



FINANCIAL STATEMENTS

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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 2022.

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year	243,874	(6,474)
Profit/(Loss) attributable to:		
Owners of the Company	218,891	(6,474)
Non-controlling interests	24,983	-
	243,874	(6,474)

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

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

DIVIDENDS

The Directors do not recommend any dividend in respect of the financial year ended 31 December 2022.

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

DIRECTORS' REMUNERATION

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

	Group RM'000	Company RM'000
Fees	2,028	730
Salaries, bonuses and other benefits	33,577	114
Defined contribution benefits	3,822	–
ESOS expense ⁽ⁱ⁾	102	102
	39,529	946

(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.

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:

Date of offer	Exercise price	Number of options over ordinary shares ('000)				As at 31.12.2022
		As at 1.1.2022	Granted and accepted	(Exercised)	(Lapsed)	
14 May 2019	RM1.10	33,154	–	–	(1,026)	32,128

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares ('000)			At 31.12.2022
	At 1.1.2022	Acquired	(Disposed)	
The Company				
<u>Direct interests:</u>				
Tan Sri Dato' Lau Eng Guang	52,247	–	–	52,247
Datuk Lau Joo Hong	27,670	–	–	27,670
Lau Joo Han	90,499	6,600	–	97,099
Low Han Kee	500	–	–	500
Datin Paduka Rashidah Binti Ramli	500	–	–	500
Chu Nyet Kim	600	–	–	600
Goh Wen Ling	700	–	–	700
Tay Tong Poh	500	–	–	500
<u>Indirect interests^(a):</u>				
Lau Chia Nguang ^{(a)(1)}	58,835	100	–	58,935
Tan Sri Dato' Lau Eng Guang ^(b)	11,439	–	–	11,439
Tan Sri Lau Tuang Nguang ^{(a)(2)}	62,722	–	–	62,722
Datuk Lau Joo Hong ^{(a)(3)}	1,927,201	–	–	1,927,201
Lau Joo Han ^{(a)(4)}	1,927,201	–	–	1,927,201
Lau Joo Keat ^{(a)(5)}	58,633	–	–	58,633
Low Han Kee ^(b)	10	–	–	10

Notes:

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

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

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Number of ordinary shares ('000)			
	At 1.1.2022	Acquired	(Disposed)	At 31.12.2022
Ultimate holding company, Emerging Glory Sdn. Bhd.				
<u>Direct interests:</u>				
Lau Chia Nguang	15	5,850	–	5,865
Tan Sri Dato' Lau Eng Guang	15	5,850	–	5,865
Tan Sri Lau Tuang Nguang	15	–	(15)	–
Lau Joo Han	20	7,801	–	7,821
<u>Indirect interests:</u>				
Tan Sri Lau Tuang Nguang ¹	–	5,865	–	5,865
Datuk Lau Joo Hong ²	20	7,801	–	7,821
Lau Joo Keat ³	15	5,850	–	5,865

Notes:

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

- ¹ TN Lau Holdings Sdn. Bhd.
- ² CW Lau & Sons Sdn. Bhd.
- ³ HN Lau & Sons Sdn. Bhd.

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

	Number of options over ordinary shares ('000)				
	At 1.1.2022	Granted and accepted	(Exercised)	(Lapsed)	At 31.12.2022
The Company					
<u>Direct interests:</u>					
Lau Chia Nguang	1,530	–	–	–	1,530
Tan Sri Dato' Lau Eng Guang	1,530	–	–	–	1,530
Tan Sri Lau Tuang Nguang	1,530	–	–	–	1,530
Datuk Lau Joo Hong	1,350	–	–	–	1,350
Lau Joo Han	1,275	–	–	–	1,275
Lau Joo Keat	1,275	–	–	–	1,275

DIRECTORS' REPORT

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 other than the event occurring subsequent to the financial year as disclosed in Note 47 to the financial statements.

DIRECTORS' REPORT

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	Goh Kok Tin
Tan Sri Dato' Lau Eng Guang	Goh Sze Ling
Tan Sri Lau Tuang Nguang	Goh Wen Ling (Appointed on 26 May 2022)
Datuk Lau Joo Hong	Koh Bock Swi
Lau Jui Peng	Koh Kim Chui
Lau Joo Heng	Low Choon Seng
Lau Joo Han	Law Kim Kow
Lau Joo Hwa	Lee Chai Soon
Lau Joo Kiang	Lee Choon Seng
Lau Joo Keat	Lee Lai Hock
Lau Joo Yong	Lee Zhiwei
Lau Joo Ping	Leek Tien Hee (Appointed on 1 January 2022)
Adrian Ferdinand Oroh	Lim Hock Mow
Ali bin Mohamad Lazam	Lim Huey Hean (Appointed on 26 May 2022)
Brian M. O. Connor	Lim Meng Bin
Carlos Cabanes Royo	Lim Ying Khoo (Appointed on 26 May 2022)
Choong Keen Shian (Retired on 26 May 2022)	Lim Yong Poh
Choo Joo Thong	Loh Wee Ching
Chua Soon Huat	Loi Jin Choo
Chua Teck Choh	Loke Poh Lam (Resigned on 31 December 2022)
Chua Teck Lee	Low Eng Guan
Dato' Dr. Ma'amor bin Osman	Low Kim Seng
Dato' Mohamed Salleh bin Ahmad (Resigned on 1 August 2022)	Low Chiew Boey
Dato' Koh Low @ Koh Kim Toon (Retired on 26 May 2022)	Lt. Kol. (B) Kudri bin Haji Siraj
Dato' Seri Abdul Azim Bin Mohamad Zabidi	Ma Chin Chew (Appointed on 1 January 2022)
David Morella Jorba	Mark Kevin S. Bibbigan (Resigned on 3 June 2022)
Dr. Aidawani binti Abd Latif	Na Eluen
Dr. Masri bin Sehap	Na Hap Cheng
Dr. Norwati Akma binti Abd Samad	Na Yok Chee
Er Teck Hwa	Nam Hiok Joo
Frederick Ng Yong Chiang (Retired on 26 May 2022)	Nam Hiok Yong
Fleur Marie B. Africano (Appointed on 3 June 2022)	Nam Ya Jun
Goh Kar Meng	Na Yi Chan
	Ng Eng Leng
	Ong Gee Tiong

DIRECTORS' REPORT

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):

Ong Pang Teck	Tay Kong Howe
Quek Cheaw Kwang	Teo Soon Heng (Resigned on 31 December 2022)
Rewin Hanrahan Lie	Tuan Haji Ahmad Bin Haji Ma' in (Resigned on 25 April 2022)
Rudy Hartono Husin	Tuan Haji Safiei Bin Ahamad (Appointed on 4 July 2022)
Sespriansyah	Wong Chee Seng
Sim Kim Hwa	Wong Hwa Yao
Tan Bet Beng	Wong Sui Teck
Tan Joo Hock	Wang Tiam Soo
Tan Lai Kai	Wong Wai Meng
Tan Koon Seng (Resigned on 31 December 2022)	Yongkie Handaya
Tan Shiah Siah	Yip Ah Chean
Tan Soon Teck (Resigned on 31 August 2022)	Yeoh Jia Xing
Tang Ung Lee (Resigned on 29 May 2022)	

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act 2016 throughout the year, which provides appropriate insurance coverage for the Directors and Officers of the Company. During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and Officers of the Company are RM80,000,000 and RM120,000 respectively.

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Company for the financial year ended 31 December 2022 were as follows:

	Group RM'000	Company RM'000
Statutory audit fees:		
- PricewaterhouseCoopers PLT	1,537	90
- Member firms of PricewaterhouseCoopers International Limited	2,005	-
	3,542	90

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 18 April 2023.

Signed on behalf of the Board of Directors:

LAU CHIA NGUANG
DIRECTOR

Kuala Lumpur

TAN SRI LAU TUANG NGUANG
DIRECTOR

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 95 to 212 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 2022 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2022 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 18 April 2023.

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 95 to 212 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW ENG LOKE
(MIA No. 24215)

Subscribed and solemnly declared by the abovenamed

At: Petaling Jaya, Selangor

On: 18 April 2023

Before me:

MOHD IRWAN BIN MOHD RADZI
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Leong Hup International Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, 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 2022 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 95 to 212.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p>Valuation of biological assets</p> <p>Refer to Note 2.27 for accounting policies and Note 3(i) and Note 17 to the financial statements.</p> <p>As at 31 December 2022, the Group has biological assets balance of RM419,624,000.</p> <p>Biological assets of the Group comprise breeders, commercial layers, broilers and hatching eggs. In determining the fair value of the biological assets, the Group uses the discounted cash flow model. Significant judgement is required to be made by Directors and management to estimate the key assumptions. These judgements impact the fair value of biological assets recognised.</p> <p>We focused on this area as key judgements are made to estimate the expected selling price of day-old-chick, table eggs and broilers as well as feed costs used for the discounted cash flow model.</p>	<p>We obtained the biological assets' valuation prepared by management. The valuation was based on a discounted cash flow model.</p> <p>We have checked the mathematical accuracy of the valuation model prepared by management.</p> <p>We involved our valuation experts to evaluate the appropriateness of the methodology and key assumptions, including the discount rate used by management in the valuation of the biological assets.</p> <p>We have corroborated the expected number of day-old-chick, table eggs and feed consumption rate to the historical data provided to us by management and the manufacturer's guidebook of the particular breed of poultry.</p> <p>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.</p> <p>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.</p> <p>We reviewed the adequacy of the disclosures in the financial statements.</p> <p>Based on the above procedures performed, we do not find material exceptions to Directors and management's assessment on the valuation of biological assets as at 31 December 2022.</p>

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<p>Recognition of government subsidy</p> <p>Refer to Note 2.30 for accounting policies and Note 3(v) and Note 6 to the financial statements.</p> <p>During the financial year ended 31 December 2022, government subsidy of RM90,469,000 was recognised as 'other income' in the financial statements.</p> <p>Subsidy from the government is recognised at its fair value where there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions. The determination of reasonable assurance that the grant will be received is a key judgement made by the Directors and management.</p> <p>We focused on this area due to the key judgement made by the Directors and management in determining the reasonable assurance of government subsidy will be received and hence affecting the recognition of the government subsidy in the financial statements.</p>	<p>We obtained an understanding of the nature and conditions of the government subsidy, subsidy claim application, approval and disbursement process through discussion with management and information available by the Department of Veterinary Services under Ministry of Agriculture and Food Industries.</p> <p>We examined documents for the submission of claim application and approval by the Group.</p> <p>We assessed the appropriateness of key judgement made by the Directors and management in determining reasonable assurance that the government subsidy will be received.</p> <p>We reviewed the adequacy of the disclosures in the financial statements.</p> <p>Based on the audit procedures performed above, we do not find material exceptions in assessing the judgement made by the Directors and management.</p>
<p>Contingent liabilities</p> <p>Refer to Note 2.24 for accounting policies and Note 3(iii) and Note 40 to the financial statements.</p> <p>On 5 August 2022, the Malaysia Competition Commission ("MyCC") issued a Proposed Decision against one of the indirect subsidiary of the Group, Leong Hup Feedmill Malaysia Sdn. Bhd. ("LHFM") for infringing Section 4 of the Competition Act 2010 (Act 712).</p>	<p>We examined the correspondence between the LHFM and MyCC in the current financial year.</p> <p>We communicated with the external legal counsel to gain understanding on the Proposed Decision.</p> <p>We obtained independent legal confirmation from the external legal counsel.</p> <p>We reviewed the adequacy of the disclosures in the financial statements.</p> <p>Based on the audit procedures performed above, we do not find material exception to the assessment of judgement made by the Directors and management.</p>

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<p><u>Contingent liabilities (continued)</u></p> <p>The Proposed Decision alleged that LHFM had entered into anti-competitive agreements and/or concerted practices together with four other poultry feed millers in increasing the price quantum of poultry feed that contains soybean meal and maize as its main ingredients, between early 2020 and mid 2020. The proposed financial penalty amounted to RM157,470,000.</p> <p>The determination of whether there is a probable outflow to settle the proposed financial penalty is a judgement made by the Directors and management. The Directors and management are of the view that no provision is required based on the legal advice obtained from the external legal counsel.</p> <p>We focused on this area due to the key judgements made by the Directors and management and the inherent uncertainties involved in the outcome of the Proposed Decision.</p>	

We have determined that there are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and contents in the 2022 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.

