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 wishes to present this statement to its shareholders and stakeholders with an overview of the Company's application of the best practices under MCCG during the financial year ended ("FYE") 31 December 2020.

The detailed application for each best practice as set out in the MCCG during the FYE 31 December 2020 is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's corporate website: https://www.leonghupinternational.com/ as well as the website of Bursa Securities.

The Company has generally applied all the best practices espoused by the MCCG during the FYE 31 December 2020, except for the following which were still being established during the financial year:-

- Practice 4.1 (Having a majority of independent directors on the board);
- Practice 5.1 (Engaging independent experts to conduct board evaluation);
- Practice 6.1 (Having policies and procedures on remuneration of Directors and senior management);
- Practice 11.2 (Adoption of Integrated Reporting); and
- Practice 12.2 (All Directors to attend general meeting)

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

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

Roles and Responsibilities of the Board

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

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

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:

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, budget and financial performance for the Group

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

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

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

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

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

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

The Board oversees the Enterprise Risk Management ("ERM") framework of the Group through the Management. Details of the ERM framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

f. Succession planning includes appointment, training, retaining, fixing of compensation and replacement of Group CEO, 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 recommend the remuneration packages for these appointments.

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

The Board has established an Investor Relations Policy which governs the dissemination of information to shareholders in a fair, transparent and timely manner. The Investor Relations Policy was last reviewed by the Board on 9 April 2021. The Investor Relations Policy is available on the Company's website at https://www.leonghupinternational.com/.

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

1. BOARD RESPONSIBILITIES (CONT'D)

Separation of Position of Chairman and Group CEO

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

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

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

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

The Group CEO is responsible for the day-to-day management of the Company's businesses, organisational effectiveness and implementation of Board strategies, policies and decisions. The delegation structure from the Board to 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:

i. Develop the strategic directions of the Group;
ii. 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;
iii. Ensure the objectives and standard of performance are understood by employees;
iv. Ensure that the operational planning and control systems are in place;
v. Monitor performance results against planned budget or key performance metrics; and
vi. Take appropriate remedial actions when necessary.

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

Qualified and Competent Company Secretaries

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

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

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

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

1. BOARD RESPONSIBILITIES (CONT'D)

Access to Information and Advice

The Board has 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.

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

Board Charter

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

The Board Charter shall be reviewed by the Board periodically to ensure that it remains consistent with the Board's objectives and current laws and practices. It was last reviewed by the Board on 9 April 2021. 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. It was last reviewed by the Board on 9 April 2021. The Directors' Code of Ethics is available on the Company's website at https://www.leonghupinternational.com/.

Whistleblowing Policy

Whistleblowing Policy was established in 2019 and is administered by the ARC. The Group's employees and other stakeholders, including customers and suppliers, are encouraged to voice their grievances and raise their concerns of any unlawful, unethical situation or suspected misconduct directly to the ARC, on a dedicated channel of reporting as set out in the Whistleblowing Policy. The Whistleblowing Policy was last reviewed by the Board on 9 April 2021. It 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 (cont'd)

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

The profile of each Director is presented on page 15 to page 27 of this Annual Report. The Directors, with diverse background and specialisations, collectively brings a wide range of experience and expertise in their relevant fields such as poultry farming, business administration, corporate planning, development, finance, taxation, legal and marketing which are vital for the effective oversight of management's execution of the Group's strategies and policies.

Independence of the Board

The Board adopted the concept of independence in tandem with the definition of Independent 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 second 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 nine (9) years. Upon completion of the tenure of nine (9) years, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In exceptional cases, the Independent Director can remain as an Independent Director subject to assessment of the NC and recommendation and justification by the Board to the shareholders at the general meeting. If the Board continues to retain the Independent Director after the twelfth year, the Board should provide justification and seek shareholders' approval through a two-tier voting process as recommended by the MCCG.

Board Gender Diversity Policies

The Board has always placed diversity as an agenda in strengthening the performance of its Board and Board Committees. The Board has adopted a Diversity Policy to ensure that the Board has the diversity of perspectives, experience and skills necessary for effective oversight of the Group. Diversity includes, but not limited to gender, age and ethnicity. Currently, the Board comprises four (4) women directors out of the thirteen (13) Board members, which represents 31% of the Board's composition. The Board Diversity Policy was last reviewed by the Board on 9 April 2021 and is available on the Company's website at https://www.leonghupinternational.com/.

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

2. BOARD COMPOSITION (CONT'D)

Nomination Committee ("NC")

The NC comprises exclusively Non-Executive Directors, a majority of whom are independent. The NC is chaired by an Independent Non-Executive Director. The NC is primarily responsible for the assessment of the performance of the members of the Board on an ongoing basis and to propose new candidates to the Board as and when necessary. The NC is governed by its Terms of Reference which is available on the Company's website at https://www.leonghupinternational.com/.

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

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

Selection and Assessment of Directors

The NC is responsible for the assessment and recommendation of suitable candidates to the Board on the most appropriate Board composition to ensure that it is able to discharge its duties in an informed and conscientious manner. In identifying candidates for the Board, recommendations from existing Board members, KSM and/or major shareholders will be 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. merit and against objective criteria with due consideration given to boardroom diversity including gender, age and ethnicity, experience, cultural background, skill, character, integrity and competence;
e. in the case of candidates for the position of Independent Non-Executive Directors, the 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 Director's background and current activities which qualify him or her as independent, but also whether the Director can act independently of management.

The NC evaluates the effectiveness of the Board and Board Committees, as well as assessing the contribution of each individual Director annually by Committee Evaluation, Self-Assessment Evaluation and/or Peer Review Evaluation. The results, in particular the key strengths and weaknesses identified from the assessment, will be shared with the Board to allow improvements to be undertaken.

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

The NC has carried out the following activities during the FYE 31 December 2020:

a. Reviewed and evaluated the effectiveness of the Board and the Board Committees;
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 Terms of Reference of NC; and
g. Reviewed the appointment of the Group COO.

Corporate Governance Overview Statement (cont'd)

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

2. BOARD COMPOSITION (CONT'D)

Re-election of Directors

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

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

The Directors who are seeking for re-election at the forthcoming AGM are Lau Chia Nguang, Lau Joo Han and Goh Wen Ling. The retiring Directors have expressed their intention to seek for re-election at the forthcoming AGM. However, Mahani Binti Amat has expressed her intention not to seek for re-election and will retire from office at the conclusion of the forthcoming AGM scheduled to be held on 25 June 2021.

Key Senior Management

The KSM of the Group are as follows:

	Position
Lau Chia Nguang	Non-Independent Executive Chairman
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 and decision making related to operational and financial matters.

3. REMUNERATION

Remuneration Committee ("RC")

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, although this process has yet to be formalised during the financial year under review. However, the RC has been engaging in numerous discussion with the Group CEO on the said process during the financial year under review. A policy is currently being reviewed by the RC. The RC is committed to formulate policies, guideline and set criteria for remuneration package for Directors and KSM to ensure that they are fairy and appropriately remunerated. The remuneration policy aims to attract, retain and motivate Directors and KSM to drive long term objectives. The Terms of Reference of the RC was last reviewed by the RC on 8 April 2021 and is available on the Company's website at https://www.leonghupinternational.com/.

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

3. REMUNERATION (CONT'D)

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

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

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

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

The remuneration paid/payable to the Board for the FYE 31 December 2020 is tabulated as follows:-

a) Company

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

Corporate Governance Overview Statement (cont'd)

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

3. REMUNERATION (CONT'D)

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

The remuneration paid/payable to the Board for the FYE 31 December 2020 is tabulated as follows:- (cont'd)

a) Company (cont'd)

	RM'000					
Director	Salaries	Fees [i]	Bonus	Benefit-in-kind	Other Emoluments	Total
Non-Executive Director Benny Lim Jew Fong	–	–	–	–	–	–
Datin Paduka Rashidah Binti Ramli	–	120	–	–	16	136
Mahani Binti Amat	–	120	–	–	18	138
Chu Nyet Kim	–	130	–	–	26	156
Goh Wen Ling	–	160	–	–	32	192
Low Han Kee	–	170	–	–	32	202
Tay Tong Poh	–	130	–	–	18	148
Tee Yock Siong *(Alternate to Benny Lim Jew Fong)* *(Resigned w.e.f. 30 April 2020)*	–	–	–	–	–	–
Sub-Total	**–**	**830**	**–**	**–**	**142**	**972**

b) Group

	RM'000					
Director	Salaries	Fees	Bonus	Benefit-in-kind	Other Emoluments	Total
Executive Chairman Lau Chia Nguang	3,164	–	997	14	495	4,670
Executive Director Dato' Lau Eng Guang	2,243	–	900	21	574	3,738
Tan Sri Lau Tuang Nguang	1,995	575	863	25	465	3,923
Datuk Lau Joo Hong	3,548	–	1,825	–	494	5,867
Lau Joo Han	1,998	176	672	93	986	3,925
Lau Joo Keat	2,019	–	900	–	59	2,978
Sub-Total	**14,967**	**751**	**6,157**	**153**	**3,073**	**25,101**

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

3. REMUNERATION (CONT'D)

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

The remuneration paid/payable to the Board for the FYE 31 December 2020 is tabulated as follows:- (cont'd)

b) Group (cont'd)

Director	RM'000					
	Salaries	Fees (i)	Bonus	Benefit-in-kind	Other Emoluments	Total
Non-Executive Director Benny Lim Jew Fong	–	–	–	–	–	**–**
Datin Paduka Rashidah Binti Ramli	–	120	–	–	16	**136**
Mahani Binti Amat	–	120	–	–	18	**138**
Chu Nyet Kim	–	130	–	–	26	**156**
Goh Wen Ling	–	160	–	–	32	**192**
Low Han Kee	–	170	–	–	32	**202**
Tay Tong Poh	–	130	–	–	18	**148**
Tee Yock Siong *(Alternate to Benny Lim Jew Fong)* *(Resigned w.e.f. 30 April 2020)*	–	–	–	–	–	**–**
Sub-Total	**–**	**830**	**–**	**–**	**142**	**972**

Note:

(1) Approved by shareholders at the 6th 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.

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.

Corporate Governance Overview Statement (cont'd)

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

3. REMUNERATION (CONT'D)

Time Commitment (cont'd)

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. The Board and Board Committee members' meeting attendances for the FYE 31 December 2020 are as follows:-

Directors	Board Meeting	ARC Meeting	NC Meeting	RC Meeting
Lau Chia Nguang	4/4	–	–	–
Dato' Lau Eng Guang	4/4	–	–	–
Tan Sri Lau Tuang Nguang	4/4	–	–	–
Datuk Lau Joo Hong	4/4	–	–	–
Lau Joo Han	4/4	–	–	–
Lau Joo Keat	4/4	–	–	–
Benny Lim Jew Fong	4/4	–	3/3	–
Datin Paduka Rashidah Binti Ramli	4/4	–	–	2/2
Mahani Binti Amat	4/4	–	3/3	–
Chu Nyet Kim	4/4	4/4	–	–
Goh Wen Ling	4/4	4/4	–	2/2
Low Han Kee	4/4	4/4	–	2/2
Tay Tong Poh	4/4	–	3/3	–
Tee Yock Siong *(Alternate to Benny Lim Jew Fong)* *(Resigned w.e.f. 30 April 2020)*	1/1	–	–	–

Training and Development of Directors

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

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

		List of training programmes/Seminars attended/participated	Date
1.	Lau Chia Nguang	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
2.	Dato' Lau Eng Guang	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
3.	Tan Sri Lau Tuang Nguang	Closed Period & Insider Trading Rules for Listed Company	25 August 2020

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

3. REMUNERATION (CONT'D)

Training and Development of Directors (cont'd)

		List of training programmes/Seminars attended/participated	Date
4.	Datuk Lau Joo Hong	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
5.	Lau Joo Han	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
6.	Lau Joo Keat	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
7.	Benny Lim Jew Fong	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
8.	Datin Paduka Rashidah Binti Ramli	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
9.	Chu Nyet Kim	Cross Regional Co-operation on Sustainable Finance	7 July 2020
		Meaningful work for digital professional – Roadmap beyond the Pandemic	16 July 2020
		Introducing Climate Strategy and Carbon Management for Business Leaders	28 July 2020
		Tax Guidelines on place of business – Understanding the rule and its practical application	18 August 2020
		Closed Period & Insider Trading Rules for Listed Company	25 August 2020
		Thinking and working lean – Implementing Continuous Improvement	16 September 2020
		Working together, thinking digital, focusing on recovery	16 September 2020
		Ethical Decision Making Program	24 September 2020
		Pricing with purpose – building a data led strategy	6 October 2020
		Business Email Compromise	7 October 2020
		Recent tax developments including GST changes in Asia Pacific region	8 October 2020
		Covid-19 IFRS Update in partnership with PwC	14 October 2020
		Recent developments & repercussions of the current pandemic on transfer pricing	15 October 2020
		VAT on cross-border transactions including intra-group transactions	22 October 2020
		Global Economic Outlook – sustaining the recovery is tomorrow	22 October 2020

Corporate Governance Overview Statement (cont'd)

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

3. REMUNERATION (CONT'D)

Training and Development of Directors (cont'd)

		List of training programmes/Seminars attended/participated	Date
9.	Chu Nyet Kim (cont'd)	Recent Developments in Service Tax	28 October 2020
		Professional problem-solving skills to help you improve your effectiveness and expand your horizons	28 October 2020
		Fraud Risk Management	16 November 2020
		Navigating networking and presentation skills in an online world	17 November 2020
		2021 Budget	18 November 2020
		Future Boards Cross Border Dialogue – Women in Finance	25 November 2020
		The big conversation: Covid, climate, capitalism – the role of the accountancy profession	1 December 2020
		Professional accountants leading natural capital management	1 December 2020
		Ethics in a Covid-19 world	1 December 2020
		The future of work and the future of finance	2 December 2020
		Safer Web Browsing & Personal Data Protection	10 December 2020
10.	Goh Wen Ling	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
		Fraud Risk Management	16 November 2020
11.	Mahani Bin Amat	Fide Core Module A-July Programme	29 June – 1, 3, 7-10 July 2020
		Fide Core Module B-July Programme	13-21 July 2020
		FIDE Forum's Virtual Seminar on Risk: A Fresh Look From The Board's Perspective	8 July 2020
		Training on Environmental Social Governance	24 July 2020
		Closed Period & Insider Trading Rules for Listed Company	25 August 2020
		Focus Group Discussion: FIDE Forum's Board Effectiveness Evaluation Project	10 September 2020
		Board Evaluation and Succession Planning	17 September 2020
		FIDE ICLIF-Risk Management & Internal Control System	28 October 2020

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

3. REMUNERATION (CONT'D)

Training and Development of Directors (cont'd)

		List of training programmes/Seminars attended/participated	Date
11.	Mahani Bin Amat (cont'd)	Governance Symposium 2020	9 & 10 November 2020
		Green Fintech: Ping An's journey to becoming a top ESG-performing Financial Institution	11 November 2020
		Training on AMLA 2001: Risk, Challenges, Governance & Transparency in Managing Business & Compliance	17 November 2020
		FIDE Board Simulation Exercise, Insurance group	11 December 2020
12.	Low Han Kee	Digitalising Organisation	19 August 2020
		Closed Period & Insider Trading Rules for Listed Company	25 August 2020
		Fraud Risk Management	16 November 2020
		Risk Refresher Session	18 November 2020
13.	Tay Tong Poh	Closed Period & Insider Trading Rules for Listed Company	25 August 2020
		Board Evaluation and Succession Planning	17 September 2020
		Fraud Risk Management	18 November 2020

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT AND RISK COMMITTEE ("ARC")

The ARC 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, reportable related party transactions, conflict of interest situations as well as risk management matters. Whilst a stand-alone Risk Management Committee was not established, the ARC strives to ensure that there are adequate deliberations on risk management matters, being one of the duties of ARC as envisaged under its Terms of Reference.

Corporate Governance Overview Statement (cont'd)

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

1. AUDIT AND RISK COMMITTEE ("ARC") (CONT'D)

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. The Terms of Reference of the ARC was last reviewed by the ARC on 8 April 2021 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 staff assigned to the audit, independence of PricewaterhouseCoopers PLT ("PwC") and the level of non-audit services rendered to the Group and the Company for the FYE 31 December 2020.

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

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

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

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

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

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

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

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

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

Further details relating to the review on internal control system are set out in the Statement on Risk Management and Internal Control on page 72 to page 78 of the Annual Report.

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' Term of Reference and relevant Board policies can be accessed.

2. CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum for dialogue and interaction with shareholders. The 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 Company will be conducting its 7th AGM on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities available on TIIH Online's website, allowing attendance by shareholders and proxy holders via remote participation and voting in absentia.

Corporate Governance Overview Statement (cont'd)

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

2. CONDUCT OF GENERAL MEETINGS (CONT'D)

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. A summary of key matters discussed at the AGM will be made accessible through the Company's website at https://www.leonghupinternational.com/ as soon as practicable upon being reviewed and approved by the Board.

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

KEY FOCUS AREA IN RELATION TO CORPORATE GOVERNANCE PRACTICES

Corporate governance was clearly imperative for the Group in the FYE 31 December 2020 against the backdrop of a relatively challenging economic environment that is characterised by volatile market conditions and commodity prices. Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for shareholders.

With the amendment to the Malaysian Anti-Corruption Commission Act 2009, a corporate liability provision under Section 17A has been introduced, which criminalises a company based on illegal actions taken by its employees (without the presence of adequate procedures) for the benefit of the company. This new provision has come into force on 1 June 2020. As such, the Group had reviewed, approved and adopted an Anti-Bribery and Corruption Policy. 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 prevent occurrence of corrupt practices.

The Board has also put in place the sustainability practices in ensuring that the Group manages its business responsibly for long term success while creating enduring value for its stakeholders.

This CG Overview Statement was approved by the Board on 20 May 2021.

Additional Compliance Information

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Leong Hup International Berhad ("LHI" or the "Company") was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 May 2019 ("Listing"). In conjunction with the Listing, the Company undertook a public issue of 250,000,000 new ordinary shares at an issue price of RM1.10 per share, raising gross proceeds of RM275 million ("IPO Proceeds"). The status of the utilisation of the IPO Proceeds for the financial year ended ("FYE") 31 December 2020 is as follows:

Purpose	Proposed utilisation (RM '000)	Actual amount of utilisation (RM '000)	Balance unutilised (RM '000)	Intended timeframe for utilisation from the date of Listing
Capital expenditure	207,733	(106,033)	101,700	within 24 months
Working capital	32,959	(32,959)	–	within 6 months
Defray fees and expenses for IPO and Listing	34,308	(34,308)	–	within 3 months
Total	**275,000**	**(173,300)**	**101,700**	

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

AUDIT AND NON-AUDIT FEES

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

	Group 2020 (RM'000)	Company 2020 (RM'000)
Statutory audit fees paid/payable to		
- PricewaterhouseCoopers PLT	1,291	190
- Member firms of PricewaterhouseCoopers International Limited	1,833	–
Non-audit fees paid/payable to:-		
- PricewaterhouseCoopers PLT	55	–
- Member firms of PricewaterhouseCoopers International Limited	312	–

Additional Compliance Information (cont'd)

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

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

	During FYE 31 December 2020	Since commencement of ESOS
Total number of options granted	–	35,092,000
Total number of options exercised	–	–
Total number of options forfeited	(489,000)	(683,000)
Total number of options expired	–	–
Total number of options outstanding	34,409,000	34,409,000

Options Granted to Directors and Chief Executive	During FYE 31 December 2020	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 2020	Since commencement of ESOS
Aggregate maximum allocation in percentage	–	50.00%
Actual percentage granted	–	36.07%

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

Save as disclosed below, there were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors, Chief Executive Officer or major shareholders, either still subsisting at the end of the FYE 31 December 2020 or entered into since the end of the previous period.

On 1 June 2020, Leong Hup (Malaysia) Sdn Bhd, a wholly-owned subsidiary of LHI entered into a Share Acquisition Agreement with Emerging Glory Sdn Bhd, the major shareholder of LHI for the acquisition of the entire 43,432,000 ordinary shares of The Baker's Cottage Sdn Bhd for a total cash consideration of RM17.9 million.

On 1 June 2020, Leong Hup Agrobusiness Sdn Bhd, a wholly-owned subsidiary of LHM entered into a Business Acquisition Agreement with:

1. Astaka Shopping Centre (Muar) Sdn Bhd ("Astaka"), a company where directors and/or major shareholders have interest, for the acquisition of The Baker's Cottage retail business owned and operated by Astaka for a purchase consideration of RM1.5 million; and
2. Poly-Yarn Industries Sdn Bhd ("PYISB"), a company where directors and/or major shareholders have interest, for the acquisition of The Baker's Cottage retail business owned and operated by PYISB for a purchase consideration of RM0.9 million.

RECURRENT RELATED PARTY TRANSACTIONS

Details of the recurrent related party transactions undertaken by the Group during the financial year are disclosed in Note 40 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 30 April 2021 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	42
	-	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	31
	-	KMT applications submitted or to be submitted and subsequently to obtain the TBP	2
	-	TBP obtained	5
	Sub-total		**86**
(B)	**Farms and hatcheries that are not able to change their express condition imposed on land titles to allow for poultry farming**		**11**
(C)	**Farms and hatcheries where applications for change in express condition are still pending approval where the status of KM/KMT/CCC/TBP applications are as follows:-**		
	-	KM applications approved and currently in the process of obtaining the CCC	21
	-	Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils	16
	-	KMT applications submitted or to be submitted and subsequently to obtain the TBP	3
	-	TBP obtained	–
	Sub-total		**40**
Total			**137**

The status of the SLF application for the affected buildings in Indonesia as at 30 April 2021 are as follows:

Of the SLF applications for 70 material properties submitted to relevant authorities in Indonesia, 31 SLF applications cannot be processed by the relevant regional governments due to the following reasons:

(i) the relevant regional governments have not enacted the Building Regional Regulation in its regency;
(ii) the relevant regional governments have not formed the team of building experts to conduct technical review on buildings within the regency; or
(iii) the relevant regional governments have not been granted authorisation and delegation to issue SLF.

Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers, issued by the Task Force on Internal Control, with the support and endorsement of Bursa Securities as well as the Malaysian Code on Corporate Governance 2017, the Board of Directors ("Board") is pleased to present the Statement on Risk Management and Internal Control for the financial year ended ("FYE") 31 December 2020, 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 Independent Non-Executive Directors and have responsibilities including:

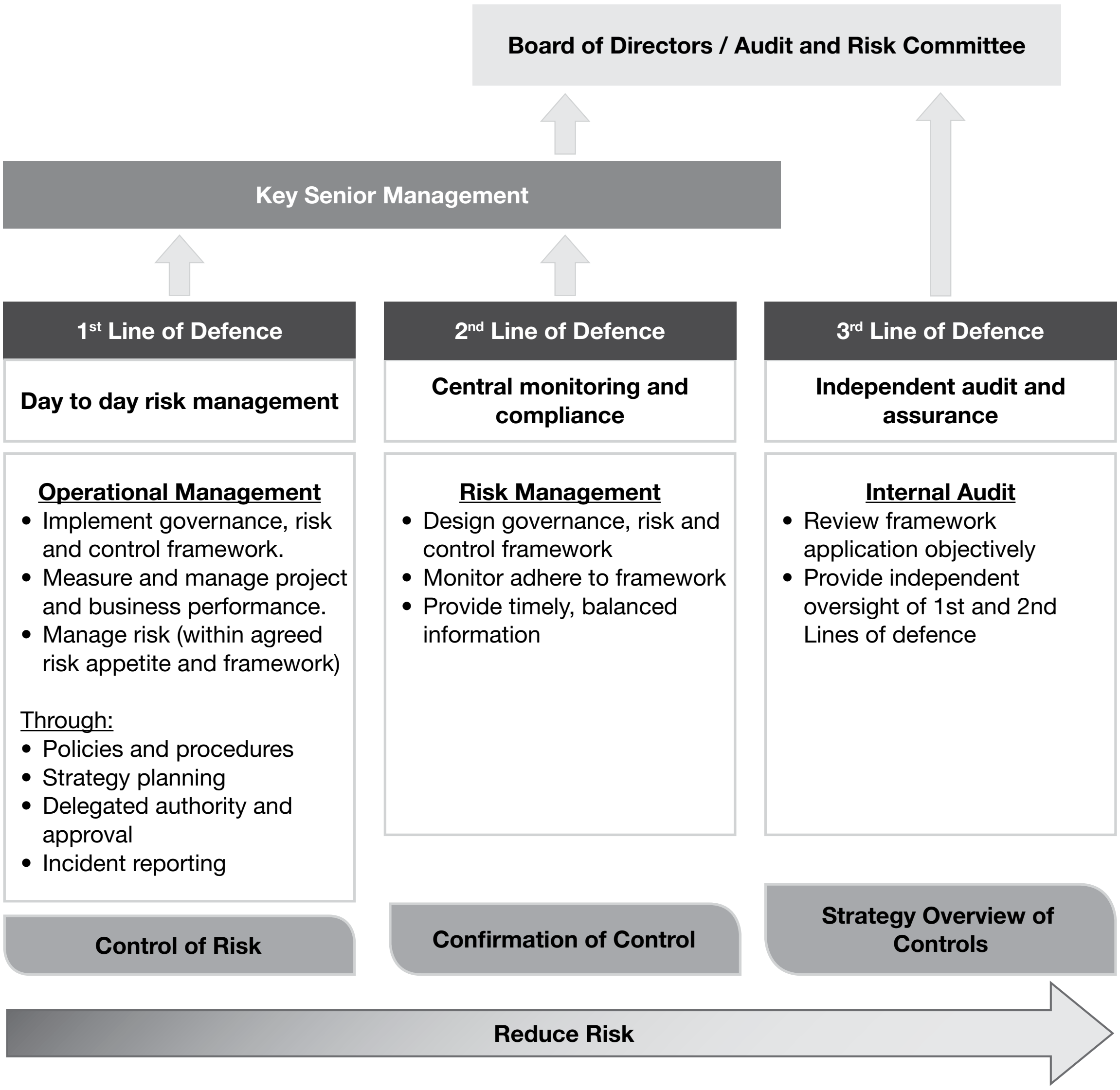
i. Consider the adequacy and effectiveness of risk management function and internal control system within the Group;
ii. Review risk management reports on interval basis;
iii. Discuss any significant risk or exposure and mitigation plan undertaken by the Group;
iv. Understand the scope of internal and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

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

a) Risk Management

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

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



RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

a) Risk Management (cont'd)

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

- **Strategic Risk**

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

- **Operational Risk**

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

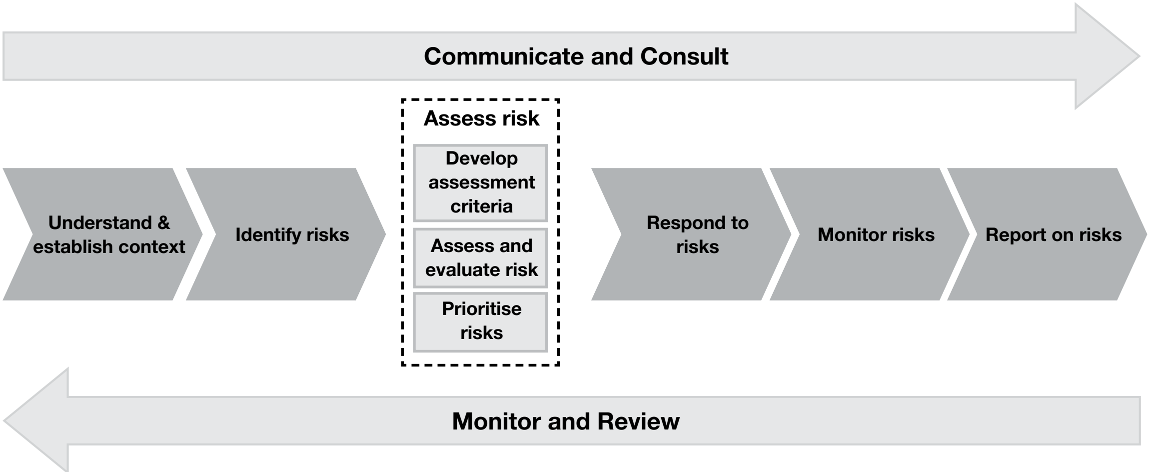
- **Financial Risk**

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

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

a) Risk Management (cont'd)

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



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

During the year, the Group has established an Anti-Bribery and Corruption Policy and the Standard Operating Procedures to provide a framework to guide the conduct of directors, employees and persons who perform services for or on behalf of the Group from undertaking unethical practices in relation to its business activities. They outline the Group's commitment to conduct its businesses in accordance with all applicable anti-bribery and corruption laws of every country in which the Group operates. The policy is published in the Group's website at https://www.leonghupinternational.com/.

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.

Statement on Risk Management and Internal Control (cont'd)

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

b) Internal Control (cont'd)

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 the FYE 31 December 2020 were outsourced to an independent external party, Deloitte Risk Advisory Sdn Bhd ("Internal Auditor").

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

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

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

i. Farm Management

Assessed the controls pertaining to the following:

- Farm productivity and performance;
- Biosecurity and maintenance of cleanliness and hygiene of the farm;
- Feed, vaccination and pest control program; and
- Waste management.

ii. Incident Handling Management

Assessed the controls pertaining to the following:

- Incident response and monitoring process;
- Escalation and reporting process; and
- Recovery strategy and requirement.

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

b) Internal Control (cont'd)

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

iii. Procurement Management

Reviewed the internal control procedures pertaining to the following:

- Procurement processing and approval;
- Sourcing and price comparison;
- Monitoring of outsourcing order;
- Vendor qualification, selection and evaluation; and
- Maintenance of Vendor Master Files.

iv. Sales Management

Reviewed the internal control procedures pertaining to the following:

- Sales pricing and control;
- Sales forecasting and planning;
- Sales ordering and delivery; and
- Monitoring, reporting and recording of sales and sales return.

v. Financial Reporting

Reviewed the internal control procedures pertaining to the following:

- Financial closing and recording procedures, including credit control and doubtful debt provision, provision for advertising and promotion and rebates, impairment assessments for investment/ deferred tax assets, as well as fixed asset register financial accounting vs tax accounting;
- Variance analysis between YTD December Accounts vs Final Audited Accounts;
- Accounts reconciliation; and
- Budget preparation.

vi. Recurrent Related Party Transactions ("RRPT")

Assessed and reviewed the internal control procedures pertaining to the following:

- Accuracy and completeness of recording of RRPT;
- Related party and intercompany reconciliation;
- Reasonableness of transactions (arm's length); and
- RRPT reporting, disclosure and mandate.

The total cost incurred for the IA function in respect of the FYE 31 December 2020 amounted to RM58,000. The scope and scale of IA work carried out during the year were hindered by Movement Control Orders ("MCO"), overseas travel restrictions and quarantine requirements imposed by the authorities. The ARC has since taken the necessary actions to address these issues for the planned IA work to be completed accordingly.

Statement on Risk Management and Internal Control (cont'd)

CONCLUSION

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

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

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed the Statement on Risk Management and Internal Control in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") (previously RPG 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the FYE 31 December 2020.

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

This statement is issued in accordance with a resolution of the Board dated 20 May 2021.

Audit and Risk Committee Report

The Board of Directors ("Board") is pleased to present the following Audit and Risk Committee ("ARC") Report and its summary of work for the financial year ended ("FYE") 31 December 2020 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

COMPOSITION

The ARC comprises three (3) members, all of whom are Independent Non-Executive Directors.

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

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

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

TERMS OF REFERENCE

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

MEETINGS

The ARC met four times during the FYE 31 December 2020. The details of their attendance are as follows:

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

Apart from the meetings as mentioned above, the ARC also met up with the Management to have an in-depth discussion on financial results, operational issues, internal control, governance and audit-related matters.

Audit and Risk Committee Report (cont'd)

SUMMARY OF WORKS OF THE ARC

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

1. Financial Reporting and Compliance

- Reviewed the Group's quarterly results and year-end financial statements, and made recommendations to the Board for approval of the same, as detailed below:

Date of Meeting	Quarterly Results / Financial Statements Reviewed
17 February 2020	Unaudited fourth quarter results for the period ended 31 December 2019
18 May 2020	Unaudited first quarter results for the period ended 31 March 2020 and the Audited Financial Statements of the Company and the Group for the FYE 31 December 2019
24 August 2020	Unaudited second quarter results for the period ended 30 June 2020
23 November 2020	Unaudited third quarter results for the period ended 30 September 2020

The review of the unaudited quarterly financial results is to ensure the disclosures are in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and applicable disclosure provisions in the Listing Requirements. The ARC had also reviewed the Audited Financial Statements of the Company and the Group for the FYE 31 December 2019 to ensure it presented a true and fair view of the financial position and performance for the year and ensure that it complied with all disclosures and regulatory requirements and recommended the Audited Financial Statements to the Board for approval. The Group Chief Financial Officer was present during the meetings to present and explain the financial performance of the Group to the members of ARC.

2. Internal Audit

The Group's internal audit and risk management services for the FYE 31 December 2020 are outsourced to an independent professional firm, Deloitte Risk Advisory Sdn Bhd ("Internal Auditors"). The Internal Auditors conducted the audit work as per the Audit Plan approved by the ARC. The ARC received and reviewed the internal audit findings and reports from the Internal Auditors on a quarterly basis except for second and third quarter meetings during the year due to the movement control restriction imposed by the government to contain the spread of Covid-19.

The ARC had on 17 February 2020 reviewed the adequacy of the scope, competency and resources of the internal audit function and was satisfied with the Internal Auditors' performance.

The ARC had one private session with the Internal Auditors during the financial year i.e. on 17 February 2020 without the presence of the Management to discuss audit related matters.

Please refer to the Statement on Risk Management and Internal Control in this Annual Report for the summary of works of the internal audit function during the FYE 31 December 2020.

SUMMARY OF WORKS OF THE ARC (CONT'D)

3. External Audit

The shareholders had at the 6th AGM held on 26 June 2020 approved the re-appointment of PricewaterhouseCoopers PLT as the External Auditors of the Company for the ensuing year.

At the ARC meeting held on 24 August 2020, the ARC reviewed, discussed and approved the Audit Plan of the Group which includes the scope of work of the External Auditors for the FYE December 2020 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 had also reviewed the fees of the External Auditors.

The ARC met with the External Auditors without the presence of the Management on 17 February 2020 and 18 May 2020 to discuss key issues within their responsibilities and to ensure there were no restrictions on their scope of audit. 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 2019 including financial reporting issues, significant judgements made by the Management and potential key audit matters identified for the Group.

The ARC is responsible to monitor the performance, objectivity and independence of the External Auditors. The ARC had on 17 February 2020 reviewed and assessed the External Auditors' competency and independence for the FYE 31 December 2019 and was satisfied with the External Auditors' performance.

4. Related Party Transactions

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

The ARC reviewed the processes and procedures in the Related Party Transactions Policies & Procedures to ensure that related parties are appropriately identified and the RPTs and RRPTs are appropriately reviewed, approved and reported. The said policy was last reviewed by the ARC on 23 August 2019.

The ARC had reviewed the proposed significant RPT and challenged the management proposal to ensure there were strong business reasons for such RPTs to protect the interests of minority shareholders.

5. Others

(a) The ARC had reviewed the proposed interim single tier dividend for the FYE 31 December 2020, taking into consideration the cash flow requirements before recommending to the Board for approval.

(b) The ARC had reviewed the non-audit services and fees incurred as of 31 December 2019.

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

(d) The ARC had reviewed the Circular to Shareholders in respect of the Recurrent Related Party Transactions of the Group to the Board for approval prior to recommending to the shareholders' for approval.

Directors' Responsibility Statement

For the Annual Audited Financial Statements

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

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

In preparing the financial statements for the FYE 31 December 2020, the Directors have:

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

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

FINANCIAL STATEMENTS

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

The principal activities of the subsidiaries are disclosed in Note 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	117,523	16,586
Profit attributable to:		
Owners of the Company	113,145	16,586
Non-controlling interests	4,378	–
	117,523	16,586

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

	RM'000
In respect of financial year ended 31 December 2020:	
Interim single tier dividend of 0.55 sen per ordinary share	
declared on 25 August 2020 and paid on 30 September 2020	20,075

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2020.

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 1.1.2020**	**Granted and accepted**	**(Exercised)**	**(Lapsed)**	**As at 31.12.2020**
14 May 2019	RM1.10	34,898	–	–	(489)	34,409

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.

Directors' Report (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits as disclosed in Note 40 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the Options granted to Directors of the Company pursuant to the Company's ESOS. (see Note 29 to the financial statements).

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 1.1.2020	**Acquired**	**Disposed**	**At 31.12.2020**
The Company				
Direct interests:				
Dato' Lau Eng Guang	59,347	900	–	60,247
Datuk Lau Joo Hong	27,670	–	–	27,670
Lau Joo Han	76,837	9,161	–	85,998
Datin Paduka Rashidah Binti Ramli	500	–	–	500
Chu Nyet Kim	500	100	–	600
Goh Wen Ling	500	100	–	600
Mahani Binti Amat	500	–	–	500
Low Han Kee	500	–	–	500
Tay Tong Poh	500	–	–	500
Indirect interests: [(a)]				
Lau Chia Nguang [1]	58,633	–	–	58,633
Dato' Lau Eng Guang [(b)]	–	3,439	–	3,439
Tan Sri Lau Tuang Nguang [2]	62,722	–	–	62,722
Datuk Lau Joo Hong [3]	1,927,202	–	–	1,927,202
Lau Joo Han [4]	1,927,202	–	–	1,927,202
Lau Joo Keat [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, Dato' Lau Eng Guang has deemed interest in the Company by virtue of his children, Lau Joo Yong and Lau Joo Kien Brian. Low Han Kee has deemed interest in the Company by virtue of his spouse, Ooi Sze Lay.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Number of ordinary shares			
	At 1.1.2020	Acquired	Disposed	At 31.12.2020
Ultimate holding company, Emerging Glory Sdn. Bhd.				
Direct interests:				
Lau Chia Nguang	14,999	–	–	14,999
Dato' Lau Eng Guang	14,999	–	–	14,999
Tan Sri Lau Tuang Nguang	14,999	–	–	14,999
Lau Joo Han	20,002	–	–	20,002
Indirect interests:				
Datuk Lau Joo Hong [1]	20,002	–	–	20,002
Lau Joo Keat [2]	14,999	–	–	14,999

Notes:

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

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

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

	Number of options over ordinary shares ('000)				
	At 1.1.2020	Granted and accepted	(Exercised)	(Lapsed)	At 31.12.2020
The Company					
Direct interests:					
Lau Chia Nguang	1,530	–	–	–	1,530
Dato' Lau Eng Guang	1,530	–	–	–	1,530
Tan Sri Lau Tuang Nguang	1,530	–	–	–	1,530
Datuk Lau Joo Hong	1,350	–	–	–	1,350
Lau Joo Han	1,275	–	–	–	1,275
Lau Joo Keat	1,275	–	–	–	1,275

Directors' Report (cont'd)

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

(c) At the date of this report:

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

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

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

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

(f) In the opinion of the Directors:

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

(ii) 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.

LIST OF DIRECTORS OF SUBSIDIARIES

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

Lau Chia Nguang
Dato' Lau Eng Guang
Lau Hai Nguan (Resigned on 21 January 2021)
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
Choong Keen Shian
Choo Joo Thong
Chua Soon Huat
Chua Teck Choh
Chua Teck Lee
Dato' Dr. Ma'amor bin Osman
Dato' Mohamed Salleh bin Ahmad
Dato' Koh Low @ Koh Kim Toon
Dato' Seri Abdul Azim Bin Mohamad Zabidi
David Morella Jorba
Dr. Aidawani binti Abd Latif
Mark Kevin S. Bibbigan
Na Eluen
Na Hap Cheng
Na Yok Chee
Nam Hiok Joo
Nam Hiok Yong
Dr. Jayasankar A/L T. Sankaran (Retired on 25 January 2021)
Dr. Masri bin Sehap
Dr. Norwati Akma binti Abd Samad
Er Teck Hwa
Frederick Ng Yong Chiang
Goh Kar Meng
Goh Kok Tin
Goh Sze Ling
Hao Tet Choy
Koh Bock Swi
Koh Kim Chui
Low Choon Seng
Law Kim Kow
Lee Chai Soon
Lee Choon Seng
Lee Lai Hock
Lee Zhiwei
Liew Keng Teck
Lim Hock Mow
Lim Meng Bin
Lim Yong Poh
Loh Wee Ching
Loke Poh Lam
Low Eng Guan
Low Kim Seng
Low Chiew Boey
Lt. Kol. (B) Kudri bin Haji Siraj
Loi Jin Choo
Tan Joo Hock
Tan Lai Kai
Tan Koon Seng
Tan Shiah Siah
Tan Soon Teck
Tang Ung Lee

Directors' Report
(cont'd)

LIST OF DIRECTORS OF SUBSIDIARIES (CONTINUED)

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 (continued):

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
Soh Heng Tean (Resigned on 15 December 2020)
Sim Kim Hwa
Tan Bet Beng
Tan Chin Heng (Resigned on 21 January 2021)
Tay Kong Howe
Teo Soon Heng
Tuan Haji Ahmad Bin Haji Rahman
Wong Chee Seng
Wong Hwa Yao
Wong Sui Teck
Wang Tiam Soo
Wong Wai Meng
Yongkie Handaya
Yip Ah Chean
Yeoh Jia Xing
Zarina Binti Abdul Kadir

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

AUDITORS' REMUNERATION

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

AUDITORS

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

This report was approved by the Board of Directors on 9 April 2021.

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 96 to 213 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 2020 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2020 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 9 April 2021.

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 96 to 213 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW ENG LOKE
(MIA No. 24215)

Subscribed and solemnly declared by the abovenamed

At: Kuala Lumpur

On: 9 April 2021

Before me:

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the members of Leong Hup International Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Leong Hup International Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, 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 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 96 to 213.

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.

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

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
The biological assets of the Group comprise breeders, layers, broilers and hatching eggs. In determining the fair value of the biological assets, the Group uses the discounted cash flow model and significant judgement is involved in determining the key assumptions which will impact the amount of fair value of biological assets recognised. We focused on this area because there are key judgements involved in determining the following key assumptions: • expected number of day-old-chick produced by each breeder • expected table eggs produced by each layer • expected hatchability of the hatching eggs • expected salvage value of breeders and layers • expected selling price of day-old-chick, table eggs and broilers • mortality rate of livestock • feed consumption rate and feed costs • other estimated costs to be incurred for the remaining life of the biological assets, and at the point of sales • discount rates The accounting policy for biological assets has been disclosed in Note 2.27 to the financial statements. The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 17 to the financial statements.	We evaluated the appropriateness of the methodology and key assumptions used by management in valuation of the biological assets. We have checked the mathematical accuracy of the valuation model prepared by management. We involved our valuation experts to check the discount rate used in computing the discounted cash flow of the biological assets to arrive at the fair value. We have corroborated the expected production of day-old chick, table eggs and feed consumption rate to the historical data provided to us by management as well as the manufacturer's guidebook of the particular breed of poultry. In respect of the projected selling prices and feed costs, we performed back-testing by comparing the projected prices against historical prices and checked the reasonableness of the adjustments made for abnormal market movements. We have test checked the mortality rate assumption against historical actual mortality rate. 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. Based on the above procedures performed, we found that management's judgement and assumptions used are supported by available evidences.

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

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and content in the 2020 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.

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

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.

