumption are detailed in Table 1 on page 58.

2.3 Water

Water serves as an essential and renewable resource critical for the communities in which we are active. Despite its renewable nature, the pressing issue of water scarcity persists globally due to the impacts of climate change, inadequate water resource management, and contamination. As such, it is paramount for us to continually monitor water availability and implement effective management strategies across all our facilities.

The Group's approach to water resource management is shaped by two main considerations:

- Enhancing efficiency in water usage from both business and operational standpoints.
- Ensuring that our business activities do not compromise the quality of nearby water bodies.

As at 31 December 2023, LHI's water consumption and treated waste water are detailed as follows:

Sustainability Matter	Indicator		Measurement	FYE 2023
Water (Common Sustainability Matter)	(a)	Total Volume of Water Used (Common Indicator)	Megalitres	3,849
Waste Water	(b)	Total Volume of treated waste water	Megalitres	790

SUSTAINABILITY EFFORTS (CONT'D)

3. Towards the Society

3.1 Occupational Health and Safety

Operationally, the work of employees and workers 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 and workers 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 and workers, 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 associated with common machinery or machinery such as pinch points, shear points, wrap points and crush points.

Where handling of chemicals is required, employees and workers are guided by the Group's policies and procedures for chemical handling. Furthermore, chemicals used in the business operations are only handled by qualified personnel who are trained to handle and manage 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 and workers 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 and workers operating in farms and farmhouses and those handling live birds and raw meat, such as in broiler chickens, slaughterhouses and FPP operations, to protect workers from zoonotic diseases such as salmonellosis.

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 and workers. 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 and workers include, but are not limited to the following subjects:

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

Sustainability Statement

SUSTAINABILITY EFFORTS (CONT'D)

3. Towards the Society (Cont'd)

3.1 Occupational Health and Safety (Cont'd)

Safey Training Programmes

"Asas Keselamatan dan Kesihatan di Tempat Kerja" (Basic Workplace Safety and Health) Workshop.

Basic Fire Safety Training to provide knowledge of the prevention and protection from any potential fire incidents.

Occupational Safety and Heath Coordinator Course.

Safe handling of vehicles training to allow employees/ operators to know the functions and handling techniques. The training also taught on how to maintain and service forklift equipment to ensure safe operations.

During the financial period under review, there was a fatal incident involving an employee of the Group in Indonesia. The fatality occurred in traffic accident during the commute from his residence to the factory. Further details of our Occupational Health and Safety are detailed in Table 1 on page 58.

3.2 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 a vital asset that needs to be developed and enhanced on an ongoing basis.

The Group provides trainings for our employees and workers based on training need analyses conducted during engagements with employees and workers such as during their 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, better 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.

SUSTAINABILITY EFFORTS (CONT'D)

3. Towards the Society (Cont'd)

3.2 Employee and Talent Development (Cont'd)

In FYE 31 December 2023, we provided trainings on the following subjects to our employees and workers:

Management trainings	• Leadership training (for advancement to management position) • Management training on workload analysis • Agile Malindo (workload analysis training) • Cyber security awareness • Introduction to integrated reporting • Train the trainer training
Management systems, international standards, certifications and practices	• Effective ISO audit • ISO 9001:2015 and 2018 Quality Management System • ISO 22000 Food Safety Management System • FSSC 22000 Food Safety Management System • HACCP • National Professional Certification Agency (BNSP) • Critical Control Point • Operational Pre Requisite Programme • Risk management • Halal certification • Good Manufacturing Practice • Lean Six Sigma • Effective Recruitment Techniques • Certified Environment Professional in Scheduled Waste Management
Business operations, processes and general practices	• Slaughtering skills • Forklift operating • Generic manufacturing skills • Operation of control room & palletmill • Inventory management, planning and control • Planning and budgeting • Food safety • Work etiquette • Work hygiene • Basic Occupational First Aider & CPR • Fire fighting
Employee personal development skills and knowledge	• Computer skills • Interpersonal communication • Teamwork and personal growth • Change management • Critical, analytical, design and project thinking • 4DX & Pareto Analysis • Taxation and accounting • Human resources skill

Sustainability Statement

SUSTAINABILITY EFFORTS (CONT'D)

3. Towards the Society (Cont'd)

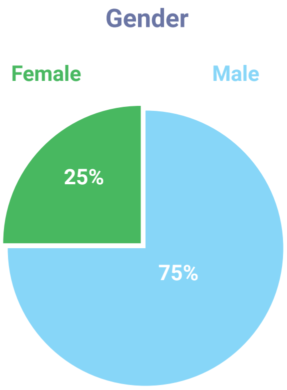
3.3 Workforce Diversity

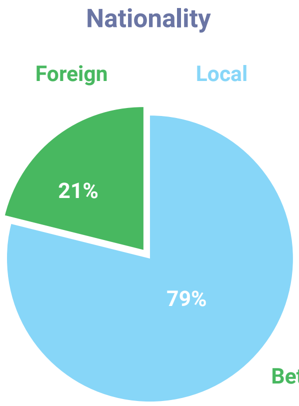
In line with our belief that fostering a diverse and inclusive workplace is integral to our success, we are committed to upholding the principles of meritocracy in our employment practices. This means that we assess employees, workers, and prospective candidates based solely on merit, without any tolerance for discrimination. We firmly believe that maintaining diverse and inclusive workplaces not only drives innovation and creativity but also leads to better decision-making and helps us achieve our strategic goals as an organisation. Additionally, providing equal opportunities for all employees fosters greater satisfaction and encourages them to perform at their best.

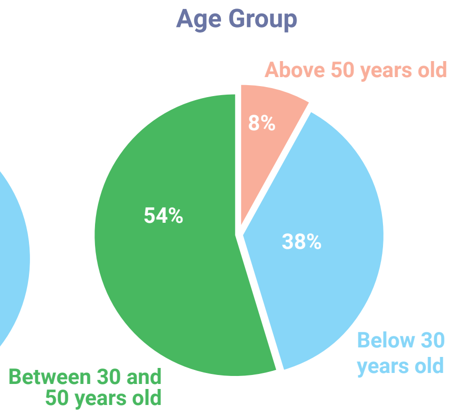
A summary of the Group's workforce diversity indicators for the financial year under review is as follows:

Employee Diversity

Country	Malaysia		Singapore		Indonesia		Vietnam		The Philippines		Grand Total	
Total Number of employees	**5,732**		**749**		**3,617**		**2,144**		**689**		**12,931**	
Gender	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Male	4,119	72%	561	75%	3,008	83%	1,429	67%	608	88%	9,725	75%
Female	1,613	28%	188	25%	609	17%	715	33%	81	12%	3,206	25%
Nationality												
Local	3,598	63%	214	29%	3,602	100%	2,086	97%	673	98%	10,173	79%
Foreign	2,134	37%	535	71%	15	0%	58	3%	16	2%	2,758	21%
Age Group												
Employees <30 years old	2,555	44%	118	16%	1,099	31%	707	33%	386	56%	4,865	38%
Employees 30< x <50 years old	2,732	48%	420	56%	2,255	62%	1,293	60%	280	41%	6,980	54%
Employees >50 years old	445	8%	211	28%	263	7%	144	7%	23	3%	1,086	8%
Employee Category												
Manager & above	301	5%	54	7%	312	9%	82	4%	40	6%	789	6%
Executive	1,098	19%	217	29%	9	0%	124	6%	82	12%	1,530	12%
Non-Exec	4,297	75%	478	64%	2,972	91%	1,938	90%	567	82%	10,252	79%
Contractor & Temp Staff	36	1%	0	-	324	-	0	-	0	-	360	3%







SUSTAINABILITY EFFORTS (CONT'D)

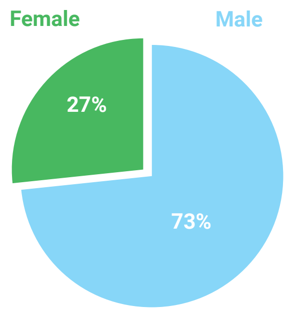
3. Towards the Society (Cont'd)

3.3 Workforce Diversity

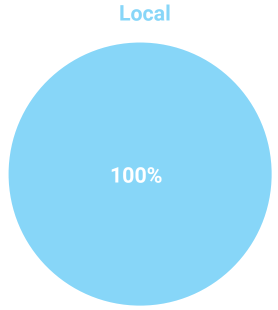
Director Diversity

Total number of directors	11	
Gender	**Number**	**%**
Male	8	73%
Female	3	27%
Nationality		
Local	11	100%
Foreign	0	0%
Age Group		
40 - 49 years	3	27%
50 -59 years	1	9%
60 years and above	7	64%
Director Category		
Non-Independent Executive Director	6	55%
Independent Non-Executive Director	5	45%

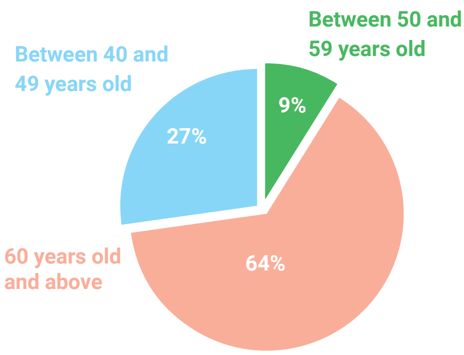
Gender



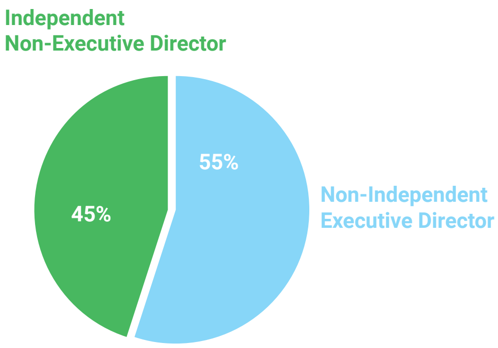
Nationality



Age Group



Director Category



Sustainability Statement

SUSTAINABILITY EFFORTS (CONT'D)

3. Towards the Society (Cont'd)

3.4 Community/Society Investment

We believe in giving back to the community. To achieve this, we support and encourage local initiatives, striving to enhance the lives of underprivileged communities through financial aid and humanitarian activities.

During this financial year, we have donated monies, food, detergent and consumer products to the frontliners of the hospital healthcare staff such as doctors, nurses and health care workers, firemen, police and to the poor. Our corporate social responsibility activities for 2023 include:

Common Sustainability Matter	Common Indicator	Measurement	FYE 2023
Community/Society	(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	1,106,512
	(b) Total number of beneficiaries of the investment in communities	Number	100

4. Towards the Business Compliance

4.1 Anti-Bribery and Corruption

In 2020, LHI implemented an Anti-Bribery and Corruption ("ABC") Policy to ensure compliance with the Malaysian Anti-Corruption Act 2009. This policy prohibits all forms of bribery or corruption, applicable to Directors, employees, and third parties engaged with the Company.

Clear reporting channels have been established for any breaches of the ABC Policy, including provisions within the Whistleblowing Policy and the Code of Conduct and Ethics for Directors and Employees.

Furthermore, we have communicated and required acknowledgment from our suppliers, customers, third-party intermediaries (such as transporters and consultants), and employees to affirm their agreement to adhere to the ABC Policy when conducting business with us.

An exhaustive evaluation of corruption risks encompasses a wide spectrum, including bribery. LHI conducted due diligence on its personnel, business associates, contractors, agents, projects, significant business activities, and new partners across its operations.

SUSTAINABILITY EFFORTS (CONT'D)

4. Towards the Business Compliance (Cont'd)

4.1 Anti-Bribery and Corruption (Cont'd)

In 2023, we are pleased to report that there were no confirmed incidents of corruption. The Group will continue to target zero incidents of corruption in the Group for the next financial year and beyond.

Further details of our Anti-Bribery and Corruption in Table 1 on page 57.

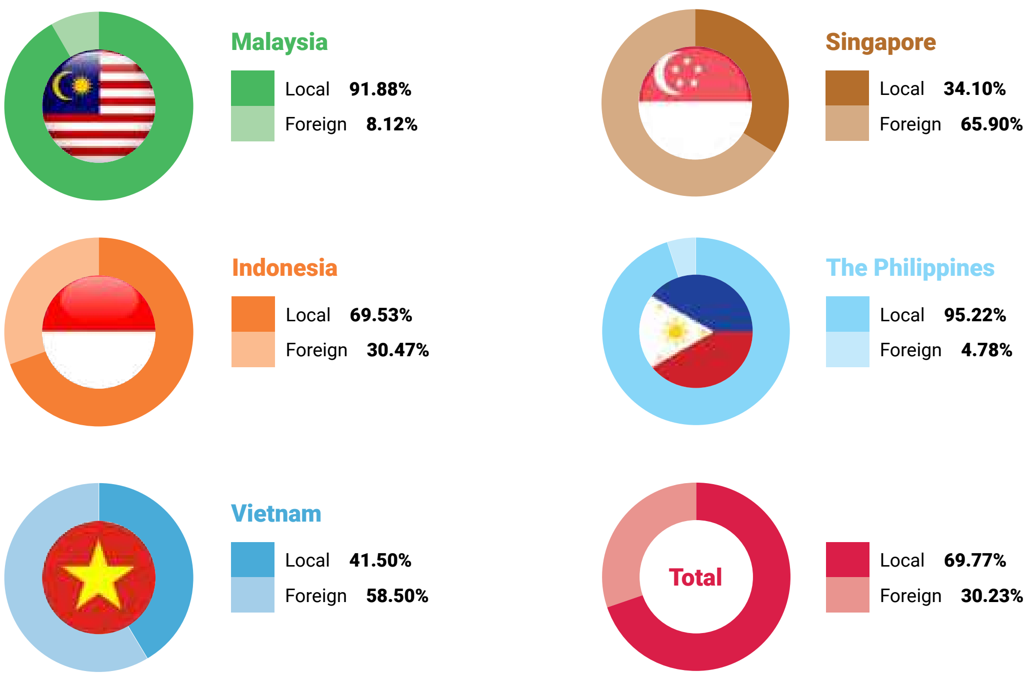
4.2 Supply chain management

LHI is dedicated to supporting the local economy, exemplified by our preference for partnering with nearby suppliers whenever possible. We are convinced that by collaborating with local suppliers, we can contribute to economic growth and job creation within the communities where we operate. Moreover, working closely with local suppliers offers various benefits, including shorter lead times, improved communication channels, and greater flexibility within the supply chain.

In alignment with our commitment to transparency and fairness, LHI upholds transparency and traceability in its procurement processes, ensuring unsuccessful tender participants are notified. Procurement policy at LHI requires a transparent approach across all its operations. Suppliers with the best value proposition, which comprises cost, quality, performance track record, and other factors, will be awarded projects. Additionally, all suppliers comply with LHI's procurement policies, including the Code of Conduct, Anti-Bribery and Corruption, and Safety, Environmental, and Health regulations.

In FYE2023, the Group only had 30.23% of procurement expenses allocated to foreign suppliers for raw materials, further emphasizing our commitment to supporting the local economy and reinforcing our dedication to collaboration with nearby suppliers whenever feasible.

Community-Centric Sourcing



Sustainability Statement

SUSTAINABILITY EFFORTS (CONT'D)

4. Towards the Business Compliance (Cont'd)

4.3 Data privacy and security

Preserving the privacy of customer data is essential, as it entails protecting sensitive personal information and proprietary trade secrets from unauthorised access or misuse. With the extensive adoption of technology and the internet, companies gather and retain significant amounts of consumer data. Any unauthorised exposure or breaches of such data, along with cyber-attacks, can pose significant risks to both LHI and our customers. These risks encompass potential outcomes such as identity theft, financial fraud, and other forms of harm. LHI is legally and ethically bound to safeguard our customer data and adhere to applicable laws and regulations.

LHI adopts a robust and wide range of IT-based systems to ensure the safe storage of data. This includes firewalls and other protection mechanisms. We abide to Malaysia's Personal Data Protection Act 2010 ("PDPA") to manage all pertinent data; data collected will be treated with the utmost care and sensitivity, and used only for the purposes it has been lawfully authorised. The firewall and internal network are updated periodically, and continuous improvements are made to our IT governance and cyber security, where applicable.

In FYE2023, zero (0) complaints on data breaches were received.

Common Sustainability Matter	Common Indicator	Common Indicator	FYE 2023
Data privacy and security	(a) Number of substantiated compliants concerning breaches of customer privacy and losses of customer data	Number	0

COMMON SUSTAINABILITY MATTERS ("CSM")

In September 2022, Bursa Malaysia introduced a phased approach to implement enhanced sustainability reporting standards for publicly listed companies starting from the financial year ending on or after 31 December 2023. One of the main requirements in the amended Practic Note 9 pertains to the reporting of Common Sustainability Issues. The indicators of the CSM are detailed in Table below.

Sustainability Performance Data Table in FYE 2023 ("Table 1")

Indicator	Measurement Unit	2023
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	1,106,511.90
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	100
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Directors	Percentage	0.00
Executive	Percentage	32.77
Non-executive/Technical Staff	Percentage	53.21
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	60.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Manager & Above Under 30	Percentage	4.95
Manager & Above Between 30-50	Percentage	66.91
Manager & Above Above 50	Percentage	28.14
Executive Under 30	Percentage	27.69
Executive Between 30-50	Percentage	60.56
Executive Above 50	Percentage	11.75
Non-executive/Technical Staff Under 30	Percentage	41.89
Non-executive/Technical Staff Between 30-50	Percentage	52.01
Non-executive/Technical Staff Above 50	Percentage	6.10
Gender Group by Employee Category		
Manager & Above Male	Percentage	82.25
Manager & Above Female	Percentage	17.75
Executive Male	Percentage	60.50
Executive Female	Percentage	39.50
Non-executive/Technical Staff Male	Percentage	76.75
Non-executive/Technical Staff Female	Percentage	23.25

Internal assurance | External assurance | No assurance | (*)Restated

COMMON SUSTAINABILITY MATTERS ("CSM") (CONT'D)

Sustainability Performance Data Table in FYE 2023 (Cont'd)

Indicator	Measurement Unit	2023
Bursa (Diversity)		
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	72.73
Female	Percentage	27.27
40 - 49 years	Percentage	27.27
50 - 59 years	Percentage	9.09
60 years and Above	Percentage	63.64
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	379,669.05
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	1
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	2,048
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Directors	Hours	39
Executive	Hours	51,536
Non-executive/Technical Staff	Hours	79,854
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	2.80
Bursa C6(c) Total number of employee turnover by employee category		
Directors	Number	0
Executive	Number	263
Non-executive/Technical Staff	Number	5,034
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	69.77
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	3,848.862280

Internal assurance | External assurance | No assurance | (*)Restated

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 firmly believes that dynamic corporate governance framework is crucial to provide a solid foundation and structure for effective and responsible decision-making of the Group. The Board has in place sound policies, business practices and internal controls to help safeguard its assets and shareholders' interests. 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").

The Board is pleased to present to its shareholders and stakeholders an overview on the application of the principles under MCCG and the extent to which the Company has applied the best practices of the MCCG except where it is stated otherwise throughout the financial year ended ("FYE") 31 December 2023.

The detailed application for each best practice as set out in the MCCG during the FYE 31 December 2023 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 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.

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"), Remuneration Committee ("RC") and Sustainability Committee ("SC") in carrying out its stewardship. All Board Committees discharged their duties guided by their terms of reference and board charter 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.

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

The Board plays an important and active role in the development of the Company's strategies. Management will recommend strategies and propose business plans as well as budget 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.

Corporate Governance Overview Statement

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

1. BOARD RESPONSIBILITIES (CONT'D)

Roles and Responsibilities of the Board (Cont'd)

The principal duties and responsibilities assumed by the Board include: (Cont'd)

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 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, Group Chief Operating Officer ("Group COO"), Executive Directors and Key Senior Management ("KSM")

The Board delegates the succession planning of the Group CEO, Group COO, 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, Group COO, Executive Directors and KSM. As such, the RC is tasked to review 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.

h. Embracing Environmental, Social and Governance ("ESG") practices into the operations of the Company

The Group formalised its commitment on ESG journey on 28 November 2023, following the formation of its SC. The Board took into consideration of ESG aspects while formulating the Group strategic plan.

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 is not a member of any Board Committees since listing.

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

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

1. BOARD RESPONSIBILITIES (CONT'D)

Separation of Position of Chairman and Group CEO (Cont'd)

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

a. Ensure that the Board functions effectively, cohesively and independently of Management;
b. Provide governance in matters requiring corporate justice and integrity;
c. Lead the Board, including presiding over Board Meetings and directing Board discussions to effectively address critical issues within the available time frame;
d. Promote constructive and respectful relationship between Board members and Management; and
e. 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 the Group CEO is further cascaded to the Group COO and KSM. The Group CEO, Group COO and KSM remain accountable to the Board for the delegated authorities. The responsibilities of the Group CEO in general, are as follows:

a. Develop the strategic directions of the Group;
b. Ensure the businesses of the Group are properly and efficiently managed by the Group COO and KSM, who implements the strategies and policies that are adopted by the Board;
c. Ensure the objectives and standard of performance are understood by employees;
d. Ensure that the operational planning and control systems are in place;
e. Monitor performance results against planned budget or key performance metrics; and
f. 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

Board is supported by three (3) suitably qualified Company Secretaries. 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 and Board Committees 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.

Access to Information and Advice

The Board has full and 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.

Corporate Governance Overview Statement

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

1. BOARD RESPONSIBILITIES (CONT'D)

Access to Information and Advice (cont'd)

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 practices. 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 is available on the Company's website at https://www.leonghupinternational.com/.

Code of Ethics

The Board has formalised a Directors' Code of Ethics, setting out the standards of conduct expected from the Directors. The Directors' Code of Ethics aims to protect the interests of all shareholders and stakeholders. The 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 Board has also adopted the Code of Conduct and Ethics for Employees of the Company. All employees shall observe and maintain high standards of integrity and ethical behaviour in the performance of their duties and responsibilities. The Code of Conduct and Ethics for Employees was last reviewed and updated on 27 February 2024. The Directors' Code of Ethics and the Code of Conduct and Ethics for Employees are available on the Company's website at https://www.leonghupinternational.com/.

Conflict of Interest Policy

The Board had also put in place a Conflict of Interest Policy on 28 November 2023 to provide guidance in identifying and manage any actual, potential and perceived conflict of interest situations between the employees (including Directors) and the Group.

The Directors are aware that they have to declare their interests in transactions with the Group and abstain from deliberation and voting in respect of such transactions at Board or general meetings convened to consider the matter. The ARC reviews all related party transactions and conflict of interest situation that arose, persisted, or may arise within the Group that may challenge the Group's integrity.

Whistleblowing Policy

Whistleblowing Policy 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 https://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

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

1. BOARD RESPONSIBILITIES (CONT'D)

Anti-Bribery and Corruption Policy

The Board has formalised an Anti-Bribery and Corruption Policy and is administered by the Office of the Group CEO. The Policy extends across all of the Group's business dealings in all countries in which the Group operates, not only the Malaysian laws and regulations but also the laws and regulations applicable in the location of the businesses. It sets commitment towards prohibition of bribery and corruption in the business conduct of the Group to comply with the Group's legal and ethical obligations. The Company's Anti-Bribery and Corruption Policy is available on the Company's website at https://www.leonghupinternational.com/.

2. BOARD COMPOSITION

The Board currently consists of eleven (11) members comprising one (1) Non-Independent Executive Chairman, five (5) Non-Independent Executive Directors, one (1) Senior Independent Non-Executive Director and four (4) Independent Non-Executive Directors. None of them are active politician. 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 recommendation under the MCCG to have a majority of independent directors on the board. In this regard, the Company endeavours to apply this best practice as soon as practicable.

The profile of each Director is presented on pages 16 to 26 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 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 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 the Board's 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 will be entering into its fifth year as a listed company, none of the Independent 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 9 years. Upon completion of the tenure of 9 years, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. If the Board continues to retain the Independent Director after 9 years, the Board would provide justification and seek shareholders' approval through a two-tier voting process as recommended by the MCCG.

In accordance with the Listing Requirements, the tenure of an Independent Director in the Company or any related corporation of the Company shall not exceed a cumulative period of 12 years from the date of his first appointment as an Independent Director.

Should the Board decide to appoint an Independent Director who had served as an Independent Director of the Company or any related corporation for more than 12 years before and had observed the requisite 3-year cooling off period, the Board shall provide a statement justifying the nomination of the said Independent Director and explaining why there is no other eligible candidate in the notice of a general meeting.

Corporate Governance Overview Statement

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

2. BOARD COMPOSITION (CONT'D)

Diversity Policy

The Board has always placed diversity as an agenda in strengthening the performance of its Board and Senior Management. The Board has adopted a Diversity Policy to ensure that the Board and Senior Management have 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 three (3) women directors out of the eleven (11) Board members, which represents 27.3% of the Board's composition. The Board strives to have at least 30.0% women director on Board and 20.0% women participation in Senior Management positions. The Diversity Policy is available on the Company's website at https://www.leonghupinternational.com/.