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.

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

INDEPENDENT AUDITORS' REPORT

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

TAN CHIN YEE
03380/06/2024 J
Chartered Accountant

Kuala Lumpur
18 April 2023

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	4	9,042,702	7,153,520	-	34,600
Other income		188,804	53,503	582	312
Changes in fair value of biological assets		7,921	42,762	-	-
Changes in closing inventories		29,597	228,632	-	-
Purchases of inventories and livestock		(6,865,373)	(5,514,402)	-	-
Employee benefit costs including Directors' remuneration	5	(677,356)	(645,812)	(946)	(1,318)
Depreciation of:					
Property, plant and equipment	10	(260,082)	(245,394)	(144)	(144)
Investment properties	11	(283)	(265)	-	-
Right-of-use assets	12	(40,874)	(38,068)	-	-
Utilities costs		(221,385)	(185,647)	-	-
Repair and maintenance		(91,244)	(79,958)	-	-
Transportation expenses		(181,399)	(149,895)	(20)	-
Other expenses		(466,994)	(366,650)	(4,964)	(4,345)
Profit/(Loss) from operations	6	464,034	252,326	(5,492)	29,105
Finance costs	7	(137,915)	(112,446)	(862)	(922)
Share of profit of associates	15	436	435	-	-
Profit/(Loss) before tax		326,555	140,315	(6,354)	28,183
Tax expense	8	(82,681)	(44,425)	(120)	(23)
Net profit/(loss) for the financial year		243,874	95,890	(6,474)	28,160
Other comprehensive (loss)/income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(6,521)	31,791	-	-
		(6,521)	31,791	-	-

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Items that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation	32	(7,213)	8,545	-	-
Income tax relating to remeasurement of post-employment benefit obligation	8	(66)	(216)	-	-
		(7,279)	8,329	-	-
Other comprehensive (loss)/income for the financial year		(13,800)	40,120	-	-
Total comprehensive income/(loss) for the financial year		230,074	136,010	(6,474)	28,160
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		218,891	85,403	(6,474)	28,160
Non-controlling interests		24,983	10,487	-	-
		243,874	95,890	(6,474)	28,160
Total comprehensive income/(loss) attributable to:					
Owners of the Company		197,590	116,161	(6,474)	28,160
Non-controlling interests		32,484	19,849	-	-
		230,074	136,010	(6,474)	28,160
Earnings per share attributable to the owners of the Company (sen):					
- basic and diluted	9	6.00	2.34		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	2,784,462	2,770,319	20	164
Investment properties	11	21,995	22,278	-	-
Right-of-use assets	12	417,740	395,105	-	-
Intangible assets	13	99,214	96,080	-	-
Investment in subsidiaries	14	-	-	1,556,867	1,556,574
Investment in associates	15	1,635	1,728	-	-
Other receivables, deposits and prepaid expenses	20	16,515	39,337	-	-
Amount due from an associate	22	17,290	16,273	-	-
Deferred tax assets	16	72,961	70,120	-	-
Total non-current assets		3,431,812	3,411,240	1,556,887	1,556,738
CURRENT ASSETS					
Biological assets	17	419,624	406,216	-	-
Inventories	18	1,025,850	973,519	-	-
Trade receivables	19	649,878	624,707	-	-
Other receivables, deposits and prepaid expenses	20	173,274	115,360	218	288
Amounts due from subsidiaries	21	-	-	1,429	1,291
Non-current assets held for sale	23	-	2,093	-	-
Tax recoverable		51,475	32,058	441	576
Cash and bank balances	25	840,288	764,621	4,342	7,026
Total current assets		3,160,389	2,918,574	6,430	9,181
TOTAL ASSETS		6,592,201	6,329,814	1,563,317	1,565,919
EQUITY AND LIABILITIES					
EQUITY					
Share capital	26	1,499,684	1,499,684	1,499,684	1,499,684
Merger reserve	27	(662,966)	(662,466)	-	-
Reserves	28	1,168,326	969,842	42,571	48,651
Equity attributable to owners of the Company		2,005,044	1,807,060	1,542,255	1,548,335
Non-controlling interests		584,531	552,780	-	-
Total equity		2,589,575	2,359,840	1,542,255	1,548,335

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2022 (CONTINUED)

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	98,748	78,663	-	-
Lease liabilities	30	154,631	146,263	-	-
Bank borrowings	31	1,046,419	1,054,562	-	-
Post-employment benefits obligation	32	33,282	34,961	-	-
Deferred income - government grants	33	1,369	1,613	-	-
Provision for asset retirement obligation	34	5,055	5,373	-	-
Total non-current liabilities		1,339,504	1,321,435	-	-
CURRENT LIABILITIES					
Trade payables	35	358,946	284,246	-	-
Other payables and accrued expenses	36	270,834	250,424	3,392	1,514
Amounts due to subsidiaries	37	-	-	17,670	16,070
Lease liabilities	30	23,126	26,286	-	-
Bank borrowings	31	1,986,289	2,070,089	-	-
Derivative financial liabilities	24	7,546	866	-	-
Deferred income - government grants	33	342	323	-	-
Tax payable		16,039	16,305	-	-
Total current liabilities		2,663,122	2,648,539	21,062	17,584
TOTAL LIABILITIES		4,002,626	3,969,974	21,062	17,584
TOTAL EQUITY AND LIABILITIES		6,592,201	6,329,814	1,563,317	1,565,919

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Group	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
At 1 January 2021		1,499,684	(662,466)	(20,448)	10,088	886,583	1,713,441	535,122	2,248,563
Comprehensive income:									
- Net profit for the financial year		-	-	-	-	85,403	85,403	10,487	95,890
Other comprehensive income:									
- Remeasurement of post-employment benefit obligation		-	-	-	-	4,770	4,770	3,559	8,329
- Exchange translation differences		-	-	25,988	-	-	25,988	5,803	31,791
Total other comprehensive income		-	-	25,988	-	4,770	30,758	9,362	40,120
Total comprehensive income		-	-	25,988	-	90,173	116,161	19,849	136,010
Transactions with owners:									
- Dividends paid	38	-	-	-	-	(24,090)	(24,090)	(2,191)	(26,281)
- ESOS expenses	5	-	-	-	1,548	-	1,548	-	1,548
- Share options lapsed		-	-	-	(364)	364	-	-	-
At 31 December 2021		1,499,684	(662,466)	5,540	11,272	953,030	1,807,060	552,780	2,359,840

**STATEMENTS OF
CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Share capital RM'000	ESOS reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 January 2022		1,499,684	11,272	37,379	1,548,335
Total comprehensive income:					
Net loss for the financial year		-	-	(6,474)	(6,474)
Transactions with owners:					
ESOS expenses	5	-	102	-	102
Capital contribution to subsidiaries		-	292	-	292
Share options lapsed		-	(357)	357	-
At 31 December 2022		1,499,684	11,309	31,262	1,542,255
At 1 January 2021		1,499,684	10,088	32,945	1,542,717
Total comprehensive income:					
Net profit for the financial year		-	-	28,160	28,160
Transactions with owners:					
Dividends paid	38	-	-	(24,090)	(24,090)
ESOS expenses	5	-	397	-	397
Capital contribution to subsidiaries		-	1,151	-	1,151
Share options lapsed		-	(364)	364	-
At 31 December 2021		1,499,684	11,272	37,379	1,548,335

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		326,555	140,315	(6,354)	28,183
Adjustments for:					
Expense (reversed)/recognised in respect of defined benefit plan	32	(6,051)	8,870	-	-
Depreciation of:					
- property, plant and equipment	10	260,082	245,394	144	144
- investment properties	11	283	265	-	-
- right-of-use assets	12	40,874	38,068	-	-
Amortisation of deferred income	33	(334)	(322)	-	-
Write-off of:					
- property, plant and equipment	10	14,145	7,634	-	-
Gain on termination of leases	6	(463)	(3,441)	-	-
Loss/(Gain) on disposal of:					
- property, plant and equipment	6	229	(2,675)	-	-
- right-of-use assets	6	-	(3,229)	-	-
- non-current assets held for sale	6	(5,852)	-	-	-
Unrealised loss/(gain) on foreign exchange	6	549	(374)	(246)	(153)
Fair value loss/(gain) on derivative financial instruments					
	6	6,584	(1,618)	-	-
Share of profit of associates	15	(436)	(435)	-	-
Bad debts written off	6	574	24	-	-
Provision for impairment loss on:					
- property, plant and equipment	10	-	184	-	-
- trade receivables	19	5,988	3,142	-	-
- other receivables	20	23	1,995	-	-
ESOS expenses	5	394	1,548	102	397
Dividend income	4	-	-	-	(34,600)
Interest income	6	(13,095)	(14,406)	(239)	(159)
Finance costs	7	137,915	112,446	862	922
		767,964	533,385	(5,731)	(5,266)

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Changes in working capital:					
Biological assets		(7,921)	(42,762)	-	-
Inventories		(29,597)	(228,632)	-	-
Receivables		(66,847)	(183,330)	(68)	114
Payables		46,138	40,617	2,629	(282)
Cash generated from operations		709,737	119,278	(3,170)	(5,434)
Tax paid		88.85	(75,048)	15	(357)
Net cash flow from operating activities		620,885	44,230	(3,155)	(5,791)
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to an associate	39	(1,024)	-	-	-
Proceeds from disposal of:					
- property, plant and equipment		5,249	6,452	-	-
- right-of-use assets		485	7,670	-	-
- non-current assets held for sale	23	7,945	-	-	-
Dividend income received from:					
- an associate	15	525	344	-	-
- subsidiaries	4	-	-	-	34,600
Interest income received	6	13,095	14,406	239	159
Additions of:					
- property, plant and equipment	10	(285,863)	(334,549)	-	-
- right-of-use assets	12	(5,635)	(11,383)	-	-
Acquisition of additional shares in:					
- a subsidiary	14	-	(20)	-	-
- an associate		-	(59)	-	-
(Increase)/Decrease in fixed deposits pledged		(9,042)	3,392	-	-
Placement of fixed deposits with more than three months maturity	25	(3,382)	(78,858)	-	-
Net cash flow from investing activities		(277,647)	(392,605)	239	34,759

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs paid		(133,043)	(110,012)	-	-
Dividends paid to:					
- shareholders	38	-	(24,090)	-	(24,090)
- non-controlling interests		(733)	(2,191)	-	-
Repayment of hire purchase liabilities		(14,244)	(18,773)	-	-
Payments for the principal portion of lease liabilities		(31,204)	(25,120)	-	-
Drawdown of term loans		127,128	339,715	-	-
Repayment of term loans		(275,798)	(227,357)	-	-
Issuance of Sukuk Mudharabah		100,000	100,000	-	-
Payment of Sukuk Mudharabah transaction costs		(7)	(1,123)	-	-
Net drawdown of short term borrowings		(134,151)	233,227	-	-
Advance from a subsidiary	39	-	-	-	1,700
Repayment to a subsidiary	39	-	-	(14)	(4,386)
Net cash flow from financing activities		(362,052)	264,276	(14)	(26,776)
Net changes in cash and cash equivalents		(18,814)	(84,099)	(2,930)	2,192
Effect of exchange translation differences		(274)	13,412	246	153
Cash and cash equivalents at beginning of the financial year		575,140	645,827	7,026	4,681
Cash and cash equivalents at end of the financial year	25	556,052	575,140	4,342	7,026