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

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

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

HERBERT CHUA GUAN HENG
03483/01/2022 J
Chartered Accountant

Kuala Lumpur
9 April 2021

Statements of Comprehensive Income

For the financial year ended 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	4	6,040,664	6,054,756	24,400	66,138
Other income		59,800	34,861	346	2,128
Changes in fair value of biological assets		(11,910)	26,492	–	–
Changes in closing inventories		53,869	99,714	–	–
Purchases of inventories and livestock		(4,270,241)	(4,286,927)	–	–
Employee benefit costs including Directors' remuneration	5	(602,065)	(581,824)	(1,958)	(2,422)
Depreciation of:					
Property, plant and equipment	10	(229,980)	(204,301)	(143)	(127)
Investment properties	11	(253)	(254)	–	–
Right-of-use assets	12	(29,125)	(20,961)	–	–
Utilities costs		(171,799)	(158,258)	–	–
Repair and maintenance		(80,602)	(81,864)	–	–
Transportation expenses		(131,507)	(124,363)	–	–
Other expenses		(344,229)	(332,065)	(5,043)	(7,519)
Profit from operations	6	282,622	425,006	17,602	58,198
Finance costs	7	(125,871)	(136,640)	(870)	(2,855)
Share of profit of associates	15	375	384	–	–
Profit before tax		157,126	288,750	16,732	55,343
Tax expense	8	(39,603)	(75,763)	(146)	(451)
Net profit for the financial year		117,523	212,987	16,586	54,892
Other comprehensive (loss)/ income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(23,536)	9,000	–	–
		(23,536)	9,000	–	–

Statements of Comprehensive Income (cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Items that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation	32	(2,843)	9,371	–	–
Income tax relating to remeasurement of post-employment benefit obligation	8	575	(2,058)	–	–
		(2,268)	7,313	–	–
Other comprehensive (loss)/ income for the financial year		(25,804)	16,313	–	–
Total comprehensive income for the financial year		91,719	229,300	16,586	54,892
Profit for the financial year attributable to:					
Owners of the Company		113,145	150,579	16,586	54,892
Non-controlling interests		4,378	62,408	–	–
		117,523	212,987	16,586	54,892
Total comprehensive income attributable to:					
Owners of the Company		92,212	147,920	16,586	54,892
Non-controlling interests		(493)	81,380	–	–
		91,719	229,300	16,586	54,892
Earnings per share attributable to the owners of the Company (sen):					
- basic and diluted	9	3.10	4.23		

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

Statements of Financial Position

As at 31 December 2020

	Note	Group		Company	
		2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	2,656,481	2,396,471	308	451
Investment properties	11	21,797	22,050	–	–
Right-of-use assets	12	373,863	307,424	–	–
Intangible assets	13	95,321	97,470	–	–
Investment in subsidiaries	14	–	–	1,555,423	1,429,907
Investment in associates	15	1,581	1,567	–	–
Trade receivables	19	1,118	1,693	–	–
Amount due from an associate	23	16,196	15,368	–	–
Deferred tax assets	16	62,047	62,265	–	–
Total non-current assets		3,228,404	2,904,308	1,555,731	1,430,358
CURRENT ASSETS					
Biological assets	17	364,634	378,392	–	–
Inventories	18	721,869	679,600	–	–
Trade receivables	19	489,582	499,298	–	–
Other receivables, deposits and prepaid expenses	20	110,920	169,030	348	915
Amounts due from fellow subsidiaries	21	–	796	–	–
Amounts due from subsidiaries	22	–	–	1,345	93,958
Tax recoverable		21,625	12,885	241	–
Cash and bank balances	25	757,769	764,829	4,681	36,733
Total current assets		2,466,399	2,504,830	6,615	131,606
TOTAL ASSETS		5,694,803	5,409,138	1,562,346	1,561,964

Statements of Financial Position (cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	26	1,499,684	1,499,684	1,499,684	1,499,684
Merger reserve	27	(662,466)	(658,787)	–	–
Reserves	28	876,223	800,312	43,033	42,799
Equity attributable to owners of the Company		1,713,441	1,641,209	1,542,717	1,542,483
Non-controlling interests		535,122	539,314	–	–
Total equity		2,248,563	2,180,523	1,542,717	1,542,483
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	92,076	107,519	–	–
Lease liabilities	30	137,276	104,565	–	–
Bank borrowings	31	874,478	873,087	–	–
Post-employment benefits obligation	32	45,689	36,865	–	–
Derivative financial liabilities	24	467	611	–	–
Deferred income - government grants	33	1,907	2,544	–	–
Provision for asset retirement obligation	34	2,575	–	–	–
Total non-current liabilities		1,154,468	1,125,191	–	–
CURRENT LIABILITIES					
Trade payables	35	229,394	273,097	–	–
Other payables and accrued expenses	36	260,386	287,092	1,662	2,622
Amounts due to subsidiaries	37	–	–	17,967	16,741
Amounts due to fellow subsidiaries	38	–	862	–	–
Lease liabilities	30	18,894	13,959	–	–
Bank borrowings	31	1,764,835	1,508,733	–	–
Derivative financial liabilities	24	1,982	1,332	–	–
Deferred income - government grants	33	318	–	–	–
Tax payable		15,778	18,349	–	118
Provision for asset retirement obligation	34	148	–	–	–
Dividend payable		37	–	–	–
Total current liabilities		2,291,772	2,103,424	19,629	19,481
TOTAL LIABILITIES		3,446,240	3,228,615	19,629	19,481
TOTAL EQUITY AND LIABILITIES		5,694,803	5,409,138	1,562,346	1,561,964

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

Statements of Changes In Equity

For the financial year ended 31 December 2020

	Note	Share capital RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	ESOS reserve RM'000	Retained earnings RM'000	Total attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 January 2019		1,230,132	(658,787)	7,186	–	723,310	1,301,841	463,587	1,765,428
Comprehensive income:									
Net profit for the financial year		–	–	–	–	150,579	150,579	62,408	212,987
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		–	–	–	–	7,281	7,281	32	7,313
Exchange translation differences		–	–	(9,940)	–	–	(9,940)	18,940	9,000
Total other comprehensive income		–	–	(9,940)	–	7,281	(2,659)	18,972	16,313
Total comprehensive income		–	–	(9,940)	–	157,860	147,920	81,380	229,300
Transactions with owners:									
Dividends paid	39	–	–	–	–	(58,400)	(58,400)	(26,078)	(84,478)
Issuance of ordinary shares	26	275,000	–	–	–	–	275,000	–	275,000
Share issue cost	26	(5,448)	–	–	–	–	(5,448)	–	(5,448)
ESOS expenses	5	–	–	–	6,503	–	6,503	–	6,503
Share options lapsed		–	–	–	(17)	17	–	–	–
Changes in equity interest in subsidiaries		–	–	–	–	(26,207)	(26,207)	20,425	(5,782)
		269,552	–	–	6,486	(84,590)	191,448	(5,653)	185,795
At 31 December 2019		1,499,684	(658,787)	(2,754)	6,486	796,580	1,641,209	539,314	2,180,523

Statements of Changes In Equity (cont'd)

	Note	Share capital RM'000	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 2020		1,499,684	(658,787)	(2,754)	6,486	796,580	1,641,209	539,314	2,180,523
Comprehensive income:									
Net profit for the financial year		–	–	–	–	113,145	113,145	4,378	117,523
Other comprehensive income:									
Remeasurement of post-employment benefit obligation		–	–	–	–	(3,236)	(3,236)	968	(2,268)
Exchange translation differences		–	–	(17,697)	–	–	(17,697)	(5,839)	(23,536)
Total other comprehensive income		–	–	(17,697)	–	(3,236)	(20,933)	(4,871)	(25,804)
Total comprehensive income		–	–	(17,697)	–	109,909	92,212	(493)	91,719
Transactions with owners:									
Dividends paid	39	–	–	–	–	(20,075)	(20,075)	(3,708)	(23,783)
ESOS expenses	5	–	–	3	3,723	48	3,774	–	3,774
Share options lapsed		–	–	–	(121)	121	–	–	–
Acquisition of a subsidiary	14	–	(3,679)	–	–	–	(3,679)	9	(3,670)
		–	(3,679)	3	3,602	(19,906)	(19,980)	(3,699)	(23,679)
At 31 December 2020		1,499,684	(662,466)	(20,448)	10,088	886,583	1,713,441	535,122	2,248,563

Statements of Changes in Equity (cont'd)

	Note	Share capital RM'000	ESOS reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2019		1,230,132	–	39,804	1,269,936
Comprehensive income:					
Net profit for the financial year		–	–	54,892	54,892
Transactions with owners:					
Dividends paid	39	–	–	(58,400)	(58,400)
Issuance of ordinary shares	26	275,000	–	–	275,000
Share issue cost	26	(5,448)	–	–	(5,448)
ESOS expenses	5	–	6,503	–	6,503
Share options lapsed		–	(17)	17	–
At 31 December 2019		1,499,684	6,486	36,313	1,542,483
At 1 January 2020		1,499,684	6,486	36,313	1,542,483
Comprehensive income:					
Net profit for the financial year		–	–	16,586	16,586
Transactions with owners:					
Dividends paid	39	–	–	(20,075)	(20,075)
ESOS expenses	5	–	3,723	–	3,723
Share options lapsed		–	(121)	121	–
At 31 December 2020		1,499,684	10,088	32,945	1,542,717

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

Statements of Cash Flows

For the financial year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		157,126	288,750	16,732	55,343
Adjustments for:					
Expense recognised in respect of defined benefit plan	32	8,234	10,520	–	–
Depreciation of:-					
property, plant and equipment	10	229,980	204,301	143	127
investment properties	11	253	254	–	–
right-of-use assets	12	29,125	20,961	–	–
Write-off of:					
property, plant and equipment	10	1,515	3,168	–	–
right-of-use assets	12	720	–	–	–
Loss on termination of leases	6	108	–	–	–
Gain on disposal of property, plant and equipment		(3,875)	(1,597)	–	–
Loss on disposal of right-of-use assets		–	292	–	–
Unrealised loss on foreign exchange		2,852	494	100	75
Fair value loss on derivative financial instruments		558	704	–	–
Share of profit of associates	15	(375)	(384)	–	–
Bad debts written off		387	419	–	–
Provision for/(reversal of) impairment loss on:					
property, plant and equipment	10	516	–	–	–
trade receivables	19	12,413	17,232	–	–
other receivables	20	(629)	(634)	–	–
intangible asset	13	2,123	–	–	–
ESOS expenses		3,774	6,503	911	1,578
Reversal of provision of claims	36	(7,017)	–	–	–
Dividend income		–	–	(24,400)	(66,138)
Interest income		(16,157)	(12,866)	(446)	(2,246)
Finance costs	7	125,871	136,640	870	2,855
		547,502	674,757	(6,090)	(8,406)

Statements of Cash Flows (cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)					
Changes in working capital:					
Biological assets		11,910	(26,492)	–	–
Inventories		(53,869)	(99,714)	–	–
Receivables		51,979	141,167	567	(6)
Payables		(86,422)	35,480	(849)	(9,485)
Cash generated from operations		471,100	725,198	(6,372)	(17,897)
Tax (paid)/refunded		(55,272)	(57,025)	(505)	264
Net cash flow from operating activities		415,828	668,173	(6,877)	(17,633)
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayment from:-					
ultimate holding company		–	21,435	–	–
Advances to:-					
subsidiaries		–	–	–	(90,000)
Advances to an associate		(828)	(15,368)	–	–
Proceeds from disposal of:-					
property, plant and equipment		6,512	3,880	–	–
right-of-use assets		175	–	–	–
Dividend income received from:-					
an associate	15	359	540	–	–
subsidiaries		–	–	24,400	66,138
Interest income received		16,157	12,866	446	2,246
Additions of:					
property, plant and equipment	10	(474,258)	(387,162)	–	(578)
right-of-use assets	12	(39,623)	(17,515)	–	–
Subscription to subsidiaries ordinary shares	14	–	–	(30,000)	(47,033)
Acquisition of a subsidiary	14	(19,773)	(1,338)	–	–
Disposal of shares of subsidiary	14	–	2,187	–	–
Decrease/(Increase) in fixed deposits pledged		4,074	(6,694)	–	–
Withdrawal/(Placement) of fixed deposit	25	16,700	(16,700)	–	–
Net cash flow from investing activities		(490,505)	(403,869)	(5,154)	(69,227)

Statements of Cash Flows (cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in equity interest in subsidiaries	14	–	(7,969)	–	–
Finance costs paid		(124,537)	(133,941)	–	–
Issue of share capital		–	269,552	–	269,552
Dividends paid to:-					
shareholders		(20,075)	(58,400)	(20,075)	(58,400)
non-controlling interests		(3,671)	(26,078)	–	–
Repayment of hire purchase liabilities		(20,390)	(24,144)	–	–
Payments for the principal portion of lease liabilities		(19,350)	(11,480)	–	–
Drawdown of term loans		157,560	172,649	–	–
Issuance of Sukuk Mudharabah		100,000	–	–	–
Repayment of term loans		(342,228)	(291,137)	–	–
Net drawdown of short term borrowings		345,779	111,255	–	–
Advance from a subsidiary		–	–	2,000	14,300
Repayment to a subsidiary		–	–	(1,846)	(104,310)
Proceeds from issuance of shares by subsidiary to non-controlling interest		9	–	–	–
Net cash flow from financing activities		73,097	307	(19,921)	121,142
Net changes in cash and cash equivalents		(1,580)	264,611	(31,952)	34,282
Effect of exchange translation differences		(6,825)	(765)	(100)	(75)
Cash and cash equivalents at beginning of the financial year		654,232	390,386	36,733	2,526
Cash and cash equivalents at end of the financial year	25	645,827	654,232	4,681	36,733

Statements of Cash Flows (cont'd)

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 2020	1,169,206	1,100,728	118,524	39,084	2,427,542
Net cash flow	(84,668)	345,779	(19,350)	(20,390)	221,371
Finance costs paid	(54,028)	(62,622)	(5,925)	(1,962)	(124,537)
	(138,696)	283,157	(25,275)	(22,352)	96,834
Non-cash transaction:					
Finance costs	53,464	62,495	5,925	1,962	123,846
Interest accretion	564	297	–	–	861
Addition	5,434	–	54,519	11,742	71,695
Termination	–	–	(1,150)	–	(1,150)
Foreign exchange translation	(10,190)	(18,857)	(296)	3	(29,340)
Acquisition of a subsidiary	2,716	841	3,923	2,794	10,274
At 31 December 2020	1,082,498	1,428,661	156,170	33,233	2,700,562
At 1 January 2019	1,277,022	989,666	91,577	50,180	2,408,445
Net cash flow	(118,488)	111,255	(11,480)	(24,144)	(42,857)
Finance costs paid	(75,709)	(51,236)	(4,507)	(2,489)	(133,941)
	(194,197)	60,019	(15,987)	(26,633)	(176,798)
Non-cash transaction:					
Finance costs	75,775	50,912	4,507	2,489	133,683
Interest accretion	(66)	324	–	–	258
Additions	–	–	38,232	13,016	51,248
Foreign exchange translation	10,672	(193)	195	5	10,679
Acquisition of a subsidiary	–	–	–	27	27
At 31 December 2019	1,169,206	1,100,728	118,524	39,084	2,427,542

Statements of Cash Flows (cont'd)

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

	Amounts due to subsidiaries	
	2020 RM'000	**2019 RM'000**
Company		
At 1 January	16,631	103,786
Net cash flow	154	(90,010)
Non-cash transaction:		
Finance costs	870	2,855
At 31 December	17,655	16,631

* Short-term borrowings exclude bank overdrafts.

Certain non-cash transactions are disclosed in Note 14 to the financial statements.

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

Notes to the Financial Statements
- 31 December 2020

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 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, 139 and 7 'Interest Rate Benchmark Reform'
- Amendments to MFRS 4 "Extension of the Temporary Exemption from Applying MFRS 9"

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.

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 2020. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

New standards and amendments effective from 1 June 2020:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions'

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

- Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

New standards and amendments effective from financial year beginning 1 January 2022:

- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 'Proceeds before intended use'
- Annual Improvements to MFRSs 2018 – 2020 Cycle
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'

New standards and amendments effective from financial year beginning 1 January 2023:

- Amendments to MFRS 101 'Classification of liabilities as current or non-current'
- MFRS 17 'Insurance Contracts' and its amendments

2.4 Basis of consolidation

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

(a) Subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

Business combinations under acquisition method

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

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

Acquisition-related costs are expensed as incurred.

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

Transactions between Group companies

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

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

Non-controlling interests

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

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

Loss of control

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

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(b) Associates

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

(b) Associates (cont'd)

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

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

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

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

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

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

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

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

2.5 Goodwill

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Goodwill (cont'd)

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

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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').

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. 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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

(c) Measurement (cont'd)

Debt instruments (cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

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

Impairment for debt instruments and financial guarantee contracts (cont'd)

The measurement of ECL reflects:

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

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

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

The following indicators are incorporated:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

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

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

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

(ii) Individual assessment

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

Write-off

(i) Trade receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

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

Write-off (cont'd)

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

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

2.10 Offsetting financial instruments

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

2.11 Derivative and hedging activities

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

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

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

2.12 Financial guarantee contracts

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases

(a) 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.

<u>Lease term</u>

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.

<u>ROU assets</u>

ROU assets are initially measured at cost comprising the following:

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases (cont'd)

(a) Accounting by lessee (cont'd)

Lease liabilities

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

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases (cont'd)

(b) Accounting by lessor

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

2.14 Trade and other receivables

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

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

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

2.15 Inventories

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

2.16 Cash and cash equivalents

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Share capital

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

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

(d) Purchase of own shares

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

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

(e) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Trade payables

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

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

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

2.19 Borrowings and borrowing costs

(i) Borrowings

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

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

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

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

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

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

(ii) Borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Current and deferred income tax

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits

(a) Short term employee benefits

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

(b) Post-employment pension benefits

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

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

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits (cont'd)

(b) Post-employment pension benefits (cont'd)

(ii) Defined benefit plans (cont'd)

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

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

2.22 Share-based payments - Employee options

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Share-based payments - Employee options (cont'd)

Modification and Cancellation

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

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

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

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

2.23 Provisions

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

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

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

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

Provision for asset retirement obligations

The Group recognises a provision for asset retirement obligation associated with the obligations to restore the rented premises to its required state subsequent to the termination or non-renewal of the tenancy agreements upon expiry. In determining the amount of the provision, assumptions and estimates are made in relation to a discount rate and estimated costs of asset dismantlement, removal or restoration of the premises arising from the use of such premises. Changes to any of the assumptions used in determining the provision for asset retirement obligation may result in recognition/reversal of the provision.

The carrying amount of provision for asset retirement obligation at the reporting date is presented in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Contingent assets and liabilities

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

2.25 Revenue recognition

(i) Revenue from contracts with customers

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

The Group's revenue is derived mainly from sales of chicken and other poultry related products, such as poultry feed and processed food.

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

Revenue from sales of chicken and other poultry related products are recognised net of discount and applicable tax at the point in time when control of the goods has transferred to customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to locations specified by the customer and acceptance of the goods by the customer; or upon delivery of the chicken on board for onward delivery to the customer.

<u>Sales of poultry feed</u>

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Revenue recognition (cont'd)

(i) Revenue from contracts with customers (cont'd)

Sales of food and beverages

The Group operates a number of food beverages retail outlets. Revenue from the sale of food and beverages is recognised upon payments by the customers in the form of cash, credit card or e-wallet, net of discount, rebates and applicable tax.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:

- Lease income is recognised on the straight-line basis over the lease terms. (Note 2.13(b))
- Interest income is recognised using the effective interest method.
- Dividend income is recognised when the Group's right to receive payment is established.

2.26 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Foreign currencies (cont'd)

(iii) Group companies

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

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

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.27 Biological assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Biological assets (cont'd)

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

Breeders

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

Commercial layers

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

Broilers

Live broilers are measured at fair value less costs to sell based on discounted cash flows model, taking into consideration the expected selling price of broilers, mortality rate, consumption rate, feed costs and other estimated farm costs that will be incurred until the point of sale, as well as transportation costs at the point of sale. The assessment of the fair value is based on internally available data, which includes saleable weight and expected selling price of live birds, costs incurred and mortality rates.

Certain live broilers are transferred to the processing plant at fair value less estimated point-of-sale costs. These broilers are then further processed when slaughtered. Once slaughtered, the biological assets are transferred to finished goods.

Hatching eggs

The fair value of hatching eggs is determined using a discounted cash flow model based on internal hatchability ratio, the projected selling price of the day-old-chick, estimated hatchery cost to be incurred for hatching the eggs into day-old chick, contributory asset charges for the hatcheries owned by the Group.

2.28 Land use rights

Land use rights are presented as 'right-of-use assets' in the statements of financial position. See Note 2.13(a) on the accounting policy for right-of-use assets.

Land use rights are amortised over the land use rights periods ranging from 9 to 60 years.

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The Board of Directors has appointed a Management Team which assesses the financial performance and position of the Group, and makes strategic decisions. The Management Team, which has been identified as being the chief operating decision maker, comprise the Group's chief executive officer, chief executive officer of the respective countries and the Group's chief financial officer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

Government grants relating to the purchase of assets are presented as deferred government grants within non-current liabilities and credited to profit or loss on a straight-line basis over the useful life of the related assets.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Biological assets

The fair value of livestock biological assets is determined using a discounted cash flow model.

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

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

Changes to any of the above assumptions would affect the fair value of the biological assets.

The Group recorded a fair value for its biological assets of RM364,634,000 as at 31 December 2020 (2019: RM378,392,000). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 17 to the financial statements.

(ii) Impairment assessment of goodwill

Impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual result may vary, and may cause significant adjustments to the Group's assets within the next financial year.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 13 to the financial statements.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(iii) Post-employment benefit obligation

The determination of the Group post-employment benefit obligation and employee benefits expense is dependent on its selection of certain assumptions used by independent actuary in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate.