Sustainability Committee

The members of the SC and their respective designation are as follows;-

	Position
Datuk Lau Joo Hong	Chairman
Tan Sri Dato' Lau Eng Guang	Member
Tay Tong Poh	Member

The key roles of the SC are as follows:

a. To review and recommend to the Board for approval the Group's ESG framework and strategies including related policies, targets, priorities and to measure the Group's performance taking into account consideration of the environment in which the Group operates and the requirement of all stakeholders;
b. To provide oversight and input to Management's implementation, operation and assurance of policies and standards, so as to ensure the alignment of the Group's strategies and goals pertaining to sustainability;
c. To oversee the processes, standards and strategies designed to manage social and environmental risks, covering issues such as safety health, employment practices, community relations, human rights, etc., through the following;
    - Reviewing the adoption and effectiveness of all sustainability-related policies/standards;
    - Overseeing management process to ensure compliance with policies/standards;
    - Reviewing periodic reports from senior management; and
    - Reviewing the Sustainability Statement/Report prior to publishing the same in the Company's Annual Report.
d. To review issues relating to sustainability arising from grievances, independent audits and assurance reports as well as any matters highlighted by the external consultant, if one is appointed;
e. To oversee the outcome of any stakeholder's engagement, in particular on matters that may affect the Group's reputation, which shall include grievances, concerns/allegations, evolving public/market sentiments and government regulations;
f. To perform such other functions and exercise such other powers as may be delegated to it from time to time by the Board.

Nomination Committee

The NC comprises entirely Independent Non-Executive Directors. 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 https://www.leonghupinternational.com/.

Corporate Governance Overview Statement

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

2. BOARD COMPOSITION (CONT'D)

Nomination Committee (Cont'd)

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

	Position
Tay Tong Poh	Chairman
Chu Nyet Kim	Member

Selection and Assessment of Directors

The appointment of Directors is undertaken by the Board as a whole upon the recommendation by the NC. In identifying candidates for the Board, recommendations from existing Board members, KSM and/or major shareholders will be taken into consideration to gain access to a wider pool of potential candidates. The NC 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, experience, integrity, character, reputation and competence;
b. commitment (including time commitment) to effectively discharge his/her role as a Director;
c. professionalism;
d. 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 NC 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 candidates' background and current activities which qualify him or her as independent, but also whether the candidate 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.

The NC shall meet at least once a year or as and when circumstances dictate. The NC has carried out the following activities during the financial year 2023:

a. Reviewed and evaluated the effectiveness of the Board, the Board Committees and contribution of each individual Director including KSM;
b. Reviewed the required mix of skills, experience, core competencies and other qualities of the Board;
c. Assessed the independence of the Independent Directors based on the criteria set out in the Listing Requirements;
d. Reviewed and recommended to the Board the re-election of Directors;
e. Reviewed the trainings attended by the Directors and determined their training needs;
f. Reviewed the disclosures in the Corporate Governance Overview Statement on NC activities for 2022 Annual Report;
g. Reviewed the Directors' fit and proper policy and recommended the revised Directors' fit and proper policy for adoption;
h. Reviewed and recommended the revised board evaluation form by incorporating questionnaires in relation to Environmental, Social and Governance and sustainability matters;
i. Reviewed the fit and properness, integrity, contribution, performance, calibre and personality of each Director and KSM;
j. Evaluate the performance of ARC and its members.
k. Reviewed and discussed the succession plan of KSM

Corporate Governance Overview Statement

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 and at least once in every three (3) years but shall be eligible for re-election.

Directors' Fit and Proper Policy

The Company had in place a Directors' Fit and Proper Policy to enhance the governance of the Company in relation to the Board's quality and integrity. The Board and NC shall conduct the fit and proper assessment prior to the appointment of any candidate as Director, or making recommendation for the re-election of retiring Director.

Directors whom are due for retirement and subject to re-appointment or re-election at the AGM will be assessed by the NC, following the guidelines in Directors' Fit and Proper Policy, whose recommendations will be submitted to the Board for consideration, and thereafter to be tabled to shareholders for approval at the AGM.

The Directors whom are due for retirement and seeking for re-election at the forthcoming AGM are Lau Chia Nguang, Lau Joo Han, Low Han Kee and Datin Paduka Rashidah Binti Ramli. The retiring Directors have notified their intention to seek for re-election at the forthcoming AGM.

Key Senior Management

The KSM of the Group are as follows:

	Position
Lau Chia Nguang	Non-Independent Executive Chairman
Tan Sri Dato' Lau Eng Guang	Group Business Strategist
Tan Sri Lau Tuang Nguang	Group CEO
Datuk Lau Joo Hong	Group COO and 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, strategies and decision making related to operational and financial matters.

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

3. REMUNERATION

Remuneration Committee

The RC comprises exclusively 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. The RC have policies, guidelines and 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 remuneration policy was last reviewed and updated on 27 February 2024. The Terms of Reference of the RC is available on the Company's website at https://www.leonghupinternational.com/.

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

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

The Company has adopted a Remuneration Policy which sets out the remuneration principles and guidelines for the Board and KSM of the Company. The remuneration of Executive Directors and KSM composed of fixed component (i.e. base salary, benefits and fixed allowances) and variable component (i.e. cash bonus). For Non-Executive Directors, their remuneration consists of directors' fees and meeting allowances.

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 paid/payable to the Directors for the FYE 31 December 2023 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						
Tan Sri Dato' Lau Eng Guang	–	–	–	–	–	–
Tan Sri Lau Tuang Nguang	–	–	–	–	–	–
Datuk Lau Joo Hong	–	–	–	–	–	–
Lau Joo Han	–	–	–	–	–	–
Lau Joo Keat	–	–	–	–	–	–
Sub-Total	–	–	–	–	–	–

Corporate Governance Overview Statement

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

3. REMUNERATION (CONT'D)

Remuneration Committee (Cont'd)

a) Company (Cont'd)

	RM'000					
Director	Salaries	Fees (i)	Bonus	Benefit -in-kind	Other Emoluments	Total
Non-Executive Director						
Low Han Kee	–	170	–	–	26	196
Datin Paduka Rashidah Binti Ramli	–	120	–	–	16	136
Chu Nyet Kim	–	150	–	–	30	180
Goh Wen Ling	–	160	–	–	26	186
Tay Tong Poh	–	130	–	–	20	150
Sub-Total	**–**	**730**	**–**	**–**	**118**	**848**

b) Group

	RM'000					
Director	Salaries	Fees	Bonus	Benefit -in-kind	Other Emoluments	Total
Executive Chairman						
Lau Chia Nguang	3,758	559	2,546	356	182	7,401
Executive Director						
Tan Sri Dato' Lau Eng Guang	2,286	–	3,839	21	1,130	7,276
Tan Sri Lau Tuang Nguang	2,005	618	4,479	24	1,365	8,491
Datuk Lau Joo Hong	3,709	–	3,651	–	843	8,203
Lau Joo Han	1,998	151	5,543	38	1,783	9,513
Lau Joo Keat	2,343	–	–	55	62	2,460
Sub-Total	**16,099**	**1,328**	**20,058**	**494**	**5,365**	**43,344**

	RM'000					
Director	Salaries	Fees (i)	Bonus	Benefit -in-kind	Other Emoluments	Total
Non-Executive Director						
Low Han Kee	–	170	–	–	26	196
Datin Paduka Rashidah Binti Ramli	–	120	–	–	16	136
Chu Nyet Kim	–	150	–	–	30	180
Goh Wen Ling	–	208	–	–	34	242
Tay Tong Poh	–	130	–	–	20	150
Sub-Total	**–**	**778**	**–**	**–**	**126**	**904**

Note:
(i) Approved by shareholders at the 9th AGM 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.

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

3. REMUNERATION (CONT'D)

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.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities.

All Directors complied with the minimum attendance requirement of at least 50% of Board meetings held during the financial year under review pursuant to the Listing Requirements.

The Board and Board Committees' meeting attendances for the FYE 31 December 2023 are as follows:-

Directors	Board Meeting	ARC Meeting	NC Meeting	RC Meeting
Lau Chia Nguang	4/5	–	–	–
Tan Sri Dato' Lau Eng Guang	5/5	–	–	–
Tan Sri Lau Tuang Nguang	5/5	–	–	–
Datuk Lau Joo Hong	5/5	–	–	–
Lau Joo Han	5/5	–	–	–
Lau Joo Keat	5/5	–	–	–
Low Han Kee	5/5	5/5	–	2/2
Datin Paduka Rashidah Binti Ramli	5/5	–	–	2/2
Chu Nyet Kim	5/5	5/5	4/4	–
Goh Wen Ling	5/5	5/5	–	2/2
Tay Tong Poh	5/5	–	4/4	–

The SC did not convene any meeting during the FYE 31 December 2023 as the SC was newly formed on 28 November 2023.

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 members during the financial year are as follows:

		Training programmes/seminars attended/ participated	Date
1	Lau Chia Nguang	Sustainability Awareness	29 August, 2023
		Tax seminar on budget 2024	28 November, 2023
2	Tan Sri Dato' Lau Eng Guang	Sustainability Awareness	29 August, 2023
		Tax seminar on budget 2024	28 November, 2023

Corporate Governance Overview Statement

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

3. REMUNERATION (CONT'D)

Training and Development of Directors (Cont'd)

		Training programmes/seminars attended/ participated	Date
3	Tan Sri Lau Tuang Nguang	Sustainability Awareness	29 August, 2023
		Tax seminar on budget 2024	28 November, 2023
4	Datuk Lau Joo Hong	Sustainability Awareness	29 August, 2023
		Tax seminar on budget 2024	28 November, 2023
5	Lau Joo Han	Sustainability Awareness	29 August, 2023
		Tax seminar on budget 2024	28 November, 2023
6	Lau Joo Keat	Sustainability Awareness	29 August, 2023
		Tax seminar on budget 2024	28 November, 2023
7	Low Han Kee	Sustainability Awareness	29 August, 2023
		Anti-bribery and corruption e-learning module	18 September, 2023
		Securities Commission's Audit Oversight Board conversation with Audit Committee	27 November 2023
		Tax seminar on budget 2024	28 November, 2023
8	Datin Paduka Rashidah Binti Ramli	Sustainability Awareness	29 August, 2023
		Tax seminar on budget 2024	28 November, 2023
9	Chu Nyet Kim	Indonesia tax update	3 March, 2023
		The changes and impacts to taxpayers, Shadow Economy, ESG initiatives	28 March, 2023
		Artificial Intelligence and the Future of Accounting	30 March, 2023
		ESG and Climate Governance: What Directors need to know	28 June, 2023
		New Transfer Pricing Rules and Voluntary Disclosure	6 July, 2023
		Sustainability Awareness	29 August, 2023
		Human learning in the age of machine learning	13 September, 2023
		MIA Audit Committee Conference 2023	14 September, 2023
		MCCG and Sustainability Reporting	15 September, 2023
		Advocacy Sessions for directors and CEOs of Main Market listed issuers	19 September, 2023
		Conflict Of Interest	9 October, 2023
		Corporate Disclosures - what are the landmines to avoid and the value derived	18 October, 2023
		Market manipulation and securities fraud	27 October, 2023
		Tax seminar on budget 2024	31 October, 2023
		Security Commission's Audit Oversight Board conversation with Audit Committee	27 November, 2023
		Tax seminar on budget 2024	28 November, 2023

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

3. REMUNERATION (CONT'D)

Training and Development of Directors (Cont'd)

		Training programmes/seminars attended/ participated	Date
10	Goh Wen Ling	Budget 2023	8 March, 2023
		Sustainability Awareness	29 August, 2023
		MIA Audit Committee Conference 2023	14 September 2023
		Tax seminar on budget 2024	31 October, 2023
		Securities Commission's Audit Oversight Board conversation with Audit Committee	27 November 2023
		Tax seminar on budget 2024	28 November, 2023
11	Tay Tong Poh	Sustainability Awareness	29 August, 2023
		Tax seminar on budget 2024	28 November, 2023

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

The ARC consists of three (3) members, all of whom are Independent Non-Executive Directors. The ARC is chaired by Mr Low Han Kee, the 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, 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 https://www.leonghupinternational.com/.

Assessment of External Auditors

The ARC considered the adequacy of experience and resources of the audit firm and the professional staffs 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 2023.

The ARC undertakes an annual assessment on the suitability, objectivity and independence of the External Auditors. The ARC will recommend their re-appointment to the Board, upon which shareholders' approval will be sought at the AGM after taking into consideration PwC's suitability, independence as well as their Transparency Report. 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 with the terms of relevant professional and regulatory requirements.

Corporate Governance Overview Statement

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

1. AUDIT AND RISK COMMITTEE (CONT'D)

Assessment of External Auditors (Cont'd)

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 three 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 By-Laws of the MIA 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 this 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.

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

a. regular and comprehensive information provided to the ARC and the Board covering financial and operational performance;
b. regular visits to the operating units by members of the Board and KSM;
c. regular internal audit visits, which monitors compliance with procedures and assesses the integrity of financial information; and
d. 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 pages 77 to 82 of this Annual Report.

Corporate Governance Overview Statement

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.

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' Terms of Reference and relevant Board policies can be accessed. The primary contact for investor relations matters is also made available on the Company's corporate website.

2. CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum for dialogue and interaction with shareholders. 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.

The 9th AGM was convened on 2 June 2023 and was conducted fully virtual via the Remote Participation and Voting ("RPV") facilities. The Company had notified the shareholders on the conduct of the 9th AGM via the announcement to Bursa Securities and the Company's corporate website. The complete minutes of the 9th AGM was published on the Company's corporate website within 30 business days after the 9th AGM.

The Company will be conducting its 10th AGM fully virtual via RPV application, allowing attendance by shareholders and proxy holders via remote participation and voting in absentia.

The notices of AGM and related circular/statement to shareholders will be issued at least 28 days before the AGM, to allow shareholders to have sufficient time to read the Annual Report and make the necessary attendance and voting arrangements, to facilitate greater shareholder participation.

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.

KEY FOCUS AREA IN RELATION TO CORPORATE GOVERNANCE PRACTICES

The Group will continue to strive on implementing the policies and procedures to promote better governance culture and ethical behaviour within the Group and to align them with the latest regulatory requirements, where applicable.

With the increased attention given to sustainability and climate change by the general public investment community, the Board had formed a SC chaired by the Group COO to provide dedicated focus to manage sustainability strategically. The Board will continue to increase its focus towards embracing ESG into the Group's daily operations. The Board will put efforts in coordinating and communicating the Company's sustainability strategies, priorities and targets as well as performance against these targets to its internal and external stakeholders.

This CG Overview Statement was approved by the Board on 25 April 2024.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no corporate proposals to raise funds during the FYE 31 December 2023.

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 2023 (RM'000)	Company 2023 (RM'000)
Statutory audit fees paid/payable to:-		
- PricewaterhouseCoopers PLT	1,606	105
- Member firms of PricewaterhouseCoopers International Limited	2,214	–
Non-audit fees paid/payable to:-		
- PricewaterhouseCoopers PLT	61	–
- Member firms of PricewaterhouseCoopers International Limited	372	–

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

During the Extraordinary General Meeting ("EGM") 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 10 April 2024. The information in relation to ESOS are illustrated in the tables below:

	During FYE 31 December 2023	Since commencement of ESOS
Total number of options granted	–	35,092,000
Total number of options exercised	–	–
Total number of options forfeited	(611,000)	(3,575,000)
Total number of options expired	–	–
Total number of options outstanding	31,517,000	31,517,000

Options Granted to Directors and Chief Executive	During FYE 31 December 2023	Since commencement of ESOS
Aggregate options granted	–	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 2023	Since commencement of ESOS
Aggregate maximum allocation in percentage	–	50.00%
Actual percentage granted	–	36.07%

The Board has on 27 February 2024 decided not to renew the above ESOS. The Board had on 19 April 2024 announced its intention to seek shareholders' approval on (i) Proposed Establishment And Implementation Of An Employees' Share Option Scheme Of Up To 5% Of The Total Number Of Issued Ordinary Shares Of LHIB (Excluding Treasury Shares, if any) At Any Point In Time Over The ESOS Period Or Extended ESOS Period For The Eligible Persons (ii) Proposed Allocation Of ESOS Options Pursuant To The Proposed ESOS at the forthcoming EGM.

Additional Compliance Information

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

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors, Group Chief Executive Officer or major shareholders, either still subsisting at the end of the FYE 31 December 2023 or entered into since the end of the previous year.

SIGNIFICANT RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the financial year are disclosed in Note 39 of the Financial Statements herein.

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 31 March 2024 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	56
	-	KMT applications approved and currently in the process of obtaining the TBP	6
	-	Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils	28
	-	KMT applications submitted or to be submitted and subsequently to obtain the TBP	2
	-	TBP obtained	6
	Sub-total		**98**
(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	14
	-	Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils	12
	-	KMT applications submitted or to be submitted and subsequently to obtain the TBP	2
	-	TBP obtained	–
	Sub-total		**28**
	Total		**137**

Additional Compliance Information

STATUS OF COMPLIANCE OF CERTAIN OWNED AND TENANTED OUTLETS INVOLVING THE CERTIFICATE OF FITNESS FOR OCCUPATION/CERTIFICATE OF COMPLETION AND COMPLIANCE (CONT'D)

The status of the SLF application for the affected buildings in Indonesia as at 31 March 2024 are as follows:

Of the SLF applications for 70 material properties submitted to relevant authorities in Indonesia, 29 SLF applications cannot be processed by the relevant regional governments due to the following reasons:

a. the relevant regional governments have not enacted the Building Regional Regulation in its regency;
b. the relevant regional governments have not formed the team of building experts to conduct technical review on buildings within the regency; or
c. 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, 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 2023, 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 exclusively Independent Non-Executive Directors, are tasked with the following responsibilities:

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.

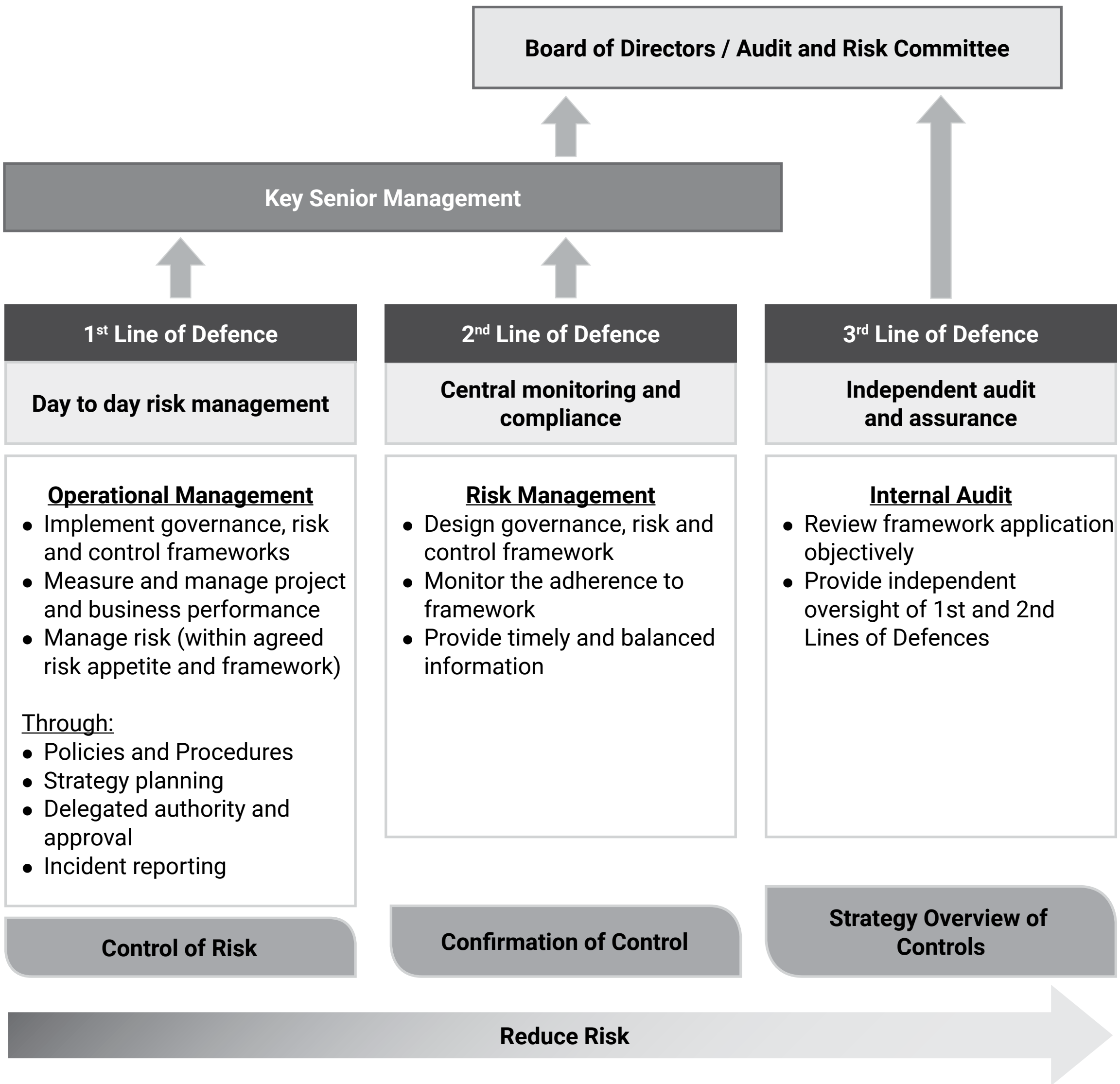
Statement on Risk Management and Internal Control

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.



Statement on Risk Management and Internal Control

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.

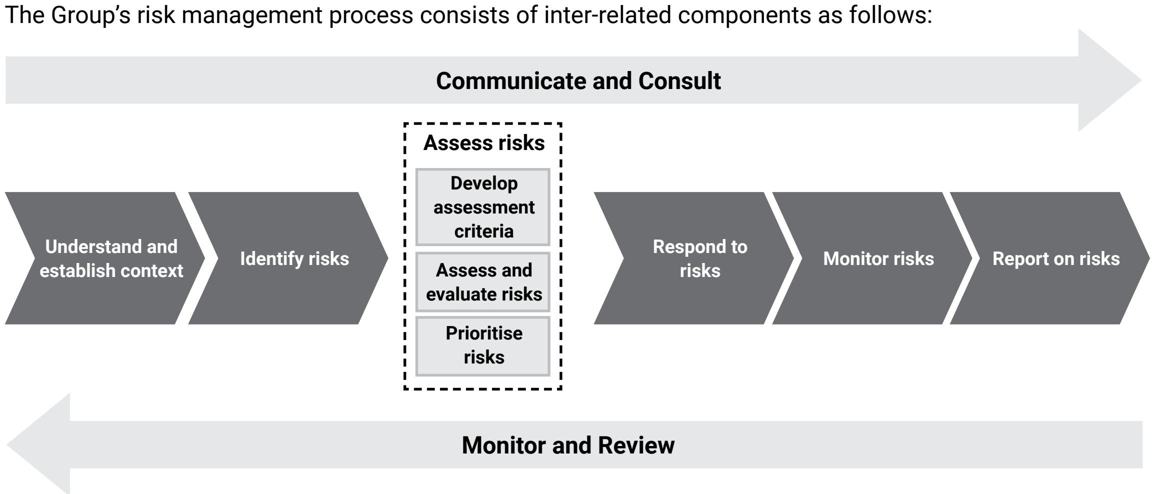
- ***Operational Risk***

  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 as well as cybersecurity, talent management, treasury management, legal and regulatory compliance, plant operations management. 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.

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



Statement on Risk Management and Internal Control

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

a) Risk Management (Cont'd)

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; and
viii. **Monitor and review** risk management processes, 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 Executive Directors, Group Chief Executive Officer, Group Chief Operating Officer 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.

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 FYE 31 December 2023 were outsourced to an independent external party, KPMG Management & Risk Consulting Sdn. Bhd. ("Internal Auditors").

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 without any limitation.

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.

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

b) Internal Control (Cont'd)

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

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. Farm management and feedmill operations

Assessed the controls environment pertaining to the following:

- Policies and procedures on control environment;
- Management of compliance to regulatory standards and complaints from external parties;
- Monitoring of broiler farm's and feedmill's performances (i.e., performance report, result validation, etc.);
- Farm and feedmill facility maintenance and security;
- Management of broiler farm (i.e., biosecurity management, vaccination and health program, inventory management, etc.);
- Management of feedmill (i.e., storage of raw material and finished goods, quality control test)
- Grandparent Stock Farm productivity and performance (i.e. documentation process, compliance with Good Animal Husbandry Practices manual);
- Waste management and industrial compliance of Grandparent Stock Farm; and
- Biosecurity and vaccination program of Grandparent Stock Farm.

ii. Sales Management

Reviewed the internal control procedures pertaining to the following:

- Governance structure;
- Market research activities and conduct of competitor analysis;
- Pricing mechanism and its approval;
- Execution of sales transaction;
- Measures deployed to meet strategic and departmental level key performance indicators;
- Management of customer complaints;
- Sales pricing and control;
- Sales forecasting and planning;
- Sales order and delivery; and
- Monitoring and reporting.

iii. Recurrent Related Party Transactions ("RRPT")

Reviewed the internal control and procedures pertaining to the following:

- Establishment of framework to address disclosure of related party relationship and the transaction thereof including conflicts of interest situations that may occur; and
- Controls put in place to align RRPT for compliance in accordance with the Shareholders' Mandate approved at the AGM.

iv. Supply Management

Reviewed the internal control and procedures pertaining to the following:

- Governance structure on supply management (inventory management and procurement);
- Inventory level control covering raw material forecast and supply chain planning;
- Inventory ageing monitoring;
- Procurement of raw materials;
- Inventory storage and safeguarding; and
- Inventory production usage (stock count and goods returned).