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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 2022	1,313,887	1,689,256	172,549	24,514	3,200,206
Net cash flow	(48,677)	(134,151)	(31,204)	(14,244)	(228,276)
Finance costs paid	(60,860)	(63,267)	(7,743)	(1,173)	(133,043)
	(109,537)	(197,418)	(38,947)	(15,417)	(361,319)
Non-cash transaction:					
Finance costs	62,921	64,434	7,743	1,173	136,271
Interest accretion	(1,032)	(1,167)	(8)	-	(2,207)
Addition	5,666	-	62,304	7,704	75,674
Termination	-	-	(3,047)	-	(3,047)
Foreign exchange translation	7,726	1,494	(22,837)	(22)	(13,639)
At 31 December 2022	1,279,631	1,556,599	177,757	17,952	3,031,939
At 1 January 2021	1,082,498	1,428,661	156,170	33,233	2,700,562
Net cash flow	211,235	233,227	(25,120)	(18,773)	400,569
Finance costs paid	(47,682)	(52,818)	(7,929)	(1,583)	(110,012)
	163,553	180,409	(33,049)	(20,356)	290,557
Non-cash transaction:					
Finance costs	48,353	52,724	7,928	1,583	110,588
Interest accretion	(454)	95	-	-	(359)
Addition	5,870	-	43,580	10,057	59,507
Termination	-	-	(3,529)	-	(3,529)
Foreign exchange translation	14,067	27,367	1,449	(3)	42,880
At 31 December 2021	1,313,887	1,689,256	172,549	24,514	3,200,206

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Amounts due to subsidiaries	
	2022 RM'000	2021 RM'000
Company		
At 1 January	15,891	17,655
Net cash flow	(14)	(2,686)
Non-cash transaction: Finance costs	862	922
At 31 December	16,739	15,891

* Short-term borrowings exclude bank overdrafts.

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2022

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 and management to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' and management's best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2022:

- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 'Proceeds before intended use'
- Annual Improvements to MFRS 9 ' Fees in the '10 per cent ' test for Derecognition of Financial Liabilities'
- Annual Improvements to MFRS 1 ' Subsidiary as First-time Adopter'
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 ' Taxation in Fair Value Measurements'
- Amendments to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'

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 2022. None of these is expected to have a significant effect on the financial statements of the Group.

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

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

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

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

The amendments shall be applied retrospectively.

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

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

(a) Subsidiaries

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

Business combinations under acquisition method

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

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

Acquisition-related costs are expensed as incurred.

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

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(b) Associates (continued)

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 arises from a business combination and represents the excess of the aggregate of fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net assets of the subsidiary of the acquiree, the resulting gain is recognised directly in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Goodwill (continued)

Goodwill on acquisition of subsidiaries is included in the statement of financial position as intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (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	10% - 20%
Furniture, fittings, equipment and renovation	5% - 50%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.9 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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(c) Measurement (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

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

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 43 sets out the measurement details of ECL.

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

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 43 sets out the measurement details of ECL.

Significant increase in credit risk

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

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 180 days of when they fall due.

Qualitative criteria:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

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

(ii) Individual assessment

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

Write-off

(i) Trade receivables and trade amounts due from intercompanies

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

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

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

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

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Derivative and hedging activities

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

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

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

2.12 Financial guarantee contracts

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

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

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

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

2.13 Leases

(a) Accounting by lessee

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(a) Accounting by lessee (continued)

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

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

The Group 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(a) Accounting by lessee (continued)

Lease liabilities (continued)

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

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

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

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

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.

(b) Accounting by lessor

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

Finance leases

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

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments are subject to MFRS 9 impairment (refer to Note 2.9 on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(b) Accounting by lessor (continued)

Finance leases (continued)

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

Operating leases

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

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

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

2.14 Trade and other receivables

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

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

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Refer to 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. The cost is determined using first in, first out method or weighted average costs, as applicable. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs, including import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.17 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 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Share capital (continued)

(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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings and borrowing costs (continued)

(i) Borrowings (continued)

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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (continued)

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.

2.21 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 recognised in 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(b) Post-employment pension benefits (continued)

(ii) Defined benefit plans

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

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

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

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

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 share 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Share-based payments - Employee options (continued)

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

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

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

Modification and Cancellation

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

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

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

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

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Provisions (continued)

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.

2.24 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.

Sales of chicken and other poultry related products

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

Sales of poultry feed

Revenue from sales of poultry feed are recognised net of discount and applicable 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Foreign currencies (continued)

(ii) Transactions and balances (continued)

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

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

(iii) Group companies

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 costs directly attributable to the sale of biological assets but excludes finance costs and income taxes. Purchases of livestock are directly expensed to profit or loss when incurred. Changes in fair value of biological assets, livestock losses, the carrying amount of livestock depopulation and the carrying amount of livestock sold are recognised in the statement of comprehensive income within "Change in fair value of biological assets".

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

Breeders

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

Commercial layers

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

Broilers

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

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

Hatching eggs

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

2.28 Land use rights

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

Land use rights are depreciated over the land use rights periods ranging from 20 to 60 years.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Segment reporting

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

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

2.30 Government grants

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

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

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 asset.

2.31 Non-current assets held-for-sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Biological assets

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

Breeders

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

Commercial layers

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

Broilers

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

Hatching eggs

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

The Group recorded a fair value for its biological assets of RM419,624,000 as at 31 December 2022 (2021: RM406,216,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Contingent liabilities

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.

The Group exercises judgement in measuring the exposures to contingent liabilities and in measuring the provisions related to pending matter or litigation subject to government regulation, arbitration or negotiated settlement. Judgement is required to assess the probable outflow of resources that will be required to settle the obligation. The inherent uncertainty of such matter may result the actual losses to be materially differ from estimates.

Further details of the contingent liabilities are disclosed in Note 40 to the financial statements.

(iv) Deferred taxes

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves significant judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised, the likely timing and level of future tax planning strategies to support the basis of recognition of deferred tax assets. Further details of deferred tax asset are disclosed in Note 16 to the financial statements.

(v) Government subsidy

Government subsidy of RM90,469,000 was recognised as 'other income' during the financial year ended 31 December 2022 under "Program Subsidi Ayam dan Telur". The program has been approved by the Government of Malaysia on 9 February 2022. The objective of the programme is to ease the burden of poultry and layer farmers due to the increase in the production costs while the ceiling prices have been set for chicken and eggs. The program was effective from 5 February 2022 to 31 December 2022 during the financial year. Under the program, the eligible poultry and layer farmers will receive cash when their applications have been approved by the Department of Veterinary Services ("DVS") under Ministry of Agriculture and Food Industries.

Subsidy from government is recognised at its fair values where there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions. The determination of reasonable assurance that the grant will be received is a judgement by the Directors and management.

The Group considers there is reasonable assurance that they are able to comply with the conditions attached to the subsidy upon sale of the eligible chicken and eggs during the subsidy period and upon approval by the DVS Subsidy Approval Committee ("Committee"). The Committee will review and approve that the claims made by the eligible farmers are valid during their monthly committee meeting. Without the approval by the Committee, the subsidy will not be disbursed. Accordingly, reasonable assurance is only met after meeting two conditions, which are, upon sale of eligible chicken and eggs and the approval by the Committee.

The Group observed that there is no fixed scheduled meeting held by the Committee since early December 2022 and there was a delay in the claim approval process. Such events indicate there were changes in circumstances resulting in uncertainties over the claim approval process. Consequently, the Group is of the view that there is no reasonable assurance that the unapproved subsidy applied for as at 31 December 2022, will be approved. In addition, the Group is unable to verify the status of the unapproved claims.

As at 31 December 2022, the unapproved subsidy claims of RM32,492,000 has not been recognised as other income in the financial statements as there is no reasonable assurance that this subsidy will be approved and received.

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE

The Group derives the following types of revenue:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Revenue from contracts with customers:</u>				
- Sales of goods	9,028,199	7,142,352	-	-
<u>Revenue from other sources:</u>				
- Lease income	14,434	10,973	-	-
- Dividend income from subsidiaries	-	-	-	34,600
- Others	69	195	-	-
Total revenue	9,042,702	7,153,520	-	34,600

Disaggregation of revenue from contracts with customers by product segments:

	Group	
	2022 RM'000	2021 RM'000
Livestock and other poultry related products	4,979,244	3,915,350
Feedmill	4,048,955	3,227,002
	9,028,199	7,142,352

5 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries, wages and bonuses	645,682	601,107	844	921
Defined contribution plans	37,331	32,537	-	-
Defined benefit plans	(6,051)	10,620	-	-
ESOS expenses	394	1,548	102	397
	677,356	645,812	946	1,318

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

NOTES TO THE FINANCIAL STATEMENTS

6 PROFIT FROM OPERATIONS

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Auditors' remuneration:				
Statutory audit				
- PricewaterhouseCoopers PLT	1,537	1,358	90	90
- Member firms of PricewaterhouseCoopers International Limited	2,005	1,892	-	-
- Others	205	197	-	-
Other services				
- PricewaterhouseCoopers PLT	61	55	-	-
- Member firms of PricewaterhouseCoopers International Limited	540	459	-	-
Foreign exchange (gains)/losses:				
- realised	(14,700)	(3,100)	(98)	1
- unrealised	549	(374)	(246)	(153)
Fair value loss/(gain) on derivative financial instruments	6,584	(1,618)	-	-
Rental expense*	11,023	15,097	-	-
Write-off of:				
- property, plant and equipment	14,145	7,634	-	-
Gain on termination of leases	(463)	(3,441)	-	-
Provision for/(reversal of) impairment loss on:				
- property, plant and equipment	-	184	-	-
- trade receivables	5,988	3,142	-	-
- other receivables	23	1,995	-	-
Amortisation of deferred income Expense (reversed)/recognised in respect of defined benefit plan	(334) (6,051)	(322) 8,870	-	-
Farmers' incentive	112,136	75,627	-	-
Packing materials	25,783	22,193	-	-
Travelling expenses	11,359	8,123	-	-
Promotional and marketing expenses	10,411	11,794	-	-
Interest income	(13,095)	(14,406)	(239)	(159)
Rental income	(2,439)	(2,187)	-	-
Loss/(Gain) on disposal of:				
- property, plant and equipment	229	(2,675)	-	-
- right-of-use assets	-	(3,229)	-	-
- non-current assets held for sale	(5,852)	-	-	-
Bad debts written off	574	24	-	-
Government grant	(2,787)	(5,215)	-	-
Government subsidy [^]	(90,469)	-	-	-
Insurance expenses	14,581	12,230	190	180
Brooding expenses	9,990	5,835	-	-
Cleaning and washing expenses	10,802	10,697	-	-
Pest control expenses	2,906	2,419	-	-

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

[^] See note 3(v) for details of government subsidy.