Actual results that differ from the Group assumptions are treated in accordance with the policies as mentioned in Note 2.21 to the financial statements. While the Group actual experience or significant changes in the Group assumptions may materially affect its estimated liability for employee benefits and employee benefits expense. The carrying amount of the Group post-employment benefit obligation is disclosed in Note 32 to the consolidated financial statements.

(iv) Income taxes

The Group is subject to income taxes in numerous jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income taxes.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. The Group also recognised certain tax recoverable for which the Group believes that there is reasonable basis for recognition. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions and tax recoverable balance in the financial year in which such determination is made.

(v) Deferred taxes

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. (See Note 16)

(vi) Provision for asset retirement obligation

The Group recognises a provision for asset retirement obligation associated with the obligations to restore the rented premises to its required state subsequent to the termination or non-renewal of the tenancy agreements upon expiry. In determining the amount of the provision, assumptions and estimates are made in relation to a discount rate and estimated costs of asset dismantlement, removal or restoration of the premises arising from the use of such premises. Changes to any of the assumptions used in determining the provision for asset retirement obligation may result in recognition/reversal of the provision.

The carrying amount of provision for asset retirement obligation at the reporting date is presented in the statement of financial position.

4 REVENUE

The Group derives the following types of revenue:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers:				
- Sales of goods	6,027,321	6,042,731	–	–
Revenue from other sources:				
- Lease income	12,882	11,516	–	–
- Dividend income from subsidiaries	–	–	24,400	66,138
- Others	461	509	–	–
Total revenue	6,040,664	6,054,756	24,400	66,138

Disaggregation of revenue from contracts with customers by product segments:

	Group	
	2020 RM'000	2019 RM'000
Livestock and other poultry related products	3,354,543	3,396,042
Feedmill	2,672,778	2,646,689
	6,027,321	6,042,731

5 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, wages and bonuses	559,012	540,795	1,047	844
Defined contribution plans	30,789	24,006	–	–
Defined benefit plans	8,490	10,520	–	–
ESOS expenses	3,774	6,503	911	1,578
	602,065	581,824	1,958	2,422

(b) The breakdown of the Directors' remuneration of the Group and Company are as disclosed in Note 40 to the financial statements.

Notes to the Financial Statements (cont'd)

6 PROFIT FROM OPERATIONS

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration:				
Statutory audit				
- PricewaterhouseCoopers PLT	1,291	1,379	190	180
- Member firms of PricewaterhouseCoopers International Limited	1,833	1,665	–	–
- Others	191	82	–	–
Other services				
- PricewaterhouseCoopers PLT	55	1,925	–	1,870
- Member firms of PricewaterhouseCoopers International Limited	312	952	–	788
Foreign exchange (gains)/losses:				
- realised	(61)	5,208	–	44
- unrealised	2,852	494	100	75
Fair value loss on derivative financial instruments	558	704	–	–
Rental expense*	13,221	7,958	–	–
Write-off of:				
- property, plant and equipment	1,515	3,168	–	–
- right-of-use assets	720	–	–	–
Loss on termination of leases	108	–	–	–
Provision for/(reversal of) impairment loss on:				
- property, plant and equipment	516	–	–	–
- intangible assets	2,123	–	–	–
- trade receivables	12,413	17,232	–	–
- other receivables	(629)	(634)	–	–
Expense recognised in respect of defined benefit plan	8,234	10,520	–	–
Farmers' incentive	74,948	51,610	–	–
Packing materials	24,999	23,523	–	–
Travelling expenses	12,000	12,848	–	–
Promotional and marketing expenses	10,317	9,852	–	–
Interest income	(16,157)	(12,866)	(446)	(2,246)
Rental income	(2,075)	(2,707)	–	–
Gain on disposal of:				
- property, plant and equipment	(3,875)	(1,597)	–	–
- right-of-use assets	–	292	–	–
Bad debts written off	387	419	–	–
Bad debts recovered	(32)	(15)	–	–
Initial public offering listing expenses	–	2,655	–	2,655
Government grant	(16,348)	(1,055)	–	–
Reversal of provision for claims	(7,017)	–	–	–

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

7 FINANCE COSTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Interest expense on:				
Bankers' acceptances	14,504	15,260	–	–
Bank overdrafts	1,915	2,402	–	–
Term loans	53,464	75,775	–	–
Hire purchase liabilities	1,962	2,489	–	–
Lease liabilities	5,925	4,507	–	–
Revolving credits	32,718	18,988	–	–
Trust receipts	15,273	16,664	–	–
Loan from a subsidiary	–	–	870	2,855
Others	110	555	–	–
	125,871	136,640	870	2,855

8 TAX EXPENSE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current tax recognised in profit or loss:				
- Malaysian income tax	25,272	28,091	108	481
- Foreign tax	31,136	48,090	–	–
- Under/(over) provision in prior years	454	(1,703)	38	(30)
	56,862	74,478	146	451
Deferred taxation recognised in profit of loss (Note 16):				
- Origination and reversal of temporary differences	(17,259)	1,236	–	–
Real property gain tax	–	49	–	–
Tax expense	39,603	75,763	146	451
Deferred taxation recognised in OCI (Note 16):				
- Remeasurement of post-employment benefit obligation	(575)	2,058	–	–

Notes to the Financial Statements (cont'd)

8 TAX EXPENSE (CONT'D)

A numerical reconciliation of income tax expense to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit before tax	157,126	288,750	16,732	55,343
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	37,710	69,300	4,016	13,282
Tax effects of:				
- expenses not deductible for tax purposes	18,393	15,895	1,948	3,072
- income not subject to tax	(7,040)	(1,069)	(5,856)	(15,873)
- share of result of an associate	(113)	(124)	–	–
- differential in tax rates of foreign subsidiaries	(9,701)	(13,999)	–	–
- utilisation of reinvestment allowance not recognised as tax benefits	(237)	(1,303)	–	–
- utilisation of previously unrecognised tax losses	(203)	(3,897)	–	–
- utilisation of previously unrecognised capital allowances	(240)	–	–	–
- utilisation of special incentive	(9,084)	–	–	–
- deductible temporary differences not recognised in current year	1,596	1,509	–	–
- current year tax losses for which no deferred tax asset is recognised	3,421	4,337	–	–
- reversal of previously recognised tax benefits arising from tax losses	4,647	6,768	–	–
Real Property Gain Tax	–	49	–	–
Under/(over) provision in prior years	454	(1,703)	38	(30)
Tax expense	39,603	75,763	146	451

8 TAX EXPENSE (CONT'D)

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

	Group	
	2020 RM'000	**2019 RM'000**
Unutilised tax losses		
- expiring by year of assessment 2021*	13,375	13,375
- expiring by year of assessment 2022*	15,932	15,932
- expiring by year of assessment 2023*	7,425	7,425
- expiring by year of assessment 2024*	2,280	2,280
- expiring by year of assessment 2025^*	57,314	42,739
- expiring by year of assessment 2026^	10,799	2,360
- expiring by year of assessment 2027^	8,774	–
- no expiry period	767	997
Unabsorbed capital allowances		
- no expiry period	26,250	15,911
Unutilised reinvestment allowance		
- expiring not more than seven years^	17,480	17,312
	160,396	118,331

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

^ Under the Malaysia Finance Act 2018, the unutilised tax losses can be carried forward for 7 consecutive years of assessment. Any accumulated unutilised reinvestment allowance can be carried forward for another 7 consecutive years of assessment from expiry of qualifying period.

9 EARNINGS PER SHARE ("EPS")

Basic EPS of the Group is calculated by dividing the profit attributable to the owners of the Company by the weighted average numbers of ordinary shares in issue during the financial year.

For the dilutive earnings per share calculation, the average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group are the warrants issued by a subsidiary and the exercise of ESOS Options by eligible Directors and employees of the Group.

The following table reflects the income and share data used in the basic EPS computations:

	Group	
	2020 RM'000	**2019 RM'000**
Profit attributable to the owners of the Company	113,145	150,579
Weighted average number of ordinary shares in issue ('000) (i)	3,650,000	158,490
Adjustment for bonus issue ('000) (ii)	–	1,229,177
Adjustment for share split ('000) (ii)	–	2,169,868
Total	3,650,000	3,557,535
Basic and diluted EPS (sen)	3.10	4.23

(i) The weighted average number of ordinary shares in issue for financial year ended 31 December 2019 takes into account the issuance of 250,000,000 new ordinary shares of the Company on 15 May 2019. See Note 26 "Share Capital" for further details.

(ii) As the Company undertook bonus issue and share split exercise on 11 January 2019, the basic and diluted earnings per share have been adjusted to reflect the new number of ordinary shares of 3,400,000,000. Note 26 details the bonus issue and share split which were approved in the Extraordinary General Meeting on 11 January 2019.

<u>Diluted EPS</u>

(a) The outstanding warrants issued by a subsidiary have an antidilutive effect on the basic EPS as the exercise price of the warrants exceeded the average market price of the subsidiary's ordinary shares.

(b) The diluted EPS excluded the effects of potential exercise of ESOS options issued by the Company as the exercise price of the ESOS options exceeded the average share price of the Company during the financial year.

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 2020	295,466	1,208,385	21,518	470,849	79,587	133,092	187,574	2,396,471
Additions	7,796	87,726	1,220	128,355	20,942	59,429	193,151	498,619
Effect on acquisition of a subsidiary (see Note 14)	781	462	–	7,560	679	8,928	–	18,410
Disposals	(830)	(108)	–	(197)	(1,244)	(258)	–	(2,637)
Write-off	–	(641)	(71)	(392)	(282)	12	(141)	(1,515)
Foreign exchange differences	25	(14,296)	–	(5,828)	(630)	(522)	(1,120)	(22,371)
Reclassifications	(1,600)	144,702	1,036	26,542	82	16,284	(187,046)	–
Depreciation charge for the year	–	(75,079)	(995)	(98,472)	(23,161)	(32,273)	–	(229,980)
Impairment charge for the year	–	(470)	–	–	–	–	(46)	(516)
At 31 December 2020	301,638	1,350,681	22,708	528,417	75,973	184,692	192,372	2,656,481
At 31 December 2020:								
Cost	301,638	1,984,940	26,885	1,295,946	229,173	388,098	192,457	4,419,137
Accumulated depreciation	–	(633,670)	(4,172)	(767,529)	(153,200)	(201,941)	–	(1,760,512)
Accumulated impairment loss	–	(589)	(5)	–	–	(1,465)	(85)	(2,144)
Net book value	301,638	1,350,681	22,708	528,417	75,973	184,692	192,372	2,656,481

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 2019	288,085	1,073,692	15,420	416,160	73,940	105,905	222,455	2,195,657
Additions	3,634	50,121	1,342	91,166	28,097	45,280	180,538	400,178
Effect on acquisition of subsidiary	–	–	–	–	40	3	–	43
Disposals	(1,050)	(450)	–	(203)	(457)	(123)	–	(2,283)
Write–off	–	(1,773)	–	(966)	(33)	(239)	(157)	(3,168)
Foreign exchange differences	–	6,838	–	2,502	423	1	581	10,345
Reclassifications	4,797	146,641	5,696	49,532	(6)	9,183	(215,843)	–
Depreciation charge for the year	–	(66,684)	(940)	(87,342)	(22,417)	(26,918)	–	(204,301)
At 31 December 2019	295,466	1,208,385	21,518	470,849	79,587	133,092	187,574	2,396,471
At 31 December 2019:								
Cost	295,466	1,776,655	24,725	1,141,750	219,156	294,937	187,612	3,940,301
Accumulated depreciation	–	(567,317)	(3,202)	(670,901)	(139,569)	(160,380)	–	(1,541,369)
Accumulated impairment loss	–	(953)	(5)	–	–	(1,465)	(38)	(2,461)
Net book value	295,466	1,208,385	21,518	470,849	79,587	133,092	187,574	2,396,471

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Company Furniture, fittings and office equipment RM'000	Total RM'000
Net book value		
At 1 January 2019	–	–
Additions	578	578
Depreciation charge for the year	(127)	(127)
At 31 December 2019/1 January 2020	451	451
Depreciation charge for the year	(143)	(143)
At 31 December 2020	308	308
At 31 December 2020:		
Cost	578	578
Accumulated depreciation	(270)	(270)
Net book value	308	308
At 31 December 2019:		
Cost	578	578
Accumulated depreciation	(127)	(127)
Net book value	451	451

(a) As of 31 December 2020, certain property, plant and equipment of the Group with a net carrying value of RM628,872,000 (2019: RM589,798,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

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

	Group 2020 RM'000	Group 2019 RM'000
Carrying amount		
Plant and machinery	38,282	48,639
Motor vehicles	30,906	31,310
Furnitures, fittings and equipment	4,537	5,088
	73,725	85,037

Notes to the Financial Statements
(cont'd)

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Additions of property, plant and equipment

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

	Group 2020 RM'000	Group 2019 RM'000
Cash payments	474,258	387,162
Unpaid balances included under other payables	15,050	5,465
Cash paid in respect of acquisitions in previous financial year	(5,465)	(8,938)
Financed by hire purchase	11,742	16,489
Financed by long term loans	3,034	–
Additions of property, plant and equipment	498,619	400,178

11 INVESTMENT PROPERTIES

	Group 2020 RM'000	Group 2019 RM'000
Cost		
At 1 January	31,047	31,047
At 31 December	31,047	31,047
Less: Accumulated depreciation		
At 1 January	8,997	8,743
Charge for the financial year	253	254
At 31 December	9,250	8,997
Net carrying amount		
At 31 December	21,797	22,050
Fair values	46,331	45,130

11 INVESTMENT PROPERTIES (CONT'D)

The property rental income earned by the Group from investment properties, certain of which are leased out under operating leases, amounted to RM820,000 (2019: RM1,030,000). Direct operating expenses arising from investment properties that are revenue-generating of the Group amounted to RM97,000 (2019: RM94,000).

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.

	2020 RM'000	2019 RM'000
Group		
Within 1 year	785	523
In the 2nd year	471	197
In the 3rd year	401	51
In the 4th year	–	51
Total undiscounted lease payments	1,657	822

12 RIGHT-OF-USE ASSETS

Group	Note	Leasehold land RM'000	Land use rights RM'000	Land from operating lease RM'000	Buildings RM'000	Plant and machinery RM'000	Total RM'000
Carrying amount							
At 1 January 2019		21,154	157,620	73,235	18,342	–	270,351
Additions		–	16,049	12,345	26,101	1,252	55,747
Disposal		–	(292)	–	–	–	(292)
Foreign exchange differences		–	2,378	276	(84)	9	2,579
Depreciation charge for the year		(381)	(7,749)	(4,815)	(7,680)	(336)	(20,961)
At 31 December 2019/ 1 January 2020		20,773	168,006	81,041	36,679	925	307,424
Additions		12,823	24,802	38,698	19,510	3,362	99,195
Effect on acquisition of subsidiary (See Note 14)		–	–	–	3,553	–	3,553
Disposal		–	(13)	(162)	–	–	(175)
Write-off		–	(720)	-	–	–	(720)
Terminations		–	–	(346)	(912)	–	(1,258)
Foreign exchange differences		(2)	(4,908)	466	(526)	(61)	(5,031)
Depreciation charge for the year		(448)	(8,622)	(6,610)	(12,080)	(1,365)	(29,125)
At 31 December 2020		33,146	178,545	113,087	46,224	2,861	373,863

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

Leasehold land	47 – 98 years
Land use rights	8 – 60 years
Land from operating lease	1 – 60 years
Buildings	1 – 15 years
Plant and machinery	3 years

12 RIGHT-OF-USE ASSETS (CONT'D)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. All lease agreements do not impose any covenants other than the specific use of certain leasehold land or land use rights.

	Note	2020 RM'000	2019 RM'000
Interest expense (included in finance cost)	7	5,925	4,507
Expense relating to short-term leases (included in rental expenses)	6	12,907	7,565
Expense relating to leases of low value assets that are not shown above as short-term leases (included in rental expenses)	6	314	393
The total cash outflow for leases		38,496	23,945

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

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

	2020 RM'000	2019 RM'000
Cash payments	39,623	17,515
Financed by long term loans	2,400	–
Future lease payment included in lease liabilities	54,519	38,232
Provision for asset retirement obligation	2,653	–
Addition of right-of-use assets	99,195	55,747

Notes to the Financial Statements (cont'd)

13 INTANGIBLE ASSETS

	Goodwill on consolidation RM'000	Business customer RM'000	Total RM'000
Group			
Cost			
At 1 January 2019	103,140	10,308	113,448
Effect of acquisition of a subsidiary (See Note 14)	102	–	102
Translation differences	95	19	114
At 31 December 2019/1 January 2020	103,337	10,327	113,664
Translation differences	(26)	(6)	(32)
At 31 December 2020	103,311	10,321	113,632
Less: Accumulated amortisation			
At 1 January 2019	–	10,308	10,308
Translation differences	–	19	19
At 31 December 2019/1 January 2020	–	10,327	10,327
Translation differences	–	(6)	(6)
At 31 December 2020	–	10,321	10,321
Less: Accumulated impairment losses			
At 31 December 2019/1 January 2020	5,867	–	5,867
Impairment charge for the year	2,123	–	2,123
At 31 December 2020	7,990	–	7,990
Net carrying amount			
At 31 December 2019	97,470	–	97,470
At 31 December 2020	95,321	–	95,321

13 INTANGIBLE ASSETS (CONT'D)

Goodwill on consolidation

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Malaysia		
Manufacturing of animal feeds	4,021	4,021
Trading of animal health products	3,217	3,217
Poultry farming and breeding	33,208	35,330
Singapore		
Processing and marketing of consumer products	54,875	54,902
	95,321	97,470

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

<u>Impairment assessment for intangible assets in relation to the goodwill on consolidation</u>

The carrying amount of intangible assets totalling RM95.3 million (2019: RM97.5 million) comprising goodwill on consolidation were tested for impairment.

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 ongoing COVID-19 pandemic is having an impact on the economy where the Group operates in. Given the uncertainties surrounding this pandemic, management has considered the range of possible outcomes to reflect expectations about possible variations in the amount or timing of future cash flows. Under this approach, management has prepared the cash flow projections under the following three scenarios with probability weightage into the projected selling price of respective products in deriving the revenue growth rates:

- 'baseline' cash flow scenario which reflects management's expectation of the resulting impact of the COVID-19 pandemic;
- 'best case' cash flow scenario which reflects the best outcome arising from this pandemic; and
- 'worst case' cash flow scenario which reflects the prolongation of the COVID-19 pandemic resulting in the worst outcome arising from this pandemic.

In deriving the recoverable amount of the CGU, these possible outcomes are weighted based on expected probabilities of occurrence.

Notes to the Financial Statements (cont'd)

13 INTANGIBLE ASSETS (CONT'D)

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

	2020 %	2019 %
Manufacturing of animal feeds		
Revenue growth rate	2.0	2.0
EBITDA margin	8.5	8.0
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0
Trading of animals health products		
Revenue growth rate	2.0	5.1
EBITDA margin	19.2	23.0
Discount rate	9.5	9.0
Terminal growth rate	1.0	1.0
Poultry farming and breeding		
Revenue growth rate	8.6	8.9
EBITDA margin	7.7	8.8
Discount rate	9.5	9.0
Terminal growth rate	1.0	1.0
Processing and marketing of consumer products		
Revenue growth rate	2.5	3.1 - 3.7
EBITDA margin	11.0	10.0
Discount rate	12.0	12.0
Terminal growth rate	2.0	1.0

During the financial year ended 31 December 2020, the Group had recognised an impairment charge of RM2,123,000 (2019: Nil) on goodwill arising from the poultry farming and breeding CGU as a result of the uncertainty in the coloured bird chicken market.

Other than the above, there were no other impairment loss recognised in respect of the goodwill during the financial year.