Statement on Risk Management and Internal Control

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

b) Internal Control (Cont'd)

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

v. Anti-bribery and anti-corruption management

Reviewed the internal control and procedures pertaining to the following:
- Policy and procedures;
- Gift and entertainment declaration and reporting;
- Whistleblowing channel and case management; and
- Training and awareness program.

vi. Financial Reporting

Reviewed the internal control procedures pertaining to the following:
- Financial closing and recording procedures, including Information gathering and input to the system;
- Accounts reconciliation;
- Review and approval of financial related matters; and
- Reporting and disclosure timelines and accuracy.

The total cost incurred for the IA function in respect of the FYE 31 December 2023 amounted to RM255,000.

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 this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement issued in accordance with a resolution of the Board dated 25 April 2024.

AUDIT AND RISK COMMITTEE'S REPORT

The Board of Leong Hup International Berhad is pleased to present the Audit and Risk Committee ("ARC") Report for the financial year ended ("FYE") 31 December 2023 in compliance with Paragraph 15.15 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

THE AUDIT AND RISK COMMITTEE AT A GLANCE

No. of Members	3
No. of Independent Members	3
No. of Meetings held during the FYE 31 December 2023	5
Attendance Rate	100%

MEMBERS

No.	Name	Designation	Position	Meetings Attended
1	Low Han Kee	Senior Independent Non-Executive Director	Chairman	5/5
2	Chu Nyet Kim	Independent Non-Executive Director	Member	5/5
3	Goh Wen Ling	Independent Non-Executive Director	Member	5/5

COMPOSITION AND SKILLS

- All members are financially literate.
- All members are able to read, analyse, interpret and understand financial statements.
- Each member has skill sets which make the ARC effective as a team, lending it the ability to effectively discharge its duties and responsibilities.
- All members are appointed by the Board from amongst their number and consist of not less than 3 members.
- 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 Association of Chartered Certified Accountant ("ACCA") and a member of the Malaysian Institute of Accountants ("MIA").
- Mr Low Han Kee qualified as a Certified Public Accountant in 1984 with more than 34 years of financial expertise in senior finance positions in companies listed on Bursa Securities.
- The composition of ARC is in compliance with Paragraph 15.09 of the Listing Requirements.

TERMS OF REFERENCE

The Terms of Reference of the ARC is accessible for reference on the Company's website at www.leonghupinternational.com/investor/corporate-governance/. Other reports used: https://www.leonghupinternational.com/ The Terms of Reference was last reviewed by the ARC on 25 April 2024.

Audit and Risk Committees' Report

SUMMARY OF WORKS OF THE ARC

The ARC carried out the following activities for the FYE 31 December 2023 in discharging their duties and responsibilities as below:

1. *Financial Reporting and Compliance*

The ARC had reviewed the Group's quarterly results and year-end financial statements, providing its professional input, advice and recommendations to the Board for approval, detailed below:

Date of Meeting	Quarterly Results / Financial Statements Reviewed
30 May 2023	Unaudited first quarter results for the period ended 31 March 2023
24 August 2023	Unaudited second quarter results for the period ended 30 June 2023
27 November 2023	Unaudited third quarter results for the period ended 30 September 2023
27 February 2024	Unaudited fourth quarter results for the period ended 31 December 2023
25 April 2024	Draft audited financial statements for the FYE 31 December 2023

The ARC reviewed the Group's quarterly unaudited financial results for announcements to Bursa Securites before recommending the same for approval by the Board upon being satisfied that it had complied with the Financial Reporting Standard 134 – Interim Financial Reporting, Listing Requirements and other relevant regulatory requirements. The ARC had also reviewed the Audited Financial Statements of the Company and the Group for the FYE 31 December 2023 prior to submission to the Board for approval, upon the ARC being satisfied that, inter alia, the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable of Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board ("MASB"). The Group Chief Financial Officer was present to explain the financial performance of the Group to the members of ARC.

The ARC had also reviewed and recommended the proposed interim dividend of 1.8 sen and 1.2 sen respectively for each ordinary share for the FYE 31 December 2023 to the Board for approval after taking into consideration the profits, cash flow and solvency of the Company.

2. *Internal Audit*

The Company outsourced its internal audit and risk management function to an independent professional consulting firm, namely, KPMG Management & Risk Consulting Sdn. Bhd ("Internal Auditors") to undertake regular and systematic reviews of the adequacy and effectiveness of internal control systems and risk management processes in the Company and its subsidiaries. The Internal Auditors report directly to the ARC. The Internal Auditors conducted the audit work as per the Internal 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 on 27 February 2024 reviewed the adequacy of the scope, competency and resources of the internal audit function and was satisfied with the Internal Auditors' performance for the FYE 31 December 2023.

The ARC had a private session with the Internal Auditors on 27 February 2024 without the presence of the Management to discuss internal control weaknesses and internal audit findings. The Internal Auditors informed the ARC that they had been receiving full co-operation from the Management and they did not encounter any issue throughout the course of its audits.

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 2023.

Audit and Risk Committees' Report

SUMMARY OF WORKS OF THE ARC (CONT'D)

3. *External Audit*

The ARC is responsible to monitor the performance, objectivity and independence of the External Auditors.

The ARC had on 27 February 2024 reviewed and assessed the independence and effectiveness of the External Auditors of the Company for the FYE 31 December 2023 and was satisfied with their performance. On 25 April 2024, the ARC recommended to the Board on the re-appointment of the External Auditors for the FYE 31 December 2024 and subsequently to the shareholders for approval at the forthcoming 10^{th} Annual General Meeting.

At the ARC meeting held on 24 August 2023, the ARC reviewed, discussed and approved the audit plan of the Group for the FYE 31 December 2023 which includes scope of the audit, audit approach, areas of audit emphasis and audit timeline 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 also reviewed the fees of the External Auditors. The ARC met with the External Auditors without the presence of the Management on 27 February 2024 to discuss key issues within their responsibilities and to ensure there were no restrictions on their scope of audit for the FYE 31 December 2023.

For the effective and efficient functioning of the ARC, the ARC held a discussion with the External Auditors and Management to review any audit issues and reservations arising from the statutory audit of the Group for the FYE 31 December 2023 including financial reporting issues, significant judgements made by the Management and potential key audit matters identified for the Group.

4. *Related Party Transactions*

The ARC reviewed the related party transactions ("RPTs") including recurrent related party transactions ("RRPTs") within the Company and the Group. This is to ensure the transactions are at all times carried out at arm's length basis, 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.

5. *Others*

a) The ARC had reviewed the non-audit services and fees incurred as of 31 December 2023.

b) The ARC had reviewed the Statement on Risk Management and Internal Control, Audit and Risk Committee's Report, Corporate Governance Overview Statement and Corporate Governance Report, and recommended the same to the Board for inclusion in the Annual Report.

c) The ARC had reviewed the Circular to Shareholders in respect of the RRPTs of the Group to the Board for approval prior to recommending to the shareholders for approval.

d The ARC had reviewed and recommended the Conflict of Interest Policy to the Board for adoption. The ARC had also reviewed and noted there was no conflict of interest or any potential conflict of interest situation arose or persisted.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year which have been made in accordance with the 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 2023, 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

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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 2023.

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
Tan Sri Dato' Lau Eng Guang
Tan Sri Lau Tuang Nguang
Datuk Lau Joo Hong
Lau Joo Han
Lau Joo Keat
Low Han Kee
Datin Paduka Rashidah Binti Ramli
Chu Nyet Kim
Goh Wen Ling
Tay Tong Poh

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, consumer food products, and sales of food and beverage.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	429,821	116,070
Profit attributable to:		
Owners of the Company	301,737	116,070
Non-controlling interests	128,084	–
	429,821	116,070

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no new ordinary shares or debentures issued during the financial year.

DIVIDENDS

The dividends paid or declared since the end of the previous financial year were as follows:

On 18 April 2023, the Directors have approved a single-tier interim dividend of 1.80 sen per ordinary share, amounting to RM65,700,000 in respect of the financial year ended 31 December 2023 and the dividend was paid to the shareholders on 23 May 2023.

On 28 November 2023, the Directors have approved a single-tier interim dividend of 1.20 sen per ordinary share, amounting to RM43,800,000 in respect of the financial year ended 31 December 2023 and the dividend was paid to the shareholders on 29 January 2024.

On 25 April 2024, the Directors have approved a single-tier interim dividend of 1.30 sen per ordinary share, amounting to RM47,450,000 in respect of the financial year ending 31 December 2024 and the dividend will be paid to the shareholders on 27 May 2024.

DIRECTORS' REMUNERATION

The aggregate amounts of compensation received or receivable by the Directors of the Company during the financial years are as follows:

	Group RM'000	Company RM'000
Fees	2,106	730
Salaries, bonuses and other benefits	37,654	118
Defined contribution benefits	4,488	–
	44,248	848

ULTIMATE HOLDING COMPANY

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

EMPLOYEE SHARE OPTION SCHEME

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 1.1.2023	Granted and accepted	(Exercised)	(Lapsed)	As at 31.12.2023
14 May 2019	RM1.10	32,128	–	–	(611)	31,517

Details of ESOS are set out in Note 29 to the financial statements.

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

On 27 February 2024, the Board of Directors decided not to extend the tenure of this scheme from the expiry of the first five (5) years and the scheme expired on 10 April 2024.

Directors' Report

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 Directors' remuneration) 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.

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 1.1.2023	**Acquired**	**(Disposed)**	**At 31.12.2023**
The Company				
Direct interests:				
Tan Sri Dato' Lau Eng Guang	52,247	50,045	(27,045)	75,247
Datuk Lau Joo Hong	27,670	–	–	27,670
Lau Joo Han	97,099	–	–	97,099
Low Han Kee	500	–	–	500
Datin Paduka Rashidah Binti Ramli	500	–	–	500
Chu Nyet Kim	600	200	–	800
Goh Wen Ling	700	–	–	700
Tay Tong Poh	500	–	–	500
Indirect interests[(a)]:				
Lau Chia Nguang[(a)(1)]	58,935	–	–	58,935
Tan Sri Dato' Lau Eng Guang[(b)]	11,439	27,045	(9,969)	28,515
Tan Sri Lau Tuang Nguang[(a)(2)]	62,722	–	–	62,722
Datuk Lau Joo Hong[(a)(3)]	1,927,201	–	–	1,927,201
Lau Joo Han[(a)(4)]	1,927,201	–	–	1,927,201
Lau Joo Keat[(a)(5)]	58,633	–	–	58,633
Low Han Kee[(b)]	10	–	–	10

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) Pursuant to Section 59(11)(c) of the Companies Act 2016, Tan Sri Dato' Lau Eng Guang is deemed to have interest in the Company by virtue of shareholdings held by his children, Lau Joo Yong and Lau Joo Kien Brian. Low Han Kee is deemed to have interest in the Company by virtue of shareholdings held by his spouse, Ooi Sze Lay.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Number of ordinary shares ('000)			
	At 1.1.2023	Acquired	(Disposed)	At 31.12.2023
Ultimate holding company, Emerging Glory Sdn. Bhd.				
Direct interests:				
Lau Chia Nguang	5,865	–	–	5,865
Tan Sri Dato' Lau Eng Guang	5,865	–	–	5,865
Lau Joo Han	7,821	–	–	7,821
Indirect interests:				
Tan Sri Lau Tuang Nguang[1]	5,865	–	–	5,865
Datuk Lau Joo Hong[2]	7,821	–	–	7,821
Lau Joo Keat[3]	5,865	–	–	5,865

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 TN Lau Holdings Sdn. Bhd.
2 CW Lau & Sons Sdn. Bhd.
3 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 1.1.2023	Granted and accepted	(Exercised)	(Lapsed)	At 31.12.2023
The Company					
Direct interests:					
Lau Chia Nguang	1,530	–	–	–	1,530
Tan Sri 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

Directors' Report

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

SUBSIDIARIES

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

Directors' Report

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
Tan Sri Dato' Lau Eng Guang
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
Lau Joo Ping
Adrian Ferdinand Oroh
Ali bin Mohamad Lazam
Brian M. O. Connor
Carlos Cabanes Royo
Choo Joo Thong
Chua Soon Huat
Chua Teck Choh
Chua Teck Lee
Dato' Dr. Ma'amor bin Osman
Dato' Seri Abdul Azim Bin Mohamad Zabidi
David Morella Jorba
David Siow Ak Heong (Appointed on 21 December 2023)
Dr. Aidawani binti Abd Latif
Dr. Masri bin Sehap
Dr. Norwati Akma binti Abd Samad
Er Teck Hwa (Resigned on 1 September 2023)
Faye Ong (Appointed on 1 July 2023)
Fleur Marie B. Africano
Goh Kar Meng
Goh Kok Tin (Resigned on 30 June 2023)
Goh Sze Ling
Goh Wen Ling
Koh Bock Swi
Koh Kim Chui
Law Kim Kow
Lee Chai Soon
Lee Choon Seng
Lee Lai Hock
Lee Zhiwei
Leek Tien Hee
Lim Hock Mow
Lim Huey Hean
Lim Meng Bin
Lim Ying Khoo
Loh Wee Ching
Loi Jin Choo
Low Chiew Boey
Low Choon Seng
Low Eng Guan
Low Kim Seng
Lt. Kol. (B) Kudri bin Haji Siraj (Deceased on 19 April 2023)
Ma Chin Chew
Na Eluen
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 Pang Teck
Quek Cheaw Kwang
Rewin Hanrahan Lie
Rudy Hartono Husin
Sespriansyah
Sim Kim Hwa
Tan Bet Beng (Resigned on 14 March 2024)
Tan Joo Hock
Tan Lai Kai
Tan Shiah Siah
Tay Kong Howe
Tuan Haji Safiei Bin Ahamad
Wang Tiam Soo
Wong Chee Seng
Wong Hwa Yao
Wong Sui Teck
Wong Wai Meng
Yongkie Handaya
Yip Ah Chean
Yeoh Jia Xing

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 RM120,000 respectively.

Directors' Report

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Company for the financial year ended 31 December 2023 were as follows:

	Group RM'000	Company RM'000
Statutory audit fees:		
- PricewaterhouseCoopers PLT	1,606	105
- Member firms of PricewaterhouseCoopers International Limited	2,214	–
	3,820	105

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 25 April 2024.

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 100 to 204 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 2023 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2023 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 25 April 2024.

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 100 to 204 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: Petaling Jaya, Selangor

On: 25 April 2024

Before me:

MOHD IRWAN BIN MOHD RADZI
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 2023, 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 2023 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 material accounting policies, as set out on pages 100 to 204.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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
Valuation of biological assets Refer to Note 2.24 for accounting policies and Note 3(i) and Note 17 to the financial statements. As at 31 December 2023, the Group has biological assets balance of RM515,453,000 Biological assets of the Group comprise breeders, commercial layers, broilers and hatching eggs. In determining the fair value of the biological assets, the Group uses discounted cash flow model. Significant judgement is required to be made by Directors and management to estimate the key assumptions. These judgements impact the fair value of biological assets recognised. We focused on this area as key judgements are made to estimate the expected selling price of day-old-chick, table eggs and broilers as well as feed costs used for the discounted cash flow model.	We obtained the biological assets' valuation prepared by management. The valuation is based on a discounted cash flow model. We have checked the mathematical accuracy of the valuation model prepared by management. We involved our valuation experts to evaluate the appropriateness of the methodology and key assumptions, including the discount rate used by management in the valuation of the biological assets. We corroborated the expected number of day-old-chick, table eggs and feed consumption rate to historical data and the manufacturer's guidebook of the particular breed of poultry. In respect of the projected selling prices and feed costs, we performed back-testing by comparing the projected prices against historical prices and checked the reasonableness of adjustments made for abnormal market movements. We assessed the appropriateness of the range used to test the sensitivity analysis performed by management as disclosed in Note 17 to the financial statements. We reviewed the adequacy of the disclosures in the financial statements. Based on the above procedures performed, we do not find material exceptions to the Directors and management's assessment on the valuation of biological assets as at 31 December 2023.

We have determined that 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 contents in the 2023 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.

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.

Independent Auditors' Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

(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.

Independent Auditors' Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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, actions taken to eliminate threats or safeguards applied.

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 14 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WILLIAM MAH JIN CHIEK
03085/07/2025 J
Chartered Accountant

Kuala Lumpur

25 April 2024

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	4	9,539,512	9,042,702	120,736	–
Other income		287,173	188,804	1,554	582
Changes in fair value of biological assets		90,500	7,921	–	–
Changes in closing inventories		(25,239)	29,597	–	–
Purchases of inventories and livestock		(7,030,106)	(6,865,373)	–	–
Employee benefit costs including Directors' remuneration	5	(781,373)	(677,356)	(848)	(946)
Depreciation of:					
Property, plant and equipment	10	(275,939)	(260,082)	(18)	(144)
Investment properties	11	(251)	(283)	–	–
Right-of-use assets	12	(43,160)	(40,874)	–	–
Utilities costs		(251,571)	(221,385)	–	–
Repair and maintenance		(97,046)	(91,244)	–	–
Transportation expenses		(201,648)	(181,399)	(2)	(20)
Impairment losses of:					
Property, plant and equipment	10	(16,394)	–	–	–
Right-of-use assets	12	(6,391)	–	–	–
Farmers' incentive		(110,009)	(112,136)	–	–
Other expenses		(354,053)	(354,858)	(4,359)	(4,964)
Profit/(Loss) from operations	6	724,005	464,034	117,063	(5,492)
Finance costs	7	(169,590)	(137,915)	(901)	(862)
Share of profit of associates	15	330	436	–	–
Profit/(Loss) before tax		554,745	326,555	116,162	(6,354)
Tax expense	8	(124,924)	(82,681)	(92)	(120)
Net profit/(loss) for the financial year		429,821	243,874	116,070	(6,474)
Other comprehensive income/(loss):					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		56,472	(6,521)	–	–
		56,472	(6,521)	–	–

Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Items that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation	32	701	(7,213)	–	–
Income tax relating to remeasurement of post-employment benefit obligation	8	(151)	(66)	–	–
		550	(7,279)	–	–
Other comprehensive income/(loss) for the financial year		57,022	(13,800)	–	–
Total comprehensive income/(loss) for the financial year		486,843	230,074	116,070	(6,474)
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		301,737	218,891	116,070	(6,474)
Non-controlling interests		128,084	24,983	–	–
		429,821	243,874	116,070	(6,474)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		341,162	197,590	116,070	(6,474)
Non-controlling interests		145,681	32,484	–	–
		486,843	230,074	116,070	(6,474)
Earnings per share attributable to the owners of the Company (sen):					
- basic and diluted	9	8.27	6.00		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	2,730,260	2,784,462	2	20
Investment properties	11	40,245	21,995	–	–
Right-of-use assets	12	409,308	417,740	–	–
Intangible assets	13	102,512	99,214	–	–
Investment in subsidiaries	14	–	–	1,556,867	1,556,867
Investment in associates	15	1,674	1,635	–	–
Other receivables, deposits and prepaid expenses	20	18,256	16,515	–	–
Amount due from an associate	22	20,582	17,290	–	–
Deferred tax assets	16	76,687	72,961	–	–
Total non-current assets		3,399,524	3,431,812	1,556,869	1,556,887
CURRENT ASSETS					
Biological assets	17	515,453	419,624	–	–
Inventories	18	978,837	1,025,850	–	–
Trade receivables	19	729,404	649,878	–	–
Other receivables, deposits and prepaid expenses	20	144,766	173,274	188	218
Amounts due from subsidiaries	21	–	–	1,363	1,429
Non-current assets held for sale	23	11,651	–	–	–
Tax recoverable		47,444	51,475	296	441
Cash and bank balances	25	699,505	840,288	53,333	4,342
Total current assets		3,127,060	3,160,389	55,180	6,430
TOTAL ASSETS		6,526,584	6,592,201	1,612,049	1,563,317
EQUITY AND LIABILITIES					
EQUITY					
Share capital	26	1,499,684	1,499,684	1,499,684	1,499,684
Merger reserve	27	(662,966)	(662,966)	–	–
Reserves	28	1,399,988	1,168,326	49,141	42,571
Equity attributable to owners of the Company		2,236,706	2,005,044	1,548,825	1,542,255
Non-controlling interests		718,422	584,531	–	–
Total equity		2,955,128	2,589,575	1,548,825	1,542,255

Statements of Financial Position

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	146,084	98,748	–	–
Lease liabilities	30	151,196	154,631	–	–
Bank borrowings	31	870,771	1,046,419	–	–
Post-employment benefits obligation	32	38,971	33,282	–	–
Deferred income - government grants	33	1,091	1,369	–	–
Provision for asset retirement obligation	34	5,086	5,055	–	–
Total non–current liabilities		1,213,199	1,339,504	–	–
CURRENT LIABILITIES					
Trade payables	35	359,580	358,946	–	–
Other payables and accrued expenses	36	322,535	270,834	2,121	3,392
Amounts due to subsidiaries	37	–	–	17,303	17,670
Lease liabilities	30	27,994	23,126	–	–
Bank borrowings	31	1,587,305	1,986,289	–	–
Derivative financial liabilities	24	2,485	7,546	–	–
Deferred income - government grants	33	364	342	–	–
Dividend payable	38	43,800	–	43,800	–
Tax payable		14,194	16,039	–	–
Total current liabilities		2,358,257	2,663,122	63,224	21,062
TOTAL LIABILITIES		3,571,456	4,002,626	63,224	21,062
TOTAL EQUITY AND LIABILITIES		6,526,584	6,592,201	1,612,049	1,563,317

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	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 2023		1,499,684	(662,966)	(11,592)	11,309	1,168,609	2,005,044	584,531	2,589,575
Comprehensive income:									
- Net profit for the financial year		–	–	–	–	301,737	301,737	128,084	429,821
Other comprehensive income:									
- Remeasurement of post–employment benefit obligation		–	–	–	–	318	318	232	550
- Exchange translation differences		–	–	39,107	–	–	39,107	17,365	56,472
Total other comprehensive income		–	–	39,107	–	318	39,425	17,597	57,022
Total comprehensive income		–	–	39,107	–	302,055	341,162	145,681	486,843
Transactions with owners:									
- Dividends paid	38	–	–	–	–	(65,700)	(65,700)	(11,291)	(76,991)
- Dividend payable	38	–	–	–	–	(43,800)	(43,800)	–	(43,800)
- Changes in equity interest in subsidiaries		–	–	–	–	–	–	(499)	(499)
- Share options lapsed		–	–	–	(212)	212	–	–	–
		–	–	–	(212)	(109,288)	(109,500)	(11,790)	(121,290)
At 31 December 2023		1,499,684	(662,966)	27,515	11,097	1,361,376	2,236,706	718,422	2,955,128

Statements of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	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 2022		1,499,684	(662,466)	5,540	11,272	953,030	1,807,060	552,780	2,359,840
Comprehensive income:									
- Net profit for the financial year		–	–	–	–	218,891	218,891	24,983	243,874
Other comprehensive income:									
- Remeasurement of post-employment benefit obligation		–	–	–	–	(4,169)	(4,169)	(3,110)	(7,279)
- Exchange translation differences		–	–	(17,132)	–	–	(17,132)	10,611	(6,521)
Total other comprehensive income		–	–	(17,132)	–	(4,169)	(21,301)	7,501	(13,800)
Total comprehensive income		–	–	(17,132)	–	214,722	197,590	32,484	230,074
Transactions with owners:									
- Dividends paid		–	–	–	–	–	–	(733)	(733)
- Reduction on merger reserve upon strike off of a subsidiary		–	(500)	–	–	500	–	–	–
- ESOS expenses	5	–	–	–	394	–	394	–	394
- Share options lapsed		–	–	–	(357)	357	–	–	–
		–	(500)	–	37	857	394	(733)	(339)
At 31 December 2022		1,499,684	(662,966)	(11,592)	11,309	1,168,609	2,005,044	584,531	2,589,575

Statements of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Share capital RM'000	ESOS reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2023		1,499,684	11,309	31,262	1,542,255
Total comprehensive income:					
Net profit for the financial year		–	–	116,070	116,070
Transactions with owners:					
Dividends paid		–	–	(65,700)	(65,700)
Dividend payable		–	–	(43,800)	(43,800)
Share options lapsed		–	(212)	212	–
At 31 December 2023		1,499,684	11,097	38,044	1,548,825
At 1 January 2022		1,499,684	11,272	37,379	1,548,335
Total comprehensive income:					
Net loss for the financial year		–	–	(6,474)	(6,474)
Transactions with owners:					
ESOS expense	5	–	102	–	102
Capital contribution to subsidiaries		–	292	–	292
Share options lapsed		–	(357)	357	–
At 31 December 2022		1,499,684	11,309	31,262	1,542,255