NOTES TO THE FINANCIAL STATEMENTS

7 FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expenses on:				
Bankers' acceptances	13,692	12,149	-	-
Bank overdrafts	1,147	1,605	-	-
Term loans	52,717	43,578	-	-
Hire purchase liabilities	1,173	1,583	-	-
Lease liabilities	7,743	7,928	-	-
Revolving credits	23,355	26,473	-	-
Trust receipts	27,387	14,102	-	-
Loan from a subsidiary	-	-	862	922
Sukuk Mudharabah	10,204	4,775	-	-
Others	497	253	-	-
	137,915	112,446	862	922

8 TAX EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax recognised in profit or loss:				
- Malaysian income tax	30,833	27,896	124	39
- Foreign tax	35,857	37,342	-	-
- Under/(Over) provision in prior years	1,728	(805)	(4)	(16)
	68,418	64,433	120	23
Deferred taxation recognised in profit or loss (Note 16):				
- Origination and reversal of temporary differences	14,137	(20,496)	-	-
Real property gain tax	126	488	-	-
Tax expense	82,681	44,425	120	23
Deferred taxation recognised in OCI (Note 16):				
- Remeasurement of post-employment benefit obligation	66	216	-	-

NOTES TO THE FINANCIAL STATEMENTS

8 TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit/(Loss) before tax	326,555	140,315	(6,354)	28,183
Tax at Malaysian statutory tax rate of 24% (2021: 24%)	78,373	33,676	(1,525)	6,764
Tax effects of:				
- expenses not deductible for tax purposes	14,926	26,080	1,649	1,579
- income not subject to tax	(1,836)	(3,115)	-	(8,304)
- share of result of an associate	(105)	(91)	-	-
- differential in tax rates of foreign Subsidiaries	(2,669)	(2,786)	-	-
- utilisation of reinvestment allowance not recognised as tax benefits	(1,369)	-	-	-
- utilisation of previously unrecognised tax losses	(4,734)	(6,477)	-	-
- utilisation of previously unrecognised capital allowances	(2,623)	(1,163)	-	-
- utilisation of special incentive	(7,939)	(3,140)	-	-
- deductible temporary differences not recognised in current year	12	592	-	-
- current year tax losses for which no deferred tax asset is recognised	8,791	1,166	-	-
Real property gain tax	126	488	-	-
Under/(Over) provision in prior years	1,728	(805)	(4)	(16)
Tax expense	82,681	44,425	120	23

NOTES TO THE FINANCIAL STATEMENTS

8 TAX EXPENSE (CONTINUED)

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

	2022 RM'000	Group 2021 RM'000
Unutilised tax losses		
- expiring by year of assessment 2022*	-	18,415
- expiring by year of assessment 2023*	14,326	14,326
- expiring by year of assessment 2024*	13,467	13,467
- expiring by year of assessment 2025*	8,519	8,519
- expiring by year of assessment 2026*	107,723	107,723
- expiring by year of assessment 2027*	29,587	-
- expiring by year of assessment 2028 [^]	28,402	25,336
- expiring by year of assessment 2029 [^]	4,169	2,121
- expiring by year of assessment 2030 [^]	596	7,018
- expiring by year of assessment 2031 [^]	7,040	-
	213,829	196,925
Unabsorbed capital allowances		
- no expiry period	11,740	22,671
Unutilised reinvestment allowance		
- expiring not more than seven years	9,318	15,022
	234,887	234,618

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

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

NOTES TO THE FINANCIAL STATEMENTS

9 EARNINGS PER SHARE (“EPS”)

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

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

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

	2022 RM'000	Group 2021 RM'000
Profit attributable to the owners of the Company	218,891	85,403
Weighted average number of ordinary shares in issue ('000)	3,650,000	3,650,000
Basic and diluted EPS (sen)	6.00	2.34

Diluted EPS

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

The potential conversion of ESOS options are anti-dilutive as their exercise prices were higher than the average market price ('out of the money') of the Company's ordinary share during the financial year 2022 and 2021. Accordingly, the exercise of ESOS had been ignored in the calculation of dilutive earnings per share and the diluted earnings per ordinary share is the same as the basic earnings per ordinary share.

NOTES TO THE
FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	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
<u>Net book value</u>								
At 1 January 2022	303,491	1,388,492	22,700	524,721	68,623	221,070	241,222	2,770,319
Additions	98	66,323	970	95,214	20,698	41,845	73,187	298,335
Disposals	-	(1,251)	-	(83)	(510)	(149)	(3,485)	(5,478)
Write-off	-	(2,223)	(1,049)	(2,087)	-	(7,302)	(1,484)	(14,145)
Foreign exchange differences	(339)	(1,820)	-	(2,502)	362	402	(157)	(4,054)
Reclassifications	-	78,907	-	74,490	75	1,992	(155,464)	-
Transfer to right-of-use assets (see Note 12)	-	-	-	-	-	-	(433)	(433)
Depreciation charge for the financial year	-	(82,619)	(950)	(109,970)	(23,188)	(43,355)	-	(260,082)
At 31 December 2022	303,250	1,445,809	21,671	579,783	66,060	214,503	153,386	2,784,462
<u>At 31 December 2022:</u>								
Cost	303,250	2,229,044	26,779	1,532,215	252,489	496,040	153,471	4,993,288
Accumulated depreciation	-	(782,462)	(5,103)	(952,432)	(186,429)	(280,072)	-	(2,206,498)
Accumulated impairment loss	-	(773)	(5)	-	-	(1,465)	(85)	(2,328)
Net book value	303,250	1,445,809	21,671	579,783	66,060	214,503	153,386	2,784,462

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	Freehold land RM'000	Buildings improvement 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
<u>Net book value</u>								
At 1 January 2021	301,638	1,350,681	22,708	528,417	75,973	184,692	192,372	2,656,481
Additions	3,533	49,531	1,002	80,664	17,817	67,361	126,000	345,908
Disposals	(1,679)	(438)	-	(388)	(1,179)	(32)	(61)	(3,777)
Write-off	-	(4,864)	(309)	(647)	(323)	(1,491)	-	(7,634)
Foreign exchange differences	(1)	18,568	-	6,691	810	1,184	506	27,758
Reclassifications	-	56,482	300	13,468	-	7,345	(77,595)	-
Transfer to investment properties (see Note 11)	-	(746)	-	-	-	-	-	(746)
Transfer to non-current assets held for sale (see Note 23)	-	(2,030)	-	(63)	-	-	-	(2,093)
Depreciation charge for the financial year	-	(78,508)	(1,001)	(103,421)	(24,475)	(37,989)	-	(245,394)
Impairment charge for the financial year	-	(184)	-	-	-	-	-	(184)
At 31 December 2021	303,491	1,388,492	22,700	524,721	68,623	221,070	241,222	2,770,319
<u>At 31 December 2021:</u>								
Cost	303,491	2,099,806	27,073	1,400,567	240,075	461,498	241,307	4,773,817
Accumulated depreciation	-	(710,541)	(4,368)	(875,846)	(171,452)	(238,963)	-	(2,001,170)
Accumulated impairment loss	-	(773)	(5)	-	-	(1,465)	(85)	(2,328)
Net book value	303,491	1,388,492	22,700	524,721	68,623	221,070	241,222	2,770,319

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company	
	Furniture, fittings and office equipment RM'000	Total RM'000
<u>Net book value</u>		
At 1 January 2021	308	308
Depreciation charge for the financial year	(144)	(144)
At 31 December 2021/1 January 2022	164	164
Depreciation charge for the financial year	(144)	(144)
At 31 December 2022	20	20
<u>At 31 December 2022:</u>		
Cost	578	578
Accumulated depreciation	(558)	(558)
Net book value	20	20
<u>At 31 December 2021:</u>		
Cost	578	578
Accumulated depreciation	(414)	(414)
Net book value	164	164

- (a) As of 31 December 2022, certain property, plant and equipment of the Group with a net carrying value of RM912,253,000 (2021: RM707,246,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2022 RM'000	Group 2021 RM'000
<u>Carrying amount</u>		
Plant and machinery	25,118	29,992
Motor vehicles	28,664	30,468
Furniture, fittings and equipment	256	294
	54,038	60,754

- (c) Additions of property, plant and equipment

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

	2022 RM'000	Group 2021 RM'000
Cash payments	285,863	334,549
Unpaid balances included under other payables	9,584	10,482
Cash paid in respect of acquisitions in previous financial year	(10,482)	(15,050)
Financed by hire purchase	7,704	10,057
Financed by long term loans	5,666	5,870
Additions of property, plant and equipment	298,335	345,908

11 INVESTMENT PROPERTIES

	2022 RM'000	Group 2021 RM'000
<u>Cost</u>		
At 1 January	31,793	31,047
Transfer from property, plant and equipment	-	746
At 31 December	31,793	31,793
<u>Less: Accumulated depreciation</u>		
At 1 January	9,515	9,250
Charge for the financial year	283	265
At 31 December	9,798	9,515
<u>Net carrying amount</u>		
At 31 December	21,995	22,278
Fair values	48,877	48,804

NOTES TO THE FINANCIAL STATEMENTS

11 INVESTMENT PROPERTIES (CONTINUED)

The property rental income earned by the Group from investment properties, certain of which are leased out under operating leases, amounted to RM1,026,000 (2021: RM984,000). Direct operating expenses arising from investment properties that are revenue-generating of the Group amounted to RM96,000 (2021: RM123,000).

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.

	2022 RM'000	2021 RM'000
<u>Group</u>		
Within 1 year	732	1,342
In the 2 nd year	47	900
In the 3 rd year	35	47
In the 4 th year	35	-
Total undiscounted lease payments	849	2,289

NOTES TO THE FINANCIAL STATEMENTS

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 2021		33,146	178,545	113,087	46,224	2,861	373,863
Additions		3,222	7,922	2,868	41,562	1,834	57,408
Disposal		(825)	-	(318)	(3,298)	-	(4,441)
Terminations		-	-	-	(88)	-	(88)
Foreign exchange differences		-	4,959	215	1,192	65	6,431
Reclassification*		-	5,762	(5,762)	-	-	-
Depreciation charge for the financial year		(558)	(8,984)	(7,443)	(19,727)	(1,356)	(38,068)
At 31 December 2021 / 1 January 2022		34,985	188,204	102,647	65,865	3,404	395,105
Additions		4,850	25,727	20,186	14,360	3,051	68,174
Disposal		-	-	(485)	-	-	(485)
Terminations		-	-	(79)	(3,304)	-	(3,383)
Transfer from property, plant and equipment (see Note 10)		-	433	-	-	-	433
Foreign exchange differences		-	(3,881)	2,079	722	(150)	(1,230)
Depreciation charge for the financial year		(470)	(8,437)	(7,837)	(21,972)	(2,158)	(40,874)
At 31 December 2022		39,365	202,046	116,511	55,671	4,147	417,740

* Reclassification refers to right-of-use assets that was previously misclassified in the respective categories in the prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

12 RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases various lands, buildings and equipment. The right-of-use assets are depreciated 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	32 – 99 years
Land use rights	20 – 60 years
Land from operating lease	2 – 60 years
Buildings	1 – 15 years
Plant and machinery	1 – 12 years

Lease 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	2022 RM'000	2021 RM'000
Interest expense (included in finance costs)	7	7,743	7,928
Expense relating to short-term leases (included in rental expenses)	6	10,683	14,890
Expense relating to leases of low value assets that are not shown above as short-term leases (included in rental expenses)	6	340	207
The total cash outflow for leases		49,970	48,145

Additions of right-of-use assets

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

	2022 RM'000	2021 RM'000
Cash payments	5,635	11,383
Future lease payment included in lease liabilities	62,304	43,580
Provision for asset retirement obligation	235	2,445
Addition of right-of-use assets	68,174	57,408

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Goodwill on consolidation RM'000	Business customer RM'000	Total RM'000
Group			
<u>Cost</u>			
At 1 January 2021	103,311	10,321	113,632
Translation differences	759	155	914
At 31 December 2021/1 January 2022	104,070	10,476	114,546
Translation differences	3,134	641	3,775
At 31 December 2022	107,204	11,117	118,321
<u>Less: Accumulated amortisation</u>			
At 1 January 2021	–	10,321	10,321
Translation differences	–	155	155
At 31 December 2021/1 January 2022	–	10,476	10,476
Translation differences	–	641	641
At 31 December 2022	–	11,117	11,117
<u>Less: Accumulated impairment losses</u>			
At 31 December 2021/31 December 2022	7,990	–	7,990
<u>Net carrying amount</u>			
At 31 December 2022	99,214	–	99,214
At 31 December 2021	96,080	–	96,080

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS (CONTINUED)

(i) **Business customer relationship**

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

(ii) **Goodwill on consolidation**

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units that are expected to benefit from the business combination. The carrying amount of goodwill totalling RM99.2 million (2021: RM96.1 million) had been allocated to the following cash generating units ('CGUs') for the purpose of impairment testing.