Business customer relationship

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

14 INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	1,547,687	1,424,982
Capital contribution to subsidiaries – ESOS Options	7,736	4,925
	1,555,423	1,429,907

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of the Company	Effective percentage of ownership 2020 %	2019 %	Principal activities
Direct subsidiaries			
Leong Hup (Malaysia) Sdn. Bhd. *	100.00	100.00	Investment holding
United Global Resources Limited *	100.00	100.00	Investment holding and trading of materials
Leong Hup Singapore Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Investment holding
Dragon Amity Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Investment holding
Leong Hup Corporate Services Sdn. Bhd.*	100.00	100.00	Management services provider
Leong Hup (Philippines), Inc # (Incorporated in Philippines)	100.00	100.00	Raising, breeding, cross breeding, fattening and pasturing of poultry and similar stocks
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
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 and beverages retail outlets
Leong Hup Capital Sdn. Bhd. (formerly known as Bridgespace Sdn. Bhd.) *	100.00	–	Funding vehicle, investment advisory services, other financial activities except insurance/takaful and pension funding.
The Baker's Cottage Sdn. Bhd. ^	100.00	–	Manufacturing, trading and distribution of food products

Notes to the Financial Statements (cont'd)

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2020 %	2019 %	Principal activities
Indirect subsidiaries (cont'd)			
Baker's Cottage Training Academy Sdn. Bhd. (formerly known as B C Confectionary Sdn. Bhd.) ^	100.00	–	Bakery, cafeteria and restaurant and retailing of confectionery food products, provision of training and consultancy services
Selasih Prospek Sdn. Bhd. ^	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 and transportation services
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 Poultry Farm (Sabah) Sdn. Bhd. *	100.00	100.00	Dormant
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
Goldkist Breeding Farms Sdn. Bhd. *	100.00	100.00	Provision of farming related services
J.B. Kim Farm Sdn. Bhd. *	51.00	51.00	Rearing of broiler chicken for sales
Mighty Farms Sdn. Bhd. *	51.00	51.00	Rearing of broiler chicken for sales

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2020 %	2019 %	Principal activities
Indirect subsidiaries (cont'd)			
Exclusive Treasures Sdn. Bhd.*	100.00	100.00	Rearing of broiler chicken for sales
Sweet Vista Sdn. Bhd. µ	100.00	100.00	Dormant
Mantap Untung Sdn.Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Ternakan Emas Sdn. Bhd.*	100.00	100.00	Dormant
Golden Egg Sdn. Bhd.*	100.00	100.00	Dormant
Rising Momentum Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Farm Excel Distribution Sdn. Bhd. ^	51.00	51.00	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	29.02	29.02	Investment holding and provision of management services
Teo Seng Farming Sdn. Bhd. *	29.02	29.02	Poultry farming and investment holding
Teo Seng Paper Products Sdn. Bhd. *	29.02	29.02	Manufacturing and marketing of egg trays
Teo Seng Feedmill Sdn. Bhd. *	29.02	29.02	Manufacturing and marketing of animal feeds
Ritma Prestasi Sdn. Bhd. *	29.02	29.02	Distribution of pet food, medicine and other animal health related products
Professional Vet Enterprise Sdn. Bhd. *	29.02	29.02	Trading of veterinary pharmaceutical biological products and farming equipment
Success Century Sdn. Bhd. *	29.02	29.02	Poultry farming
B-Tech Aquaculture Sdn. Bhd. *	29.02	29.02	Dormant
Laskar Fertiliser Sdn. Bhd. *	29.02	29.02	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produce

Notes to the Financial Statements (cont'd)

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2020 %	2019 %	Principal activities
Indirect subsidiaries (cont'd)			
Great Egg Industries Sdn. Bhd. *	29.02	29.02	Dormant
Teo Seng Integrated Farming Sdn. Bhd. (formerly known as Liberal Energy Sdn. Bhd.) *	29.02	29.02	Poultry farming, manufacturing and marketing of animal feed, fertilizer and related poultry products
Pioneer Prosperity Sdn. Bhd. *	29.02	29.02	Dormant – under members' voluntary winding up process
Premium Egg Products Pte. Ltd. # (Incorporated in Singapore)	29.02	29.02	Wholesaler importers, exporters of eggs products
BH Fresh Food Pte. Ltd. # (Incorporated in Singapore)	29.02	29.02	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income
Ritma Premier Pte. Ltd. # (Incorporated in Singapore)	29.02	29.02	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	Manufacturing and marketing of animal feeds
Jaco Nutrimix Sdn. Bhd. *	100.00	100.00	Manufacturing and marketing of feed additive premix and other related business
Prima Anjung Sdn. Bhd. *	100.00	100.00	Poultry farming, sale of poultry and related products and aquaculture
Kayangan Runding Sdn. Bhd. µ	100.00	100.00	Property investment holding
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
Emivest Feedmill (TG) Vietnam Limited Liability Company # (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup Feedmill Vietnam Limited Liability Company # (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2020 %	2019 %	Principal activities
Indirect subsidiaries (cont'd)			
Leong Hup (Cambodia) Limited ^ (Incorporated in Cambodia)	100.00	100.00	Trading of animals feed
Lee Say Group Pte. Ltd. # (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry and investment holding
Tasty Meat Products Pte. Ltd. ^ (Incorporated in Singapore)	80.00	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Kendo Trading Pte. Ltd. # (Incorporated in Singapore)	51.00	51.00	Slaughtering, processing and sale of fresh and frozen poultry products
Lee Say Food Holdings Pte. Ltd. ^ (Incorporated in Singapore)	100.00	100.00	Investment holding
PT Ayam Prima Esa & (Incorporated in Indonesia)	100.00	100.00	Dormant – in liquidation process
Heng Kai Hock Farm Sdn. Bhd.*	100.00	100.00	Poultry farming and related products
Lee Say Breeding Farm Sdn. Bhd.*	100.00	100.00	Provision of farming related services 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	Poultry farming operations and the provision of consultancy services relating to poultry farming operations

Notes to the Financial Statements (cont'd)

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Company	Effective percentage of ownership 2020 %	2019 %	Principal activities
Indirect subsidiaries (cont'd)			
Prestige Fortune (S) Pte. Ltd. # (Incorporated in Singapore)	55.00	55.00	Wholesale and distribution of poultry
Leong Hup Distribution Pte Ltd # (Incorporated in Singapore)	100.00	100.00	General trading of frozen food products and provision of warehousing activities
My-Kando Food Industries Sdn. Bhd. *	100.00	100.00	Poultry farming, rental of chicken coops and related activities
PT Malindo Feedmill Tbk #β (Incorporated in Indonesia)	57.80	57.80	Investment holding, poultry feed industry and day-old-chick farming
PT Bibit Indonesia # (Incorporated in Indonesia)	57.72	57.72	Broiler grandparent stock farming
PT Prima Fajar # (Incorporated in Indonesia)	57.78	57.78	Trading and service and broiler chicken farm
PT Leong Ayamsatu Primadona # (Incorporated in Indonesia)	57.77	57.77	Day-old-chick and broiler chicken farm
PT Malindo Food Delight # (Incorporated in Indonesia)	57.79	57.79	Processing and preserving of meat
PT Quality Indonesia # (Incorporated in Indonesia)	40.44	40.44	Duck farming
PT Mitra Bebek Persada # (Incorporated in Indonesia)	57.22	57.22	Duck farming
Leong Hup Foods (Philippines), Inc ^ (Incorporated in Philippines)	100.00	–	Processing, packaging and distributing all kinds of livestock product

* 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

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests

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

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

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2020				
Effective interest of ordinary shares and voting shares held by NCI (%)	70.98	49.00	0.00^	42.20
Summarised statements of comprehensive income:				
Revenue	478,280	39,299	298,469	2,017,564
Profit for the financial year	4,182	5,162	16,885	(11,246)
Total comprehensive income	4,165	5,969	16,885	(30,514)
Attributable to NCI:				
Profit for the financial year	2,968	2,522	6,409	(7,675)
Total comprehensive income	2,956	2,925	6,409	(12,828)
Dividends paid to NCI	2,086	735	870	38
Summarised statements of financial position:				
Non-current assets	373,337	3,648	56,463	707,247
Current assets	205,607	33,220	199,692	587,690
Non-current liabilities	(98,198)	(23)	(15,485)	(261,415)
Current liabilities	(178,644)	(4,910)	(29,218)	(507,959)
Net assets	302,102	31,935	211,452	525,563
Attributable to:				
- owners of the Company	87,670	16,287	126,606	300,990
- non-controlling interests	214,432	15,648	84,846	224,573
	302,102	31,935	211,452	525,563

Notes to the Financial Statements (cont'd)

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests (cont'd)

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

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2020				
Summarised statements of cash flows:				
Cash flows from operating activities	27,339	3,621	13,732	135,109
Cash flows from investing activities	(40,738)	2,558	(571)	(90,224)
Cash flows from financing activities	15,147	(1,595)	(3,640)	(31,371)
Net movement in cash and cash equivalents	1,748	4,584	9,521	13,514
Effects of exchange rate changes on cash and cash equivalents	265	(13)	(75)	(1,042)
Cash and cash equivalents at 1 January	41,099	6,233	119,919	28,550
Cash and cash equivalents at 31 December	43,112	10,804	129,365	41,022

^ The NCI disclosed in the financial year ended 31 December 2020 relates to certain subsidiaries of Lee Say Group Pte. Ltd. which are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%), Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%) and Prestige Fortune Sdn. Bhd. (NCI effective interest of 45.00%).

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests (cont'd)

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

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2019				
Effective interest of ordinary shares and voting shares held by NCI (%)	70.98	49.00	0.00^	42.20
Summarised statements of comprehensive income:				
Revenue	547,102	35,625	308,034	2,187,274
Profit for the financial year	58,841	4,958	14,596	29,159
Total comprehensive income	58,877	5,135	14,596	49,234
Attributable to NCI:				
Profit for the financial year	41,765	2,429	5,712	13,766
Total comprehensive income	41,791	2,516	5,712	19,213
Dividends paid to NCI	10,316	1,225	2,506	6,147
Summarised statements of financial position:				
Non-current assets	349,285	6,324	57,396	695,662
Current assets	207,131	26,552	187,538	640,806
Non-current liabilities	(95,774)	–	(12,305)	(508,394)
Current liabilities	(159,938)	(5,458)	(35,801)	(265,790)
Net assets	300,704	27,418	196,828	562,284
Attributable to:				
- owners of the Company	87,264	13,983	117,526	325,000
- non-controlling interests	213,440	13,435	79,302	237,284
	300,704	27,418	196,828	562,284

Notes to the Financial Statements (cont'd)

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests (cont'd)

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

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2019				
Summarised statements of cash flows:				
Cash flows from operating activities	101,303	2,835	29,022	139,513
Cash flows from investing activities	(29,633)	(249)	(4,001)	(149,089)
Cash flows from financing activities	(57,792)	(3,215)	(7,411)	1,535
Net movement in cash and cash equivalents	13,878	(629)	17,610	(8,041)
Effects of exchange rate changes on cash and cash equivalents	(33)	–	170	825
Cash and cash equivalents at 1 January	27,254	6,864	102,139	35,766
Cash and cash equivalents at 31 December	41,099	6,235	119,919	28,550

^ The NCI disclosed in the financial year ended 31 December 2019 relates to certain subsidiaries of Lee Say Group Pte. Ltd. which are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%), Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%) and Prestige Fortune Sdn. Bhd. (NCI effective interest of 45.00%).

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

31.12.2020

Acquisition of a subsidiary

(a) On 1 June 2020, a wholly-owned subsidiary incorporated in Malaysia, Leong Hup (Malaysia) Sdn. Bhd. entered into a Share Acquisition Agreement with the ultimate holding company, Emerging Glory Sdn. Bhd. to acquire 43,432,000 ordinary shares in The Baker's Cottage Sdn. Bhd. ("TBCSB") representing 100% of the equity interest in TBCSB for a total consideration of RM17,937,000. This acquisition is accounted for as a business combination under common control using the predecessor method of accounting.

The carrying amounts of the assets and liabilities arising from this acquisition are as follows:

	At the date of acquisition RM'000
Property, plant and equipment	18,410
Right-of-use assets	3,553
Inventories	5,033
Trade and other receivables	10,269
Cash and bank balances	1,584
Trade and other payables	(7,419)
Amount due to fellow subsidiaries	(2,523)
Bank overdraft and other bank borrowings	(4,261)
Long term loans	(2,716)
Hire purchase liabilities	(2,794)
Lease liabilities	(3,923)
Tax liabilities	(54)
Deferred tax liabilities	(901)
Net assets acquired	14,258
Add : Merger deficit	3,679
Total consideration paid	17,937
Less: Cash and bank balance acquired	(1,584)
Add: Overdraft facilities	3,420
Net cash outflow for acquisition	19,773

(b) On 4 September 2020, a direct subsidiary, Leong Hup Malaysia Sdn. Bhd. ("LHM") acquired 1 ordinary share in Leong Hup Capital Sdn Bhd (formerly known as Bridgespace Sdn Bhd) ("LHC"), representing the entire issued share capital of LHC, for a cash consideration of RM1 from a third party. LHC is principally engaged in investment advisory services, other financial activities except insurance/takaful and pension funding.

On 15 October 2020, an indirect subsidiary, Leong Hup Agrobusiness Sdn Bhd, acquired 1 ordinary share in LHC, representing the entire issued share capital of LHC, for a cash consideration of RM1 from LHM.

Notes to the Financial Statements (cont'd)

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

31.12.2020 (cont'd)

Changes in equity interest in subsidiaries

(a) For the period from 22 January 2020 to 10 February 2020, an indirect subsidiary, Teo Seng Capital Berhad ("TSC"), a public listed company in Bursa Malaysia, issued 6,950 new ordinary shares via the exercise of warrants for cash consideration of RM9,383. The effective equity interest of the Company in TSC decreased from 29.022% to 29.021%.

Addition of investments in subsidiaries

(a) On November 2020, the Company subscribed for an additional 1,500,000,000 new ordinary shares of Peso 1.00 each in the issued and paid up capital of Leong Hup (Philippines) Inc. ("LHPI") for a total consideration of Peso 1,500,000,000 (equivalent to RM122,705,000) by way of cash consideration of RM30,000,000 and the balance was offsetting with an equivalent amount owing to the Company. This transaction has no material financial impact to the Group.

(b) On 3 September 2020, a direct subsidiary, Leong Hup (Philippines) Inc. incorporated a subsidiary by subscribing for 10,999,997 new ordinary shares of Peso 1.00 each, representing 99.99% of the issued and paid-up capital in Leong Hup Foods (Philippines), Inc. ("LHFP"), a company incorporated in Philippines, for a total cash consideration of Peso 10,999,997 (equivalent to RM942,000). The transaction has no material financial impact to the Group.

31.12.2019

Addition of investments in subsidiaries

(a) On 21 August 2019, the Company subscribed for an additional 11,305,684 new ordinary shares of USD1.00 each in the issued and paid up capital of United Global Resources Limited ("UGRL") for a total cash consideration of USD11,035,684 (equivalent RM47,033,000).

(b) On 16 October 2019, the Company incorporated a wholly owned subsidiary by subscribing for 1 new ordinary shares of USD 1.00 (equivalent to RM4.00) each, representing 100% of the issued and paid-up capital in Leong Hup Myanmar Co., Ltd ("LHMM"), a company incorporated in Myanmar, for a total cash consideration of USD 1.00 (equivalent to RM4.00). As a result, LHMM became a wholly owned subsidiary of the Company.

The incorporation has no material financial impact to the Group.

(c) On 16 May 2019, the Company grants the ESOS Options directly to the eligible Directors and employees of certain subsidiaries. The ESOS Options vest over a vesting period and the Company will issue new shares upon exercise of the ESOS Options. The Company will not charge subsidiaries for the transaction. The Company records a debit, recognising an increase in the investment in the subsidiaries, and a credit to ESOS reserve. This is because the employees of the subsidiaries are not providing services to the Company. These accounting entries are recognised over the award vesting period. The details of the ESOS is disclosed in Note 29 to the financial statements.

14 INVESTMENT IN SUBSIDIARIES (CONT'D)

31.12.2019 (cont'd)

Changes in equity interest in subsidiaries

(a) For the period from 25 November 2019 to 3 December 2019, an indirect subsidiary Teo Seng Capital Berhad ("TSC"), a public listed company in Bursa Malaysia, acquired 5,947,700 of its own ordinary shares for cash consideration of RM7,969,405. As a result, the effective equity interest of the Company in TSC increased from 28.43% to 29.02%.

(b) During the financial year, Leong Hup Singapore Pte Ltd ("LHS") disposed 5,300,000 ordinary shares in PT Malindo Feedmill TBK ("PTMF") at a market value of Rp7,584,510,880 (equivalent to RM2,187,000), resulting in the Group's equity interest in PTMF to decrease from 58.04% to 57.80%.

Acquisition of a subsidiary

(c) On 16 August 2019, an indirect subsidiary, Ritma Prestasi Sdn. Bhd entered into a Shares Sale Agreement with Teo Hui Poh, Khor Kok Chuan, Lee Jin Chiaw, Estate of Henry Ting Tung Hui, Ling Heng Seek, and Yii Fung Sieng (collectively referred to as the "Vendor") to acquire 100,000 ordinary shares in Professional Vet Enterprise Sdn. Bhd. ("PVESB"), representing 100% of the equity interest in PVESB from the Vendor for a total cash consideration of RM1,800,000.

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

	At the date of acquisition RM'000
Property, plant and equipment	43
Inventories	653
Trade and other receivables	2,459
Cash and bank balances	462
Trade and other payables	(1,884)
Hire purchase liabilities	(27)
Tax liabilities	(8)
Net assets acquired	1,698
Add : Goodwill on consolidation	102
Total consideration paid	1,800
Less : Cash and bank balances acquired	(462)
Net cash outflow for acquisition	1,338

Notes to the Financial Statements (cont'd)

15 INVESTMENT IN ASSOCIATES

	Group	
	2020	**2019**
	RM'000	**RM'000**
At cost:		
Unquoted shares	1,358	1,358
Share of post-acquisition results (net of dividends received)	223	209
	1,581	1,567

Nature of investment in associates for 2020 and 2019:

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

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

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

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

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

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

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

	Associates	
	2020	**2019**
	RM'000	**RM'000**
Summarised statements of financial position:		
Total non-current assets	15,581	15,599
Total current assets	9,738	10,389
Total current liabilities	(17,321)	(18,062)
Net assets	7,998	7,926

15 INVESTMENT IN ASSOCIATES (CONT'D)

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

	Associates	
	2020	**2019**
	RM'000	**RM'000**
Summarised statements of comprehensive income:		
Revenue	7,679	7,604
Profit for the financial year	1,824	2,023
Total comprehensive income	1,824	2,023
Group's share of profit for the financial year	375	384
Group's share of total comprehensive income	375	384
Dividend received	359	540
Reconciliation of net assets to carrying amount:		
Group's share of net assets	1,581	1,567
Carrying amount of the Group's interests in the associate	1,581	1,567

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	
	2020	**2019**
	RM'000	**RM'000**
Deferred tax assets	62,047	62,265
Deferred tax liabilities	(92,076)	(107,519)
At 31 December	(30,029)	(45,254)

16 DEFERRED TAXATION (CONT'D)

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

	Group	
	2020 RM'000	2019 RM'000
At 1 January	(45,254)	(43,021)
Credited/(Charged) to profit or loss (Note 8)		
- Property, plant and equipment	12,981	2,929
- Employee benefit obligation	32	1,801
- Unutilised tax losses	(2,595)	(7,946)
- Trade and other receivables	989	3,610
- Trade and other payables	2,355	643
- Investment properties	–	(644)
- Right-of-use assets	251	(95)
- Biological assets	5,753	(2,448)
- Others	(2,507)	914
	17,259	(1,236)
Translation difference	(1,708)	1,061
Charged to other comprehensive income	575	(2,058)
Effect of acquisition of subsidiary (See Note 14)	(901)	–
At 31 December	(30,029)	(45,254)

Subject to income tax:		
Deferred tax assets (before offsetting):		
- Property, plant and equipment	28,457	29,437
- Employee benefit obligation	8,329	7,968
- Unutilised tax losses	7,345	10,162
- Trade and other receivables	8,038	7,227
- Trade and other payables	7,145	7,470
- Biological assets	9,673	6,212
- Lease liabilities	11,059	569
	80,046	69,045
Offsetting	(17,999)	(6,780)
Deferred tax assets (after offsetting)	62,047	62,265

16 DEFERRED TAXATION (CONT'D)

	Group 2020 RM'000	Group 2019 RM'000
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(78,631)	(91,251)
- Investment properties	(644)	(644)
- Trade and other payables	–	(34)
- Right-of-use assets	(10,806)	(140)
- Biological assets	(8,794)	(10,769)
	(98,875)	(102,838)
Offsetting	17,999	6,780
Deferred tax liabilities (after offsetting)	(80,876)	(96,058)
Subject to real property gain tax:		
Deferred tax liabilities		
- Property, plant and equipment	(11,200)	(11,461)
	(92,076)	(107,519)

17 BIOLOGICAL ASSETS

	Group 2020 RM'000	Group 2019 RM'000
At fair value less cost to sell:		
Grandparent stocks (breeder)	35,985	29,285
Parent stocks (breeder)	171,881	188,095
Layer stocks	66,707	67,723
Broiler stocks	44,316	47,664
Hatching eggs	43,694	44,303
Others	2,051	1,322
	364,634	378,392

Notes to the Financial Statements (cont'd)

17 BIOLOGICAL ASSETS (CONT'D)

The movement of biological assets can be analysed as follows:

	Group	
	2020 RM	2019 RM
Breeders (grandparent and parent stock)		
At 1 January	217,380	185,828
Additions	131,965	97,053
Change in fair value	75,517	88,905
Livestock losses	(69,748)	(31,316)
Depopulation	(143,766)	(125,011)
Foreign currency translation	(3,482)	1,921
At 31 December	207,866	217,380
Layers		
At 1 January	67,723	71,199
Additions	11,952	12,051
Change in fair value	30,096	32,918
Livestock losses	(10,252)	(11,577)
Depopulation	(32,571)	(36,858)
Foreign currency translation	(241)	(10)
At 31 December	66,707	67,723
Broilers		
At 1 January	47,664	48,886
Additions	238,206	181,618
Change in fair value	260,789	356,207
Livestock losses	(36,445)	(32,931)
Sales of live birds	(465,699)	(506,192)
Foreign currency translation	(199)	76
At 31 December	44,316	47,664
Hatching eggs		
At 1 January	44,303	42,155
Additions	639,149	610,145
Discarded eggs	(191,684)	(170,094)
Hatched and sold as day-old-chick	(447,621)	(438,243)
Foreign currency translation	(453)	340
At 31 December	43,694	44,303
Others	2,051	1,322
	364,634	378,392

17 BIOLOGICAL ASSETS (CONT'D)

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

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

The Group has classified its biological assets measured at fair value within Level 3 of the fair value hierarchy. (See Note 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**
<u>Breeders & Layers</u> Discounted cash flows: The valuation method considers the projected quantity and price of DOC and table eggs to be produced over the life of the breeder and layer, taking into account of expected growing cost and the breeder and layer's mortality rate.	• Projected selling prices of DOC and table eggs based on management's estimate by reference to historical selling price adjusted for abnormal market movements. • Management's estimate of feed and other variable costs expected to be incurred throughout the life cycle.	The higher the projected selling price, the higher the fair value The higher the costs, the lower the fair value
<u>Broilers</u> Discounted cash flows: The valuation method considers the projected selling price and weight of the broilers taking into account the broilers mortality rate.	• Projected selling prices of broiler based on management's estimate by reference to historical selling price adjusted for abnormal market movements. • Management's estimate of feed and other variable costs expected to be incurred throughout the life cycle.	The higher the projected selling price, the higher the fair value The higher the costs, the lower the fair value
<u>Hatching eggs</u> Discounted cash flows: The valuation method considers price of DOC, taking into account of expected hatchery cost and the hatching eggs' hatchability.	• Projected selling prices of DOC based on management's estimate by reference to historical selling price adjusted for abnormal market movements. • Management's estimate of hatchery and other variable costs expected to be incurred throughout the hatching process.	The higher the projected selling price, the higher the fair value The higher the costs, the lower the fair value

17 BIOLOGICAL ASSETS (CONT'D)

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

	2020 RM	2019 RM
Breeders & hatching eggs		
Projected selling price of		
- DOC (parent stock)	12.21 - 18.71	12.28 - 16.60
- DOC (broiler)	1.42 – 4.10	1.37 - 3.94
Feed cost per kg for		
- grandparent stocks	1.45 - 2.54	1.68 - 2.26
- parent stocks	1.38 – 2.25	1.43 - 1.95
Layers		
Project selling prices for table eggs per egg	0.26 - 0.34	0.26 - 0.34
Feed cost per kg	1.22 - 1.62	1.25 - 1.55
Broilers		
Projected selling prices for broilers per kg	4.35 - 6.60	4.39 - 5.13
Feed cost per kg	1.53 - 2.22	1.53 - 2.01

Sensitivity analysis

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

	Effect on fair value of biological assets	
	2020 RM'000	2019 RM'000
Projected selling prices of DOC/table eggs/broilers		
- increased by 5%	33,175	31,446
- decreased by 5%	(33,175)	(31,446)
Number of DOC/table eggs being produced		
- increased by 5%	23,498	23,360
- decreased by 5%	(23,498)	(23,360)
Feed cost per kg		
- increased by 10%	(28,538)	(27,056)
- decreased by 10%	28,538	27,056

As at 31 December 2020, certain biological assets of the Group amounting to RM83,835,000 (2019: RM92,266,000) 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 2020 RM'000	2019 RM'000
Processed chickens and trading stocks	127,691	109,527
Poultry feeds	38,966	43,264
Consumable supplies	56,832	58,593
Raw material	475,840	449,422
Work-in-progress	2,325	2,265
Others	20,215	16,529
	721,869	679,600

As at 31 December 2020, certain inventories of the Group amounting to RM83,829,000 (2019: RM44,897,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

19 TRADE RECEIVABLES

	Group 2020 RM'000	2019 RM'000
Current		
Trade receivables	388,652	410,787
Amounts due from related parties	137,831	116,383
	526,483	527,170
Less: Provision for impairment of trade receivables	(36,901)	(27,872)
	489,582	499,298
Non-current		
Trade receivables	1,118	1,693
	490,700	500,991

The non-current trade receivables are repayable by June 2022, discounted at a rate of 10% per annum and secured by a personal guarantee.