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		554,745	326,555	116,162	(6,354)
Adjustments for:					
Expense recognised/(reversed) in respect of defined benefit plan	32	6,112	(6,051)	–	–
Depreciation of:					
- property, plant and equipment	10	275,939	260,082	18	144
- investment properties	11	251	283	–	–
- right-of-use assets	12	43,160	40,874	–	–
Amortisation of deferred income	33	(355)	(334)	–	–
Write-off of:					
- property, plant and equipment	10	14,398	14,145	–	–
- right-of-use assets	12	258	–	–	–
Gain on termination of leases	6	(416)	(463)	–	–
(Gain)/Loss on disposal of:					
- property, plant and equipment	6	(2,127)	229	–	–
- non-current assets held for sale	6	–	(5,852)	–	–
Unrealised (gain)/loss on foreign exchange	6	(4,786)	549	(556)	(246)
Fair value (gain)/loss on derivative financial instruments	6	(5,305)	6,584	–	–
Share of profit of associates	15	(330)	(436)	–	–
Bad debts written off	6	57	574	–	–
Provision for/(reversal of) impairment loss on:					
- property, plant and equipment	10	16,394	–	–	–
- right-of-use assets	12	6,391	–	–	–
- goodwill	13	102	–	–	–
- trade receivables	19	(24)	5,988	–	–
- other receivables	20	(1,809)	23	–	–
ESOS expenses	5	–	394	–	102
Dividend income	4	–	–	(120,736)	–
Interest income	6	(14,517)	(13,095)	(904)	(239)
Finance costs	7	169,590	137,915	901	862
		1,057,728	767,964	(5,115)	(5,731)
Changes in working capital:					
Biological assets		(90,500)	(7,921)	–	–
Inventories		25,239	(29,597)	–	–
Receivables		(20,775)	(66,847)	96	(68)
Payables		101,321	47,908	(2,151)	2,629
Cash generated from operations		1,073,013	711,507	(7,170)	(3,170)
Tax (paid)/refunded		(78,960)	(88,852)	53	15
Post-employment benefit paid		(1,566)	(1,770)	–	–
Net cash flow from operating activities		992,487	620,885	(7,117)	(3,155)

Statements Of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to an associate	39	(2,084)	(1,024)	–	–
Proceeds from disposal of:					
- property, plant and equipment		5,573	5,249	–	–
- right-of-use assets		–	485	–	–
- non-current assets held for sale	23	–	7,945	–	–
Dividend income received from:					
- an associate	15	300	525	–	–
- subsidiaries	4	–	–	120,736	–
Interest income received	6	14,517	13,095	904	239
Additions of:					
- property, plant and equipment	10	(218,804)	(285,863)	–	–
- investment properties	11	(282)	–	–	–
- right-of-use assets	12	(557)	(5,635)	–	–
Acquisition of additional shares in:					
- a subsidiary	14	(499)	–	–	–
Decrease/(Increase) in fixed deposits pledged		2,894	(9,042)	–	–
Withdrawal/(Placement) of fixed deposits with more than three months maturity	25	35,093	(3,382)	–	–
Net cash flow from investing activities		(163,849)	(277,647)	121,640	239
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs paid		(169,899)	(133,043)	–	–
Dividends paid to:					
- shareholders	38	(65,700)	–	(65,700)	–
- non-controlling interests		(11,291)	(733)	–	–
Repayment of hire purchase liabilities		(13,367)	(14,244)	–	–
Payments for the principal portion of lease liabilities		(29,789)	(31,204)	–	–
Drawdown of term loans		52,245	127,128	–	–
Repayment of term loans		(258,646)	(275,798)	–	–
Issuance of Sukuk Mudharabah		–	100,000	–	–
Payment of Sukuk Mudharabah transaction costs		–	(7)	–	–
Net drawdown of short term borrowings		(276,881)	(134,151)	–	–
Repayment to a subsidiary	39	–	–	(388)	(14)
Net cash flow from financing activities		(773,328)	(362,052)	(66,088)	(14)
Net changes in cash and cash equivalents		55,310	(18,814)	48,435	(2,930)
Effect of exchange translation differences		15,908	(274)	556	246
Cash and cash equivalents at beginning of the financial year		556,052	575,140	4,342	7,026
Cash and cash equivalents at end of the financial year	25	627,270	556,052	53,333	4,342

Statements Of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Term loans and Sukuk Mudharabah RM'000	Short term borrowings* RM'000	Lease liabilities RM'000	Hire purchase liabilities RM'000	Total RM'000
Group					
At 1 January 2023	1,279,631	1,556,599	177,757	17,952	3,031,939
Net cash flow	(206,401)	(276,881)	(29,789)	(13,367)	(526,438)
Finance costs paid	(76,674)	(84,098)	(8,190)	(937)	(169,899)
	(283,075)	(360,979)	(37,979)	(14,304)	(696,337)
Non-cash transaction:					
Finance costs	76,008	83,103	8,190	937	168,238
Interest accretion	806	995	–	–	1,801
Addition	–	–	34,597	10,799	45,396
Lease modification	–	–	(8,950)	–	(8,950)
Termination	–	–	(836)	–	(836)
Foreign exchange translation	42,561	43,577	6,411	46	92,595
At 31 December 2023	1,115,931	1,323,295	179,190	15,430	2,633,846
At 1 January 2022	1,313,887	1,689,256	172,549	24,514	3,200,206
Net cash flow	(48,677)	(134,151)	(31,204)	(14,244)	(228,276)
Finance costs paid	(60,860)	(63,267)	(7,743)	(1,173)	(133,043)
	(109,537)	(197,418)	(38,947)	(15,417)	(361,319)
Non-cash transaction:					
Finance costs	62,921	64,434	7,743	1,173	136,271
Interest accretion	(1,032)	(1,167)	(8)	–	(2,207)
Addition	5,666	–	62,304	7,704	75,674
Termination	–	–	(3,047)	–	(3,047)
Foreign exchange translation	7,726	1,494	(22,837)	(22)	(13,639)
At 31 December 2022	1,279,631	1,556,599	177,757	17,952	3,031,939

* Short-term borrowings exclude bank overdrafts.

	Amounts due to subsidiaries 2023 RM'000	2022 RM'000
Company		
At 1 January	16,739	15,891
Net cash flow	(388)	(14)
Non-cash transaction:		
Finance costs	901	862
At 31 December	17,252	16,739

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

3rd Floor, Wisma Westcourt,
No. 126, Jalan Kelang Lama,
58000 Kuala Lumpur,
Malaysia.

Registered office

Unit 30-01, Level 30, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

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

The principal activity of the Company is investment holding. The principal activities of the Group are the production and distribution of breeder and broiler day-old-chick, broiler chickens, eggs, animal feeds, animal health products and consumer food products. The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2 SUMMARY OF MATERIAL 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 and management 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 and management's 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 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2023:

- MFRS 17 'Insurance Contracts' and its amendments
- Amendment to MFRS 17 'Initial Application of MFRS 17 and MFRS 9 - Comparative Information'
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on 'Disclosure of Accounting Policies" and "Definition of Accounting Estimates'
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to MFRS 112 'International Tax Reform – Pillar Two Model Rules'

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

MFRS 112 requires the disclosure on applying the exception to recognise and disclose information about deferred tax assets and liabilities related to tax law enacted or substantively enacted to implement the Pillar Two income taxes for annual reporting periods beginning on or after 1 January 2023.

The Group's entities operate in jurisdictions where the Pillar Two legislation of certain countries have been substantially enacted. Since the Legislation was not effective at the reporting date, the Group has no related current tax exposure arising from the Legislation. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in Amendments to MFRS 112 on International Tax Reform – Pillar Two Model Rules.

The Group is in the process of assessing its exposure to the Legislation when it comes into effect.

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 2023. None of these is expected to have a significant effect on the financial statements of the Group.

New standards and amendments effective from financial year beginning 1 January 2024:

- Amendments to MFRS 16 'Lease liability in a Sale and Leaseback'
- Amendments to MFRS 101 'Classification of liabilities as current or non-current' ('2020 amendments') and 'Non-current Liabilities with Covenants' ('2022 amendments')
- Amendments to MFRS 107 and MFRS 7 'Supplier Finance Arrangements'

New standards and amendments effective from financial year beginning 1 January 2025:

- Amendments to MFRS 121 'Lack of Exchangeability'

New standards and amendments effective date yet to be confirmed:

- Amendments to MFRS 10 and MFRS 128 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

The amendments shall be applied retrospectively.

The Group is in the process of assessing the full impact of the above standards and amendments to published standards on the financial statements of the Group in the financial year of initial application.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

The principal accounting policies applied in the preparation of the 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.

<u>Business combinations under acquisition method</u>

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill (refer to accounting policy Note 2.5 on 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.

Acquisition-related costs are expensed as incurred.

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Business combination under common control

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

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The comparative information is not restated.

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.

(b) 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.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net assets of the subsidiary of the acquiree, the resulting gain 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 not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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.

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	10% - 20%
Furniture, fittings, equipment and renovation	5% - 50%

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (continued)

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. Refer to 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.

2.8 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. The Group also assesses goodwill, intangible assets with indefinite useful life and other assets that are subject to amortisation 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.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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').

<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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

(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.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in 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.

(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.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Impairment for debt instruments and financial guarantee contracts (continued)

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, deposits 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 43 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 43 sets out the measurement details of ECL.

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.

Macroeconomic information 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 180 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 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

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 and trade amounts due from intercompanies

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, deposits, 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 Leases

Accounting by lessee

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.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Leases (continued)

Accounting by lessee (continued)

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 fair value 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 leases various lands, buildings and equipment. The right-of-use assets are depreciated over the following leases terms which included extension options that had been assessed at inception date that would be exercised based on the prevailing economic conditions.

Leasehold land	32 – 99 years
Land use rights	20 – 60 years
Land from operating lease	2 – 60 years
Buildings	1 – 15 years
Plant and machinery	1 – 12 years

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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Leases (continued)

Accounting by lessee (continued)

Lease liabilities (continued)

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.

2.11 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. Refer to accounting policy Note 2.9(d) on impairment of financial assets.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using first in, first out method or weighted average costs, as applicable. 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.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

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

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

2.14 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 distributed at the end of the reporting period.

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

(d) 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 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 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.

2.17 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.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

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.

2.18 Employee benefits

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.

2.19 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 share options for a specific period of time).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.19 Share-based payments - Employee options (continued)

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 cancelled award is substituted by a new 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 the Company does not identify a new award granted as replacement equity instruments for the cancelled award, the new award is accounted as a new grant of equity instruments

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.

2.20 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.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions (continued)

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.

2.21 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.

2.22 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.

<u>Sales of chicken and other poultry related products</u>

Revenue from sales of chicken and other poultry related products including eggs 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

Sales of 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 2.10).
- Dividend income is recognised when the Group's right to receive payment is established.

2.23 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income or expenses.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

Notes To The Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.23 Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

2.24 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 costs directly attributable to the sale of biological assets 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 fair value of biological assets”.

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

<u>Breeders</u>

Breeders comprise grandparents and parent breeding stocks. The fair value of grandparents and parent breeding stocks is determined using a discounted cash flow model over their lifespan based on the expected cash inflow from day-old-chick or hatching egg produced by each breeder, less expected costs incurred, and imputed contributory assets charges for the assets essential for the production of day-old-chick.

<u>Commercial layers</u>

Commercial layers comprise pullets and layers. The fair value of pullets and layers is determined using a discounted cash flow model over their lifespan based on the expected cash inflow from table eggs produced by each layer, less expected costs incurred, and imputed contributory assets charges for the assets essential for the production of table eggs.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.24 Biological assets (continued)

Broilers

The fair value of the broilers is determined using a discounted cash flow model based on expected selling price of broilers less estimated costs incurred over the life span until the point of sale.

Certain 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 inventory.

Hatching eggs

The fair value of hatching eggs is determined using a discounted cash flow model based on expected cash inflow from expected selling price of day-old-chick or hatching egg less estimated hatchery costs to be incurred for hatching the eggs into day-old-chick, and imputed contributory asset charges for the assets essential for the hatchery production.

2.25 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.

2.26 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 related to income are recognised in profit or loss within "other income" over the periods to match the related costs for which the grants are intended to compensate.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) Biological assets

The fair value of biological assets is determined using a discounted cash flow model. Directors and management estimates are required in measuring the fair value of biological assets. Changes to any of these assumptions would affect the fair value of the biological assets.

Breeders

In measuring the fair value of breeders, management's estimation includes the expected number of day-old-chick produced by each breeders, the expected selling price of the day-old-chick or hatching egg, expected salvage value of old birds, mortality rate, feed consumption rate, feed costs and other estimated farming costs to be incurred over the life span of the breeders, as well as the discount rate used for the cash flow.

Notes To The Financial Statements

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Biological assets (continued)

Commercial layers

In measuring the fair value of commercial layers, management's estimation includes the expected number of table eggs produced by each layer, the expected selling price of the table eggs, expected salvage value of layers, mortality rate, feed consumption rate, feed costs and other estimated farming costs to be incurred over the life span of the layers, as well as the discount rate used for the cash flow.

Broilers

Management's estimation includes the expected selling price of broilers, saleable weight, mortality rate, feed consumption rate, feed costs and other estimated farming costs to be incurred over the life span of broilers, as well as the discounted rate used for the cash flow.

Hatching eggs

Management's estimation includes the expected selling price of day-old-chick or hatching egg, internal hatchability ratio, estimated hatchery cost to be incurred for hatching the eggs into day-old-chick.

The Group recorded a fair value for its biological assets of RM515,453,000 as at 31 December 2023 (2022: RM419,624,000). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 17 to the financial statements.

(ii) Contingent liabilities

The Group identifies and analyses on a regular basis the current litigation, claims and arbitration involving the group, if any, when they arise. When necessary, provisions are made based on the best estimate of the expenditure required to settle the obligations, taking into account information available and different possible outcomes at the reporting date.

Contingent liabilities may develop in a way not initially expected. Therefore, a contingent liability is disclosed when it is not possible to predict the outcome of present obligations that arise from past events.

Management has made an assessment on contingent liabilities, including uncertainty relating to the outcome of its ongoing appeal on the penalty imposed by Malaysia Competition Commission ("MyCC"), which is inherently subject to uncertain future events and is disclosed in Note 40 in the notes to the financial statements.

(iii) 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 significant judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised, the likely timing and level of future taxable profits together with future tax planning strategies to support the basis of recognition of deferred tax assets. Further details of deferred tax asset are disclosed in Note 16 to the financial statements.

4 REVENUE

The Group derives the following types of revenue:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from contracts with customers:				
- Sales of goods	9,526,438	9,028,199	–	–
Revenue from other sources:				
- Lease income	12,922	14,434	–	–
- Dividend income from subsidiaries	–	–	120,736	–
- Others	152	69	–	–
Total revenue	9,539,512	9,042,702	120,736	–

Disaggregation of revenue from contracts with customers by product segments:

	Group	
	2023 RM'000	2022 RM'000
Livestock and other poultry related products	5,155,633	4,979,244
Feedmill	4,370,805	4,048,955
	9,526,438	9,028,199

Included in the revenue from livestock and other poultry related products is revenue from sales of table eggs of RM848,524,000 (2022: RM750,806,000).

5 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries, wages and bonuses	732,743	645,682	848	844
Defined contribution plans	42,518	37,331	–	–
Defined benefit plans (Note 32)	6,112	(6,051)	–	–
ESOS expenses	–	394	–	102
	781,373	677,356	848	946

(b) The breakdown of the Directors' remuneration of the Group and Company are as disclosed in Note 39 to the financial statements.

Notes To The Financial Statements

6 PROFIT/(LOSS) FROM OPERATIONS

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Auditors' remuneration:				
Statutory audit				
- PricewaterhouseCoopers PLT	1,606	1,537	105	90
- Member firms of PricewaterhouseCoopers International Limited	2,214	2,005	–	–
- Others	271	205	–	–
Other services				
- PricewaterhouseCoopers PLT	61	61	–	–
- Member firms of PricewaterhouseCoopers International Limited	372	540	–	–
Foreign exchange losses/(gains):				
- realised	4,349	(14,700)	(94)	(98)
- unrealised	(4,786)	549	(556)	(246)
Fair value (gain)/loss on derivative financial instruments	(5,305)	6,584	–	–
Rental expense*	9,984	11,023	–	–
Write-off of:				
- property, plant and equipment	14,398	14,145	–	–
- right-of-use assets	258	–	–	–
Gain on termination of leases	(416)	(463)	–	–
Provision for/(reversal of) impairment loss on:				
- goodwill	102	–	–	–
- property, plant and equipment	16,394	–	–	–
- right-of-use assets	6,391	–	–	–
- trade receivables	(24)	5,988	–	–
- other receivables	(1,809)	23	–	–
Amortisation of deferred income	(355)	(334)	–	–
Packing materials	20,758	25,783	–	–
Travelling expenses	13,203	11,359	–	–
Promotional and marketing expenses	7,385	10,411	–	–
Interest income	(14,517)	(13,095)	(904)	(239)
Rental income	(2,498)	(2,439)	–	–
(Gain)/Loss on disposal of:				
- property, plant and equipment	(2,127)	229	–	–
- non-current assets held for sale	–	(5,852)	–	–
Bad debts written off	57	574	–	–
Government grant	(1,850)	(2,787)	–	–
Government subsidy^	(161,348)	(90,469)	–	–
Management fee expense	37	1,507	1,217	1,991
Insurance expenses	17,005	14,581	185	190
Brooding expenses	9,976	9,990	–	–
Cleaning and washing expenses	10,550	10,802	–	–
Pest control expenses	3,777	2,906	–	–

* *The rental expenses disclosed comprise only short term leases and leases of low value assets. See Note 12 for details of rental expenses.*

^ *Government subsidy was recognised as 'other income' during the financial year ended 31 December 2023 under "Program Subsidi Ayam dan Telur". The program has been approved by the Government of Malaysia on 9 February 2022. The objective of the programme is to ease the burden of poultry and layer farmers due to the increase in the production costs while the ceiling prices have been set for chicken and eggs. Under the program, the eligible poultry and layer farmers will receive cash when their applications have been approved by the Department of Veterinary Services ("DVS") under Ministry of Agriculture and Food Industries. Subsidy for chicken was discontinued on 1 November 2023, while subsidy for eggs remains unaffected.*

7 FINANCE COSTS

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Interest expenses on:				
Bankers' acceptances	12,307	13,692	–	–
Bank overdrafts	938	1,147	–	–
Term loans	62,125	52,717	–	–
Hire purchase liabilities	937	1,173	–	–
Lease liabilities	8,190	7,743	–	–
Revolving credits	35,436	23,355	–	–
Trust receipts	35,360	27,387	–	–
Loan from a subsidiary	–	–	901	862
Sukuk Mudharabah	13,883	10,204	–	–
Others	414	497	–	–
	169,590	137,915	901	862

8 TAX EXPENSE

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Current tax recognised in profit or loss:				
- Malaysian income tax	37,443	30,833	217	124
- Foreign income tax	44,575	35,857	–	–
- (Over)/Under provision in prior years	(1,311)	1,728	(125)	(4)
	80,707	68,418	92	120
Deferred taxation recognised in profit or loss (Note 16):				
- Origination and reversal of temporary differences	44,217	14,137	–	–
Real property gain tax	–	126	–	–
Tax expense	124,924	82,681	92	120
Deferred taxation recognised in OCI (Note 16):				
- Remeasurement of post-employment benefit obligation	151	66	–	–

Notes To The Financial Statements

8 TAX EXPENSE (CONTINUED)

A numerical reconciliation of income tax expense to profit/(loss) 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit/(Loss) before tax	554,745	326,555	116,162	(6,354)
Tax at applicable statutory tax rate	119,647	75,704	27,879	(1,525)
Tax effects of:				
- expenses not deductible for tax purposes	26,486	14,938	1,315	1,649
- income not subject to tax	(28,008)	(1,836)	(28,977)	–
- share of result of an associate	(79)	(105)	–	–
- utilisation of reinvestment allowance not recognised as tax benefits	–	(1,369)	–	–
- utilisation of previously unrecognised tax losses	(3,639)	(4,734)	–	–
- utilisation of previously unrecognised capital allowances	(1,387)	(2,623)	–	–
- utilisation of special incentive	(3,790)	(7,939)	–	–
- current year tax losses for which no deferred tax asset is recognised	745	8,791	–	–
- reversal of previously recognised tax benefits arising from tax losses	16,260	–	–	–
Real property gain tax	–	126	–	–
(Over)/Under provision in prior years	(1,311)	1,728	(125)	(4)
Tax expense	124,924	82,681	92	120

8 TAX EXPENSE (CONTINUED)

The amounts of unutilised tax losses, deductible temporary differences on property, plant and equipment and unutilised reinvestment allowance for which no deferred tax asset has been recognised in the statements of financial position are as follows:

	Group	
	2023 RM'000	2022 RM'000
Unutilised tax losses		
- expiring by year of assessment 2023*	–	14,326
- expiring by year of assessment 2024*	19,626	13,467
- expiring by year of assessment 2025*	22,750	8,519
- expiring by year of assessment 2026*	117,164	107,723
- expiring by year of assessment 2027*	69,974	29,587
- expiring by year of assessment 2028*^	27,680	28,402
- expiring by year of assessment 2029^	4,056	4,169
- expiring by year of assessment 2030^	596	596
- expiring by year of assessment 2031^	7,108	7,040
- expiring by year of assessment 2032^	568	–
	269,522	213,829
Unabsorbed capital allowances		
- no expiry period	5,962	11,740
Unutilised reinvestment allowance		
- expiring not more than seven years	9,318	9,318
	284,802	234,887

* Under Indonesia and Vietnam tax regulations, the unutilised tax losses can be carried forward for a maximum of 5 years following the years the losses were incurred.

^ As announced in the Malaysia Annual Budget 2022, effective from year of assessment 2019, the time limit to carry forward unutilised tax losses of Malaysian companies was extended from 7 to 10 consecutive years of assessment.

Notes To The Financial Statements

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 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	
	2023 RM'000	**2022 RM'000**
Profit attributable to the owners of the Company	301,737	218,891
Weighted average number of ordinary shares in issue ('000)	3,650,000	3,650,000
Basic and diluted EPS (sen)	8.27	6.00

Diluted EPS

For the diluted earnings per ordinary share calculation, the average number of ordinary shares in issue is adjusted to assume conversation of all dilutive potential ordinary share.

The potential conversion of ESOS options are anti-dilutive as their exercise prices were higher than the average market price ('out of the money') of the Company's ordinary share during the financial year 2023 and 2022. Accordingly, the exercise of ESOS had been ignored in the calculation of dilutive earnings per share and the diluted earnings per ordinary share is the same as the basic earnings per ordinary share.

10 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings, equipment and renovation RM'000	Construction-in-progress RM'000	Total RM'000
Net book value								
At 1 January 2023	303,250	1,445,809	21,671	579,783	66,060	214,503	153,386	2,784,462
Additions	2,528	34,233	2,438	53,122	20,088	24,361	92,873	229,643
Disposals	–	(19)	–	(1,444)	(583)	(461)	(939)	(3,446)
Write-off	–	(7,406)	(423)	(3,410)	(185)	(2,436)	(538)	(14,398)
Foreign exchange differences	(755)	39,010	–	12,510	1,885	1,897	1,537	56,084
Reclassifications	–	49,932	241	39,574	2,179	9,322	(101,248)	–
Transfer to investment properties (see Note 11)	(18,219)	–	–	–	–	–	–	(18,219)
Transfer to right-of-use assets (see Note 12)	–	(148)	–	–	–	–	–	(148)
Transfer to assets held for sale (see Note 23)	–	(9,898)	–	(1,487)	–	–	–	(11,385)
Depreciation charge for the financial year	–	(88,513)	(1,077)	(117,808)	(22,406)	(46,135)	–	(275,939)
Impairment charge for the financial year	–	(407)	–	(3,234)	–	(12,752)	(1)	(16,394)
At 31 December 2023	286,804	1,462,593	22,850	557,606	67,038	188,299	145,070	2,730,260
At 31 December 2023:								
Cost	286,804	2,347,609	28,968	1,622,161	270,482	526,246	145,156	5,227,426
Accumulated depreciation	–	(883,836)	(6,113)	(1,061,321)	(203,444)	(323,730)	–	(2,478,444)
Accumulated impairment loss	–	(1,180)	(5)	(3,234)	–	(14,217)	(86)	(18,722)
Net book value	286,804	1,462,593	22,850	557,606	67,038	188,299	145,070	2,730,260

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings, equipment and renovation RM'000	Construction-in-progress RM'000	Total RM'000
Net book value								
At 1 January 2022	303,491	1,388,492	22,700	524,721	68,623	221,070	241,222	2,770,319
Additions	98	66,323	970	95,214	20,698	41,845	73,187	298,335
Disposals	–	(1,251)	–	(83)	(510)	(149)	(3,485)	(5,478)
Write-off	–	(2,223)	(1,049)	(2,087)	–	(7,302)	(1,484)	(14,145)
Foreign exchange differences	(339)	(1,820)	–	(2,502)	362	402	(157)	(4,054)
Reclassifications	–	78,907		74,490	75	1,992	(155,464)	–
Transfer to right-of-use assets (see Note 12)	–	–	–	–	–	–	(433)	(433)
Depreciation charge for the financial year	–	(82,619)	(950)	(109,970)	(23,188)	(43,355)	–	(260,082)
At 31 December 2022	303,250	1,445,809	21,671	579,783	66,060	214,503	153,386	2,784,462
At 31 December 2022:								
Cost	303,250	2,229,044	26,779	1,532,215	252,489	496,040	153,471	4,993,288
Accumulated depreciation	–	(782,462)	(5,103)	(952,432)	(186,429)	(280,072)	–	(2,206,498)
Accumulated impairment loss	–	(773)	(5)	–	–	(1,465)	(85)	(2,328)
Net book value	303,250	1,445,809	21,671	579,783	66,060	214,503	153,386	2,784,462
At 1 January 2022:								
Cost	303,491	2,099,806	27,073	1,400,567	240,075	461,498	241,307	4,773,817
Accumulated depreciation	–	(710,541)	(4,368)	(875,846)	(171,452)	(238,963)	–	(2,001,170)
Accumulated impairment loss	–	(773)	(5)	–	–	(1,465)	(85)	(2,328)
Net book value	303,491	1,388,492	22,700	524,721	68,623	221,070	241,222	2,770,319

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company	
	Furniture, fittings and office equipment RM'000	Total RM'000
Net book value		
At 1 January 2022	164	164
Depreciation charge for the financial year	(144)	(144)
At 31 December 2022/1 January 2023	20	20
Depreciation charge for the financial year	(18)	(18)
At 31 December 2023	2	2
At 31 December 2023:		
Cost	578	578
Accumulated depreciation	(576)	(576)
Net book value	2	2
At 31 December 2022:		
Cost	578	578
Accumulated depreciation	(558)	(558)
Net book value	20	20
At 1 January 2022:		
Cost	578	578
Accumulated depreciation	(414)	(414)
Net book value	164	164

(a) As of 31 December 2023, certain property, plant and equipment of the Group with a net carrying value of RM857,101,000 (2022: RM912,253,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

(b) During the financial year, the Group has recognised an impairment charge of RM16,394,000 in its other poultry related operations. The assessment was triggered due to the Group's net asset value being above the Group's market capitalisation. In performing the impairment assessment of the carrying amount of property, plant and equipment, the recoverable amount is determined using value-in-use ("VIU") calculation. These calculations use pre-tax cash flow projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates.