	2022 RM'000	Group 2021 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	33,208
Singapore		
Processing and marketing of consumer products	58,768	55,634
	99,214	96,080

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

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

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

There were no impairment loss recognised in respect of the goodwill during the financial year.

Sensitivity

As at 31 December 2022 and 31 December 2021, the recoverable amount of CGUs above are estimated to exceed the carrying amounts and is not sensitive to any reasonable change in the key assumptions.

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS (CONTINUED)

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

Manufacturing of animal feeds

- The revenue growth rate and EBITDA margin is supported by management's approved budget and forecast, which is in line with past performance records, future market outlook and management's expectation of market developments.
- Pre-tax discount rate of 9.0% (2021: 9.0%) was applied, benchmarked against comparable companies at the date of assessment; and
- A terminal growth rate 1% (2021: 1%) was applied.

Trading of animal health products

- The revenue growth rate and EBITDA margin is supported by management's approved budget and forecast, which is in line with past performance records, future market outlook and management's expectation of market developments.
- Pre-tax discount rate of 11.5% (2021: 11.9%) was applied, benchmarked against comparable companies at the date of assessment.
- A terminal growth rate 1% (2021: 1%) was applied.

Poultry farming and breeding

- The revenue growth rate and EBITDA margin is supported by management's approved budget and forecast, which is in line with past performance records, future market outlook and management's expectation of market developments. An improvement and reduction to the revenue growth rate and EBITDA margin was applied for the best and worst case scenario respectively.
- Pre-tax discount rate of 9.7% (2021: 11.7%) was applied for all scenarios (base case, best case and worse case) benchmarked against comparable companies at the date of assessment.
- A terminal growth rate 2.5% (2021: 1%) was applied for all scenarios (base case, best case and worse case).

Processing and marketing of consumer products

- The revenue growth rate and EBITDA margin is supported by management's forecasted projects, which is in line with past performance records, future market outlook and management's expectation of market developments. An improvement and reduction to the revenue growth rate and EBITDA margin was applied for the best and worst case scenario respectively.
- Pre-tax discount rate of 14.5% (2021: 13.3%) was applied for all scenarios (base case, best case and worse case) benchmarked against comparable companies at the date of assessment.
- A terminal growth rate 2.5% (2021: 1%) was applied for all scenarios (base case, best case and worse case).

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	1,547,687	1,547,687
Capital contribution to subsidiaries – ESOS Options	9,180	8,887
	1,556,867	1,556,574

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

Name of the Company	Effective percentage of ownership		Principal activities
	2022	2021	
	%	%	
<u>Direct subsidiaries</u>			
Leong Hup (Malaysia) Sdn. Bhd.*	100.00	100.00	Investment holding
United Global Resources Limited*	100.00	100.00	Investment holding
Leong Hup Singapore Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Dragon Amity Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
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
<u>Indirect subsidiaries</u>			
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, beverages and bakery retail outlets

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2022	2021	
	%	%	
<u>Indirect subsidiaries (continued)</u>			
Leong Hup Capital Sdn. Bhd.*	100.00	100.00	Funding vehicle, investment advisory services, other financial activities except insurance/takaful and pension funding
The Baker's Cottage Sdn. Bhd.^	100.00	100.00	Manufacturing, trading and distribution of food products
Baker's Cottage Training Academy Sdn. Bhd.^	100.00	100.00	Bakery, cafeteria and restaurant and retailing of confectionery food products, provision of training and consultancy services
Selasih Prospek Sdn. Bhd.^	100.00	100.00	Bakery, cafeteria and restaurant and retailing of confectionery food products
Ayam A1 Food Corporation Sdn. Bhd.*	100.00	100.00	Provision of manufacturing related services and investment holding
Leong Hup Feedmill Malaysia Sdn. Bhd. *	100.00	100.00	Manufacturing and marketing of animal feeds 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. ^u	-	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

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2022	2021	
	%	%	
<u>Indirect subsidiaries (continued)</u>			
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
Exclusive Treasures Sdn. Bhd.*	100.00	100.00	Rearing of broiler chicken for sales
Mantap Untung Sdn. Bhd.*	51.00	51.00	Dormant
Ternakan Emas Sdn. Bhd.*	100.00	100.00	Dormant
Golden Egg Sdn. Bhd.*	100.00	100.00	Dormant
Rising Momentum Sdn. Bhd.*	100.00	100.00	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* ^a	29.02	29.02	Investment holding and provision of management services
Teo Seng Farming Sdn. Bhd.*	29.02	29.02	Poultry farming, investment holding, manufacturing and marketing of fertiliser and poultry related products

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2022	2021	
	%	%	
<u>Indirect subsidiaries (continued)</u>			
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 and farming equipment, veterinary pharmaceuticals and biological products
Success Century Sdn. Bhd.*	29.02	29.02	Management and renting of properties
B-Tech Aquaculture Sdn. Bhd.*	29.02	29.02	Dormant
Laskar Fertiliser Sdn. Bhd.*	29.02	29.02	Management and renting of properties
Great Egg Industries Sdn. Bhd. *	29.02	29.02	Dormant - under members' voluntary winding up process
Teo Seng Integrated Farming Sdn. Bhd. *	29.02	29.02	Poultry farming, manufacturing and marketing of animal feed, fertilizer and related poultry products
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

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2022	2021	
	%	%	
<u>Indirect subsidiaries (continued)</u>			
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
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, poultry and aquatic feed
Leong Hup Feedmill Vietnam Limited Liability Company # (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup (Cambodia) Limited^ (Incorporated in Cambodia)	100.00	100.00	Trading of animals feed
Lee Say Group Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry and investment holding
Tasty Meat Products Pte. Ltd.^ (Incorporated in Singapore)	80.00	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Kendo Trading Pte. Ltd. # (Incorporated in Singapore)	51.00	51.00	Slaughtering, processing and sale of fresh and frozen poultry products

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2022	2021	
	%	%	
<u>Indirect subsidiaries (continued)</u>			
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
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

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership		Principal activities
	2022	2021	
	%	%	
<u>Indirect subsidiaries (continued)</u>			
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	Broiler chicken farming
PT Leong Ayamsatu Primadona # (Incorporated in Indonesia)	57.77	57.77	Day-old-chick and broiler chicken farming
PT Malindo Food Delight # (Incorporated in Indonesia)	57.79	57.79	Processing and preserving of meat
PT Quality Indonesia & (Incorporated in Indonesia)	40.44	40.44	Dormant
PT Mitra Bebek Persada # (Incorporated in Indonesia)	57.22	57.22	Duck farming
Leong Hup Foods (Philippines), Inc ^α (Incorporated in Philippines)	100.00	100.00	Processing, packaging and distributing all kinds of livestock products

* Audited by PricewaterhouseCoopers PLT, Malaysia

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

^α 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

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

Non-controlling interests ('NCI') of the Group were mainly attributed to Teo Seng Capital Berhad ('Teo Seng'), 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
2022				
Effective interest of ordinary shares and voting shares held by NCI (%)	70.98	49.00	^	42.20
Summarised statements of comprehensive income:				
Revenue	651,967	40,635	367,369	3,279,427
Net profit for the financial year	21,682	6,574	7,950	875
Total comprehensive income/(loss)	23,144	6,574	7,950	(25,233)
Attributable to NCI:				
Net profit for the financial year	15,390	3,221	3,893	369
Total comprehensive income/(loss)	16,428	3,221	3,893	(10,648)
Dividends paid to NCI	-	686	-	47
Summarised statements of financial position:				
Non-current assets	373,191	2,299	61,872	735,392
Current assets	239,655	43,445	250,841	830,359
Non-current liabilities	(80,320)	(23)	(17,235)	(309,054)
Current liabilities	(203,866)	(5,776)	(50,223)	(726,078)
Net assets	328,660	39,945	245,255	530,619
Attributable to:				
- owners of the Company	95,377	20,372	145,794	306,698
- non-controlling interests	233,283	19,573	99,461	223,921
	328,660	39,945	245,255	530,619

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

Set out below are the summarised financial information for Teo Seng, 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. (continued)

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2022				
Summarised statements of cash flows:				
Cash flows from operating activities	61,132	5,916	30,716	134,690
Cash flows from investing activities	(23,765)	(3,003)	(3,644)	(81,403)
Cash flows from financing activities	(45,615)	(1,509)	(894)	39,813
Net movement in cash and cash equivalents	(8,248)	1,404	26,178	93,100
Effects of exchange rate changes on cash and cash equivalents	331	31	7,132	(5,551)
Cash and cash equivalents at 1 January	49,017	15,344	134,223	38,222
Cash and cash equivalents at 31 December	41,100	16,779	167,533	125,771

[^] The NCI disclosed in the financial year ended 31 December 2022 relates to certain subsidiaries of Lee Say Group Pte. Ltd. which are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%), Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%) and Prestige Fortune Sdn. Bhd. (NCI effective interest of 45.00%).

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

Set out below are the summarised financial information for Teo Seng, 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. (continued)

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2021				
Effective interest of ordinary shares and voting shares held by NCI (%)	70.98	49.00	^	42.20
Summarised statements of comprehensive income:				
Revenue	530,140	38,246	330,110	2,457,995
Net profit for the financial year	3,000	4,611	10,902	10,520
Total comprehensive income	3,327	4,611	10,978	29,995
Attributable to NCI:				
Net profit for the financial year	2,129	2,259	4,569	4,440
Total comprehensive income	2,361	2,259	4,604	12,658
Dividends paid to NCI	-	882	1,309	-
Summarised statements of financial position:				
Non-current assets	371,237	2,597	57,309	759,732
Current assets	244,013	38,200	216,046	778,034
Non-current liabilities	(86,173)	(21)	(11,934)	(356,248)
Current liabilities	(223,579)	(6,011)	(39,960)	(625,686)
Net assets	305,498	34,765	221,461	555,832
Attributable to:				
- owners of the Company	88,656	17,730	132,357	321,271
- non-controlling interests	216,842	17,035	89,104	234,561
	305,498	34,765	221,461	555,832

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (continued)

Set out below are the summarised financial information for Teo Seng, 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. (continued)

	Teo Seng RM'000	FEV RM'000	Lee Say RM'000	PT Malindo RM'000
2021				
Summarised statements of cash flows:				
Cash flows from operating activities	2,591	7,101	9,523	(32,171)
Cash flows from investing activities	(13,173)	(671)	(2,741)	(96,215)
Cash flows from financing activities	16,452	(1,890)	(3,536)	124,805
Net movement in cash and cash equivalents	5,870	4,540	3,246	(3,581)
Effects of exchange rate changes on cash and cash equivalents	35	–	1,612	781
Cash and cash equivalents at 1 January	43,112	10,804	129,365	41,022
Cash and cash equivalents at 31 December	49,017	15,344	134,223	38,222

[^] The NCI disclosed in the financial year ended 31 December 2021 relates to certain subsidiaries of Lee Say Group Pte. Ltd. which are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%), Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%) and Prestige Fortune Sdn. Bhd. (NCI effective interest of 45.00%).