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

As at 31 December 2020, certain trade receivables of the Group amounting to RM44,657,000 (2019: RM33,233,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

19 TRADE RECEIVABLES (CONT'D)

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

	Group	
	2020 RM'000	2019 RM'000
At 1 January	27,872	10,788
Impairment loss recognised	12,413	17,232
Impairment loss written off	(2,537)	(792)
Translation differences	(847)	644
At 31 December	36,901	27,872

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

Amounts recognised in profit or loss

During the financial year, the following losses/(gains) were recognised in profit or loss in other expenses in relation to impaired receivables.

	Group	
	2020 RM'000	2019 RM'000
Impairment losses:		
- individual receivables written off directly	374	419
- movement in provision for impairment	12,413	17,232

20 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	13,120	26,599	–	–
GST/VAT receivable	1,164	2,779	–	–
Deposits	17,912	15,669	–	–
Prepaid expenses	19,541	31,477	348	915
Advances to suppliers	59,184	95,706	–	–
	110,921	172,230	348	915
Less: Impairment losses	(1)	(3,200)	–	–
	110,920	169,030	348	915

20 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

As at 31 December 2020, certain other receivables of the Group amounting to RM3,945,000 (2019: RM4,525,000) 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	
	2020 RM'000	2019 RM'000
At 1 January	3,200	3,829
Reversal of impairment loss	(629)	(634)
Impairment loss written off	(2,578)	–
Translation differences	8	5
At 31 December	1	3,200

21 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are non-trade related, interest-free and have credit terms of 120 days (2019: 120 days).

22 AMOUNTS DUE FROM SUBSIDIARIES

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

23 AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is an unsecured advances to an associate to secure leases of its land for the Group's operations in Philippines. The amount is recoverable on the expiry of its leases and carry an interest rate of 6.5% per annum.

Notes to the Financial Statements (cont'd)

24 DERIVATIVE FINANCIAL LIABILITIES

	Group			
	2020		2019	
	Contract/ Notional Amount RM'000	Derivative Liabilities RM'000	Contract/ Notional Amount RM'000	Derivative Liabilities RM'000
<u>Non-current liabilities</u>				
Interest rate swap contracts	29,006	(467)	44,291	(611)
<u>Current liabilities</u>				
Forward foreign exchange contracts	86,096	(1,710)	116,842	(1,332)
Foreign currency swap contracts	30,425	(272)	–	–
	116,521	(1,982)	116,842	(1,332)
Derivative financial liabilities	145,527	(2,449)	161,133	(1,943)

The Company did not hold any derivative financial instruments as at 31 December 2020 (2019: Nil).

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

The forward foreign exchange contracts are used to hedge the Group's purchases denominated in USD for which firm commitments existed at the end of the reporting period. The settlement dates on forward foreign exchange contracts range from 1 week to 3 months (2019: 1 week to 3 months).

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

The Group has recognised a loss of RM558,000 (2019: loss of RM704,000) arising from fair value changes of derivatives during the financial year as disclosed in Note 6 to the financial statements. The method and assumptions applied in determining fair values of derivatives are disclosed in Note 44(b) to the financial statements.

25 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed deposits with licensed banks	305,648	307,461	–	30,000
Cash on hand and at banks	452,121	457,368	4,681	6,733
Total cash and bank balances	757,769	764,829	4,681	36,733
Less: Bank overdraft (Note 31)	(94,921)	(72,802)	–	–
Less: Fixed deposits pledged as collateral	(17,021)	(21,095)	–	–
Less: Fixed deposits of more than three months maturity with licensed banks	–	(16,700)	–	–
Cash and cash equivalents	645,827	654,232	4,681	36,733

Certain fixed deposits with licensed bank of the Group with maturity period of 12 months and at a total carrying amount of RM17,021,000 (2019: RM21,095,000) are pledged with licensed banks as collaterals for certain loans and guarantees issued by the said banks. The remaining fixed deposits have maturity periods ranging from 30 to 90 days (2019: 30 to 180 days).

The weighted average effective interest rate of the fixed deposits with licensed banks ranges from 0.55% to 5.10% (2019: 0.1% to 5.69%) per annum.

26 SHARE CAPITAL

		Group and Company			
		2020		2019	
	Note	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		3,650,000	1,499,684	955	1,230,132
- Bonus issue	(i)	–	–	1,229,177	–
- Share split	(ii)	–	–	2,169,868	–
- Issuance of new shares	(iii)	–	–	250,000	275,000
- Share issue cost	(iii)	–	–	–	(5,448)
At end of financial year		3,650,000	1,499,684	3,650,000	1,499,684

26 SHARE CAPITAL (CONT'D)

(i) Bonus Issue

On 11 January 2019, an Extraordinary General Meeting was held by the Company and the bonus issue was approved in the meeting.

A bonus issue on a pro-rata basis to the Company's shareholders, calculated based on their respective shareholdings in the Company has been undertaken to allow the Company to fully utilise the former share premium of the Company under Section 618(3)(c) of the Companies Act 2016 ("Act") in accordance with Practice Note 1/2017 issued by the Companies Commission of Malaysia for the clarification on the utilisation of credit standing in the share premium accounts and capital redemption reserves under subsections 618(3) and 618(4) of the Act. The bonus shares was wholly capitalised at RM1.00 per bonus share. Based on the share premium of the Company of RM1,229,176,622 as at 11 January 2019, 1,229,176,622 bonus shares was issued.

The bonus issue was renounceable. As such, entitled shareholders to the bonus issue may accept or renounce their respective entitlements to the bonus shares in full or in part. Based on its shareholdings in the Company as at 31 December 2019, Emerging Glory Sdn Bhd ("EGSB") was entitled to 946,465,999 bonus shares. However, EGSB has renounced 249,933,374 bonus shares proportionately to its shareholders, being the founding family of the Company, which resulted in the founding family members holding the Company shares directly.

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

(ii) Share Split

As approved at the Extraordinary General Meeting on 11 January 2019, the Company undertook a subdivision of its issued share capital.

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

(iii) Issuance of new shares

On 15 May 2019, the Company increased the number of its issued and paid-up ordinary shares capital from 3,400,000,000 to 3,650,000,000 by way of issuance of 250,000,000 ordinary shares for a cash consideration of RM275,000,000 through the initial public offering of its shares. The expenses directly attributable to the issuance of new shares amounted to RM5,448,000 was deducted against the amount of share capital.

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

27 MERGER RESERVE

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

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

28 RESERVES

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Foreign currency translation reserve	(i)	(20,448)	(2,754)	–	–
Retained earnings	(ii)	886,583	796,580	32,945	36,313
ESOS reserve	(iii)	10,088	6,486	10,088	6,486
		876,223	800,312	43,033	42,799

(i) Foreign currency translation reserve

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

(ii) Retained earnings

The entire retained earnings of the Company as at 31 December 2020 is available for distribution as dividend under the single tier system without incurring additional tax liabilities.

(iii) ESOS reserve

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 expire on 10 April 2024, being 5 years from the Effective Date but is renewable for a period of up to 5 years or such shorter period immediately from the expiry date provided that the ESOS shall not exceed in aggregate 10 years from the Effective Date.

The Options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The vested ESOS Options is exercisable by way of ESOS Trust Funding ("ETF") mechanism. In the implementation of ESOS, the Company has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESOS implementation, the Trustee will be entitled from time to time to accept funding from the Company. Under the ETF mechanism, as the Grantees elected to exercise the Options, the Trustee will immediately utilise the fund in the Trust Account to subscribe the new shares issued by the Company and placed into a Central Depository System ("CDS") account of the Trustee or its authorised nominee. The Trustee shall within five market days from the new shares being credited to the CDS account, effected the sale of the said shares at the market price of equal or higher than the exercise price. The net gains from the sale of the Company shares after deducting the exercise cost i.e. Exercise Price x Number of the Company shares and the related transaction costs, will be released to the grantees. In the event of unsuccessful match of sale of the said shares due to market price fall below the exercise price, the said shares will be retained as treasury shares of the Company. At the end of the financial year, no funds have been advanced to the Trustee and no ESOS Options have been exercised.

The terms and conditions relating to the grants of the Options are as follow:

Grant date	Number of options '000	Exercise price RM	Vesting conditions	Contractual life of options
16 May 2019	35,092	1.10	- The options divided into 4 tranches which separately vest on 1 July 2019, 1 June 2020, 1 June 2021 and 1 June 2022. - Exercisable options cap at 25% of options offered for each vesting date. - The grantee must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates.	5 years

29 EMPLOYEE SHARE OPTION SCHEME (CONT'D)

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

	Group	
	2020 Number of options '000	**2019 Number of options '000**
Outstanding as at 1 January	34,898	–
Granted during the financial year	–	35,092
Lapsed during the financial year	(489)	(194)
Outstanding as at 31 December	34,409	34,898

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	
	2020 RM'000	**2019 RM'000**
Classified as:		
- Current	18,894	13,959
- Non-current	137,276	104,565
	156,170	118,524

The lease liabilities represent the present value of remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 4.51% (2019: 4.51%) per annum.

Notes to the Financial Statements (cont'd)

31 BANK BORROWINGS

	Group 2020 RM'000	Group 2019 RM'000
Secured:		
Current		
Bankers' acceptances	2,742	–
Bank overdrafts	82,042	66,098
Term loans (a)	154,890	240,124
Revolving credits	291,945	250,531
Hire purchase liabilities (c)	14,852	18,540
	546,471	575,293
Non-current		
Term loans (a)	589,621	630,589
Hire purchase liabilities (c)	18,381	20,544
	608,002	651,133
	1,154,473	1,226,426
Unsecured:		
Current		
Bankers' acceptances	469,138	330,874
Bank overdrafts	12,879	6,704
Term loans (b)	71,511	76,539
Revolving credits	255,892	207,971
Trust receipts	408,944	311,352
	1,218,364	933,440
Non-current		
Term loans (b)	166,476	221,954
Sukuk Mudharabah (d)	100,000	–
	266,476	221,954
	1,484,840	1,155,394
Total borrowings:		
Bankers' acceptances	471,880	330,874
Bank overdrafts (Note 25)	94,921	72,802
Term loans	982,498	1,169,206
Revolving credits	547,837	458,502
Trust receipts	408,944	311,352
Hire purchase liabilities (c)	33,233	39,084
Sukuk Mudharabah (d)	100,000	–
	2,639,313	2,381,820
Less: Amount due within 12 months	(1,764,835)	(1,508,733)
Non-current portion	874,478	873,087

31 BANK BORROWINGS (CONT'D)

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 during the financial year in December 2020 by a wholly-owned subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD69.8 million (equivalent to RM212.2 million). The loan is repayable 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 during the financial year in December 2020 by a wholly-owned subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD36.8 million (equivalent to RM111.9 million). The loan is repayable commencing 9 months from the first draw down date in December 2020.

(iii) A floating-rate term loan amounting to SGD8.5 million (equivalent to RM25.8 million) were cumulatively drawn down in the previous financial years by an indirect subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD4.8 million (equivalent to RM14.6 million) (2019: SGD6.5 million (equivalent to RM19.8 million)). The loan is repayable in 60 monthly instalments commencing 11 months from the first drawn down date on 8 December 2017.

(iv) A floating-rate term loan of PHP100.0 million (equivalent to RM8.4 million) were cumulatively drawn down in the previous financial years in 2018 and 2019 by an indirect subsidiary incorporated in Philippines. The outstanding balance at the end of the financial year is PHP62.5 million (equivalent to RM5.2 million) (2019: PHP87.5 million (equivalent to RM7.1 million)) The loan is repayable in 48 monthly instalments commencing 6 months from the first drawn down date.

(v) A floating-rate term loan of PHP200.0 million (equivalent to RM16.7 million) was drawn down during the financial year in September 2020 and November 2020 by an indirect subsidiary incorporated in Philippines. The outstanding balance at the end of the financial year is PHP190.0 million (equivalent to RM15.9 million). The loan is repayable in 20 quarterly instalments commencing immediately after the first drawn down date.

(vi) A floating-rate term loan of IDR250.0 billion (equivalent to RM71.5 million) were cumulatively drawn down in the previous financial years by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR101.4 billion (equivalent to RM29.0 million) (2019: IDR150.1 billion (equivalent to RM44.3 million)). The loan is repayable in 60 monthly instalments of IDR4.6 billion for the first 12 instalments and IDR4.1 billion for the next 48 instalments and is fully repayable by January 2023. The Group entered into two separate interest rate swap contracts to hedge its exposure on the floating interest rates to fixed interest rates of 9.7% and 10.0% per annum with effect from September 2017 and January 2018 respectively.

(vii) A floating-rate term loan of IDR150.0 billion (equivalent to RM42.9 million) was drawn down in previous financial years by an indirect subsidiary incorporated in Indonesia. This term loan has been fully repaid during the financial year (2019: IDR18.8 billion (equivalent to RM5.5 million)). The loan is repayable in 48 monthly instalments of IDR3.1 billion.

(viii) A floating-rate term loan of IDR240.0 billion (equivalent to RM68.6 million) was drawn down in previous financial years by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR26.3 billion (equivalent to RM7.5 million) (2019: IDR79.0 billion (equivalent to RM23.3 million)). The loan is repayable in 60 monthly instalments of IDR4.4 billion and fully repayable by June 2021.

31 BANK BORROWINGS (CONT'D)

The term loans of the Group include: (cont'd)

(a) Secured (cont'd)

(ix) A floating-rate term loan amounting to IDR300.0 billion (equivalent to RM85.8 million) was drawn down in July 2020 and December 2020 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR300.0 billion (equivalent to RM85.8 million). The loan is repayable in 72 monthly instalments of IDR4.2 billion for the first 12 instalments, IDR6.3 billion for the next 24 instalments and IDR8.3 billion for the last 36 instalments is fully repayable by June 2027.

(x) A floating-rate term loan amounting to IDR200.0 billion (equivalent to RM57.2 million) was drawn down in previous financial years by an indirect subsidiary incorporated in Indonesia. This term loan has been fully repaid during the financial year (2019: IDR37.3 billion (equivalent to RM11.0 million)). The loan is repayable in 48 monthly instalments of IDR4.1 billion.

(xi) A term loan amounting to IDR745.0 billion (equivalent to RM213.1 million) was first drawn down in September 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR409.8 billion (equivalent to RM117.2 million) (2019: IDR558.8 billion (equivalent to RM164.8 million)). The loan is repayable in 60 monthly instalments of IDR12.4 billion and fully repayable by September 2023.

(xii) A fixed-rate term loan amounting to IDR255.0 billion (equivalent to RM72.9 million) was first drawn down in December 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR165.3 billion (equivalent to RM47.3 million) (2019: IDR221.9 billion (equivalent to RM65.5 million)). The financing is with fixed interest rate at 10.25% per annum and is repayable in 54 monthly instalments of IDR4.72 billion and fully repayable by November 2023.

(xiii) Musyarakah Mutanaqisah term financing of IDR95.0 billion (equivalent to RM27.2 million) was first drawn down in December 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR61.6 billion (equivalent to RM17.6 million) (2019: IDR82.7 billion (equivalent to RM24.4 million)). The financing is with fixed profit rate at 10.0% per annum and is repayable in 54 monthly instalments of IDR1.76 billion and fully repayable by November 2023.

(xiv) A floating-rate term loan amounting to VND125.5 billion (equivalent to RM21.8 million) were cumulatively drawn down in the previous financial years in 2018 and 2019 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND66.6 billion (equivalent to RM11.6 million) (2019: VND96.2 billion (equivalent to RM17.0 million)). The loan is repayable in 17 quarterly instalments of VND7.4 billion commencing 13 months from the first utilisation date.

(xv) A floating-rate term loan amounting to VND196.5 billion (equivalent to RM34.2 million) was cumulatively drawn down in the previous financial years by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND96.2 billion (equivalent to RM16.7 million) (2019: VND146.3 billion (equivalent to RM25.8 million). The loan is repayable in 49 monthly instalments of VND4.2 billion each commencing 18 months from the first drawn date.

(xvi) A floating-rate term loan amounting to VND20.4 billion (equivalent to RM3.6 million) was first drawn down in October 2019 by a wholly-owned subsidiary incorporated in Vietnam. The subsidiary further drawn down VND3.0 billion (equivalent to RM0.5 million) during the financial year. The outstanding balance at the end of the financial year is VND18.4 billion (equivalent to RM3.2 million) (2019: VND20.4 billion (equivalent to RM3.6 million)). The loan is repayable in 28 monthly instalments of VND0.8 billion each commencing 9 months from the first drawn date.

31 BANK BORROWINGS (CONT'D)

The term loans of the Group include: (cont'd)

(a) Secured (cont'd)

(xvii) A floating-rate term loan amounting to SGD4.6 million (equivalent to RM14.0 million) was first drawn down in SGD in December 2019 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is SGD3.5 million (equivalent to RM10.6 million) (2019: SGD4.6 million (equivalent to RM14.3 million)). The loan is repayable in 16 quarterly instalments of SGD287,500 each commencing 3 months from the first drawn date.

(xviii) Commodity Murabahah Term Financing-i of RM120.0 million was first drawn down in September 2015 by a wholly-owned subsidiary incorporated in Malaysia. This term loan has been fully repaid during the financial year (2019: RM18.0 million). The financing is repayable in 20 quarterly instalments of RM6.0 million each commencing 3 months from the first drawn date.

(b) Unsecured

(i) A floating-rate term loan amounting to RM90.0 million was cumulatively drawn down in the previous financial years by a wholly-owned subsidiary incorporated in Malaysia. This term loan has been fully repaid during the financial year (2019 is RM72.0 million). The loan is repayable in 3 annual instalments of RM18.0 million each for the first and second instalment and RM54.0 million for the last instalment, commencing 13 months from December 2017.

(ii) A floating-rate term loan amounting to RM32.0 million was first drawn down in February 2018 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM24.0 million (2019: RM27.2 million). The loan is repayable in 20 quarterly instalments of RM1.6 million each commencing 15 months from the first drawn date.

(iii) A floating-rate term loan amounting to RM44.4 million was drawn down in several tranches during the financial year 2019 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM41.1 million (2019: RM44.4 million). The loan is repayable in 20 quarterly instalments of RM3.3 million each commencing 15 months from the first drawn date.

(iv) A floating-rate term loan amounting to RM21.5 million was first drawn down in January 2019 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM17.6 million (2019: RM21.5 million). The financing is repayable in 60 monthly instalments, being RM358,334 for the first to fifty-nine (59) instalment and RM358,294 for the last instalment, commencing 12 months from the first drawn date.

(v) A floating-rate term loan amounting to RM11.3 million was cumulatively drawn down in previous financial year by a wholly-owned subsidiary incorporated in Malaysia. The subsidiary further drawn down RM6.9 million during the financial year. The outstanding balance at the end of the financial year is RM16.4 million (2019: RM11.3 million). The financing is repayable in 60 monthly instalments, being RM303,334 for the first to fifty-nine (59) instalment and RM303,294 for the last instalment, commencing 12 months from the first drawn date.

(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 RM10.4 million. The financing is repayable in 60 monthly instalments, being RM173,334 for the first to fifty-nine (59) instalment and RM173,294 for the last instalment, commencing 12 months from the first drawn date.