Notes To The Financial Statements

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) The following property, plant and equipment of the Group were acquired under hire purchase instalment plans (Note 31):

	Group	
	2023 RM'000	2022 RM'000
Carrying amount		
Plant and machinery	17,823	25,118
Motor vehicles	29,922	28,664
Furniture, fittings and equipment	267	256
	48,012	54,038

(d) Additions of property, plant and equipment

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

	Group	
	2023 RM'000	2022 RM'000
Cash payments	218,804	285,863
Unpaid balances included under other payables	9,624	9,584
Cash paid in respect of acquisitions in previous financial year	(9,584)	(10,482)
Financed by hire purchase	10,799	7,704
Financed by long term loans	–	5,666
Additions of property, plant and equipment	229,643	298,335

11 INVESTMENT PROPERTIES

	Group RM'000
Net book value	
At 1 January 2022	22,278
Depreciation charge for the financial year	(283)
At 31 December 2022/1 January 2023	21,995
Additions	282
Transfer from property, plant and equipment (Note 10)	18,219
Depreciation charge for the financial year	(251)
At 31 December 2023	40,245
At 31 December 2023:	
Cost	53,660
Accumulated depreciation	(13,415)
Net book value	40,245
At 31 December 2022:	
Cost	31,793
Accumulated depreciation	(9,798)
Net book value	21,995
At 1 January 2022:	
Cost	31,793
Accumulated depreciation	(9,515)
Net book value	22,278

Notes To The Financial Statements

11 INVESTMENT PROPERTIES (CONTINUED)

	Group	
	2023 RM'000	2022 RM'000
Fair values	67,572	48,877

The property rental income earned by the Group from investment properties, certain of which are leased out under operating leases, amounted to RM1,130,000 (2022: RM1,026,000). Direct operating expenses arising from investment properties that are revenue-generating of the Group amounted to RM143,000 (2022: RM96,000).

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.

	2023 RM'000	2022 RM'000
Group		
Within 1 year	1,250	732
In the 2nd year	960	47
In the 3rd year	629	35
In the 4th year	57	35
In the 5th year	57	–
Later than 5th year	4	–
Total undiscounted lease payments	2,957	849

12 RIGHT-OF-USE ASSETS

Group	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 2022	34,985	188,204	102,647	65,865	3,404	395,105
Additions	4,850	25,727	20,186	14,360	3,051	68,174
Disposal	–	–	(485)	–	–	(485)
Terminations	–	–	(79)	(3,304)	–	(3,383)
Transfer from property, plant and equipment (see Note 10)	–	433	–	–	–	433
Foreign exchange differences	–	(3,881)	2,079	722	(150)	(1,230)
Depreciation charge for the financial year	(470)	(8,437)	(7,837)	(21,972)	(2,158)	(40,874)
At 31 December 2022/1 January 2023	39,365	202,046	116,511	55,671	4,147	417,740
Additions	–	667	4,166	29,167	1,310	35,310
Lease modification	–	–	(8,950)	–	–	(8,950)
Terminations	–	–	(429)	(280)	–	(709)
Write-off	–	–	–	(258)	–	(258)
Transfer from property, plant and equipment (see Note 10)	–	148	–	–	–	148
Foreign exchange differences	–	8,731	6,085	536	226	15,578
Depreciation charge for the financial year	(557)	(11,008)	(8,545)	(21,510)	(1,540)	(43,160)
Impairment charge for the financial year	–	–	–	(6,272)	(119)	(6,391)
At 31 December 2023	38,808	200,584	108,838	57,054	4,024	409,308

Extension options are included in a number of leases across the group to maximise operational flexibility.

Notes To The Financial Statements

12 RIGHT-OF-USE ASSETS (CONTINUED)

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	2023 RM'000	2022 RM'000
Interest expense (included in finance costs)	7	8,190	7,743
Expense relating to short-term leases (included in rental expenses)	6	9,581	10,683
Expense relating to leases of low value assets that are not shown above as short-term leases (included in rental expenses)	6	403	340
The total cash outflow for leases		47,963	49,970

<u>Additions of right-of-use assets</u>

Right-of-use assets were acquired by the following means:

	2023 RM'000	2022 RM'000
Cash payments	557	5,635
Future lease payment included in lease liabilities	34,597	62,304
Provision for asset retirement obligation	156	235
Addition of right-of-use assets	35,310	68,174

During the financial year, the Group has recognised an impairment charge of RM6,391,000 in its other poultry related operations. The assessment was triggered due to the Group's net asset value being above the Group's market capitalisation. In performing the impairment assessment of the carrying amount of property, plant and equipment, the recoverable amount is determined using value-in-use ("VIU") calculation. These calculations use pre-tax cash flow projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates.

13 INTANGIBLE ASSETS

	Goodwill on consolidation RM'000	Business customer RM'000	Total RM'000
Group			
Cost			
At 1 January 2022	104,070	10,476	114,546
Translation differences	3,134	641	3,775
At 31 December 2022/1 January 2023	107,204	11,117	118,321
Translation differences	3,400	695	4,095
At 31 December 2023	110,604	11,812	122,416
Less: Accumulated amortisation			
At 1 January 2022	–	10,476	10,476
Translation differences	–	641	641
At 31 December 2022/1 January 2023	–	11,117	11,117
Translation differences	–	695	695
At 31 December 2023	–	11,812	11,812
Less: Accumulated impairment losses			
At 31 December 2022/1 January 2023	7,990	–	7,990
Addition	102	–	102
At 31 December 2023	8,092	–	8,092
Net carrying amount			
At 31 December 2023	102,512	–	102,512
At 31 December 2022	99,214	–	99,214

Notes To The Financial Statements

13 INTANGIBLE ASSETS (CONTINUED)

(i) Business customer relationship

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

(ii) 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 totalling RM102.5 million (2022: RM99.2 million) had been allocated to the following cash generating units ('CGUs') for the purpose of impairment testing.

	Group	
	2023	**2022**
	RM'000	**RM'000**
Malaysia		
Manufacturing of animal feeds	4,021	4,021
Trading of animal health products	3,115	3,217
Poultry farming and breeding	33,208	33,208
Singapore		
Processing and marketing of consumer products	62,168	58,768
	102,512	99,214

Impairment assessment for intangible assets in relation to the goodwill on consolidation

The impairment test was performed by comparing the cash-generating unit's carrying amount with its recoverable amount. The recoverable amount is determined using value-in-use calculations.

The recoverable amounts of the respective CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering a five-year period, based on the three-year financial budget which have been approved by the Directors and two-year forecast of the specific CGUs that the goodwill is allocated to. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates.

An impairment loss of RM102,000 (2022: Nil) was recognised in respect of trading of animal health products CGU of an indirect subsidiary, Professional Vet Enterprise Sdn. Bhd. during the financial year.

Sensitivity

As at 31 December 2023 and 31 December 2022, the recoverable amount of CGUs above, except for Professional Vet Enterprise Sdn. Bhd.'s, are estimated to exceed the carrying amounts and is not sensitive to any reasonable change in the key assumptions.

13 INTANGIBLE ASSETS (CONTINUED)

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

Manufacturing of animal feeds

- The revenue growth rate and EBITDA margin is supported by management's approved budget and forecast, which is in line with past performance records, future market outlook and management's expectation of market developments.
- Pre-tax discount rate of 9.0% (2022: 9.0%) was applied, benchmarked against comparable companies at the date of assessment;.
- A terminal growth rate 1% (2022: 1%) was applied.

Trading of animal health products

- The revenue growth rate and EBITDA margin is supported by management's approved budget and forecast, which is in line with past performance records, future market outlook and management's expectation of market developments.
- Pre-tax discount rate of 10.2% (2022: 11.5%) was applied, benchmarked against comparable companies at the date of assessment.
- A terminal growth rate 1% (2022: 1%) was applied.

Poultry farming and breeding

- The revenue growth rate and EBITDA margin is supported by management's approved budget and forecast, which is in line with past performance records, future market outlook and management's expectation of market developments.
- Pre-tax discount rate of 9.7% (2022: 9.7%) was applied, benchmarked against comparable companies at the date of assessment.
- A terminal growth rate 2.2% (2022: 2.5%) was applied.

Processing and marketing of consumer products

- The revenue growth rate and EBITDA margin is supported by management's forecasted projects, which is in line with past performance records, future market outlook and management's expectation of market developments.
- Pre-tax discount rate of 14.5% (2022: 14.5%) was applied, benchmarked against comparable companies at the date of assessment.
- A terminal growth rate 3.0% (2022: 2.5%) was applied.

Notes To The Financial Statements

14 INVESTMENT IN SUBSIDIARIES

	Company 2023 RM'000	Company 2022 RM'000
Unquoted shares, at cost	1,556,867	1,547,687
Capital contribution to subsidiaries – ESOS Options	–	9,180
	1,556,867	1,556,867

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

Name of the Company	Effective percentage of ownership 2023 %	Effective percentage of ownership 2022 %	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
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 and trading of packaging materials and stationery equipment
Leong Hup Corporate Services Sdn. Bhd.*	100.00	100.00	Management services provider
Leong Hup (Philippines), Inc# (Incorporated in The Philippines)	100.00	100.00	Raising, breeding, cross breeding, fattening and pasturing of poultry and similar stocks and producer of animal feeds and pre-mix for livestock animals
Leong Hup Myanmar Co., Ltd & (Incorporated in Myanmar)	100.00	100.00	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 and investment holding
Leong Hup (G.P.S.) Farm Sdn. Bhd.*	100.00	100.00	Provision of farming related services and investment holding

Notes To The Financial Statements

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2023 %	2022 %	Principal activities
Indirect subsidiaries (continued)			
Leong Hup Agrobusiness Sdn. Bhd.*	100.00	100.00	Production and distribution of breeder and broiler day-old-chick, broiler chicken, animal feeds and consumer food products and operating of food, beverages and bakery retail outlets
Leong Hup Capital Sdn. Bhd.*	100.00	100.00	Funding vehicle, investment advisory services, other financial activities except insurance/takaful and pension funding
The Baker's Cottage Sdn. Bhd.^	100.00	100.00	Manufacturing, trading and distribution of food products
Baker's Cottage Training Academy Sdn. Bhd.^	100.00	100.00	Provision of training and consultancy services
Selasih Prospek Sdn. Bhd.^	100.00	100.00	Bakery, cafeteria and restaurant and retailing of confectionery food products
Ayam A1 Food Corporation Sdn. Bhd.*	100.00	100.00	Provision of manufacturing related services and investment holding
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 and investment holding
Advantage Valuations Sdn. Bhd.*	51.00	51.00	Investment holding
F. E. Venture Sdn. Bhd.^	51.00	51.00	Trading of animal feeds and veterinary products
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	Investment holding
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

Notes To The Financial Statements

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2023 %	2022 %	Principal activities
Indirect subsidiaries (continued)			
Goldkist Breeding Farms Sdn. Bhd.*	100.00	100.00	Provision of farming related services and investment holding
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
Mantap Untung Sdn.Bhd.\	51.00	51.00	Dormant
Ternakan Emas Sdn. Bhd.*	100.00	100.00	Dormant
Golden Egg Sdn. Bhd.*	100.00	100.00	Dormant
Rising Momentum Sdn. Bhd.\	100.00	100.00	Dormant
Farm Excel Distribution Sdn. Bhd.^	51.00	51.00	Exporter, importer and distribution of pharmaceutical and veterinary products
Laboratorios Reveex (Asia) Sdn. Bhd.^	26.01	26.01	Trading of veterinary products
Leong Hup Aquaculture Sdn. Bhd.*	100.00	100.00	Sales of aquaculture produce
Teo Seng Capital Berhad*α	29.44	29.02	Investment holding and provision of management services
Teo Seng Farming Sdn. Bhd.*	29.44	29.02	Investment holding, poultry farming, processing, wholesale, retailing and distribution of eggs and related poultry products, manufacturing and marketing of fertilisers
Teo Seng Paper Products Sdn. Bhd.*	29.44	29.02	Manufacturing and marketing of egg trays
Teo Seng Feedmill Sdn. Bhd.*	29.44	29.02	Manufacturing and marketing of animal feeds
Ritma Prestasi Sdn. Bhd.*	29.44	29.02	Distribution of pet food, medicine and other animal health related products
Professional Vet Enterprise Sdn.Bhd.*	29.44	29.02	Trading of veterinary and farming equipment, veterinary pharmaceuticals and biological products
Success Century Sdn. Bhd.*	29.44	29.02	Management and renting of properties

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2023 %	2022 %	Principal activities
Indirect subsidiaries (continued)			
B-Tech Aquaculture Sdn. Bhd.*	29.44	29.02	Dormant
Laskar Fertiliser Sdn. Bhd.*	29.44	29.02	Management and renting of properties
Great Egg Industries Sdn. Bhd.[µ]	–	29.02	Dormant
Teo Seng Integrated Farming Sdn. Bhd. *	29.44	29.02	Poultry farming, manufacturing and marketing of animal feed, fertilizer and related poultry products
Premium Egg Products Pte. Ltd.# (Incorporated in Singapore)	29.44	29.02	Wholesaler, importers, exporters of eggs products
BH Fresh Food Pte. Ltd.# (Incorporated in Singapore)	29.44	29.02	Provisional cold storage space rental services and wholesale, importers, exporters of food products (including pet food/products).
Ritma Premier Pte. Ltd.# (Incorporated in Singapore)	29.44	29.02	Retail sale and distribution of pet food, medicine and other animal health related products
Leong Hup Agriculture (Desaru) Sdn. Bhd.*	60.00	60.00	Plantation of coconut and pineapple
Ideal Multifeed (Malaysia) Sdn. Bhd.*	100.00	100.00	Renting of animal feeds operations
Jaco Nutrimix Sdn. Bhd.*	100.00	100.00	Dormant - under members' voluntary winding up process
Prima Anjung Sdn. Bhd.*	100.00	100.00	Duck breeding
New Soon Teng Poultry Sdn. Bhd.*	70.00	70.00	Poultry farming and trading of broiler chicken
Emivest Feedmill Vietnam Co., Limited# (Incorporated in Vietnam)	100.00	100.00	Operating poultry hatcheries and breeder farms and producing animal and poultry feed, manufacture pharmaceuticals, medicinal chemical, botanical products and disinfectant
Emivest Feedmill (TG) Vietnam Limited Liability Company# (Incorporated in Vietnam)	100.00	100.00	Operating chicken breeding farm, producing animal, poultry and aqua feed and operating layer farm
Leong Hup Feedmill Vietnam Limited Liability Company# (Incorporated in Vietnam)	100.00	100.00	Producing animal, poultry and aquatic feed

Notes To The Financial Statements

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2023 %	2022 %	Principal activities
Indirect subsidiaries (continued)			
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
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 and investment holding
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
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	Investment holding, poultry farming and trading of related products
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

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership 2023 %	2022 %	Principal activities
Indirect subsidiaries (continued)			
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	57.80	Investment holding, poultry feed industry and day-old-chick farming
PT Bibit Indonesia # (Incorporated in Indonesia)	57.74	57.72	Broiler grandparent stock farming
PT Prima Fajar # (Incorporated in Indonesia)	57.79	57.78	Broiler chicken farming
PT Leong Ayamsatu Primadona # (Incorporated in Indonesia)	57.79	57.77	Day-old-chick and broiler chicken farming
PT Malindo Food Delight # (Incorporated in Indonesia)	57.79	57.79	Processing and preserving of meat
PT Quality Indonesia & (Incorporated in Indonesia)	40.45	40.44	Dormant
PT Mitra Bebek Persada # (Incorporated in Indonesia)	57.71	57.22	Duck farming, slaughter house and packaging of poultry meat
Leong Hup Foods (Philippines), Inc^ (Incorporated in The Philippines)	100.00	100.00	Processing, packaging and distributing all kinds of livestock products

*	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 – no statutory audit requirements
α	Listed on Main Market of Bursa Malaysia Securities Berhad
β	Listed on Indonesia Stock Exchange
μ	Struck off under Section 550 of the Companies Act 2016 during the financial year
\	In the progress of striking off under Section 550 of the Companies Act 2016

Notes To The Financial Statements

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

Non-controlling interests ('NCI') of the Group were mainly attributed to Teo Seng Capital Berhad ('Teo Seng'), 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, 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	Lee Say RM'000	PT Malindo RM'000
2023			
Effective interest of ordinary shares and voting shares held by NCI (%)	70.56	^	42.20
Summarised statements of comprehensive income:			
Revenue	760,982	374,952	3,621,024
Net profit for the financial year	155,803	25,163	3,930
Total comprehensive income/(loss)	157,661	25,163	34,596
Attributable to NCI:			
Net profit for the financial year	109,935	10,254	1,658
Total comprehensive income/(loss)	111,245	10,254	14,600
Dividends paid to NCI	10,355	–	–
Summarised statements of financial position:			
Non-current assets	386,025	50,071	738,690
Current assets	310,768	310,362	839,348
Non-current liabilities	(82,525)	(17,865)	(275,702)
Current liabilities	(143,123)	(59,230)	(731,348)
Net assets	471,145	283,338	570,988
Attributable to:			
- owners of the Company	138,705	168,514	330,031
- non-controlling interests	332,440	114,824	240,957
	471,145	283,338	570,988

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

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

	Teo Seng RM'000	Lee Say RM'000	PT Malindo RM'000
2023			
Summarised statements of cash flows:			
Cash flows from operating activities	188,781	(146,166)	196,980
Cash flows from investing activities	(36,455)	(1,211)	(29,766)
Cash flows from financing activities	(94,738)	(3,468)	(216,418)
Net movement in cash and cash equivalents	57,588	(150,845)	(49,204)
Effects of exchange rate changes on cash and cash equivalents	248	5,347	7,581
Cash and cash equivalents at 1 January	41,100	167,533	125,771
Cash and cash equivalents at 31 December	98,936	22,035	84,148

^ The NCI disclosed in the financial year ended 31 December 2023 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%).

Notes To The Financial Statements

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

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

	Teo Seng RM'000	Lee Say RM'000	PT Malindo RM'000
2022			
Effective interest of ordinary shares and voting shares held by NCI (%)	70.98	^	42.20
Summarised statements of comprehensive income:			
Revenue	651,967	367,369	3,279,427
Net profit for the financial year	21,682	7,950	875
Total comprehensive income/(loss)	23,144	7,950	(25,233)
Attributable to NCI:			
Net profit for the financial year	15,390	3,893	369
Total comprehensive income/(loss)	16,428	3,893	(10,648)
Dividends paid to NCI	–	–	47
Summarised statements of financial position:			
Non-current assets	373,191	61,872	735,392
Current assets	239,655	250,841	830,359
Non-current liabilities	(80,320)	(17,235)	(309,054)
Current liabilities	(203,866)	(50,223)	(726,078)
Net assets	328,660	245,255	530,619
Attributable to:			
- owners of the Company	95,377	145,794	306,698
- non-controlling interests	233,283	99,461	223,921
	328,660	245,255	530,619

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

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

	Teo Seng RM'000	Lee Say RM'000	PT Malindo RM'000
2022			
Summarised statements of cash flows:			
Cash flows from operating activities	61,132	30,716	134,690
Cash flows from investing activities	(23,765)	(3,644)	(81,403)
Cash flows from financing activities	(45,615)	(894)	39,813
Net movement in cash and cash equivalents	(8,248)	26,178	93,100
Effects of exchange rate changes on cash and cash equivalents	331	7,132	(5,551)
Cash and cash equivalents at 1 January	49,017	134,223	38,222
Cash and cash equivalents at 31 December	41,100	167,533	125,771

^ The NCI disclosed in the financial year ended 31 December 2022 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%).

31.12.2023

Additions of investment in a subsidiary

For the period from 2 June 2023 to 24 August 2023, an indirect subsidiary, Teo Seng Capital Berhad ("TSC"), a public listed company in Bursa Malaysia, acquired 515,700 of its own ordinary shares for cash consideration of RM493,473. The effective equity interest of the Company in TSC increased from 29.02% to 29.44%.

Notes To The Financial Statements

15 INVESTMENT IN ASSOCIATES

	Group	
	2023 RM'000	2022 RM'000
At cost:		
Unquoted shares	1,407	1,407
Share of post-acquisition results (net of dividends received)	258	224
Translation differences	9	4
	1,674	1,635

Nature of investment in associates for 2023 and 2022:

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.#	The Philippines	40%	Note 2	Equity

^ Not audited by PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia

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

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

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

Set out below are the reconciliation of associates, which are accounted for using the equity method.

	Associates	
	2023 RM'000	2022 RM'000
Reconciliation:		
At 1 January	1,635	1,728
Group's share of profit for the financial year	330	436
Dividend	(300)	(525)
Translation differences	9	(4)
At 31 December	1,674	1,635

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

16 DEFERRED TAXATION

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

	Group	
	2023 RM'000	2022 RM'000
Deferred tax assets	76,687	72,961
Deferred tax liabilities	(146,084)	(98,748)
At 31 December	(69,397)	(25,787)

The movement in the deferred tax assets and liabilities during the financial year is as follow:

	Group	
	2023 RM'000	2022 RM'000
At 1 January	(25,787)	(8,543)
Credited/(Charged) to profit or loss (Note 8)		
- Property, plant and equipment	(37,351)	(24,283)
- Employee benefit obligation	915	(1,525)
- Unutilised tax losses	716	12,455
- Trade and other receivables	300	79
- Trade and other payables	(1,462)	(421)
- Right-of-use assets	(16)	334
- Biological assets	(8,020)	2,670
- Others	701	(3,446)
	(44,217)	(14,137)
Translation differences	758	(3,041)
Credit to other comprehensive income	(151)	(66)
At 31 December	(69,397)	(25,787)

Notes To The Financial Statements

16 DEFERRED TAXATION (CONTINUED)

	Group 2023 RM'000	Group 2022 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Property, plant and equipment	31,242	21,726
- Employee benefit obligation	7,928	6,788
- Unutilised tax losses	33,258	26,218
- Trade and other receivables	4,977	9,668
- Trade and other payables	8,844	10,119
- Biological assets	9,872	12,333
- Lease liabilities	10,062	11,838
	106,183	98,690
Offsetting	(29,496)	(25,729)
Deferred tax assets (after offsetting)	76,687	72,961
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(156,428)	(106,372)
- Investment properties	(644)	(644)
- Trade and other receivables	(2,355)	(7)
- Right-of-use assets	(10,845)	(13,411)
- Biological assets	(5,308)	(48)
	(175,580)	(120,482)
Offsetting	29,496	25,729
Deferred tax liabilities (after offsetting)	(146,084)	(94,753)
Subject to real property gain tax:		
Deferred tax liabilities		
- Property, plant and equipment	–	(3,995)
	(146,084)	(98,748)

17 BIOLOGICAL ASSETS

	Group 2023 RM'000	Group 2022 RM'000
At fair value less cost to sell:		
Breeders (grandparent stock)	41,414	43,569
Breeders (parent stock)	248,719	192,634
Commercial layers	93,313	72,838
Broilers	63,419	52,297
Hatching eggs	65,622	54,149
Others	2,966	4,137
	515,453	419,624

The movement of biological assets can be analysed as follows:

	Group 2023 RM'000	Group 2022 RM'000
Breeders (grandparent stock)		
At 1 January	43,569	36,738
Additions	34,148	36,568
Change in fair value	(619)	3,029
Livestock losses	(6,244)	(4,782)
Depopulation	(30,622)	(27,215)
Foreign currency translation	1,182	(769)
At 31 December	41,414	43,569
Breeders (parent stock)		
At 1 January	192,634	202,239
Additions	91,298	121,233
Change in fair value	124,492	81,443
Livestock losses	(29,874)	(29,267)
Depopulation	(137,795)	(179,788)
Foreign currency translation	7,964	(3,226)
At 31 December	248,719	192,634
Commercial layers		
At 1 January	72,838	67,790
Additions	18,256	16,304
Change in fair value	46,250	29,233
Livestock losses	(9,392)	(7,760)
Depopulation	(35,013)	(32,480)
Foreign currency translation	374	(249)
At 31 December	93,313	72,838

Notes To The Financial Statements

17 BIOLOGICAL ASSETS (CONTINUED)

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

	Group	
	2023 RM'000	2022 RM'000
Broilers		
At 1 January	52,297	40,483
Additions	254,171	355,137
Change in fair value	209,284	142,147
Livestock losses	(39,671)	(44,403)
Sales of live birds	(414,317)	(440,927)
Foreign currency translation	1,655	(140)
At 31 December	63,419	52,297
Hatching eggs		
At 1 January	54,149	55,750
Additions	791,170	766,470
Discarded eggs	(170,174)	(225,794)
Sales of hatching eggs and day-old-chick	(611,652)	(541,499)
Foreign currency translation	2,129	(778)
At 31 December	65,622	54,149
Others	2,966	4,137
	515,453	419,624

An analysis of the estimates of physical quantities of the Group's livestock measured at fair value less cost to sell as at year end are as follows:

	Group	
	2023 birds ('000)	2022 birds ('000)
Livestock		
- Layers	7,904	7,777
- Breeders	5,462	5,556
- Broilers	13,581	13,940

17 BIOLOGICAL ASSETS (CONTINUED)

An analysis of the estimates of yearly output of the Group's produced throughout the financial year are as follows:

	Group 2023	Group 2022
Livestock		
- Layers ('000 eggs)	1,893,348	1,764,488
- Breeders ('000 DOC)*	602,082	614,766
- Broilers ('000 kg)	277,399	279,006

* *DOC: Day-old-chick*

The estimates of physical quantities of biological assets and their yearly output of agriculture produce were based on experience and historical data.