31.12.2022

Strike off of a subsidiary

On 27 October 2022, a direct subsidiary of the Company, Leong Hup (Malaysia) Sdn. Bhd. had written-off its investment in the Leong Hup Poultry Farm (Sabah) Sdn. Bhd. amounting to RM40 as the said subsidiary had been struck-off from the register pursuant to Section 550 of the Companies Act 2016 and was accordingly dissolved.

31.12.2021

Additions of investment in a subsidiary

- (a) On 15 September 2021, an indirect subsidiary, Ladang Ternakan Maju Sdn. Bhd. acquired 19,600 ordinary shares, representing 49% of the total issued and paid up capital of Rising Momentum Sdn. Bhd. for a total consideration of RM19,600. The transaction has no material financial impact to the Group.
- (b) On 22 October 2021, an indirect subsidiary, Ladang Ternakan Maju Sdn. Bhd. acquired the remaining 3 ordinary shares, representing 0.0075% of the total issued and paid up capital of Rising Momentum Sdn. Bhd. for a total consideration of RM3. The transaction has no material financial impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT IN ASSOCIATES

	2022 RM'000	Group 2021 RM'000
At cost:		
Unquoted shares	1,407	1,415
Share of post-acquisition results (net of dividends received)	224	313
Translation differences	4	-
	1,635	1,728

Nature of investment in associates for 2022 and 2021:

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	
	2022 RM'000	2021 RM'000
Summarised statements of financial position:		
Total non-current assets	16,735	14,855
Total current assets	10,267	11,751
Total current liabilities	(19,236)	(18,202)
Net assets	7,766	8,404

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT IN ASSOCIATES (CONTINUED)

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

	Associates	
	2022 RM'000	2021 RM'000
Summarised statements of comprehensive income:		
Revenue	8,556	7,781
Profit for the financial year	2,001	1,983
Total comprehensive income	2,001	1,983
Group's share of profit for the financial year	436	435
Group's share of total comprehensive income	436	435
Dividend received	525	344
Reconciliation of net assets to carrying amount:		
Group's share of net assets	1,635	1,728
Carrying amount of the Group's interests in the associate	1,635	1,728

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	
	2022 RM'000	2021 RM'000
Deferred tax assets	72,961	70,120
Deferred tax liabilities	(98,748)	(78,663)
At 31 December	(25,787)	(8,543)

NOTES TO THE FINANCIAL STATEMENTS

16 DEFERRED TAXATION (CONTINUED)

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	
	2022 RM'000	2021 RM'000
At 1 January	(8,543)	(30,029)
Credited/(Charged) to profit or loss (Note 8)		
- Property, plant and equipment	(24,283)	2,512
- Employee benefit obligation	(1,525)	326
- Unutilised tax losses	12,455	8,358
- Trade and other receivables	79	917
- Trade and other payables	(421)	899
- Right-of-use assets	334	215
- Biological assets	2,670	4,265
- Others	(3,446)	3,004
	(14,137)	20,496
Translation differences	(3,041)	1,206
Credit to other comprehensive income	(66)	(216)
At 31 December	(25,787)	(8,543)

	Group	
	2022 RM'000	2021 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Property, plant and equipment	21,726	35,792
- Employee benefit obligation	6,788	8,598
- Unutilised tax losses	26,218	15,269
- Trade and other receivables	9,668	9,616
- Trade and other payables	10,119	11,299
- Biological assets	12,333	13,447
- Lease liabilities	11,838	8,468
	98,690	102,489
Offsetting	(25,729)	(32,369)
Deferred tax assets (after offsetting)	72,961	70,120

NOTES TO THE FINANCIAL STATEMENTS

16 DEFERRED TAXATION (CONTINUED)

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: (continued)

	2022 RM'000	Group 2021 RM'000
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(106,372)	(95,064)
- Investment properties	(644)	(644)
- Trade and other receivables	(7)	(1)
- Right-of-use assets	(13,411)	(9,992)
- Biological assets	(48)	(4,298)
	(120,482)	(109,999)
Offsetting	25,729	32,369
Deferred tax liabilities (after offsetting)	(94,753)	(77,630)
Subject to real property gain tax:		
Deferred tax liabilities		
- Property, plant and equipment	(3,995)	(1,033)
	(98,748)	(78,663)

17 BIOLOGICAL ASSETS

	2022 RM'000	Group 2021 RM'000
<u>At fair value less cost to sell:</u>		
Breeders (grandparent stock)	43,569	36,738
Breeders (parent stock)	192,634	202,239
Commercial layers	72,838	67,790
Broilers	52,297	40,483
Hatching eggs	54,149	55,750
Others	4,137	3,216
	419,624	406,216

NOTES TO THE FINANCIAL STATEMENTS

17 BIOLOGICAL ASSETS (CONTINUED)

The movement of biological assets can be analysed as follows:

	Group	
	2022 RM'000	2021 RM'000
<u>Breeders (grandparent stock)</u>		
At 1 January	36,738	35,985
Additions	36,568	29,506
Change in fair value	3,029	6,443
Livestock losses	(4,782)	(6,206)
Depopulation	(27,215)	(29,208)
Foreign currency translation	(769)	218
At 31 December	43,569	36,738
<u>Breeders (parent stock)</u>		
At 1 January	202,239	171,881
Additions	121,233	127,495
Change in fair value	81,443	76,576
Livestock losses	(29,267)	(32,095)
Depopulation	(179,788)	(144,154)
Foreign currency translation	(3,226)	2,536
At 31 December	192,634	202,239
<u>Commercial layers</u>		
At 1 January	67,790	66,707
Additions	16,304	13,068
Change in fair value	29,233	32,155
Livestock losses	(7,760)	(8,269)
Depopulation	(32,480)	(36,249)
Foreign currency translation	(249)	378
At 31 December	72,838	67,790
<u>Broilers</u>		
At 1 January	40,483	44,316
Additions	355,137	273,320
Change in fair value	142,147	188,917
Livestock losses	(44,403)	(36,919)
Sales of live birds	(440,927)	(429,689)
Foreign currency translation	(140)	538
At 31 December	52,297	40,483

NOTES TO THE FINANCIAL STATEMENTS

17 BIOLOGICAL ASSETS (CONTINUED)

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

	2022 RM'000	Group 2021 RM'000
Hatching eggs		
At 1 January	55,750	43,694
Additions	766,470	674,364
Discarded eggs	(225,794)	(208,050)
Hatched and sold as day-old-chick	(541,499)	(454,799)
Foreign currency translation	(778)	541
At 31 December	54,149	55,750
Others	4,137	3,216
	419,624	406,216

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

	2022 birds('000)	Group 2021 birds('000)
Livestock		
- Layers	7,777	7,409
- Breeders	5,556	5,526
- Broilers	13,940	13,299

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

	2022	Group 2021
Livestock		
- Layers ('000 eggs)	1,764,488	1,806,155
- Breeders ('000 DOC)*	614,766	553,824
- Broilers ('000 kg)	279,006	253,116

* DOC: Day-old-chick

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

The Group has entered into a contract to acquire 39,434 breeding chickens as at 31 December 2022 for RM2,401,000 (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS

17 BIOLOGICAL ASSETS (CONTINUED)

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

Description of valuation technique and input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Breeders		
Discounted cash flows:		
The valuation method considers the expected number of DOC produced, expected selling price of DOC or hatching egg over the life of the breeders, taking into account of estimated growing and farming costs and the mortality rate.	<ul style="list-style-type: none"> Estimated selling price of DOC or hatching egg based on management's estimate by reference to historical selling price adjusted for abnormal market movements. 	The higher the estimated selling price, the higher the fair value
	<ul style="list-style-type: none"> Management's estimate of feed and other variable costs expected to be incurred over the life span. 	The higher the costs, the lower the fair value
Commercial Layers		
Discounted cash flows:		
The valuation method considers the expected number of table egg produced, expected selling price of table eggs, taking into account of estimated growing and farming costs and the mortality rate.	<ul style="list-style-type: none"> Estimated selling price of table eggs based on management's estimate by reference to historical selling price adjusted for abnormal market movements. 	The higher the estimated selling price, the higher the fair value
	<ul style="list-style-type: none"> Management's estimate of feed and other variable costs expected to be incurred over the life span. 	The higher the costs, the lower the fair value
Broilers		
Discounted cash flows:		
The valuation method considers the estimated selling price and weight of the broilers taking into account of the estimated growing and farming costs and the mortality rate.	<ul style="list-style-type: none"> Estimated selling prices of broiler based on management's estimate by reference to historical selling price adjusted for abnormal market movements. 	The higher the estimated selling price, the higher the fair value
	<ul style="list-style-type: none"> Management's estimate of feed and other variable costs expected to be incurred over the life span. 	The higher the costs, the lower the fair value

NOTES TO THE FINANCIAL STATEMENTS

17 BIOLOGICAL ASSETS (CONTINUED)

Description of valuation technique and input used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Hatching eggs		
Discounted cash flows:		
The valuation method considers selling price of DOC or hatching egg, taking into account of expected hatchery costs and the hatching eggs' hatchability.	<ul style="list-style-type: none"> Expected selling prices of DOC or hatching egg 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 for hatching the eggs into day-old-chick. 	<p>The higher the estimated selling price, the higher the fair value</p> <p>The higher the costs, the lower the fair value</p>

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

	2022 RM	2021 RM
Breeders & hatching eggs		
Projected selling price of		
- DOC (parent stock)	14.08 - 21.21	13.16 - 21.26
- Hatching egg (parent stock)	4.65	4.74
- DOC (broiler)	1.63 - 3.44	1.52 - 3.56
Feed cost per kg for		
- grandparent stocks	1.76 - 2.93	1.76 - 2.90
- parent stocks	1.71 - 2.53	1.46 - 2.30
Commercial layers		
Project selling prices for table eggs per egg	0.32 - 0.38	0.25 - 0.35
Feed cost per kg	1.55 - 1.90	1.24 - 1.85
Broilers		
Projected selling prices for broilers per kg	4.76 - 10.07	4.25 - 6.91
Feed cost per kg	1.88 - 2.41	1.77 - 2.42

NOTES TO THE FINANCIAL STATEMENTS

17 BIOLOGICAL ASSETS (CONTINUED)

Sensitivity analysis

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

Effect on fair value of biological assets

	2022 RM'000	2021 RM'000
Projected selling prices of DOC/table eggs/broilers		
- increased by 10% (2021: 5%)	77,836	38,360
- decreased by 10% (2021: 5%)	(77,836)	(38,360)
Feed cost per kg		
- increased by 10% (2021: 10%)	(37,099)	(38,643)
- decreased by 10% (2021: 10%)	37,099	38,643

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

As at 31 December 2022, certain biological assets of the Group amounting to RM88,624,000 (2021: RM112,070,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

18 INVENTORIES

	2022 RM'000	Group 2021 RM'000
Processed chickens and trading stocks	145,116	150,452
Poultry feeds	62,598	53,277
Consumable supplies	94,571	88,556
Raw material	713,103	670,446
Work-in-progress	2,507	2,325
Others	7,955	8,463
	1,025,850	973,519

As at 31 December 2022, certain inventories of the Group amounting to RM82,063,000 (2021: RM114,264,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE RECEIVABLES

	2022 RM'000	Group 2021 RM'000
Trade receivables	498,804	469,685
Amounts due from related parties	192,921	194,505
	691,725	664,190
Less: Provision for impairment of trade receivables	(41,847)	(39,483)
	649,878	624,707

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

As at 31 December 2022, certain trade receivables of the Group amounting to RM62,126,000 (2021: RM62,341,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

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

	2022 RM'000	Group 2021 RM'000
At 1 January	39,483	36,901
Impairment loss recognised	5,988	3,142
Impairment loss written off	(2,462)	(1,242)
Translation differences	(1,162)	682
At 31 December	41,847	39,483

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.