31 BANK BORROWINGS (CONT'D)

The term loans of the Group include: (cont'd)

(b) Unsecured (cont'd)

(vii) A floating-rate term loan amounting to RM21.2 million was cumulatively drawn down in previous financial years in 2018 and 2019 by a wholly-owned subsidiary incorporated in Malaysia. The subsidiary further drawn down RM9.8 million during the financial year. The outstanding balance at the end of the financial year is RM23.2 million (2019: RM19.7 million). The financing is repayable in 60 monthly instalments, being RM516,700 for the first to fifty-nine (59) instalment and RM514,700 for the last instalment, commencing 12 months from the first drawn date.

The remaining term loans at the end of the financial year amounting to RM143.5 million (2019: RM169.3 million) have repayment terms ranging from 3 years to 15 years from respective first drawdown date and will be fully repayable by December 2031.

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

	Group	
	2020	**2019**
	%	**%**
Ringgit Malaysia	3.6	4.7
Singapore Dollar	1.7	3.4
Indonesia Rupiah	8.7	10.0
Vietnamese Dong	5.2	7.3
Philippines Peso	4.9	6.3

(c) Hire purchase liabilities

Future instalment payments under hire purchase liabilities are as follows:

	Group	
	2020	**2019**
	RM'000	**RM'000**
Instalment payments:		
- Not later than 1 year	16,266	20,356
- Later than 1 year but not later than 5 years	19,337	21,945
	35,603	42,301
Less: Future finance charges	(2,370)	(3,217)
Present value of hire purchase liabilities	33,233	39,084
Of which are:		
- Not later than 1 year	14,852	18,540
- Later than 1 year and not later than 5 years	18,381	20,544
	33,233	39,084

31 BANK BORROWINGS (CONT'D)

(c) Hire purchase liabilities (cont'd)

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

	Group	
	2020 RM'000	2019 RM'000
Carrying amount	33,233	39,084
Fair value	33,621	39,873

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.

(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 bears a periodic payment rate of 3.12% per annum and is due for repayment in December 2025.

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.

31 BANK BORROWINGS (CONT'D)

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

	Group	
	2020 RM'000	2019 RM'000
Later than one year but not later than two years	239,975	326,234
Later than two years but not later than five years	591,590	535,844
Later than five years	42,913	11,009
	874,478	873,087

The currency profile of borrowings is as follows:

	Group	
	2020 RM'000	2019 RM'000
Ringgit Malaysia	1,033,005	896,122
Singapore Dollar	482,161	515,568
US Dollar	95,322	31,575
Indonesia Rupiah	576,901	568,775
Vietnamese Dong	405,811	353,695
Philippines Peso	46,113	16,085
	2,639,313	2,381,820

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

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

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

	Group	
	2020 %	2019 %
Bankers' acceptances	2.7	4.1
Bank overdrafts*	1.3	1.0
Term loans	4.6	5.9
Revolving credits	4.5	5.8
Trust receipts	3.0	5.5
Hire purchase liabilities	3.0	3.0
Sukuk Mudharabah	3.1	–

31 BANK BORROWINGS (CONT'D)

* A wholly-owned subsidiary incorporated in Singapore together with its subsidiaries (collectively referred to as "LHS Group") and DBS Bank Ltd ("the Bank"), has entered into a Notional Pooling Agreement in year 2016. Under this agreement, the Bank would provide notional cash pooling arrangement with net group utilisation of the bank accounts of LHS Group. The bank accounts with surplus cash balances are notionally offset against the bank accounts with deficit cash balances (Overdraft) within LHS Group to derive the net cash balance / overdraft, which is then used to calculate the borrowing interest. Accordingly, interest will not be charged by the Bank when there is a net surplus of cash balances of LHS Group. The primary objective of the notional cash pooling is for cash management of LHS Group in order to optimise the group's cash balance and ultimately lower the borrowing cost of LHS Group.

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 balance of post-employment benefit obligation is based on the actuarial reports prepared by PT RAS Actuarial Consulting, an independent actuary in Indonesia (2019: PT Prima Bhaksana Lestari). The method used in the actuarial valuation is the "Projected Unit Credit" method with the following assumptions:

	Group	
	2020	**2019**
Retirement age	56 years	56 years
Discount rate (per annum)	7.50%	8.25%
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	
	2020 RM'000	**2019 RM'000**
At 1 January	36,865	36,796
Current service cost	5,308	7,353
Interest cost	2,926	3,167
Benefit paid	(873)	(1,981)
Translation differences	(1,380)	901
Remeasurement of post-employment benefit obligation charged to other comprehensive income	2,843	(9,371)
At 31 December	45,689	36,865

32 POST-EMPLOYMENT BENEFIT OBLIGATION (CONT'D)

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Current service cost	5,308	7,353
Interest cost	2,926	3,167
Expenses recognised in profit or loss	8,234	10,520
Remeasurements:		
Actuarial gain arising from changes in financial assumptions	3,801	(906)
Actuarial gain arising from experience adjustment	(972)	(8,952)
Actuarial loss arising from changes in demographic assumptions	14	487
Remeasurements gain of post-employment benefit obligation recognised in other comprehensive income	2,843	(9,371)

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Effect on current service cost		
- 1% on discount rate	5,981	4,783
+ 1% on discount rate	(4,998)	(4,022)

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

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

33 DEFERRED INCOME – GOVERNMENT GRANTS

	Group	
	2020 RM'000	2019 RM'000
As at 1 January	2,544	–
Additions	–	2,703
Amortised during the financial year	(319)	(159)
As at 31 December	2,225	2,544
Classified as:		
Current	318	–
Non-current	1,907	2,544
As at 31 December	2,225	2,544

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

34 PROVISION FOR ASSET RETIREMENT OBLIGATION

	Group	
	2020 RM'000	2019 RM'000
As at 1 January	–	–
Additions	2,653	–
Unwinding of discount	70	–
As at 31 December	2,723	–
Classified as:		
Current	148	–
Non-current	2,575	–
As at 31 December	2,723	–

Provision for asset retirement obligation is provided for The Baker's Cottage café outlets in line with the terms and conditions stipulated in the tenancy agreement. The amount provided is the estimated cost to reinstate the premise to its original conditions in the event of closure.

35 TRADE PAYABLES

	Group	
	2020 RM'000	2019 RM'000
Trade payable	214,742	251,455
Amounts due to related parties (trade)	14,652	21,642
	229,394	273,097

Amounts due to related parties comprise payables from companies controlled by the Lau family amounting to RM13,880,094 (2019: RM20,728,257) and the Nam Family amounting to RM771,932 (2019: RM914,095). See Note 40 for significant related party disclosures.

36 OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	90,622	88,676	–	–
GST/VAT payable	2,227	4,595	–	–
Accrued expenses	163,509	154,407	1,662	2,622
Provision for claims	–	34,667	–	–
Amounts due to related parties (non-trade)	4,028	4,747	–	–
	260,386	287,092	1,662	2,622

Provision for claims

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

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

Written representations in defence of the Affected Companies were submitted to the CCCS on 8 February 2018, and oral representations were presented to the CCCS on 15 March 2018, and the CCCS was considering further written representations and oral representations submitted. On 12 September 2018, the CCCS have issued an infringement decision on the Affected Companies and imposed an aggregate financial penalty of SGD11,399,041 (RM34,667,000) on the Affected Companies. On 12 November 2018, the Affected Companies submitted its Notice of Appeal against CCCS infringement decision to the Competition Appeal Board ("CAB"). Hearings were conducted by the CAB on 5 August 2019 to 8 August 2019, 3 September 2019 and 27 September 2019. The CAB has also directed that a further hearing on 13 July 2020 and 20 July 2020 be for clarifications by the CAB.

36 OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

Provision for claims (cont'd)

On 4 December 2020, the CAB issued its written decision in respect of the appeal and determined that the aggregate financial penalties imposed were to be reduced to SGD9,096,260 (RM27,718,000). The imposed financial penalty has been fully paid to CCCS on 17 December 2020. Management is of the view that there is no other liability in relation to the alleged infringement.

The imposed financial penalty had been fully provided for as at 31 December 2019 and the overprovision of SGD2,302,781 (RM7,017,000) has been reversed to the profit or loss during the financial year ended 31 December 2020.

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 and rental expenses as disclosed in Note 40.

37 AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2020 RM'000	**2019 RM'000**
Unsecured advances	17,655	16,631
Non-trade transactions	312	110
	17,967	16,741

The unsecured advances granted by a subsidiary bear interest rate of 5.3% (2019: 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 AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are trade in nature, unsecured, interest-free and have credit terms of 120 days (2019: 120 days).

39 DIVIDEND PAID

	Company	
	2020 RM'000	**2019 RM'000**
In respect of the financial year ended 31 December 2020:		
- Interim dividend of 0.55 sen per ordinary share on 3,650,000,000 ordinary shares, paid on 30 September 2020	20,075	–
In respect of the financial year ended 31 December 2019:		
- Interim dividend of 1.6 sen per ordinary share on 3,650,000,000 ordinary shares, paid on 30 September 2019	–	58,400
	20,075	58,400

Notes to the Financial Statements (cont'd)

40 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
Subsidiary of EGSB:	
The Baker's Cottage Sdn Bhd (until 31 May 2020)	Fellow subsidiary
Subsidiaries of the Company:	
Leong Hup (Malaysia) Sdn Bhd ("LHM")	Subsidiary
Leong Hup Corporate Services Sdn Bhd	Subsidiary
Leong Hup (Philippines) Inc	Subsidiary
Subsidiary of LHM:	
The Baker's Cottage Sdn Bhd (from 1 June 2020)	Indirect subsidiary
Companies controlled by Lau family:	
A'Famosa Golf Resort Bhd	Lau family *
Astaka Shopping Centre (Muar)	Lau family *
Bong Huat Agrotech Sdn Bhd	Lau family *
Chiap Hup Known You Agriculture Sdn Bhd	Lau family *
Darma Canggih 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 *
Jordon International Food Processing Pte Ltd	Lau family *
KPF Farming Sdn Bhd	Lau family *
Lau Joo Han	Lau family *
Leong Hup Corporation Sdn Bhd	Lau family *
Leong Hup Holdings Sdn Bhd	Lau family *
Leong Hup Pedagang Sayur	Lau family *
Pengangkutan Mekar Sdn Bhd	Lau family *
Perfect Breeding And Aquatic Corporation (Phi)	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 (F.k.a. PT Feedmill Indonesia)	Lau family *
PT Sehat Cerah Indonesia	Lau family *
Safari Bird Park & Wonderland Sdn Bhd	Lau family *
Safari Wonderland Sdn Bhd	Lau family *

40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Related parties and relationship (cont'd)

The related parties of and relationships with the Company are as follows (cont'd):

Name of company	**Relationship**
Companies controlled by Lau family (cont'd):	
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, 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.

Significant related party transactions

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

	Group	
	2020 RM'000	**2019 RM'000**
Ultimate holding company		
Consideration paid for the acquisition of subsidiary	(17,937)	–
Repayment of advances	–	21,435
Fellow subsidiaries		
Sales of goods	2,836	2,474
Purchase of goods	(2,967)	–
Rental expense paid/payable	(15)	(1,619)
Associates		
Advances granted	(828)	(15,368)
Interest income	1,013	–

40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Significant related party transactions (cont'd)

	Group	
	2020	**2019**
	RM'000	**RM'000**
Companies controlled by the Lau family		
Sales of goods	540,046	491,587
Purchases of goods	(188,290)	(218,065)
Transportation charges paid/payable	(14,747)	(14,262)
Purchases of sundries paid/payable	(3,180)	(2,379)
Interest income	88	–
Sales of property, plant and equipment	211	1,050
Purchase of property, plant and equipment	(6,252)	(80)
Purchase of business assets	(2,393)	–
Management fee received/receivable	2,958	1,868
Rental receivable	3,586	173
Rental payable	(4,159)	(94)
Deposit paid for acquisition of land	–	(630)
Royalty fee paid	(1,211)	–
Companies controlled by the Nam family		
Transportation charges paid/payable	(8,462)	(9,302)

	Company	
	2020	**2019**
	RM'000	**RM'000**
Subsidiaries		
Interest expense paid/payable	(870)	(2,855)
Management fee paid/payable	(2,119)	(720)
Advances granted	–	(90,000)
Advances received	2,000	14,300
Repayment of advances by Company	(1,846)	(104,310)
Companies controlled by the Lau family		
Royalty fee paid	(1,211)	–

Significant related party balances

The significant outstanding balances with fellow subsidiaries, subsidiaries and associate are shown in Note 21, Note 22, Note 23, Note 37 and Note 38 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.

40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Directors of the Company:				
Fees	1,581	830	830	822
Salaries, bonuses and other benefits	22,559	29,246	142	–
Defined contribution benefits	1,933	2,483	–	–
ESOS expense (i)	911	1,578	–	–
	26,984	34,137	972	822
Management Team other than Directors of the Company:				
Fees paid to Directors of subsidiaries	366	337	–	–
Salaries, bonuses and other benefits	9,021	13,687	–	–
Defined contribution benefits	634	768	–	–
ESOS expense (i)	496	860	–	–
	10,517	15,652	–	–
	37,501	49,789	972	822

(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.

41 CAPITAL COMMITMENTS

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

	Group	
	2020 RM'000	**2019 RM'000**
Acquisition of property, plant and equipment:		
- approved by Directors and contracted for	50,165	49,033

The capital commitments as at 31 December 2020 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) Fair value through profit or loss ("FVPL")
(b) Financial assets at amortised cost ("FAAC")
(c) Financial liabilities at amortised cost ("FLAC")

	FVPL RM'000	FAAC RM'000	FLAC RM'000	Total RM'000
Group				
2020				
Financial assets				
Trade receivables	–	490,700	–	490,700
Other receivables and deposits	–	31,032	–	31,032
Amount due from an associate	–	16,196	–	16,196
Cash and bank balances	–	757,769	–	757,769
	–	1,295,697	–	1,295,697
Financial liabilities				
Trade payables	–	–	229,394	229,394
Other payables and accrued expenses	–	–	258,159	258,159
Bank borrowings	–	–	2,639,313	2,639,313
Lease liabilities	–	–	156,170	156,170
Derivative financial liabilities	2,449	–	–	2,449
	2,449	–	3,283,036	3,285,485
2019				
Financial assets				
Trade receivables	–	500,991	–	500,991
Other receivables and deposits	–	39,068	–	39,068
Amount due from an associate	–	15,368	–	15,368
Amounts due from fellow subsidiaries	–	796	–	796
Cash and bank balances	–	764,829	–	764,829
	–	1,321,052	–	1,321,052
Financial liabilities				
Trade payables	–	–	273,097	273,097
Other payables and accrued expenses	–	–	282,497	282,497
Amounts due to fellow subsidiaries	–	–	862	862
Bank borrowings	–	–	2,381,820	2,381,820
Lease liabilities	–	–	118,524	118,524
Derivative financial liabilities	1,943	–	–	1,943
	1,943	–	3,056,800	3,058,743

42 CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

	FAAC RM'000	FLAC RM'000	Total RM'000
Company			
2020			
Financial assets			
Amounts due from subsidiaries	1,345	–	1,345
Cash and bank balances	4,681	–	4,681
	6,026	–	6,026
Financial liabilities			
Other payables and accrued expenses	–	1,662	1,662
Amounts due to subsidiaries	–	17,967	17,967
	–	19,629	19,629
2019			
Financial assets			
Amounts due from subsidiaries	93,958	–	93,958
Cash and bank balances	36,733	–	36,733
	130,691	–	130,691
Financial liabilities			
Other payables and accrued expenses	–	2,622	2,622
Amounts due to subsidiaries	–	16,741	16,741
	–	19,363	19,363

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.

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

(i) <u>Trade receivables</u>

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

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

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

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

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

(i) Trade receivables (cont'd)

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

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

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

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

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

The Group's ECL rate at the end of the reporting period is 0.62% (2019: 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 2020 and 31 December 2019 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.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

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

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

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

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

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

	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group					
2020					
Trade payables	229,394	–	–	–	229,394
Other payables and accrued expenses	258,159	–	–	–	258,159
Lease liabilities	25,270	26,305	40,456	123,902	215,933
Term loans and Sukuk Mudharabah	266,272	255,686	613,881	42,157	1,177,996
Other bank borrowings	1,539,848	11,796	7,541	–	1,559,185
Derivative financial liabilities	2,449	–	–	–	2,449
	2,321,392	293,787	661,878	166,059	3,443,116
2019					
Trade payables	273,097	–	–	–	273,097
Other payables and accrued expenses	282,497	–	–	–	282,497
Amounts due to fellow subsidiaries	862	–	–	–	862
Lease liabilities	18,909	15,699	33,390	102,246	170,244
Term loans	374,472	355,027	554,106	11,721	1,295,326
Other bank borrowings	1,193,886	11,331	10,615	–	1,215,832
Derivative financial liabilities	1,943	–	–	–	1,943
	2,145,666	382,057	598,111	113,967	3,239,801

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Company

	Within 1 year 2020 RM'000	2019 RM'000
Other payables and accrued expenses	1,662	2,622
Amounts due to subsidiaries	17,967	16,741
	19,629	19,363

(c) Foreign currency risk

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

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

The Group's exposure to foreign currency risk arising on financial instruments denominated in a currency different from the functional currency of the entity holding the instruments is as shown in the table below:

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency risk (cont'd)

Foreign currency exposure

	MYR RM'000	SGD RM'000	USD RM'000	IDR RM'000	Others RM'000	Total RM'000
Group						
2020						
Financial assets						
Trade receivables	270	12,800	9,492	–	2,155	24,717
Other receivables	2,374	795	8,680	3	126	11,978
Cash and bank balances	25,639	14,587	77,780	185	1,052	119,243
	28,283	28,182	95,952	188	3,333	155,938
Financial liabilities						
Trade payables	(2,098)	(1,833)	(31,558)	–	(1,440)	(36,929)
Other payables	(6,143)	(2,193)	(1,916)	–	(351)	(10,603)
Bank borrowings	(113)	(19,239)	(95,323)	–	–	(114,675)
Lease liabilities	(83)	(3,530)	–	–	–	(3,613)
	(8,437)	(26,795)	(128,797)	–	(1,791)	(165,820)
Net currency exposure	19,846	1,387	(32,845)	188	1,542	(9,882)
2019						
Financial assets						
Trade receivables	681	16,970	6,534	–	–	24,185
Other receivables	1,885	609	7,944	3	101	10,542
Cash and bank balances	30,775	15,197	114,918	185	4,859	165,934
	33,341	32,776	129,396	188	4,960	200,661
Financial liabilities						
Trade payables	(1,263)	(1,398)	(40,592)	–	(1,628)	(44,881)
Other payables	(10,329)	(2,780)	(2,257)	–	–	(15,366)
Bank borrowings	(91)	(24,476)	(31,574)	–	–	(56,141)
Lease liabilities	(205)	(4,679)	–	–	–	(4,884)
	(11,888)	(33,333)	(74,423)	–	(1,628)	(121,272)
Net currency exposure	21,453	(557)	54,973	188	3,332	79,389

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency risk (cont'd)

The following table demonstrates the sensitivity of the Group's profit after tax and equity to 5% (2019: 5%) strengthening/weakening of each currency respectively in MYR, SGD, USD and IDR against the respective functional currencies of the entities within the Group, with all other variables held constant.

Profit for the year increases/(decreases):

	Group	
	2020 **RM'000**	**2019** **RM'000**
MYR		
- Strengthened 5%	754	815
- Weakened 5%	(754)	(815)
SGD		
- Strengthened 5%	53	(21)
- Weakened 5%	(53)	21
USD		
- Strengthened 5%	(1,248)	2,089
- Weakened 5%	1,248	(2,089)
IDR		
- Strengthened 5%	7	7
- Weakened 5%	(7)	(7)

(d) Interest rate risk

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

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

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

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Interest rate risk (cont'd)

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments:				
Financial assets				
Fixed deposits with licensed bank	305,648	307,461	–	30,000
Amount due from associate	16,196	15,368	–	–
	321,844	322,829	–	30,000
Financial liabilities				
Hire purchase liabilities	33,233	39,084	–	–
Bankers' acceptances	471,880	330,874	–	–
Trust receipts	408,944	311,352	–	–
Term loans	239,133	321,707	–	–
Amounts due to subsidiaries	–	–	17,655	16,631
	1,153,190	1,003,017	17,655	16,631
Floating rate instruments:				
Financial liabilities				
Bank overdrafts	94,921	72,802	–	–
Term loans	743,365	847,499	–	–
Revolving credits	547,837	458,502	–	–
Sukuk Mudharabah	100,000	–	–	–
	1,486,123	1,378,803	–	–

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 2020	(5,647)	5,647	(5,647)	5,647
31 December 2019	(5,239)	5,239	(5,239)	5,239

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 fellow subsidiaries	21
Amounts due from subsidiaries	22
Amount due from an associate	23
Cash and bank balances	25
Lease liabilities	30
Borrowings	31
Trade payables	35
Other payables and accrued expenses	36
Amounts due to subsidiaries	37
Amounts due to fellow subsidiaries	38

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

The fair values of long term receivables and payables, which primarily comprise amount due from an associate, hire purchase liabilities, term loans and lease liabilities, are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(b) Fair value measurement

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

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

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

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

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value measurement (cont'd)

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

	Fair value of financial instrument carried at fair value Level 2 RM'000	Carrying amount RM'000
Group		
2020		
Financial liabilities:		
Derivative financial liabilities	2,449	2,449
2019		
Financial liabilities:		
Derivative financial liabilities	1,943	1,943

Specific valuation techniques used to value financial instruments include:

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

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

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

	Fair value of assets not carried at fair value Level 3 RM'000	Carrying amount RM'000
Group		
2020		
Assets:		
Investment properties (Note 11)	46,331	21,797
2019		
Assets:		
Investment properties (Note 11)	45,130	22,050

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value measurement (cont'd)

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.

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

	Group	
	2020 RM'000	**2019 RM'000**
Total borrowings (See Note 31)	2,639,313	2,381,820
Cash and bank balances (excluding fixed deposit pledged as collateral)	(740,748)	(743,734)
Net debts	1,898,565	1,638,086
Total equity	2,248,563	2,180,523
Debt-to-equity ratio (times)^	0.84	0.75

^ 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 and consumer food products.