In the previous financial year, the Group had entered into a contract to acquire 39,434 breeding chickens as at 31 December 2022 for RM2,401,000.

The Group has classified its biological assets measured at fair value within Level 3 of the fair value hierarchy. (See Note 44) The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation mode.

Description of valuation technique and input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Breeders Discounted cash flows: The valuation method considers the expected number of DOC produced, expected selling price of DOC or hatching egg over the life of the breeders, taking into account of the estimated growing and farming costs and the mortality rate.	• Estimated selling price of DOC or hatching egg based on management's estimate by reference to historical selling price adjusted for abnormal market movements.	The higher the estimated selling price, the higher the fair value
	• Management's estimate of feed and other variable costs expected to be incurred over the life span.	The higher the costs, the lower the fair value
Commercial Layers Discounted cash flows: The valuation method considers the expected number of table egg produced, expected selling price of table eggs, taking into account of the estimated growing and farming costs and the mortality rate.	• Estimated selling price of table eggs based on management's estimate by reference to historical selling price adjusted for abnormal market movements.	The higher the estimated selling price, the higher the fair value
	• Management's estimate of feed and other variable costs expected to be incurred over the life span.	The higher the costs, the lower the fair value

Notes To The Financial Statements

17 BIOLOGICAL ASSETS (CONTINUED)

Description of valuation technique and input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Broilers Discounted cash flows: The valuation method considers the estimated selling price and weight of the broilers taking into account of the estimated growing and farming costs and the mortality rate.	• Estimated selling prices of broiler adjusted for abnormal market movements. • Management's estimate of feed and other variable costs expected to be incurred over the life span.	The higher the estimated selling price, the higher the fair value The higher the costs, the lower the fair value
Hatching eggs Discounted cash flows: The valuation method considers selling price of DOC or hatching egg, taking into account of expected hatchery costs and the hatching eggs' hatchability.	• Expected selling prices of DOC or hatching egg adjusted for abnormal market movements. • Management's estimate of hatchery and other variable costs expected to be incurred for hatching the eggs into day-old-chick.	The higher the estimated selling price, the higher the fair value The higher the costs, the lower the fair value

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

	2023 RM	2022 RM
Breeders & hatching eggs		
Projected selling price of		
- DOC (parent stock)	15.32 – 19.13	14.08 - 21.21
- Hatching egg (parent stock)	4.87	4.65
- DOC (broiler/layer)	1.22 – 4.35	1.63 – 3.44
Feed cost per kg for		
- grandparent stocks	1.96 - 2.93	1.76 - 2.93
- parent stocks	1.71 – 2.58	1.71 - 2.53
Commercial layers		
Projected selling prices for table eggs per egg	0.32 - 0.41	0.32 - 0.38
Feed cost per kg	1.55 - 2.10	1.55 - 1.90
Broilers		
Projected selling prices for broilers per kg	4.76 – 10.89	4.76 - 10.07
Feed cost per kg	1.89 – 2.69	1.89 - 2.41

17 BIOLOGICAL ASSETS (CONTINUED)

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 asset			
	Projected selling prices of DOC/table eggs/broilers		Feed cost per kg	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Commercial layers				
- increased by 10% (2022: 10%)	36,450	29,068	(25,370)	(20,600)
- decreased by 10% (2022: 10%)	(36,450)	(29,068)	25,370	20,600
Breeders				
- increased by 10% (2022: 10%)	35,995	30,516	(12,222)	(10,975)
- decreased by 10% (2022: 10%)	(35,995)	(30,516)	12,222	10,975
Others				
- increased by 10% (2022: 10%)	20,069	18,253	(5,518)	(5,523)
- decreased by 10% (2022: 10%)	(20,069)	(18,253)	5,518	5,523

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

As at 31 December 2023, certain biological assets of the Group amounting to RM92,015,000 (2022: RM88,624,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

18 INVENTORIES

	Group	
	2023 RM'000	2022 RM'000
Processed chickens and trading stocks	122,516	145,116
Poultry feeds	72,783	62,598
Consumable supplies	95,398	94,571
Raw material	673,629	713,103
Work-in-progress	2,681	2,507
Others	11,830	7,955
	978,837	1,025,850

As at 31 December 2023, certain inventories of the Group amounting to RM112,642,000 (2022: RM82,063,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

Notes To The Financial Statements

19 TRADE RECEIVABLES

	Group 2023 RM'000	Group 2022 RM'000
Trade receivables	562,452	498,804
Amounts due from related parties	210,333	192,921
	772,785	691,725
Less: Provision for impairment of trade receivables	(43,381)	(41,847)
	729,404	649,878

Amounts due from related parties are receivables from companies controlled by the Lau family.

As at 31 December 2023, certain trade receivables of the Group amounting to RM94,863,000 (2022: RM62,126,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

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

	Group 2023 RM'000	Group 2022 RM'000
At 1 January	41,847	39,483
Impairment loss (reversed)/recognised	(24)	5,988
Impairment loss written off	(827)	(2,462)
Translation differences	2,385	(1,162)
At 31 December	43,381	41,847

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.

20 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current				
Other receivables	24,268	37,773	–	–
GST/VAT receivable	1,890	1,491	–	–
Deposits	24,711	21,210	–	–
Prepaid expenses	22,197	19,206	188	218
Advances to suppliers	71,914	95,608	–	–
	144,980	175,288	188	218
Less: Impairment losses	(214)	(2,014)	–	–
	144,766	173,274	188	218

20 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current				
Deposits	6,994	5,445	–	–
Prepaid expenses	2,901	3,419	–	–
Advances	8,361	7,651	–	–
	18,256	16,515	–	–
	163,022	189,789	188	218

As at 31 December 2023, certain other receivables of the Group amounting to RM6,892,000 (2022: RM29,450,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

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

	Group	
	2023 RM'000	2022 RM'000
At 1 January	2,014	1,995
Impairment loss (reversed)/recognised	(1,809)	23
Translation differences	9	(4)
At 31 December	214	2,014

21 AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured loans which are denominated in Ringgit Malaysia, interest-free and repayable on demand.

22 AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is an unsecured advances to an associate which are denominated in The Philippines Peso to secure leases of its land with a lease term of 30 years for the Group's operations in The Philippines. The amount is recoverable on the expiry of its leases and carry an interest rate of 6.5% per annum (2022: 6.5% per annum).

Notes To The Financial Statements

23 NON-CURRENT ASSETS HELD FOR SALE

	Buildings RM'000	Plant and machinery RM'000	Total RM'000
Group			
At 1 January 2023	–	–	–
Transfer from property, plant and equipment (see Note 10)	9,898	1,487	11,385
Foreign exchange differences	231	35	266
At 31 December 2023	10,129	1,522	11,651

During the financial year, the Group's indirect subsidiary, Hup Heng Poultry Industries Pte Ltd had decided to list the property located at 28, 30 Senoko Cresent, Singapore for sale. The management had conducted a valuation on the property and actively sought for buyer through various disposal channels. As a result, the property, plant and equipment associated with the intention had met the criteria of MFRS 5 and was presented as non-current assets held for sale in the end of the financial year.

24 DERIVATIVE FINANCIAL LIABILITIES

	Group			
	2023		2022	
	Contract/ Notional Amount RM'000	Derivative Liabilities RM'000	Contract/ Notional Amount RM'000	Derivative Liabilities RM'000
Current liabilities				
Forward foreign exchange contracts	179,848	(2,485)	301,659	(7,546)

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

The forward foreign exchange contracts are used to manage 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 (2022: 1 week to 3 months).

The Group has recognised a gain of RM5,305,000 (2022: loss of RM6,584,000) arising from fair value changes of derivatives and unrealised foreign exchange loss of RM244,000 (2022: loss of RM96,000) 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 44(b) to the financial statements.

25 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed deposits with licensed banks	101,196	143,545	–	–
Cash on hand and at banks	598,309	696,743	53,333	4,342
Total cash and bank balances	699,505	840,288	53,333	4,342
Less: Bank overdraft (Note 31)	(3,420)	(178,526)	–	–
Less: Fixed deposits pledged as collateral	(21,668)	(23,470)	–	–
Less: Fixed deposits of more than three months maturity with licensed banks	(47,147)	(82,240)	–	–
Cash and cash equivalents	627,270	556,052	53,333	4,342

Certain fixed deposits with licensed bank of the Group with maturity period of 12 months and at a total carrying amount of RM21,668,000 (2022: RM23,470,000) 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 7 to 365 days (2022: 7 to 365 days).

The weighted average effective interest rate of the fixed deposits with licensed banks ranges from 2.80% to 5.73% (2022: 0.04% to 7.02%) per annum.

26 SHARE CAPITAL

	Group and Company			
	2023		2022	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
Issued and fully paid-up with no par value:				
At beginning of financial year/ end of financial year	3,650,000	1,499,684	3,650,000	1,499,684

27 MERGER RESERVE

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the 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.

Notes To The Financial Statements

28 RESERVES

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Foreign currency translation reserve	(i)	27,515	(11,592)	–	–
Retained earnings	(ii)	1,361,376	1,168,609	38,044	31,262
ESOS reserve	(iii)	11,097	11,309	11,097	11,309
		1,399,988	1,168,326	49,141	42,571

(i) <u>Foreign currency translation reserve</u>

Exchange reserve is used to record exchange differences arising from the translation 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 2023 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 29 for the details of the ESOS.

29 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 expired on 10 April 2024, after 5 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 falling 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.

29 EMPLOYEE SHARE OPTION SCHEME (CONTINUED)

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 eligible employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates.	5 years

The number of share options at exercise price of RM1.10 each are as follows:

	Group	
	2023 Number of options '000	2022 Number of options '000
Outstanding as at 1 January	32,128	33,154
Lapsed during the financial year	(611)	(1,026)
Outstanding as at 31 December	31,517	32,128

Fair value of share option and assumptions

The fair value of share options granted was determined using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The fair value of share options measured, closing share price at grant date and the assumptions were as follows:

	Award date 16 May 2019 First Grant
Fair value per Option at grant date	RM0.352
Share price at grant date	RM1.10
Exercise price	RM1.10
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%

30 LEASE LIABILITIES

	Group	
	2023 RM'000	2022 RM'000
Classified as:		
- Current	27,994	23,126
- Non-current	151,196	154,631
	179,190	177,757

The lease liabilities represent the present value of remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 4.25% (2022: 4.31%) per annum.

31 BANK BORROWINGS

	Group	
	2023 RM'000	2022 RM'000
Secured:		
Current		
Bankers' acceptances	–	7,451
Bank overdrafts	1,541	92,341
Term loans (a)	159,050	181,779
Revolving credits	441,908	483,023
Hire purchase liabilities (c)	8,090	10,087
	610,589	774,681
Non-current		
Term loans (a)	522,379	627,473
Hire purchase liabilities (c)	7,340	7,865
	529,719	635,338
	1,140,308	1,410,019
Unsecured:		
Current		
Bankers' acceptances	237,062	392,011
Bank overdrafts	1,879	86,185
Term loans (b)	59,450	59,298
Revolving credits	157,007	71,468
Trust receipts	487,318	602,646
Sukuk Mudharabah (d)	34,000	-
	976,716	1,211,608
Non-current		
Term loans (b)	74,797	110,965
Sukuk Mudharabah (d)	266,255	300,116
	341,052	411,081
	1,317,768	1,622,689
Total borrowings	2,458,076	3,032,708

31 BANK BORROWINGS (CONTINUED)

	Group 2023 RM'000	Group 2022 RM'000
Total borrowings:		
Bankers' acceptances	237,062	399,462
Bank overdrafts (Note 25)	3,420	178,526
Term loans	815,676	979,515
Revolving credits	598,915	554,491
Trust receipts	487,318	602,646
Hire purchase liabilities (c)	15,430	17,952
Sukuk Mudharabah (d)	300,255	300,116
	2,458,076	3,032,708
Less: Amount due within 12 months	(1,587,305)	(1,986,289)
Non-current portion	870,771	1,046,419

The term loans of the Group include:

(a) Secured

(i) A floating-rate term loan amounting to SGD69.8 million (equivalent to RM212.2 million) was drawn down in December 2020 by a wholly-owned subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD48.7 million (equivalent to RM170.0 million) (2022: SGD58.7 million (equivalent to RM192.0 million)). The loan is repayable in 20 quarterly instalments commencing 9 months from the first draw down date in December 2020.

(ii) A floating-rate term loan amounting to SGD36.8 million (equivalent to RM111.9 million) was drawn down in December 2020 by a wholly-owned subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD25.7 million (equivalent to RM89.5 million) (2022: SGD30.9 million (equivalent to RM101.1 million)). The loan is repayable in 20 quarterly instalments commencing 9 months from the first draw down date in December 2020.

(iii) A floating-rate term loan of PHP190.0 million (equivalent to RM15.0 million) was drawn down in December 2022 by a direct subsidiary incorporated in The Philippines. The outstanding balance at the end of the financial year is PHP152.0 million (equivalent to RM12.6 million) (2022: PHP190.0 million (equivalent to RM15.0 million)). The loan is repayable in 20 quarterly instalments in January 2023 and fully repayable by October 2027.

(iv) A floating-rate term loan of PHP200.0 million (equivalent to RM16.7 million) was drawn down in September 2020 and November 2020 by a direct subsidiary incorporated in The Philippines. The outstanding balance at the end of the financial year is PHP70.0 million (equivalent to RM5.8 million) (2022: PHP110.0 million (equivalent to RM8.7 million)). The loan is repayable in 20 quarterly instalments commencing immediately after the first drawn down date.

(v) A floating-rate term loan of PHP180.0 million (equivalent to RM14.7 million) was drawn down between May 2021 to August 2021 by a direct subsidiary incorporated in The Philippines. The outstanding balance at the end of the financial year is PHP117.0 million (equivalent to RM9.7 million) (2022: PHP153.0 million (equivalent to RM12.1 million)). The loan is repayable in 16 quarterly instalments of PHP9.0 million and a balloon payment of PHP36.0 million in May 2026. The loan is repayable commencing 12 months from the first draw down date in May 2021.

Notes To The Financial Statements

31 BANK BORROWINGS (CONTINUED)

The term loans of the Group include: (continued)

(a) Secured (continued)

(vi) A floating-rate term loan of IDR200.0 billion (equivalent to RM56.4 million) was drawn down in December 2022 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR196.7 billion (equivalent to RM58.6 million) (2022: IDR200.0 billion (equivalent to RM56.4 million)). The loan is repayable in 48 monthly instalments commencing in November 2023 and is fully repayable by October 2027 with the option of 2 years extension subject to bank approval.

(vii) A term loan of 3 year-fixed rate and floating rate for the balance of tenor with the amount of IDR200.0 billion (equivalent to RM58.4 million) was drawn down in December 2021 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR180.0 billion (equivalent to RM53.6 million) (2022: IDR200.0 billion (equivalent to RM56.4 million)). The loan is repayable in 72 monthly instalments of IDR1.7 billion for the first 12 instalments, IDR2.5 billion for the next 24 instalments and IDR3.3 billion for the last 36 instalments and is fully repayable by December 2028.

(viii) Musyarakah term financing of IDR300.0 billion (equivalent to RM87.6 million) was drawn down in December 2021 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR270.0 billion (equivalent to RM80.5 million) (2022: IDR300.0 billion (equivalent to RM84.6 million)). The financing is repayable in 72 monthly instalments of IDR2.5 billion for the first 12 instalments, IDR3.8 billion for the next 24 instalments and IDR5.0 billion for the last 36 instalments and is fully repayable by December 2028.

(ix) A floating-rate term loan amounting to IDR500.0 billion (equivalent to RM144.2 million) was cumulatively drawn down in the previous financial years in 2020 and 2021 by an indirect subsidiary incorporated in Indonesia. The subsidiary diverted IDR100 billion (equivalent to RM29.8 million) of the total outstanding to Musyarakah Mutanaqisah term financing during the financial year as disclosed in Note31(x). The outstanding balance at the end of the financial year is IDR251.8 billion (equivalent to RM75.0 million) (2022: IDR412.5 billion (equivalent to RM116.3 million)). The loan is repayable in 72 monthly instalments of IDR4.2 billion for the first 12 instalments, IDR6.3 billion for the next 9 instalments, IDR4.7 billion for the next 15 instalments and IDR6.2 billion for the last 36 instalments and is fully repayable by June 2027.

(x) Musyarakah Mutanaqisah term financing was diverted out from a floating-rate term loan amounting to IDR500.0 billion (equivalent to RM144.2 million) during the financial year by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR85.7 billion (equivalent to RM25.5 million). The financing is repayable in 51 monthly instalments of IDR1.6 billion for the first 15 instalments and IDR2.1 billion for the last 36 instalments and is fully repayable by June 2027.

(xi) A floating-rate term loan amounting to VND95.3 billion (equivalent to RM17.3 million) was cumulatively drawn down during previous financial years in 2021 and 2022 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND61.3 billion (equivalent to RM11.6 million) (2022: VND88.5 billion (equivalent to RM16.5 million)). The loan is repayable in 14 quarterly instalments commencing 18 months from the first utilisation date.

(xii) A floating-rate term loan amounting to VND276.2 billion (equivalent to RM50.3 million) was cumulatively drawn down during previous financial years in 2021 and 2022 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND175.0 billion (equivalent to RM33.1 million) (2022: VND233.3 billion (equivalent to RM43.4 million). The loan is repayable in 19 quarterly instalments commencing 6 months from the first drawn date.

31 BANK BORROWINGS (CONTINUED)

The term loans of the Group include: (continued)

(a) Secured (continued)

(xiii) A floating-rate term loan amounting to VND135.0 billion (equivalent to RM24.7 million) was cumulatively drawn down during previous financial years in 2021 and 2022 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND72.3 billion (equivalent to RM13.7 million) (2022: VND104.7 billion (equivalent to RM19.5 million)). The loan is repayable in 17 quarterly instalments commencing 12 months from the first drawn date.

(b) Unsecured

(i) 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 RM4.8 million (2022: RM11.2 million). The loan is repayable in 20 quarterly instalments of RM1.6 million each commencing 15 months from the first drawn date.

(ii) A floating-rate term loan amounting to RM66.0 million was cumulatively drawn down in several tranches during previous financial years in 2019 and 2022 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM23.1 million (2022: RM36.3 million). The loan is repayable in 20 quarterly instalments of RM3.3 million each commencing 15 months from the first drawn date.

(iii) 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 RM4.7 million (2022: RM9.0 million). The financing is repayable in 60 monthly instalments, being RM358,334 for the first to fifty-ninth (59) instalment and RM358,294 for the last instalment, commencing 12 months from the first drawn date.

(iv) A floating-rate term loan amounting to RM18.2 million was cumulatively drawn down in previous financial years by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM5.5 million (2022: RM9.1 million). The financing is repayable in 60 monthly instalments, being RM303,334 for the first to fifty-ninth (59) instalment and RM303,294 for the last instalment, commencing 12 months from the first drawn date.

(v) A floating-rate term loan amounting to RM16.0 million was cumulatively drawn down in the previous financial years in 2020 and 2021 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM7.6 million (2022: RM11.2 million). The financing is repayable in 52 monthly instalments, being RM466,667 for the first three instalments, RM300,000 from the next 48 instalments and RM141,099 for the last instalment by February 2026.

(vi) A floating-rate term loan amounting to RM10.4 million was first drawn down in June 2020 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM5.2 million (2022: RM7.3 million). The financing is repayable in 60 monthly instalments, being RM173,334 for the first to fifty-ninth (59) instalment and RM173,294 for the last instalment, commencing 12 months from the first drawn date.

(vii) A floating-rate term loan amounting to RM31.0 million was cumulatively drawn down in previous financial years by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM4.6 million (2022: RM10.8 million). The financing is repayable in 60 monthly instalments, being RM516,700 for the first to fifty-ninth (59) instalment and RM514,700 for the last instalment, commencing 12 months from the first drawn date.

Notes To The Financial Statements

31 BANK BORROWINGS (CONTINUED)

The weighted average effective interest rates of term loans by currency profile as at end of the financial year are as follows:

	Group	
	2023 %	2022 %
Ringgit Malaysia	5.4	4.8
Singapore Dollar	5.3	5.4
Indonesia Rupiah	7.5	7.8
Vietnamese Dong	6.8	9.1
Philippines Peso	8.3	6.3

(c) Hire purchase liabilities

Future instalment payments under hire purchase liabilities are as follows:

	Group	
	2023 RM'000	2022 RM'000
Instalment payments:		
- Not later than 1 year	8,576	10,753
- Later than 1 year but not later than 5 years	7,640	8,177
	16,216	18,930
Less: Future finance charges	(786)	(978)
Present value of hire purchase liabilities	15,430	17,952
Of which are:		
- Not later than 1 year	8,090	10,087
- Later than 1 year and not later than 5 years	7,340	7,865
	15,430	17,952

The carrying amounts and fair values of the hire purchase liabilities of the Group are as follows:

	Group	
	2023 RM'000	2022 RM'000
Carrying amount	15,430	17,952
Fair value	15,417	18,074

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 2 of the fair value hierarchy.

31 BANK BORROWINGS (CONTINUED)

(d) Sukuk Mudharabah

On 23 November 2020, Leong Hup Capital Sdn. Bhd. ("LHC") lodged the proposed establishment of an unrated Islamic Medium Term Notes Programme of up to RM1.0 billion in nominal value under the Shariah principle of Mudharabah ("Sukuk Mudharabah Programme") with the Securities Commission Malaysia ("SC") under the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 and revised on 12 November 2020 (as amended from time to time).

The Sukuk Mudharabah Programme is established by LHC as a funding vehicle for Leong Hup (Malaysia) Sdn. Bhd. ("LHM") and its subsidiaries (collectively, "LHM Group") and is guaranteed by LHM pursuant to an irrevocable and unconditional corporate guarantee under the principle of Kafalah and an irrevocable and unconditional letter of undertaking both in favour of the sukuk trustee.

The Sukuk Mudharabah Programme is unrated and shall have a tenure of 10 years from the date of first issuance of the Islamic medium term notes ("Sukuk Mudharabah") under the Sukuk Mudharabah Programme. The Sukuk Mudharabah to be issued under the Sukuk Mudharabah Programme from time to time shall have a tenure of at least 1 year and up to 10 years from the date of issuance as LHC may select provided that the Sukuk Mudharabah shall mature on or prior to the expiry of the Sukuk Mudharabah Programme.

On 22 December 2020, LHC completed an issuance of RM100 million in nominal value ("first issuance") with a tenure of 5 years from the date of issuance. The first issuance is due for repayment in December 2025.

On 15 June 2021, LHC completed the second issuance of RM100 million (RM34 million, RM33 million and RM33 million cumulatively) in nominal value ("second tranche", "third tranche" and "fourth tranche" respectively) with a tenure of 3 to 5 years from the date of issuance. The second issuance is due for repayment in June 2024, June 2025 and June 2026 respectively.

On 10 January 2022, LHC completed the third issuance of a total of RM100 million (RM30 million, RM30 million and RM40 million cumulatively) in nominal value ("fifth tranche", "sixth tranche" and "seventh tranche" respectively) with a tenure of 3 to 5 years from the date of issuance. The third issuance is due for repayment in January 2025, January 2026 and January 2027 respectively.