NOTES TO THE FINANCIAL STATEMENTS

20 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current				
Other receivables	37,773	23,880	–	–
GST/VAT receivable	1,491	1,301	–	–
Deposits	21,210	19,861	–	–
Prepaid expenses	19,206	20,035	218	288
Advances to suppliers	95,608	52,278	–	–
	175,288	117,355	218	288
Less: Impairment losses	(2,014)	(1,995)	–	–
	173,274	115,360	218	288
Non-current				
Deposits	5,445	5,979	–	–
Prepaid expenses	3,419	2,622	–	–
Advances	7,651	30,736	–	–
	16,515	39,337	–	–
	189,789	154,697	218	288

As at 31 December 2022, certain other receivables of the Group amounting to RM29,450,000 (2021: RM12,050,000) 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	
	2022 RM'000	2021 RM'000
At 1 January	1,995	1
Impairment loss recognised	23	1,995
Translation differences	(4)	(1)
At 31 December	2,014	1,995

21 AMOUNTS DUE FROM SUBSIDIARIES

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

22 AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is an unsecured advances to an associate which are denominated in Philippines Peso to secure leases of its land with a lease term of 30 years 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 (2021: 6.5% per annum).

NOTES TO THE FINANCIAL STATEMENTS

23 NON-CURRENT ASSETS HELD FOR SALE

	Buildings RM'000	Plant and machinery RM'000	Total RM'000
Group			
At 31 December 2021	2,030	63	2,093

On 21 December 2021, the Group's indirect subsidiary, Tasty Meat Products Pte Ltd (the "Vendor") had entered into an agreement with a third party (the "Purchaser") whereby the Purchaser had an option to purchase the Vendor's leasehold property located at 13 Tuas Bay Walk, Singapore for a cash consideration of SGD2.5 million (equivalent to RM7.9 million). As a result, the property, plant and equipment associated with the agreement had met the criteria of MFRS 5 and was presented as non-current assets held for sale in the previous financial year.

On 3 January 2022, the Purchaser exercised the option to purchase and the said transaction was completed as at the end of the financial year.

24 DERIVATIVE FINANCIAL LIABILITIES

	Group			
	2022		2021	
	Contract/ Notional Amount RM'000	Derivative Liabilities RM'000	Contract/ Notional Amount RM'000	Derivative Liabilities RM'000
Current liabilities				
Forward foreign exchange contracts	301,659	(7,546)	104,285	(492)
Foreign currency swap contracts	–	–	31,406	(179)
Interest rate swap contracts	–	–	15,388	(195)
	301,659	(7,546)	151,079	(866)
Derivative financial liabilities	301,659	(7,546)	151,079	(866)

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 (2021: 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 RM6,584,000 (2021: gain of RM1,618,000) arising from fair value changes of derivatives and unrealised foreign exchange loss of RM96,000 (2021: gain of RM35,000) during the financial year as disclosed in Note 6 to the financial statements. The method and assumptions applied in determining fair values of derivatives are disclosed in Note 44(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

25 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed deposits with licensed banks	143,545	198,708	–	–
Cash on hand and at banks	696,743	565,913	4,342	7,026
Total cash and bank balances	840,288	764,621	4,342	7,026
Less: Bank overdraft (Note 31)	(178,526)	(96,994)	–	–
Less: Fixed deposits pledged as collateral	(23,470)	(13,629)	–	–
Less: Fixed deposits of more than three months maturity with licensed banks	(82,240)	(78,858)	–	–
Cash and cash equivalents	556,052	575,140	4,342	7,026

Certain fixed deposits with licensed bank of the Group with maturity period of 12 months and at a total carrying amount of RM23,470,000 (2021: RM13,629,000) are pledged with licensed banks as collaterals for certain loans and guarantees issued by the said banks. The remaining fixed deposits have maturity periods ranging from 7 to 365 days (2021: 7 to 365 days).

The weighted average effective interest rate of the fixed deposits with licensed banks ranges from 0.04% to 7.02% (2021: 0.04% to 4.30%) per annum.

26 SHARE CAPITAL

	Group and Company			
	2022		2021	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
Issued and fully paid-up with no par value:				
At beginning of financial year/ end of financial year	3,650,000	1,499,684	3,650,000	1,499,684

27 MERGER RESERVE

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

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

NOTES TO THE FINANCIAL STATEMENTS

28 RESERVES

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Foreign currency translation reserve	(i)	(11,592)	5,540	–	–
Retained earnings	(ii)	1,168,609	953,030	31,262	37,379
ESOS reserve	(iii)	11,309	11,272	11,309	11,272
		1,168,326	969,842	42,571	48,651

(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 2022 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.

NOTES TO THE FINANCIAL STATEMENTS

29 EMPLOYEE SHARE OPTION SCHEME (CONTINUED)

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

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

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

	2022 Number of options '000	Group 2021 Number of options '000
Outstanding as at 1 January	33,154	34,409
Lapsed during the financial year	(1,026)	(1,255)
Outstanding as at 31 December	32,128	33,154

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%

NOTES TO THE FINANCIAL STATEMENTS

30 LEASE LIABILITIES

	2022 RM'000	Group 2021 RM'000
Classified as:		
- Current	23,126	26,286
- Non-current	154,631	146,263
	177,757	172,549

The lease liabilities represent the present value of remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 4.31% (2021: 4.51%) per annum.

31 BANK BORROWINGS

	2022 RM'000	Group 2021 RM'000
Secured:		
<u>Current</u>		
Bankers' acceptances	7,451	2,700
Bank overdrafts	92,341	84,519
Term loans (a)	181,779	190,371
Revolving credits	483,023	368,129
Hire purchase liabilities (c)	10,087	12,970
	774,681	658,689
<u>Non-current</u>		
Term loans (a)	627,473	718,048
Hire purchase liabilities (c)	7,865	11,544
	635,338	729,592
	1,410,019	1,388,281
Unsecured:		
<u>Current</u>		
Bankers' acceptances	392,011	546,842
Bank overdrafts	86,185	12,475
Term loans (b)	59,298	73,931
Revolving credits	71,468	233,021
Trust receipts	602,646	538,564
Sukuk Mudharabah (d)	-	6,567
	1,211,608	1,411,400
<u>Non-current</u>		
Term loans (b)	110,965	132,443
Sukuk Mudharabah (d)	300,116	192,527
	411,081	324,970
	1,622,689	1,736,370

NOTES TO THE FINANCIAL STATEMENTS

31 BANK BORROWINGS (CONTINUED)

	2022 RM'000	Group 2021 RM'000
Total borrowings:		
Bankers' acceptances	399,462	549,542
Bank overdrafts (Note 25)	178,526	96,994
Term loans	979,515	1,114,793
Revolving credits	554,491	601,150
Trust receipts	602,646	538,564
Hire purchase liabilities (c)	17,952	24,514
Sukuk Mudharabah (d)	300,116	199,094
	3,032,708	3,124,651
Less: Amount due within 12 months	(1,986,289)	(2,070,089)
Non-current portion	1,046,419	1,054,562

The term loans of the Group include:

(a) Secured

- (i) A floating-rate term loan amounting to SGD69.8 million (equivalent to RM212.2 million) was drawn down in December 2020 by a wholly-owned subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD58.7 million (equivalent to RM192.0 million) (2021: SGD66.3 million (equivalent to RM204.7 million)). The loan is repayable in 20 quarterly instalments commencing 9 months from the first draw down date in December 2020.
- (ii) A floating-rate term loan amounting to SGD36.8 million (equivalent to RM111.9 million) was drawn down in December 2020 by a wholly-owned subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD30.9 million (equivalent to RM101.1 million) (2021: SGD34.9 million (equivalent to RM107.7 million)). The loan is repayable in 20 quarterly instalments commencing 9 months from the first draw down date in December 2020.
- (iii) A floating-rate term loan amounting to SGD8.5 million (equivalent to RM25.8 million) was 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 SGD1.3 million (equivalent to RM4.3 million) (2021: SGD3.0 million (equivalent to RM9.4 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 PHP190.0 million (equivalent to RM15.0 million) was drawn down in December 2022 by a direct subsidiary incorporated in Philippines. The outstanding balance at the end of the financial year is PHP190.0 million (equivalent to RM15.0 million). The loan is repayable in 20 quarterly instalments in January 2023 and fully repayable by October 2027.
- (v) A floating-rate term loan of PHP200.0 million (equivalent to RM16.7 million) was drawn down in September 2020 and November 2020 by a direct subsidiary incorporated in Philippines. The outstanding balance at the end of the financial year is PHP110.0 million (equivalent to RM8.7 million) (2021: PHP150.0 million (equivalent to RM12.3 million)). The loan is repayable in 20 quarterly instalments commencing immediately after the first drawn down date.

NOTES TO THE FINANCIAL STATEMENTS

31 BANK BORROWINGS (CONTINUED)

The term loans of the Group include: (continued)

(a) Secured (continued)

- (vi) A floating-rate term loan of PHP180.0 million (equivalent to RM14.7 million) was drawn down between May 2021 to August 2021 by a direct subsidiary incorporated in Philippines. The outstanding balance at the end of the financial year is PHP153.0 million (equivalent to RM12.1 million) (2021: PHP180.0 million (equivalent to RM14.7 million)). The loan is repayable in 16 quarterly instalments of PHP9 million and a balloon payment of PHP36 million in May 2026. The loan is repayable commencing 12 months from the first draw down date in May 2021.
- (vii) A floating-rate term loan of IDR250.0 billion (equivalent to RM71.5 million) was 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 IDR4.0 billion (equivalent to RM1.1 million) (2021: IDR52.7 billion (equivalent to RM15.4 million)). The loan is repayable in 60 monthly instalments of IDR4.6 billion for the first 12 instalments and IDR4.1 billion for the next 48 instalments and is fully repayable by January 2023. The Group entered into two separate interest rate swap contracts to hedge its exposure on the floating interest rates to fixed interest rates of 9.7% and 10.0% per annum with effect from September 2017 and January 2018 respectively.
- (viii) A floating-rate term loan of IDR200.0 billion (equivalent to RM56.4 million) was drawn down in December 2022 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR200.0 billion (equivalent to RM56.4 million). The loan is repayable in 48 monthly instalments commencing in November 2023 and is fully repayable by October 2027 with the option of 2 years extension subject to bank approval.
- (ix) A term loan of 3 year-fixed rate and floating rate for the balance of tenor with the amount of IDR200.0 billion (equivalent to RM58.4 million) was drawn down in December 2021 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR200.0 billion (equivalent to RM56.4 million) (2021: IDR200.0 billion (equivalent to RM58.4 million)). The loan is repayable in 72 monthly instalments of IDR1.7 billion for the first 12 instalments, IDR2.5 billion for the next 24 instalments and IDR3.3 billion for the last 36 instalments and is fully repayable by December 2028.
- (x) Musyarakah term financing of IDR300.0 billion (equivalent to RM87.6 million) was drawn down in December 2021 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR300.0 billion (equivalent to RM84.6 million) (2021: IDR300.0 billion (equivalent to RM87.6 million)). The financing is repayable in 72 monthly instalments of IDR2.5 billion for the first 12 instalments, IDR3.8 billion for the next 24 instalments and IDR5.0 billion for the last 36 instalments and is fully repayable by December 2028.
- (xi) A floating-rate term loan amounting to IDR500.0 billion (equivalent to RM144.2 million) was cumulatively drawn down in the previous financial years in 2020 and 2021 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR412.5 billion (equivalent to RM116.3 million) (2021: IDR475.0 billion (equivalent to RM138.7 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.
- (xii) 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 IDR111.8 billion (equivalent to RM31.5 million) (2021: IDR260.8 billion (equivalent to RM76.1 million)). The loan is repayable in 60 monthly instalments of IDR12.4 billion and fully repayable by September 2023.