- Feedmill – Manufacturing and trading of animal feeds.

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

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

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

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

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

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

46 OPERATING SEGMENTS (CONT'D)

Business segments

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter-segment elimination RM'000	Group RM'000
2020				
Revenue				
- external revenue	3,354,543	2,672,778	–	6,027,321
- inter-segment revenue	–	1,311,356	(1,311,356)	–
Revenue from sales of goods	3,354,543	3,984,134	(1,311,356)	6,027,321
Revenue from other sources				13,343
Total revenue				6,040,664
EBITDA	141,790	433,446	(33,256)	541,980
Depreciation	(195,870)	(60,932)	(2,556)	(259,358)
	(54,080)	372,514	(35,812)	282,622
Share of results in associates				375
Finance costs				(125,871)
Profit before taxation				157,126
Tax expense				(39,603)
Net profit for the financial year				117,523
Assets				
Segment assets	7,287,516	4,061,925	(5,760,107)	5,589,334
Unallocated assets:				
Investment properties				21,797
Deferred tax assets				62,047
Tax recoverable				21,625
Total assets				5,694,803
Liabilities				
Segment liabilities	1,767,945	1,171,820	(2,240,692)	699,073
Unallocated liabilities:				
Borrowings				2,639,313
Deferred tax liabilities				92,076
Tax payable				15,778
Total liabilities				3,446,240
Other disclosure				
Capital expenditure*	411,206	187,078	(470)	597,814
Non-cash item (other than depreciation)	14,939	4,813	1,430	21,182

Notes to the Financial Statements (cont'd)

46 OPERATING SEGMENTS (CONT'D)

Business segments (cont'd)

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter-segment elimination RM'000	Group RM'000
2019				
Revenue				
- external revenue	3,396,042	2,646,689	–	6,042,731
- inter-segment revenue	–	1,391,294	(1,391,294)	–
Revenue from sales of goods	3,396,042	4,037,983	(1,391,294)	6,042,731
Revenue from other sources				12,025
Total revenue				6,054,756
EBITDA	267,427	403,240	(20,145)	650,522
Depreciation	(167,170)	(54,832)	(3,514)	(225,516)
	100,257	348,408	(23,659)	425,006
Share of results in associates				384
Finance costs				(136,640)
Profit before taxation				288,750
Tax expense				(75,763)
Net profit for the financial year				212,987
Assets				
Segment assets	5,019,354	3,686,328	(3,393,744)	5,311,938
Unallocated assets:				
Investment properties				22,050
Deferred tax assets				62,265
Tax recoverable				12,885
Total assets				5,409,138
Liabilities				
Segment liabilities	1,743,876	1,163,254	(2,186,203)	720,927
Unallocated liabilities:				
Borrowings				2,381,820
Deferred tax liabilities				107,519
Tax payable				18,349
Total liabilities				3,228,615
Other disclosure				
Capital expenditure*	372,803	83,490	(368)	455,925
Non-cash item (other than depreciation)	15,905	(250)	12,348	28,003

* Includes capital expenditure in respect of property, plant and equipment ("PPE") and right-of-use assets in financial year ended 31 December 2020 and 31 December 2019.

46 OPERATING SEGMENT (CONT'D)

Geographical Information

Revenue

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

	Group	
	2020 RM'000	**2019 RM'000**
Malaysia	1,616,836	1,647,832
Singapore	723,129	779,085
Indonesia	2,019,833	2,192,279
Vietnam	1,563,657	1,347,245
Philippines	103,866	76,290
Total revenue	6,027,321	6,042,731

EBITDA

	Group	
	2020 RM'000	**2019 RM'000**
Malaysia	160,008	227,548
Singapore	108,349	95,778
Indonesia	136,272	185,481
Vietnam	139,651	130,265
Philippines	(2,261)	11,450
Myanmar	(39)	–
Total EBITDA	541,980	650,522

46 OPERATING SEGMENT (CONT'D)

Geographical Information (cont'd)

Non-current assets

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

	Group	
	2020 RM'000	**2019 RM'000**
Malaysia	1,489,715	1,349,065
Singapore	389,533	407,679
Indonesia	658,043	639,208
Vietnam	440,413	341,735
Philippines	171,339	87,295
Total non-current assets	3,149,043	2,824,982

Total Borrowings (excluding lease liabilities)

	Group	
	2020 RM'000	**2019 RM'000**
Malaysia	1,041,392	906,209
Singapore	463,035	491,183
Indonesia	607,156	599,531
Vietnam	481,617	368,812
Philippines	46,113	16,085
Total borrowings	2,639,313	2,381,820

Major customers

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

47 IMPLICATIONS OF COVID-19 ON OUR BUSINESS

COVID-19 pandemic

The devastating impact of the novel coronavirus ("Covid-19") had caused the World Health Organisation to declare it as a global pandemic on 11 March 2020. Since then, a series of extensive containment measures such as quarantines, movement controls, lockdowns and circuit breakers were imposed by various governments to "flatten the curve" and spread out the rate of infection so as not to overwhelm health care systems and infrastructures.

During the year, the Group's poultry farms, food processing and feedmill plants remained fully operational as these were regarded as essential businesses, subject to strict observations of the governments' prevailing Standard Operation Procedures.

As the pandemic worsened in both magnitude and duration, general economic downturn resulted in layoffs and furloughs, deterioration of credit quality and broad declines in consumer discretionary spending. Amid the "new normal", the Covid-19 pandemic has forced far reaching changes to people's day-to-day behaviour, including their spending behaviour. Due to stay-at home orders and government mandated curtailment of private and business activities that severely impacted hotel, restaurant and catering sectors, the shock reduction in demand gave rise to an oversupply of broiler chickens. As a result, broiler chicken price had plummeted, especially at the beginning of the second quarter of 2020.

To weather through these challenging times, the Group had implemented various strategies by taking full advantage of its position as an integrated poultry producer by monetising a portion of its products at the most optimal price points in the value chain, where possible, to preserve the Group's profit margin. Simultaneously, the Group had accelerated its capital investment to pivot downstream along its "Farm-to-Plate" business model in Malaysia which provides better price stability.

The Group's continuous effort to focus on cost optimisation, emphasising on liquidity management to meet its continuing financing commitments and liquidity needs of its business operations will help the Group navigate through the challenges caused by the Covid-19 pandemic.

48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 9 April 2021.

TOP 10 PROPERTIES OWNED

by Leong Hup International Berhad and its Subsidiaries (pursuant to Appendix 9C Part A (25) of Main Market Listing Requirements)

LIST OF PROPERTY, PLANT AND EQUIPMENT

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition / Revaluation
1	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 m^2	2	58,819	May-19
2	31 Fishery Port Road S619741, Singapore	Warehouse	Leasehold expiring on 31 December 2030	23,595.4 m^2	53	49,574	Jan-78
3	Lot II-5, II-6, II-7, Sa Dec IP, Sa Dec ward, Dong Thap Province, Vietnam	Aqua Farm and Building	Leasehold expiring on 18 June 2054	52,576 m^2	1	42,102	Jun-20
4	Lot CN 10, Tan Truong Industrial Zone, Tan Truong Ward, Cam Giang District, Hai Duong Province, Vietnam	Feedmill Land & Building	Leasehold expiring on 02 June 2055	40,009 m^2	5.5	40,643	May-16
5	Lot AV-1,2,3,4, Tan Huong IZ, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Vietnam	Feedmill Land & Building	Leasehold expiring on 28 November 2056	48,680.9 m^2	7	38,772	Mar-13
6	Pajakan Negeri 24345 & 24355, Lot102514 & Lot 102526, Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia	Industrial Land/ Feedmill Plant	Leasehold expiring on 24 February 2097	269,201 sq ft	9	37,637	Dec-97
7	Grobogan 1, Indonesia (Desa Harjowinangun Kecamatan Godong Kabupaten Grobogan Propinsi Jawa Tengah), Indonesia	Feedmill Plant	Prepaid Lease Payment expiring on 7 February 2043	56,064 m^2	6	37,575	Jul-14
	Grobogan 2, Indonesia (Desa Harjowinangun Kecamatan Godong Kabupaten Grobogan Propinsi Jawa Tengah), Indonesia	Feedmill Plant	Prepaid Lease Payment expiring on 2 September 2046	16,732 m^2	6		
8	HSD 32179, PTD 1721, Mukim of Sedili Kechil, District of Kota Tinggi, State of Johor Darul Ta'zim, Malaysia	Desaru Chicken house 1-6	Prepaid lease payment expiring on year 2070	531.9 acres	3 to 7 years	33,987	Apr-12
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 m^2	10	31,949	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 m^2	29	31,026	Dec-18

Analysis of Shareholdings
As at 30 April 2021

Total Number of Issued Shares	:	3,650,000,000
Class of Shares	:	Ordinary shares
Voting Right	:	One vote per ordinary share
Number of Shareholders	:	7,408

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total Shareholdings	%
Less than 100 shares	9	208	0.000
100 – 1,000 shares	672	463,551	0.013
1,001 – 10,000 shares	3,582	20,211,052	0.554
10,001 – 100,000 shares	2,541	88,111,800	2.414
100,001 to less than 5% of issued shares	602	1,285,114,089	35.208
5% and above of issued shares	2	2,256,099,300	61.811
Total	**7,408**	**3,650,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(According to the Register of the Substantial Shareholders as at 30 April 2021)

	Direct		Indirect	
	No. of Shares	% (1)	No. of Shares	% (1)
Emerging Glory Sdn Bhd ("EGSB")	1,927,201,000	52.800	–	–
Clarinden Investments Pte Ltd	328,898,300	9.011	–	–
Concordant Investments Pte Ltd	–	–	328,898,300 (2)	9.011
Affinity Asia Pacific Fund IV L.P.	–	–	328,898,300 (3)	9.011
Affinity Asia Pacific Fund IV (No. 2) L.P.	–	–	328,898,300 (3)	9.011
CW Lau & Sons Sdn Bhd ("CWL&S")	–	–	1,927,201,000 (4)	52.800
Datuk Lau Joo Hong	27,670,543	0.758	1,927,201,000 (5)	52.800
Lau Jui Peng	24,583,822	0.674	1,927,201,000 (5)	52.800
Lau Joo Heng	24,583,822	0.674	1,927,201,000 (5)	52.800
Lau Joo Han	90,499,132	2.479	1,927,201,000 (4)	52.800

Notes:
(1) Calculated based on 3,650,000,000 shares.
(2) Deemed interested by virtue of its shareholdings in Clarinden Investments Pte Ltd pursuant to Section 8(4) of the Companies Act 2016 (the "Act").
(3) Deemed interested by virtue of its shareholdings in Clarinden Investments Pte Ltd through its shareholdings held in Concordant Investments Pte Ltd pursuant to Section 8(4) of the Act.
(4) Deemed interested by virtue of its/his shareholdings in EGSB pursuant to Section 8(4) of the Act.
(5) Deemed interested by virtue of his shareholdings in EGSB through its shareholdings held in CWL&S pursuant to Section 8(4) of the Act.

Analysis of Shareholdings (cont'd)

DIRECTORS' SHAREHOLDINGS

(According to the Register of the Directors' Shareholdings as at 30 April 2021)

	Direct		Indirect	
	No. of Shares	% [(1)]	No. of Shares	% [(1)]
Lau Chia Nguang	–	–	58,633,207 [(2)]	1.606
Dato' Lau Eng Guang	52,247,007	1.431	11,439,500 [(3)]	0.313
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	90,499,132	2.479	1,927,201,000 [(6)]	52.800
Lau Joo Keat	–	–	58,633,207 [(7)]	1.606
Benny Lim Jew Fong	–	–	–	–
Datin Paduka Rashidah Binti Ramli	500,000	0.014	–	–
Chu Nyet Kim	600,000	0.016	–	–
Goh Wen Ling	600,000	0.016	–	–
Mahani Binti Amat	500,000	0.014	–	–
Low Han Kee	500,000	0.014	10,000 [(8)]	negligible
Tay Tong Poh	500,000	0.014	–	–

Notes:

(1) Calculated based on 3,650,000,000 shares.

(2) Deemed interested by virtue of his shareholdings in CN Lau Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

(3) Deemed interested by virtue of his children's 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 its 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

As at 30 April 2021

No.	Name of Shareholders	No. of Shares	%
1.	Emerging Glory Sdn Bhd	1,927,201,000	52.800
2.	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd for Clarinden Investments Pte Ltd*	328,898,300	9.011
3.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera*	180,000,000	4.932
4.	HSBC Nominees (Tempatan) Sdn Bhd *Exempt An for Credit Suisse (SG BR-TST-TEMP)*	123,512,000	3.384
5.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	109,833,600	3.009
6.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for Bank of Singapore Limited (Local)*	67,849,960	1.859
7.	CN Lau Holdings Sdn Bhd	58,633,207	1.606
8.	Louis Dreyfus Company Asia Pte Ltd	50,045,400	1.371

Analysis of Shareholdings (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

As at 30 April 2021

No.	Name of Shareholders	No. of Shares	%
9.	Permodalan Nasional Berhad	29,531,600	0.809
10.	Amanahraya Trustees Berhad *Amanah Saham Malaysia 2 – Wawasan*	29,000,000	0.795
11.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia*	29,000,000	0.795
12.	HN Lau & Sons Sdn Bhd	28,633,207	0.784
13.	Lau Joo Heng	24,583,822	0.674
14.	Lau Jui Peng	24,583,822	0.674
15.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Private Wealth Management for Lau Joo Han (PW-M00713) (420214)*	21,637,532	0.593
16.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB For Lau Eng Guang (PB)*	20,133,207	0.552
17.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia 3*	20,000,000	0.548
18.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (AHAM Equity Fund)*	18,564,900	0.509
19.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lau Eng Guang*	17,000,000	0.466
20.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	16,617,600	0.455
21.	Hong Leong Capital Berhad	15,380,000	0.421
22.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Teh Beng Khim (MY3941)*	13,300,000	0.364
23.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lau Eng Guang*	12,500,000	0.342
24.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA For Vanguard Total International Stock Index Fund*	12,352,000	0.338
25.	Guoline (Singapore) Pte Ltd	10,000,000	0.274
26.	AmanahRaya Trustees Berhad *Amanah Saham Nasional*	9,937,600	0.272
27.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (Affin ABSR EQ)*	8,572,600	0.235
28.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (PHEIM)*	8,154,419	0.223
29.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lau Joo Kien Brian*	8,000,000	0.219
30.	Permodalan Nasional Berhad *Bumiputera Wealth Fund*	8,000,000	0.219
	Total	**3,231,455,776**	**88.533**

Notice of Seventh Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be conducted fully virtual from the Broadcast Venue at **Summit 3 Conference Room, 3rd Floor, Wisma Westcourt, 126, Jalan Klang Lama, 58000 Kuala Lumpur, Malaysia ("Broadcast Venue")** on **Friday, 25 June 2021 at 10.30 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. **(Please refer to the Explanatory Notes to the Agenda)**

2. To approve the payment of Directors' fees of up to RM830,000 for the financial year ending 31 December 2021, to be paid quarterly in arrears. ***(Ordinary Resolution 1)***

3. To approve the payment of Directors' benefits up to an aggregate amount of RM174,000 from the date of the forthcoming Annual General Meeting 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) Ms Goh Wen Ling ***(Ordinary Resolution 5)***

5. To re-appoint PricewaterhouseCoopers PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. ***(Ordinary Resolution 6)***

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions, with or without modifications:-

6. **Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016** ***(Ordinary Resolution 7)***

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental/ regulatory authorities (if any), the Directors of the Company be and are hereby authorised to allot and issue shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

7. **Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** ***(Ordinary Resolution 8)***

"**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 25 May 2021 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 9)***

"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;

Notice of Seventh Annual General Meeting (cont'd)

(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)
LIM HOOI MOOI (MAICSA 0799764) (SSM PC NO. 201908000134)
Company Secretaries
Kuala Lumpur

25 May 2021

Notice of Seventh Annual General Meeting (cont'd)

NOTES:

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.*

   Shareholders will not be allowed to attend the 7th Annual General Meeting in person at the Broadcast Venue on the day of the meeting.

   Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 7th Annual General Meeting via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at http://tiih.online.

   For further information, kindly refer to the Administrative Details for the 7th Annual General Meeting.

2. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 18 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*

3. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*

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 two (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 two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

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 one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.*

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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*

   (i) *In hard copy form*
   Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, 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 Details of the 7th Annual General Meeting enclosed for further information on electronic submission of proxy form via TIIH Online.

Notice of Seventh Annual General Meeting (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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*

11. *Last date and time for lodging the proxy form is Wednesday, 23 June 2021 at 10.30 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 at the Company's Share Registrar's office earlier.*

13. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 7th Annual General Meeting will be put to vote by way of poll.*

EXPLANATORY NOTES TO THE AGENDA

(i) ***Item 1 of the Agenda***
<u>Audited Financial Statements for the financial year ended 31 December 2020</u>

This item is meant for discussion only. The provision of Section 248(2) and Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a motion to be put forward to vote by shareholders.

(ii) ***Ordinary Resolution 1***
<u>Payment of Directors' fees</u>

The Directors' fees proposed for the financial year ending 31 December 2021 are calculated based on the current board size. 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 7th Annual General Meeting of the Company. In the event the proposed Directors' fees are insufficient (due to enlarged board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

(iii) ***Ordinary Resolution 2***
<u>Payment of Directors' benefits</u>

Directors' benefits include meeting allowances payable to Directors and in determining the estimated amount, the Board of Directors ("Board") has considered various factors including the current board size and number of scheduled meetings for the Board and Board Committees for the period from the date of the forthcoming Annual General Meeting until the next Annual General Meeting as well as the number of Independent Directors involved in the meeting. In the event the proposed amount is insufficient (due to more meetings/enlarged board size), approval will be sought at the next Annual General Meeting for the shortfall.

(iv) ***Ordinary Resolutions 3 to 5***
Re-election of Directors

Mr Lau Chia Nguang, Mr Lau Joo Han and Ms Goh Wen Ling are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 7th Annual General Meeting.

Puan Mahani Binti Amat has expressed her intention not to seek for re-election as Director of the Company at the forthcoming 7th Annual General Meeting. Hence, she will retain office until the conclusion of the 7th Annual General Meeting.

The Board has through the Nomination Committee considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

(v) ***Ordinary Resolution 6***
Re-appointment of Auditors

The Board has through the Audit and Risk Committee, considered the re-appointment of PricewaterhouseCoopers PLT as the Auditors of the Company. The factors considered by the Audit and Risk Committee in making the recommendation to the Board to table their re-appointment at the 7th Annual General Meeting are disclosed in the Corporate Governance Overview Statement of the 2020 Annual Report.

(vi) ***Ordinary Resolution 7***
Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed resolution, if passed, will empower the Directors to allot up to a maximum of 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

This is a renewal of the mandate obtained from shareholders at the last Annual General Meeting held on 26 June 2020. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 26 June 2020 and the mandate will lapse at the conclusion of the 7th Annual General Meeting.

(vii) ***Ordinary Resolution 8***
Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed resolution, 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 25 May 2021 in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad without the necessity to convene separate general meetings to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and is subject to renewal on an annual basis. Further details relating to this proposed resolution are set out in Part A of the Circular to Shareholders dated 25 May 2021, which was circulated together with the Company's 2020 Annual Report.

Notice of Seventh Annual General Meeting (cont'd)

(viii) ***Ordinary Resolution 9***
Proposed Renewal of Share Buy-Back Authority

The proposed resolution, if passed, will empower the Company to purchase its own shares up to ten percent (10%) of the total number of issued shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The Company has not purchased any of its own shares since the approval of the said authority from its shareholders at the last Annual General Meeting held on 26 June 2020.

Further information relating to this proposed resolution is set out in Part B of the Statement to Shareholders dated 25 May 2021, which is circulated together with the Company's 2020 Annual Report.

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 whom, the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Seventh Annual General Meeting of the Company which will be conducted fully virtual from the Broadcast Venue at **Summit 3 Conference Room, 3rd Floor, Wisma Westcourt, 126, Jalan Klang Lama, 58000 Kuala Lumpur, Malaysia** on **Friday, 25 June 2021 at 10.30 a.m.** or at any adjournment thereof, and to vote as indicated below:

Description of Resolution	Resolution	FOR	AGAINST
To approve the payment of Directors' fees of up to RM830,000 for the financial year ending 31 December 2021, to be paid quarterly in arrears.	Ordinary Resolution 1		
To approve the payment of Directors' benefits up to an aggregate amount of RM174,000 from the date of the forthcoming Annual General Meeting 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 Ms Goh Wen Ling as Director.	Ordinary Resolution 5		
To re-appoint PricewaterhouseCoopers PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 6		
Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary Resolution 7		
Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 8		
Proposed Renewal of Share Buy-Back Authority.	Ordinary Resolution 9		

(Please indicate with "X" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from so doing at his/her discretion.)

Signed this day of

Signature*
Member

** Manner of execution:*
(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

NOTES:

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.*
   Shareholders will not be allowed to attend the 7th Annual General Meeting in person at the Broadcast Venue on the day of the meeting.
   Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 7th Annual General Meeting via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at http://tiih.online.
   For further information, kindly refer to the Administrative Details for the 7th Annual General Meeting.
2. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 18 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*
3. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
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 two (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 two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

Fold This Flap For Sealing

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 one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.*
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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*
   (i) *In hard copy form*
   Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, 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 Details of the 7th Annual General Meeting enclosed 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 forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*
11. *Last date and time for lodging the proxy form is Wednesday, 23 June 2021 at 10.30 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 at the Company's Share Registrar's office earlier.*
13. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 7th 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

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LEONG HUP INTERNATIONAL BERHAD Registration No.: 201401022577 (1098663-D)
Lot 3.05, 3rd Floor, Wisma Westcourt, 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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