The proceeds from the Sukuk Mudharabah Programme shall be utilised by LHC for the following Shariah-compliant purposes:

i. provide Shariah-compliant intercompany advance(s) to the companies within the LHM Group;
ii. finance the redemption of any Sukuk Mudharabah then maturing; and
iii. defray fees and expenses incurred in relation to the Sukuk Mudharabah Programme.

The proceeds from the Sukuk Mudharabah Programme shall be utilised by the relevant company within the LHM Group for the following Shariah-compliant purposes:

i. refinance its existing financing/ borrowings;
ii. finance its capital expenditure requirements;
iii. finance its working capital requirements;
iv. finance its investment and/or acquisition of company(ies) and/or business(es); and
v. finance its general corporate purposes.

Notes To The Financial Statements

31 BANK BORROWINGS (CONTINUED)

The currency profile of borrowings is as follows:

	Group	
	2023 RM'000	2022 RM'000
Ringgit Malaysia	798,335	969,582
Singapore Dollar	266,052	553,523
US Dollar	48,682	36,697
Indonesia Rupiah	704,573	822,291
Vietnamese Dong	501,679	578,296
Philippines Peso	138,755	72,047
Euro	–	272
	2,458,076	3,032,708

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

Borrowings of the Group are subject to certain covenants. These covenants require that certain ratios (Debt to Equity ratio, Current ratio, Interest coverage ratio, EBITDA to interest ratio and Debt servicing coverage ratio) to be met. 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	
	2023 %	2022 %
Bankers' acceptances	3.8	3.7
Bank overdrafts*	8.0	0.5
Term loans	6.4	6.5
Revolving credits	6.2	5.8
Trust receipts	3.3	6.8
Hire purchase liabilities	3.0	2.8
Sukuk Mudharabah	4.8	4.6

* In the previous financial year, a wholly-owned subsidiary incorporated in Singapore together with its subsidiaries (collectively referred to as "LHS Group") and DBS Bank Ltd ("the Bank"), had 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 were notionally offset against the bank accounts with deficit cash balances (Overdraft) within LHS Group to derive the net cash balance / overdraft, which was then used to calculate the borrowing interest. Accordingly, interest would not be charged by the Bank when there was a net surplus of cash balances of LHS Group. The primary objective of the notional cash pooling was for cash management of LHS Group in order to optimise the group's cash balance and ultimately lower the borrowing cost of LHS Group.

32 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 method used in the actuarial valuation is the "Projected Unit Credit" method with the following assumptions:

	Group	
	2023	**2022**
Retirement age	56 years	56 years
Discount rate (per annum)	7.0%	7.0%
Annual salary increase	8.0%	8.0%

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	
	2023 **RM'000**	**2022** **RM'000**
At 1 January	33,282	34,961
Charge/(Reversal) of current service cost	3,845	(8,313)
Interest cost	2,267	2,262
Benefit paid	(1,566)	(1,770)
Translation differences	1,844	(1,071)
Remeasurement of post-employment benefit obligation charged to other comprehensive income	(701)	7,213
At 31 December	38,971	33,282

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

	Group	
	2023 **RM'000**	**2022** **RM'000**
Charge/(Reversal) of current service cost	3,845	(8,313)
Interest cost	2,267	2,262
Expenses recognised in profit or loss (Note 5(a))	6,112	(6,051)
Remeasurements:		
Actuarial loss arising from changes in financial assumptions	–	7,519
Actuarial gain arising from experience adjustment	(701)	(306)
Remeasurements (gain)/loss of post-employment benefit obligation recognised in other comprehensive income	(701)	7,213

Notes To The Financial Statements

32 POST-EMPLOYMENT BENEFITS OBLIGATION (CONTINUED)

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

	Group 2023 RM'000	Group 2022 RM'000
Effect on defined benefit obligation		
- 1% on discount rate	520	3,600
+ 1% on discount rate	(443)	(3,084)

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 year.

33 DEFERRED INCOME – GOVERNMENT GRANTS

	Group 2023 RM'000	Group 2022 RM'000
As at 1 January	1,711	1,936
Amortised during the financial year	(355)	(334)
Translation differences	99	109
As at 31 December	1,455	1,711
Classified as:		
Current	364	342
Non-current	1,091	1,369
As at 31 December	1,455	1,711

The government grant received by a wholly owned subsidiary are for the undertaking of the redesign and enhancement of business processes to improve productivity.

34 PROVISION FOR ASSET RETIREMENT OBLIGATION

	Group 2023 RM'000	2022 RM'000
As at 1 January	5,055	5,373
Additions	156	235
Termination	(289)	(799)
Unwinding of discount	164	246
As at 31 December	5,086	5,055

35 TRADE PAYABLES

	Group 2023 RM'000	2022 RM'000
Trade payables	268,901	325,160
Amounts due to related parties	90,679	33,786
	359,580	358,946

Amounts due to related parties comprise payables to companies controlled by the Lau family amounting to RM89,880,000 (2022: RM33,003,000) and the Nam Family amounting to RM799,000 (2022: RM783,000). See Note 39 for significant related party disclosures.

36 OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other payables	104,213	81,483	–	–
GST/VAT payable	651	1,038	–	–
Accrued expenses	96,797	110,735	1,938	1,778
Accrued payroll	101,880	71,886	183	183
Amounts due to related parties (non-trade)	18,994	5,692	–	1,431
	322,535	270,834	2,121	3,392

Amounts due to related parties

Amounts due to related parties (companies controlled by the Lau family) included transactions such as transportation charges, purchases of sundries, rental expenses and royalty fee as disclosed in Note 39.

Notes To The Financial Statements

37 AMOUNTS DUE TO SUBSIDIARIES

	Company 2023 RM'000	Company 2022 RM'000
Unsecured advances	17,252	16,739
Non-trade transactions	51	931
	17,303	17,670

The unsecured advances granted by a subsidiary bear interest rate of 5.3% (2022: 5.3%) per annum, are denominated in Ringgit Malaysia and repayable on demand.

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

38 DIVIDEND PAID/PAYABLE

	Company 2023 RM'000	Company 2022 RM'000
In respect of the financial year ended 31 December 2023:		
- Single-tier interim dividend of 1.80 sen per ordinary share on 3,650,000,000 ordinary shares, paid on 23 May 2023	65,700	–
- Single-tier interim dividend of 1.20 sen per ordinary share on 3,650,000,000 ordinary shares, payable on 29 Jan 2024	43,800	–

On 25 April 2024, the Directors have approved a single-tier interim dividend of 1.30 sen per ordinary share, amounting to RM47,450,000 in respect of the financial year ending 31 December 2024 and the dividend will be paid to the shareholders on 27 May 2024.

39 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 the Company:	
Leong Hup (Malaysia) Sdn Bhd ("LHM")	Subsidiary
Leong Hup Corporate Services Sdn Bhd	Subsidiary
Leong Hup (Philippines) Inc	Subsidiary
Leong Hup Singapore Pte Ltd	Subsidiary
United Global Resources Limited	Subsidiary
Subsidiary of LHM:	
The Baker's Cottage Sdn Bhd	Indirect subsidiary

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related parties and relationship (continued)

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

Name of company	Relationship
Companies controlled by/Persons related to Lau family:	
A'Famosa Golf Resort Bhd	Lau family *
Alam Muhibah Sdn Bhd	Lau family *
Amalan Tepat Sdn Bhd	Lau family *
Astaka Shopping Centre (Muar) Sdn Bhd	Lau family *
Chiap Hup Known You Agriculture Sdn Bhd	Lau family *
Emerging Success Pte Ltd	Lau family *
Emivest Sdn Bhd	Lau family *
Gemini Glory Sdn Bhd	Lau family *
Goh Cha Boh @ Goh Hui Siang	Lau family *
Hornbill Restoran & Kafe Sdn Bhd	Lau family *
Ikatan Kayangan Sdn Bhd	Lau family *
Jaya Belembang Sdn Bhd	Lau family *
Jordon International Food Processing Pte Ltd	Lau family *
Kemajuan Mesju Sdn Bhd	Lau family *
Lau Jui Peng	Lau family *
Leong Hup Corporation Sdn Bhd	Lau family *
Leong Hup Holdings Sdn Bhd	Lau family *
Leong Hup Pedagang Sayur	Lau family *
LKT Success Sdn Bhd	Lau family *
Pengangkutan Mekar Sdn Bhd	Lau family *
Perfect Breeding and Aquatic Corporation	Lau family *
Perfect Food Solutions Pte Ltd	Lau family *
Phil Malay Poultry Breeders, Inc	Lau family *
Platinum Epitome Sdn Bhd	Lau family *
Plenitude Hectares Sdn Bhd	Lau family *
Poly-Yarn Industries Sdn Bhd	Lau family *
Popular Yield Sdn Bhd	Lau family *
PT LeongHup JayaIndo	Lau family *
PT Sehat Cerah Indonesia	Lau family *
Safari Bird Park & Wonderland Sdn Bhd	Lau family *
Safari Wonderland Sdn Bhd	Lau family *
Sri Menawan Sdn Bhd	Lau family *
Stable Discovery Sdn Bhd	Lau family *
Teratai Agriculture Sdn Bhd	Lau family *
Teratai Agriculture Vietnam Ltd	Lau family *
Wealthy Approach Sdn Bhd	Lau family *
Companies controlled by 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, Tan Sri 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.

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39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	Group 2023 RM'000	Group 2022 RM'000
Associates		
Advances granted	(2,084)	(1,024)
Interest income	1,093	1,021
Companies controlled by the Lau family		
Sales of goods	709,520	715,513
Purchases of goods	(345,171)	(370,138)
Transportation charges	(13,298)	(14,230)
Purchases of sundries	(6,290)	(6,203)
Interest income	168	985
Sales of property, plant and equipment	24	-
Purchase of property, plant and equipment	(494)	(258)
Management fee income	3,117	2,290
Rental income	6,212	3,646
Rental expense	(3,303)	(3,017)
Royalty fee	(1,809)	(1,431)
Companies controlled by the Nam family		
Transportation charges	(9,959)	(8,889)

	Company 2023 RM'000	Company 2022 RM'000
Subsidiaries		
Dividend income	120,736	–
Interest expense	(901)	(862)
Management fee expense	(1,217)	(1,991)
Repayment of advances by Company	(388)	(14)
Companies controlled by the Lau family		
Royalty fee	(1,809)	(1,431)

Significant related party balances

The significant outstanding balances with subsidiaries and associate are shown in Note 21, Note 22 and Note 37 respectively. The significant outstanding balances with companies controlled by the Lau family and Nam family are shown in Note 19, Note 35 and Note 36 respectively.

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel compensation

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

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors of the Company:				
Fees	2,106	2,028	730	730
Salaries, bonuses and other benefits	37,654	33,577	118	114
Defined contribution benefits	4,488	3,822	–	–
ESOS expense (i)	–	102	–	102
	44,248	39,529	848	946
Management Team other than Directors of the Company:				
Fees paid to Directors of subsidiaries	–	335	–	–
Salaries, bonuses and other benefits	18,075	11,977	–	–
Defined contribution benefits	1,757	1,037	–	–
ESOS expense (i)	–	56	–	–
	19,832	13,405	–	–
	64,080	52,934	848	946

Note:

(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 29 for the details of the ESOS.

40 CONTINGENT LIABILITIES

On 22 December 2023, Leong Hup Feedmill Malaysia Sdn Bhd ("LFM"), an indirect wholly-owned subsidiary of the Company had received a Notice of Finding of An Infringement under Section 40 of the Competition Act 2010 dated 11 December 2023, together with the Decision of Infringement of Section 4(1) read with Sections 4(2)(a) and 4(3) of the Competition Act 2010 (the "Decision") dated 11 December 2023 from Malaysia Competition Commission ("MyCC").

In the Decision, MyCC maintains its proposed decision of 5 August 2022, that LFM had engaged in price-fixing infringement under Section 40 of the Competition Act 2010 with an imposition of financial penalty of RM157,470,027 on LFM.

The Company and LFM strongly believe that MyCC's finding of infringement is without merit and had on 9 January 2024 appealed the Decision via the filing of the Notice of Appeal and an application for a stay of the execution of the financial penalty with the Competition Appeal Tribunal after consultation with its external legal counsels. On 22 April 2024, MyCC had fixed 12 June 2024 for hearing of the stay application.

Notes To The Financial Statements

41 CAPITAL COMMITMENTS

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

	Group 2023 RM'000	Group 2022 RM'000
Acquisition of property, plant and equipment:		
- approved by Directors and contracted for	36,322	42,924

The capital commitments as at 31 December 2023 include the estimated costs to be incurred in securing the certificate of completion and compliance on certain farms of the Group.

42 CATEGORIES OF FINANCIAL INSTRUMENTS

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

(a) Financial assets at amortised cost ("FAAC")
(b) Financial liabilities at amortised cost ("FLAC")
(c) Fair value through profit or loss ("FVPL")

	FAAC RM'000	FLAC RM'000	FVPL RM'000	Total RM'000
Group				
2023				
Financial assets				
Trade receivables	729,404	–	–	729,404
Other receivables and deposits	55,759	–	–	55,759
Amount due from an associate	20,582	–	–	20,582
Cash and bank balances	699,505	–	–	699,505
	1,505,250	–	–	1,505,250
Financial liabilities				
Trade payables	–	359,580	–	359,580
Other payables and accrued expenses	–	220,004	–	220,004
Bank borrowings	–	2,458,076	–	2,458,076
Lease liabilities	–	179,190	–	179,190
Derivative financial liabilities	–	–	2,485	2,485
Dividend payable	–	43,800	–	43,800
	–	3,260,650	2,485	3,263,135

42 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	FAAC RM'000	FLAC RM'000	FVPL RM'000	Total RM'000
Group				
2022				
Financial assets				
Trade receivables	649,878	–	–	649,878
Other receivables and deposits	62,414	–	–	62,414
Amount due from an associate	17,290	–	–	17,290
Cash and bank balances	840,288	–	–	840,288
	1,569,870	–	–	1,569,870
Financial liabilities				
Trade payables	–	358,946	–	358,946
Other payables and accrued expenses	–	197,910	–	197,910
Bank borrowings	–	3,032,708	–	3,032,708
Lease liabilities	–	177,757	–	177,757
Derivative financial liabilities	–	–	7,546	7,546
	–	3,767,321	7,546	3,774,867

	FAAC RM'000	FLAC RM'000	Total RM'000
Company			
2023			
Financial assets			
Amounts due from subsidiaries	1,363	–	1,363
Cash and bank balances	53,333	–	53,333
	54,696	–	54,696
Financial liabilities			
Other payables and accrued expenses	–	1,938	1,938
Amounts due to subsidiaries	–	17,303	17,303
Dividend payable	–	43,800	43,800
	–	63,041	63,041

42 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	FAAC RM'000	FLAC RM'000	Total RM'000
Company			
2022			
Financial assets			
Amounts due from subsidiaries	1,429	–	1,429
Cash and bank balances	4,342	–	4,342
	5,771	–	5,771
Financial liabilities			
Other payables and accrued expenses	–	3,209	3,209
Amounts due to subsidiaries	–	17,670	17,670
	–	20,879	20,879

43 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. The Group's major classes of financial assets are trade and other receivables and cash and bank balances.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

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

(i) Trade receivables using simplified approach

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 by 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 appropriate authorised personnel. 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. To measure the expected credit loss, receivables have been grouped based on days past due. The expected loss rates are based on the historical payment profiles of debtors and the corresponding credit losses experienced within this period. The historical loss rates are then adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of customers to settle receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due.

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

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

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

Category	**Description**	**Basis for recognising expected credit losses ("ECL")**
Performing	The customers that have no history of default.	Lifetime ECL
In-default	• Customers that have history of default. • Amount that is more than 180 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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(i) Trade receivables using simplified approach (continued)

The movement of allowance for impairment is disclosed in Note 19.

The Group's ECL rate at the end of the reporting period is 0.46% (2022: 0.47%)

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, 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 2023 and 31 December 2022 reconciles to the opening loss allowance disclosed in Note 20.

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

(iii) Financial guarantee contracts

At the date of reporting, there is no financial guarantee contract granted to external parties.

(b) Liquidity risk

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

The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. The Group and the Company adopt prudent liquidity risk management by maintaining sufficient cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The Company obtains financial support from its direct subsidiary, Leong Hup (Malaysia) Sdn. Bhd. to the extent that the Company will be able to meet its liabilities as and when they fall due.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

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	Carrying amount RM'000
Group						
2023						
Trade payables	359,580	–	–	–	359,580	359,580
Other payables and accrued expenses	220,004	–	–	–	220,004	220,004
Lease liabilities	35,080	33,617	46,405	118,437	233,539	179,190
Term loans and Sukuk Mudharabah	313,718	543,939	387,040	6,825	1,251,522	1,115,931
Other bank borrowings	1,335,291	5,488	2,152	–	1,342,931	1,342,145
Derivative financial liabilities	2,485	–	–	–	2,485	2,485
Dividend payable	43,800	–	–	–	43,800	43,800
	2,309,958	583,044	435,597	125,262	3,453,861	3,263,135
2022						
Trade payables	358,946	–	–	–	358,946	358,946
Other payables and accrued expenses	197,910	–	–	–	197,910	197,910
Lease liabilities	30,402	30,307	46,931	134,114	241,754	177,757
Term loans and Sukuk Mudharabah	308,585	299,272	827,304	33,766	1,468,927	1,279,631
Other bank borrowings	1,745,877	5,752	2,426	–	1,754,055	1,753,077
Derivative financial liabilities	7,546	–	–	–	7,546	7,546
	2,649,266	335,331	876,661	167,880	4,029,138	3,774,867

Notes To The Financial Statements

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Company

	Within 1 year 2023 RM'000	2022 RM'000
Other payables and accrued expenses	1,938	3,209
Amounts due to subsidiaries	18,217	18,557
Dividend payable	43,800	–
	63,955	21,766

(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 currencies which give rise to this risk are primarily Singapore Dollar (SGD) and United States Dollar (USD).

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:

Foreign currency exposure

	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
Group				
2023				
Financial assets				
Trade receivables	12,406	3,410	22	15,838
Other receivables, deposits and prepaid expenses	41	4,578	3,599	8,218
Cash and bank balances	3,071	94,604	51	97,726
	15,518	102,592	3,672	121,782
Financial liabilities				
Trade payables	(1,283)	(41,216)	(3,350)	(45,849)
Other payables and accrued expenses	(531)	(1)	(450)	(982)
Bank borrowings	–	(32,158)	–	(32,158)
	(1,814)	(73,375)	(3,800)	(78,989)
Net currency exposure	13,704	29,217	(128)	42,793

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)

	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
Group				
2022				
Financial assets				
Trade receivables	11,922	3,896	173	15,991
Other receivables, deposits and prepaid expenses	38	3,370	209	3,617
Cash and bank balances	1,034	93,312	693	95,039
	12,994	100,578	1,075	114,647
Financial liabilities				
Trade payables	(1,033)	(58,065)	(1,773)	(60,871)
Other payables and accrued expenses	(500)	(2,520)	(1)	(3,021)
Bank borrowings	(3,751)	(36,697)	(272)	(40,720)
	(5,284)	(97,282)	(2,046)	(104,612)
Net currency exposure	7,710	3,296	(971)	10,035

The following table demonstrates the sensitivity of the Group's profit after tax and equity to 5% and 10% (2022: 5%) strengthening/weakening of each currency respectively in SGD and USD against the respective functional currencies of the entities within the Group, with all other variables held constant.

Profit for the year increases/(decreases):

	Group 2023 RM'000	Group 2022 RM'000
SGD		
- Strengthened 10% (2022: 5%)	1,042	293
- Weakened 10% (2022: 5%)	(1,042)	(293)
USD		
- Strengthened 5%	1,110	125
- Weakened 5%	(1,110)	(125)
Others		
- Strengthened 5%	(5)	(37)
- Weakened 5%	5	37

Notes To The Financial Statements

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk

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

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

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.

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed rate instruments:				
Financial assets				
Fixed deposits with licensed bank	101,196	143,545	–	–
Amount due from associate	20,582	17,290	–	–
	121,778	160,835	–	–
Financial liabilities				
Hire purchase liabilities	11,916	15,378	–	–
Bankers' acceptances	237,062	399,462	–	–
Trust receipts	487,318	602,646	–	–
Term loans	164,317	169,388	–	–
Amounts due to subsidiaries	–	–	17,252	16,739
	900,613	1,186,874	17,252	16,739
Floating rate instruments:				
Financial liabilities				
Hire purchase liabilities	3,514	2,574	–	–
Bank overdrafts	3,420	178,526	–	–
Term loans	651,359	810,127	–	–
Revolving credits	598,915	554,491	–	–
Sukuk Mudharabah	300,255	300,116	–	–
	1,557,463	1,845,834	–	–

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

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

	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 2023	(5,918)	5,918	(5,918)	5,918
31 December 2022	(7,014)	7,014	(7,014)	7,014

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

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

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

Asset/liability	Note
Trade receivables	19
Other receivables, deposits and prepaid expenses	20
Amounts due from subsidiaries	21
Amount due from an associate	22
Cash and bank balances	25
Lease liabilities	30
Bank borrowings	31
Trade payables	35
Other payables and accrued expenses	36
Amounts due to subsidiaries	37

The carrying amount of financial assets and liabilities classified within current assets and current liabilities respectively approximate their fair values due to the relatively short-term nature of this financial instruments.

Certain bank borrowings that are floating rate instruments are reasonable approximation of fair values as they are re-priced to market interest rate on or near the reporting date.

The carrying amount of financial liabilities measured at amortised cost approximates their respective fair values.

The fair values of long term financial assets and liabilities are calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest or incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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 2 RM'000	Carrying amount RM'000
Group		
2023		
Financial liabilities:		
Derivative financial liabilities (Note 24)	2,485	2,485
2022		
Financial liabilities:		
Derivative financial liabilities (Note 24)	7,546	7,546

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

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of assets not carried at fair value Level 3 RM'000	Carrying amount RM'000
Group		
2023		
Assets:		
Investment properties (Note 11)	67,572	40,245
2022		
Assets:		
Investment properties (Note 11)	48,877	21,995

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

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

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

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

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

45 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.

Notes To The Financial Statements

45 CAPITAL MANAGEMENT (CONTINUED)

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

	Group	
	2023 RM'000	2022 RM'000
Total borrowings (Note 31)	2,458,076	3,032,708
Cash and bank balances (excluding fixed deposit pledged as collateral)	(677,837)	(816,818)
Net debts	1,780,239	2,215,890
Total equity	2,955,128	2,589,575
Debt-to-equity ratio (times)^	0.60	0.86

^ 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 31, the Group is not subject to any other externally imposed capital requirements.

46 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, consumer food products and sales of food and beverage.
- 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.

46 OPERATING SEGMENTS (CONTINUED)

Business segments

2023	Livestock & poultry related products RM'000	Feedmill RM'000	Inter-segment elimination RM'000	Group RM'000
Revenue				
- external revenue	5,155,633	4,370,805	–	9,526,438
- inter-segment revenue	–	1,772,338	(1,772,338)	–
Revenue from sales of goods	5,155,633	6,143,143	(1,772,338)	9,526,438
Revenue from other sources				13,074
Total revenue				9,539,512
EBITDA	**341,642**	**707,370**	**(5,657)**	**1,043,355**
Depreciation	(246,337)	(66,593)	(6,420)	(319,350)
	95,305	640,777	(12,077)	724,005
Share of results in associates				330
Finance costs				(169,590)
Profit before taxation				**554,745**
Tax expense				(124,924)
Net profit for the financial year				**429,821**
Assets				
Segment assets	6,864,752	5,614,801	(6,117,345)	6,362,208
Unallocated assets:				
Investment properties				40,245
Deferred tax assets				76,687
Tax recoverable				47,444
Total assets				6,526,584
Liabilities				
Segment liabilities	1,876,559	1,429,165	(2,352,621)	953,103
Unallocated liabilities:				
Borrowings				2,458,076
Deferred tax liabilities				146,084
Tax payable				14,194
Total liabilities				3,571,457
Other disclosure				
Capital expenditure*	194,643	75,774	(5,464)	264,953
Non-cash item (other than depreciation)	18,084	5,737	(779)	23,042

Notes To The Financial Statements

46 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

2022	RM'000	Livestock & poultry related products RM'000	Feedmill RM'000	Inter-segment elimination RM'000	Group
Revenue					
- external revenue		4,979,244	4,048,955	–	9,028,199
- inter-segment revenue		–	1,534,337	(1,534,337)	–
Revenue from sales of goods		4,979,244	5,583,292	(1,534,337)	9,028,199
Revenue from other sources					14,503
Total revenue					9,042,702
EBITDA		**277,308**	**483,217**	**4,748**	**765,273**
Depreciation		(229,473)	(67,326)	(4,440)	(301,239)
		47,835	415,891	308	464,034
Share of results in associates					436
Finance costs					(137,915)
Profit before taxation					**326,555**
Tax expense					(82,681)
Net profit for the financial year					**243,874**
Assets					
Segment assets		7,047,002	5,305,962	(5,907,194)	6,445,770
Unallocated assets:					
Investment properties					21,995
Deferred tax assets					72,961
Tax recoverable					51,475
Total assets					6,592,201
Liabilities					
Segment liabilities		1,704,186	1,383,015	(2,232,070)	855,131
Unallocated liabilities:					
Borrowings					3,032,708
Deferred tax liabilities					98,748
Tax payable					16,039
Total liabilities					4,002,626
Other disclosure					
Capital expenditure*		282,739	85,987	(2,217)	366,509
Non-cash item (other than depreciation)		13,251	2,672	(271)	15,652

* Includes capital expenditure in respect of property, plant and equipment ("PPE") and right-of-use assets in financial year ended 31 December 2023 and 31 December 2022.

46 OPERATING SEGMENT (CONTINUED)

Geographical Information

Revenue from contracts with customers

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

	Group 2023 RM'000	Group 2022 RM'000
Malaysia	2,386,078	2,357,663
Singapore	826,122	796,216
Indonesia	3,623,474	3,282,071
Vietnam	2,114,196	2,196,586
The Philippines	576,568	395,663
Total revenue	9,526,438	9,028,199

EBITDA

	Group 2023 RM'000	Group 2022 RM'000
Malaysia	583,266	360,840
Singapore	81,625	60,101
Indonesia	171,714	138,338
Vietnam	141,083	145,386
The Philippines	65,667	60,608
Total EBITDA	1,043,355	765,273

Non-current assets

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

	Group 2023 RM'000	Group 2022 RM'000
Malaysia	1,556,076	1,547,219
Singapore	326,168	372,245
Indonesia	642,985	665,350
Vietnam	491,190	498,224
The Philippines	267,580	242,008
Total non-current assets	3,283,999	3,325,046

Notes To The Financial Statements

46 OPERATING SEGMENTS (CONTINUED)

Geographical Information (continued)

Total Borrowings (excluding lease liabilities)

	Group	
	2023 RM'000	2022 RM'000
Malaysia	798,335	965,268
Singapore	266,052	554,086
Indonesia	736,731	853,344
Vietnam	518,203	587,963
The Philippines	138,755	72,047
Total borrowings	2,458,076	3,032,708

Major customers

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

47 EFFECT OF INTERBANK OFFERED RATE REFORM

Following the Global Financial Crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR, USD LIBOR and other interbank offered rates has become a priority for global regulators. Globally, the new alternative reference rates ("ARR") are being introduced to improve the integrity of financial benchmark rates as part of a transition to transaction-based rates, in line with the LIBOR reforms. The Group has a number of borrowings which are referenced to IBOR.

Malaysia

On 24 September 2021, Bank Negara Malaysia ("BNM") announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate for Malaysia. The MYOR will run in parallel to the existing Kuala Lumpur Interbank Offered Rate ("KLIBOR"). There remain key differences between KLIBOR and MYOR. KLIBOR is a 'term rate', which means that it is published for a borrowing period (such as 3- or 6-month tenor) and is 'forward looking', because it is published at the beginning of the borrowing period. MYOR is currently a "backward-looking" rate, based on unsecured overnight Malaysian Ringgit interbank transactions in the Malaysian financial market, and it is published on the next business day (i.e. at the end of the overnight borrowing period). Furthermore, KLIBOR includes a credit spread over the risk-free rate, which MYOR currently does not. To transition existing contracts and agreements that reference KLIBOR to MYOR, adjustments for term and credit differences might need to be applied to MYOR, to enable the two benchmark rates to be economically equivalent on transition. On 25 March 2022, a new Islamic benchmark rate was announced, the Malaysia Islamic Overnight Rate ("MYOR-i") to replace the Kuala Lumpur Islamic Reference Rate.

47 EFFECT OF INTERBANK OFFERED RATE REFORM (CONTINUED)

Malaysia (continued)

The publication of the 2- and 12-month KLIBOR tenors was discontinued on 1 January 2023. The cessation of the publication of the remaining 1-month, 3-month and 6-month KLIBOR tenors had not been determined. Management will continue to monitor this and take the necessary action to address related risk and uncertainties going forward.

Vietnam

The Group has a borrowing which referenced the Vietnam Interbank Offered Rate ("VNIBOR") which extends beyond 2023.

As at 31 December 2023, the alternative benchmark for VNIBOR is not yet been determined. Management will continue to monitor this and take the necessary action to address related risk and uncertainties going forward.

Indonesia

The Group also has a number of borrowings which referenced the Jakarta Interbank Offered Rate ('JIBOR') which extends beyond 2022.

As at 31 December 2023, the alternative benchmark for JIBOR is not yet been determined. Management will continue to monitor this and take the necessary action to address related risk and uncertainties going forward.

Singapore

The Group also has a number of borrowings which referenced the Singapore Interbank Offered Rate ("SIBOR") which extends beyond 2022.

SIBOR will cease publication after 31 December 2024, and it is expected to be replaced by the Singapore Overnight Rate Average ("SORA"). The Group has variable rate SGD borrowings which references to SIBOR and the expected transition from SIBOR to SORA had no effect on the amounts reported for the current and prior financial years. The publication of the 6-month SIBOR tenors had discontinued on 31 March 2022. The publication of the remaining 1-month and 3-month SIBOR tenors will be ceased on 31 December 2024.

Notes To The Financial Statements

47 EFFECT OF INTERBANK OFFERED RATE REFORM (CONTINUED)

As at 31 December 2023, there is no change to the Group's IBOR-linked contracts. The Group will closely monitor the regulators' announcement on the alternative benchmark rate or discontinuation of publication of the relevant benchmark interest rates for the relevant tenors; and engage the counterparties to discuss necessary changes to the related contracts. The carrying amounts of these borrowings and amounts which reference to IBOR and have not transitioned to the respective new alternative reference rates ("ARR") are disclosed below.

	Carrying amount		Amounts which have yet to transition to an alternative benchmark interest	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Exposed to KLIBOR				
Long-term borrowings	300,255	300,116	300,255	300,116
Exposed to SIBOR				
Long-term borrowings	259,520	304,515	259,520	301,112
Exposed to VNIBOR				
Long-term borrowings	3,314	–	3,314	–
Exposed to JIBOR				
Long-term borrowings	159,182	172,725	159,182	172,725

48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 25 April 2024.

TOP 10 PROPERTIES OWNED

By Leong Hup International Berhad and its Subsidiaries

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition/ Revaluation
1	Brgy. Baras Baras, Tarlac City, Province of Tarlac, The Philippines	Feedmill Building	50 years of useful life	81,405 m²	3	75,500	May-21
2	Lot 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 m²	5	74,110	Dec-20
3	Lot II-5, II-6, II-7, Sa Dec IP, Sa Dec ward, Dong Thap Province, Vietnam	Feedmill Land & Building	Leasehold expiring on 18 June 2054	52,576 m²	4	53,275	Jun-20
4	Lot AV-1,2,3,4,7 Tan Huong IZ, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Vietnam	Feedmill Land & Building	Leasehold expiring on 28 November 2056	58,681 m²	10	45,260	Mar-13
5	HSD 32179, PTD 1721, Mukim of Sedili Kechil, District of Kota Tinggi, State of Johor Darul Ta'zim, Malaysia.	Breeder Land & Building	Prepaid lease payment expiring in year 2070	532 acres	6 to 10	43,506	Apr-12
6	Lô CN 10, KCN TânTrường, Xã Tân Trường,Huyện Cẩm Giàng, Tỉnh Hải Dương, Vietnam	Feedmill Land & Building	Leasehold expiring on 02 June 2055	40,009 m²	8.5	43,054	May-16
7	31 Fishery Port Road S619741, Singapore	Warehouse	Leasehold expiring on 31 December 2030	23,595 m²	56	42,138	Jan-78
8	Pajakan Negeri 24345 & 24355, Lot 102514 & Lot 102526, Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia	Industrial Land/ Feedmill plant	Leasehold expiring on 24 February 2121	269,201 sq ft	12	38,738	Mar-97
9	Lot A_11A_CN, Bau Bang IZ, Lai Uyen Commune, Bau Bang District, Binh Duong Province, Vietnam	Feedmill Land & Building	Leasehold expiring on 30 June 2057	28,000 m²	13	32,885	Apr-10
10	08 Senoko Way S758030, Singapore	A single storey detached factory with a mezzaine office	Leasehold expiring on 16 November 2052	4,318 m²	32	32,105	Dec-18

ANALYSIS OF SHAREHOLDINGS
AS AT 1 APRIL 2024

Total Number of Issued Shares	:	3,650,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	9,517

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total shareholdings	%
Less than 100 shares	18	364	0.000
100 - 1,000 shares	802	522,020	0.014
1,001 - 10,000 shares	4,246	24,985,260	0.684
10,001 - 100,000 shares	3,589	128,819,044	3.529
100,001 to less than 5% of issued shares	861	1,568,472,312	42.971
5% and above of issued shares	1	1,927,201,000	52.800
TOTAL	**9,517**	**3,650,000,000**	**100**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING
(According to the Register of Substantial Shareholders as at 1 April 2024)

	Direct		Indirect	
	No. of Shares	% (1)	No. of Shares	% (1)
Emerging Glory Sdn Bhd ("EGSB")	1,927,201,000	52.800	–	–
CW Lau & Sons Sdn Bhd ("CWL&S")	–	–	1,927,201,000(2)	52.800
Datuk Lau Joo Hong	27,670,543	0.758	1,927,201,000(3)	52.800
Lau Jui Peng	24,583,822	0.674	1,927,201,000(3)	52.800
Lau Joo Heng	24,583,822	0.674	1,927,201,000(3)	52.800
Lau Joo Han	97,099,132	2.660	1,927,201,000(2)	52.800

Notes:

(1) *Calculated based on 3,650,000,000 shares as at 1 April 2024.*

(2) *Deemed interested by virtue of its/his shareholdings in EGSB pursuant to Section 8(4) of the Companies Act 2016 ("the Act").*

(3) *Deemed interested by virtue of his shareholdings in EGSB through his shareholdings held in CWL&S pursuant to Section 8(4) of the Act.*

ANALYSIS OF SHAREHOLDINGS
AS AT 1 APRIL 2024 (CONTINUED)

DIRECTORS' SHAREHOLDINGS
(According to the Register of Directors' Shareholdings as at 1 April 2024)

Directors	Direct		Indirect	
	No. of Shares	% (1)	No. of Shares	% (1)
Lau Chia Nguang	–	–	58,935,607(2)	1.615
Tan Sri Dato' Lau Eng Guang	75,247,007	2.062	28,515,200(3)	0.781
Tan Sri Lau Tuang Nguang	–	–	62,721,960(4)	1.718
Datuk Lau Joo Hong	27,670,543	0.758	1,927,201,000(5)	52.800
Lau Joo Han	97,099,132	2.66	1,927,201,000(6)	52.800
Lau Joo Keat	–	–	58,633,207(7)	1.606
Low Han Kee	500,000	0.014	10,000(8)	Negligible
Datin Paduka Rashidah Binti Ramli	500,000	0.014	–	–
Chu Nyet Kim	800,000	0.022	–	–
Goh Wen Ling	700,000	0.019	–	–
Tay Tong Poh	500,000	0.014	–	–

Notes:

(1) *Calculated based on 3,650,000,000 shares as at 1 April 2024.*

(2) *Deemed interested by virtue of his shareholdings in CN Lau Holdings Sdn Bhd pursuant to Section 8(4) of the Act.*

(3) *Deemed interested by virtue of his children's (Lau Joo Kien Brian & Lau Joo Yong) shareholdings in LHI pursuant to Section 59(11)(c) of the Act.*

(4) *Deemed interested by virtue of his shareholdings in TN Lau Holdings Sdn Bhd pursuant to Section 8(4) of the Act.*

(5) *Deemed interested by virtue of his shareholdings in EGSB through his shareholdings held in CWL&S pursuant to Section 8(4) of the Act.*

(6) *Deemed interested by virtue of his shareholdings in EGSB pursuant to Section 8(4) of the Act.*

(7) *Deemed interested by virtue of his shareholdings in HN Lau & Sons Sdn Bhd pursuant to Section 8(4) of the Act.*

(8) *Deemed interested by virtue of his spouse's shareholdings in LHI pursuant to Section 59(11)(c) of the Act.*

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	Emerging Glory Sdn Bhd	1,927,201,000	52.800
2	Amanahraya Trustees Berhad Amanah Saham Bumiputera	180,000,000	4.931
3	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Securities Pte Ltd for Clarinden Investment Pte Ltd*	166,272,000	4.555
4	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	106,647,300	2.921
5	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Private Wealth Management for Lau Joo Han(PW-M00713) (420214)*	96,809,132	2.652
6	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt AN for Bank Of Singapore Limited (Local)*	62,721,960	1.718
7	CN Lau Holdings Sdn Bhd	58,935,607	1.615
8	HSBC Nominees (Tempatan) Sdn Bhd *Exempt AN for Credit Suisse (SG BR-TST-TEMP)*	54,840,400	1.502

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2024 (CONTINUED)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
9	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Eng Guang*	40,532,000	1.110
10	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	29,000,000	0.794
11	Amanahraya Trustees Berhad Amanah Saham Malaysia	29,000,000	0.794
12	HN Lau & Sons Sdn Bhd	28,633,207	0.784
13	Permodalan Nasional Berhad	26,000,000	0.712
14	Lau Joo Heng	24,583,822	0.673
15	Lau Jui Peng	24,583,822	0.673
16	Affin Hwang Nominees (Asing) Sdn Bhd *DBS Vickers Secs (S) Pte Ltd for WII Pte Ltd*	24,123,300	0.660
17	Lau Joo Kien Brian	21,425,700	0.587
18	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB For Lau Eng Guang (PB)*	20,133,207	0.551
19	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	20,000,000	0.547
20	Hong Leong Capital Berhad	15,380,000	0.421
21	IFAST Nominees (Tempatan) Sdn Bhd *Global Success Network Sdn Bhd*	14,750,000	0.404
22	DB (Malaysia) Nominee (Tempatan) *Sendirian Berhad Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)*	14,737,000	0.403
23	Citigroup Nominees (Asing) Sdn Bhd UBS AG	13,083,523	0.358
24	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Eng Guang*	12,500,000	0.342
25	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (PHEIM)*	12,007,619	0.328
26	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Bank Berhad (EDP 2)*	11,368,100	0.311
27	Guoline (Singapore) Pte Ltd	10,000,000	0.273
28	CGS International Nominees Malaysia (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Joo Liang(MY1789)*	9,591,500	0.262
29	Kong Goon Khing	8,000,000	0.219
30	Permodalan Nasional Berhad Bumiputera Wealth Fund	8,000,000	0.219
	TOTAL	**3,070,860,199**	**84.119**

NOTICE OF 10TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 10th Annual General Meeting of the Company will be conducted fully virtual through live streaming from the online meeting platform and online remote voting via the Remote Participation and Voting ("RPV") facilities at https://tiih.online on **Friday, 31 May 2024 at 11.00 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 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 up to an aggregate amount of RM880,000 for the financial year ending 31 December 2024, to be paid quarterly in arrears. ***(Ordinary Resolution 1)***

3. To approve the payment of Directors' benefits up to an aggregate amount of RM188,000 for the period from 1 June 2024 until the next Annual General Meeting of the Company. ***(Ordinary Resolution 2)***

4. To re-elect the following Directors who are retiring in accordance with Clause 127 of the Constitution of the Company:-

   (a) Mr Lau Chia Nguang ***(Ordinary Resolution 3)***

   (b) Mr Lau Joo Han ***(Ordinary Resolution 4)***

   (c) Datin Paduka Rashidah Binti Ramli ***(Ordinary Resolution 5)***

   (d) Mr Low Han Kee ***(Ordinary Resolution 6)***

5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***(Ordinary Resolution 7)***

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions, with or without modifications:-

6. **Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** ***(Ordinary Resolution 8)***

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot 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, when aggregated with the total number of such shares issued during the preceding 12 months 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 held 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 the earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting ("Proposed General Mandate")."

NOTICE OF 10TH ANNUAL GENERAL MEETING
(CONTINUED)

7. **Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** ***(Ordinary Resolution 9)***

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiaries ("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 of Part A of the Circular to Shareholders dated 30 April 2024 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."

8. **Proposed Renewal of Authority for the Company to Purchase its own Shares ("Proposed Renewal of Share Buy-Back Authority")** ***(Ordinary Resolution 10)***

"**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,

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 Renewal of 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."

9. 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)
Company Secretaries
Kuala Lumpur

30 April 2024

NOTICE OF 10TH ANNUAL GENERAL MEETING
(CONTINUED)

NOTES:

1. *The 10th Annual General Meeting will be conducted fully virtual through live streaming from the online meeting platform at https://tiih.online.*

   Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 10th Annual General Meeting via the RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at https://tiih.online.

   For further information, kindly refer to the Administrative Guide for the 10th Annual General Meeting.

2. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 24 May 2024. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*

3. *A member of the Company who is entitled to attend and vote at a general meeting may 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.*

4. *A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than 2 proxies to attend, participate, speak and vote instead of the member at the general meeting.*

5. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than 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.*

6. *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 Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*

7. *Where a member, an authorised nominee or an exempt authorised nominee appoints more than 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/she/it specifies the proportion of his/her/its shareholdings to be represented by each proxy.*

8. *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 48 hours before the time appointed for holding the 10th Annual 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 at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia 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, Malaysia.

   (ii) By electronic means via Tricor TIIH Online website at https://tiih.online
   Please refer to the Administrative Guide of the 10th Annual General Meeting for further information on electronic submission of proxy form via TIIH Online.

NOTES: (CONT'D)

9. *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, Malaysia 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, Malaysia not less than 48 hours before the time appointed for holding the 10th Annual 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.*

10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*

11. *Last day, date and time for lodging the proxy form is* ***Wednesday, 29 May 2024 at 11.00 a.m.***

12. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the* ***ORIGINAL*** *certificate of appointment executed in the manner as stated in the proxy form with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia 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, Malaysia if this has not been lodged with the Company's Share Registrar 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 the 10th Annual General Meeting will be put to vote by way of poll.*

EXPLANATORY NOTES TO THE AGENDA

(i) ***Item 1 of the Agenda***
Audited Financial Statements for the financial year ended 31 December 2023

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 forward to vote by shareholders.

(ii) ***Ordinary Resolution 1***
Payment of Directors' fees

The Directors' fees proposed for the financial year ending 31 December 2024 are calculated based on the current board size and provisional sum for appointment of a new Independent Director to the Board. 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 1 has been passed at the 10th Annual General Meeting of the Company.

(iii) ***Ordinary Resolution 2***
Payment of Directors' benefits

Directors' benefits are meeting allowance payable to Independent Non-Executive 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 Committees for the period from 1 June 2024 until the next Annual General Meeting as well as the number of Independent Non-Executive Directors involved in the meeting. In the event the proposed amount is insufficient (due to more meetings or enlarged board size), approval will be sought at the next Annual General Meeting for the shortfall.

NOTICE OF 10TH ANNUAL GENERAL MEETING
(CONTINUED)

EXPLANATORY NOTES TO THE AGENDA (CONT'D)

(iv) ***Ordinary Resolutions 3 to 6***
Re-election of Directors

The following Directors of the Company are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 10th Annual General Meeting:-

(i) Mr Lau Chia Nguang;
(ii) Mr Lau Joo Han;
(iii) Datin Paduka Rashidah Binti Ramli; and
(iv) Mr Low Han Kee.

Their profiles are disclosed in the Profile of the Board of Directors of the 2023 Annual Report.

Save as disclosed, the retiring Directors have no conflict of interest with the Company and have no family relationship with any Director and/or major shareholder of the Company. The Nomination Committee ("NC") has considered the performance and contribution, time and commitment, calibre and personality as well as fit and proper assessment of the retiring Directors. Based on the recommendation of the NC, the Board is supportive of their re-election based on the following justifications:-

(i) Ordinary Resolution 3 – Re-election of Mr Lau Chia Nguang as Executive Chairman
Mr Lau Chia Nguang is the brother of Tan Sri Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the uncle to Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of the Company. He has vast experience in the integrated livestock industry and has contributed significantly to the Group by providing valuable input to steer the Group forward.

(ii) Ordinary Resolution 4 – Re-election of Lau Joo Han as Non-Independent Executive Director
Lau Joo Han is the nephew of Lau Chia Nguang, Tan Sri 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 the Company. He contributes tremendously to the Group by overseeing and managing the day-to-day operations of the Malaysian operations.

(iii) Ordinary Resolution 5 – Re-election of Datin Paduka Rashidah Binti Ramli as Independent Non-Executive Director
Datin Paduka Rashidah Binti Ramli exercised due care and carried out her duties professionally and proficiently during her tenure as an Independent Non-Executive Director of the Company.

(iv) Ordinary Resolution 6 – Re-election of Low Han Kee as Senior Independent Non-Executive Director
Low Han Kee has demonstrated his independence through his engagement in Board and Board Committee meetings. He also carried out his duties professionally and proficiently during his tenure as Senior Independent Non-Executive Director of the Company.

(v) ***Ordinary Resolution 7***
Re-appointment of Auditors

The Board had, through the Audit and Risk Committee, considered the re-appointment of PricewaterhouseCoopers PLT as 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 10th Annual General Meeting are disclosed in the 2023 Annual Report.

(vi) ***Ordinary Resolution 8***
Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 8, if passed, will empower the Directors to issue and 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.

EXPLANATORY NOTES TO THE AGENDA (CONT'D)

(vi) ***Ordinary Resolution 8 (Cont'd)***
<u>Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016</u>

This is a renewal of the mandate obtained from shareholders at the last Annual General Meeting held on 2 June 2023. 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, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for 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 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 2 June 2023 and the mandate will lapse at the conclusion of the 10th Annual General Meeting.

(vii) ***Ordinary Resolution 9***
<u>Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature</u>

The proposed Ordinary Resolution 9, if passed, will 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 30 April 2024 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.

Further details relating to this proposed resolution are set out in Part A of the Circular to Shareholders dated 30 April 2024, which is available at the Company's website at <u>https://www.leonghupinternational.com/investor/general meeting/</u>.

(viii) ***Ordinary Resolution 10***
<u>Proposed Renewal of Share Buy-Back Authority</u>

The proposed Ordinary Resolution 10, if passed, will empower the Company to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company.

Further information relating to this proposed resolution is set out in Part B of the Statement to Shareholders dated 30 April 2024, which is available at the Company's website at <u>https://www.leonghupinternational.com/investor/general meeting/</u>.

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.

PROXY FORM

LEONG HUP INTERNATIONAL BERHAD
Registration No. 201401022577 (1098663-D)
(Incorporated in Malaysia)

CDS Account No.

No. of shares held

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 him/her, the Chairman of the meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf at the 10th Annual General Meeting of the Company which will be conducted fully virtual through live streaming from the online meeting platform and online remote voting via the Remote Participation and Voting ("RPV") facilities at https://tiih.online on **Friday, 31 May 2024** at **11.00 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 up to an aggregate amount of RM880,000 for the financial year ending 31 December 2024, to be paid quarterly in arrears.	Ordinary Resolution 1		
To approve the payment of Directors' benefits up to an aggregate amount of RM188,000 for the period from 1 June 2024 until the next Annual General Meeting of the Company.	Ordinary Resolution 2		
To re-elect Mr Lau Chia Nguang as Director.	Ordinary Resolution 3		
To re-elect Mr Lau Joo Han as Director.	Ordinary Resolution 4		
To re-elect Datin Paduka Rashidah Binti Ramli as Director.	Ordinary Resolution 5		
To re-elect Mr Low Han Kee as Director.	Ordinary Resolution 6		
To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7		
Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary Resolution 8		
Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 9		
Proposed Renewal of Share Buy-Back Authority.	Ordinary Resolution 10		

(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, one of whom 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.

NOTES:

1. *The 10th Annual General Meeting will be conducted fully virtual through live streaming from the online meeting platform at https://tiih.online.*
   Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 10th Annual General Meeting via the RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at https://tiih.online.
   For further information, kindly refer to the Administrative Guide for the 10th Annual General Meeting.
2. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 24 May 2024. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*
3. *A member of the Company who is entitled to attend and vote at a general meeting may 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.*
4. *A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than 2 proxies to attend, participate, speak and vote instead of the member at the general meeting.*
5. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than 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.*

6. *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 Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
7. *Where a member, an authorised nominee or an exempt authorised nominee appoints more than 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/she/it specifies the proportion of his/her/its shareholdings to be represented by each proxy.*
8. *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 48 hours before the time appointed for holding the 10th Annual 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 at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia 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, Malaysia.
   (ii) By electronic means via Tricor TIIH Online website at https://tiih.online
   Please refer to the Administrative Guide of the 10th Annual General Meeting for further information on electronic submission of proxy form via TIIH Online.
9. *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, Malaysia 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, Malaysia not less than 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.*
10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*
11. *Last day, date and time for lodging the proxy form is* **Wednesday, 29 May 2024** *at* **11.00 a.m.**
12. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the* **ORIGINAL** *certificate of appointment executed in the manner as stated in the proxy form with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia 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, Malaysia if this has not been lodged with the Company's Share Registrar 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 the 10th Annual General Meeting will be put to vote by way of poll.*

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AFFIX
STAMP

THE SHARE REGISTRAR

LEONG HUP INTERNATIONAL BERHAD
Registration No. 201401022577 (1098663-D)

Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

2nd Fold Here

Fold This Flap For Sealing

LEONG HUP INTERNATIONAL BERHAD
Registration No.: 201401022577 (1098663-D)

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

Hotline : +603-7980 8086 / +603-7980 3817
Fax : +603-7980 0040
Email : info@lhhb.com

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