NOTES TO THE FINANCIAL STATEMENTS

31 BANK BORROWINGS (CONTINUED)

The term loans of the Group include: (continued)

(a) Secured (continued)

- (xiii) 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 IDR51.9 billion (equivalent to RM14.6 million) (2021: IDR108.6 billion (equivalent to RM31.7 million)). The loan is with fixed interest rate at 8.25% (2021: 9.25%) per annum and is repayable in 54 monthly instalments of IDR4.72 billion and fully repayable by November 2023.
- (xiv) 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 IDR19.3 billion (equivalent to RM5.5 million) (2021: IDR40.5 billion (equivalent to RM11.8 million)). The financing is with fixed profit rate at 8.25% (2021: 9.0%) per annum and is repayable in 54 monthly instalments of IDR1.76 billion and fully repayable by November 2023.
- (xv) A floating-rate term loan amounting to VND92.3 billion (equivalent to RM16.8 million) was drawn down during previous financial year between April 2021 to December 2021 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 VND88.5 billion (equivalent to RM16.5 million) (2021: VND92.3 billion (equivalent to RM16.8 million)). The loan is repayable in 14 quarterly instalments commencing 18 months from the first utilisation date.
- (xvi) A floating-rate term loan amounting to VND259.5 billion (equivalent to RM47.2 million) was drawn down during previous financial year in October 2021 and November 2021 by a wholly-owned subsidiary incorporated in Vietnam. The subsidiary further drawn down VND16.7 billion (equivalent to RM3.1 million) during the financial year. The outstanding balance at the end of the financial year is VND233.3 billion (equivalent to RM43.4 million) (2021: VND259.5 billion (equivalent to RM47.2 million)). The loan is repayable in 19 quarterly instalments commencing 6 months from the first drawn date.
- (xvii) A floating-rate term loan amounting to VND100.4 billion (equivalent to RM18.3 million) was drawn down during previous financial year between March 2021 to December 2021 by a wholly-owned subsidiary incorporated in Vietnam. The subsidiary further drawn down VND34.5 billion (equivalent to RM6.4 million) during the financial year. The outstanding balance at the end of the financial year is VND104.7 billion (equivalent to RM19.5 million) (2021: VND100.4 billion (equivalent to RM18.3 million)). The loan is repayable in 17 quarterly instalments commencing 12 months from the first drawn date.
- (xviii) 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 SGD1.2 million (equivalent to RM3.8 million) (2021: SGD2.3 million (equivalent to RM7.2 million)). The loan is repayable in 16 quarterly instalments of SGD287,500 each commencing 3 months from the first drawn date.

NOTES TO THE FINANCIAL STATEMENTS

31 BANK BORROWINGS (CONTINUED)

The term loans of the Group include: (continued)

(b) Unsecured

- (i) A floating-rate term loan amounting to RM32.0 million was first drawn down in February 2018 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM11.2 million (2021: RM17.6 million). The loan is repayable in 20 quarterly instalments of RM1.6 million each commencing 15 months from the first drawn date.
- (ii) A floating-rate term loan amounting to RM44.4 million was drawn down in several tranches during the financial year 2019 by a wholly-owned subsidiary incorporated in Malaysia. The subsidiary further drawn down RM21.6 million during the financial year. The outstanding balance at the end of the financial year is RM36.3 million (2021: RM27.9 million). The loan is repayable in 20 quarterly instalments of RM3.3 million each commencing 15 months from the first drawn date.
- (iii) A floating-rate term loan amounting to RM21.5 million was first drawn down in January 2019 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM9.0 million (2021: RM13.3 million). The financing is repayable in 60 monthly instalments, being RM358,334 for the first to fifty-ninth (59) instalment and RM358,294 for the last instalment, commencing 12 months from the first drawn date.
- (iv) A floating-rate term loan amounting to RM18.2 million was cumulatively drawn down in previous financial years by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM9.1 million (2021: RM12.7 million). The financing is repayable in 60 monthly instalments, being RM303,334 for the first to fifty-ninth (59) instalment and RM303,294 for the last instalment, commencing 12 months from the first drawn date.
- (v) A floating-rate term loan amounting to RM16.0 million was cumulatively drawn down in the previous financial years in 2020 and 2021 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM11.2 million (2021: RM15.0 million). The financing is repayable in 52 monthly instalments, being RM466,667 for the first three instalments, RM300,000 from the next 48 instalments and RM141,099 for the last instalment by February 2026.
- (vi) A floating-rate term loan amounting to RM10.4 million was first drawn down in June 2020 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM7.3 million (2021: RM9.4 million). The financing is repayable in 60 monthly instalments, being RM173,334 for the first to fifty-ninth (59) instalment and RM173,294 for the last instalment, commencing 12 months from the first drawn date.
- (vii) A floating-rate term loan amounting to RM31.0 million was cumulatively drawn down in previous financial years by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM10.8 million (2021: RM17.0 million). The financing is repayable in 60 monthly instalments, being RM516,700 for the first to fifty-ninth (59) instalment and RM514,700 for the last instalment, commencing 12 months from the first drawn date.

The remaining term loans at the end of the financial year amounting to RM101.8 million (2021: RM143.9 million) have repayment terms ranging from 3 years to 15 years from respective first drawdown date and will be fully repayable by December 2031.

NOTES TO THE FINANCIAL STATEMENTS

31 BANK BORROWINGS (CONTINUED)

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

	2022 %	Group 2021 %
Ringgit Malaysia	4.8	3.6
Singapore Dollar	5.4	1.7
Indonesia Rupiah	7.8	7.4
Vietnamese Dong	9.1	5.4
Philippines Peso	6.3	4.5

(c) Hire purchase liabilities

Future instalment payments under hire purchase liabilities are as follows:

	2022 RM'000	Group 2021 RM'000
Instalment payments:		
- Not later than 1 year	10,753	13,933
- Later than 1 year but not later than 5 years	8,177	12,054
	18,930	25,987
Less: Future finance charges	(978)	(1,473)
Present value of hire purchase liabilities	17,952	24,514
Of which are:		
- Not later than 1 year	10,087	12,970
- Later than 1 year and not later than 5 years	7,865	11,544
	17,952	24,514

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

	2022 RM'000	Group 2021 RM'000
Carrying amount	17,952	24,514
Fair value	18,074	24,729

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.

NOTES TO THE FINANCIAL STATEMENTS

31 BANK BORROWINGS (CONTINUED)

(d) Sukuk Mudharabah

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 BANK BORROWINGS (CONTINUED)

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

	2022 RM'000	Group 2021 RM'000
Later than one year but not later than two years	248,856	256,129
Later than two years but not later than five years	766,420	717,305
Later than five years	31,143	81,128
	1,046,419	1,054,562

The currency profile of borrowings is as follows:

	2022 RM'000	Group 2021 RM'000
Ringgit Malaysia	969,582	1,181,905
Singapore Dollar	553,523	468,940
US Dollar	36,697	72,762
Indonesia Rupiah	822,291	766,875
Vietnamese Dong	578,296	590,283
Philippines Peso	72,047	43,886
Euro	272	-
	3,032,708	3,124,651

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, Interest coverage 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:

	2022 %	Group 2021 %
Bankers' acceptances	3.7	2.5
Bank overdrafts*	0.5	1.3
Term loans	6.5	4.6
Revolving credits	5.8	4.0
Trust receipts	6.8	2.9
Hire purchase liabilities	2.8	2.9
Sukuk Mudharabah	4.6	3.1

NOTES TO THE FINANCIAL STATEMENTS

31 BANK BORROWINGS (CONTINUED)

- * 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 KKA Nandi & Sutarna, an independent actuary in Indonesia (2021: PT RAS Actuarial Consulting). The method used in the actuarial valuation is the "Projected Unit Credit" method with the following assumptions:

	2022	Group 2021
Retirement age	56 years	56 years
Discount rate (per annum)	7.0%	7.5%
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:

	2022 RM'000	Group 2021 RM'000
At 1 January	34,961	45,689
Reversal of current service cost/Current service cost	(8,313)	5,514
Interest cost	2,262	3,356
Benefit paid	(1,770)	(11,897)
Translation differences	(1,071)	844
Remeasurement of post-employment benefit obligation charged to other comprehensive income	7,213	(8,545)
At 31 December	33,282	34,961

NOTES TO THE FINANCIAL STATEMENTS

32 POST-EMPLOYMENT BENEFIT OBLIGATION (CONTINUED)

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

	2022 RM'000	Group 2021 RM'000
Reversal of current service cost/Current service cost	(8,313)	5,514
Interest cost	2,262	3,356
Expenses recognised in profit or loss	(6,051)	8,870
Remeasurements:		
Actuarial loss/(gain) arising from changes in financial assumptions	7,519	(7,519)
Actuarial gain arising from experience adjustment	(306)	(1,026)
Remeasurements loss/(gain) of post-employment benefit obligation recognised in other comprehensive income	7,213	(8,545)

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

	2022 RM'000	Group 2021 RM'000
<u>Effect on defined benefit obligation</u>		
- 1% on discount rate	3,600	3,653
+ 1% on discount rate	(3,084)	(3,132)

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

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

NOTES TO THE FINANCIAL STATEMENTS

33 DEFERRED INCOME – GOVERNMENT GRANTS

	2022 RM'000	Group 2021 RM'000
As at 1 January	1,936	2,225
Amortised during the financial year	(334)	(322)
Translation differences	109	33
As at 31 December	1,711	1,936
Classified as:		
Current	342	323
Non-current	1,369	1,613
As at 31 December	1,711	1,936

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

34 PROVISION FOR ASSET RETIREMENT OBLIGATION

	2022 RM'000	Group 2021 RM'000
As at 1 January	5,373	2,723
Additions	235	2,445
Termination	(799)	–
Unwinding of discount	246	205
As at 31 December	5,055	5,373

Provision for asset retirement obligation is provided for The Baker's Cottage 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

	2022 RM'000	Group 2021 RM'000
Trade payables	325,160	248,012
Amounts due to related parties	33,786	36,234
	358,946	284,246

Amounts due to related parties comprise payables from companies controlled by the Lau family amounting to RM33,003,000 (2021: RM35,498,000) and the Nam Family amounting to RM783,000 (2021: RM736,000). See Note 39 for significant related party disclosures.

NOTES TO THE FINANCIAL STATEMENTS

36 OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other payables	81,483	86,170	–	–
GST/VAT payable	1,038	2,987	–	–
Accrued expenses	182,621	157,134	1,961	1,514
Amounts due to related parties (non-trade)	5,692	4,133	1,431	–
	270,834	250,424	3,392	1,514

Amounts due to related parties

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

37 AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unsecured advances	16,739	15,891
Non-trade transactions	931	179
	17,670	16,070

The unsecured advances granted by a subsidiary bear interest rate of 5.3% (2021: 5.3%) per annum, are denominated in Ringgit Malaysia and repayable on demand.

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

38 DIVIDEND PAID

	Company	
	2022 RM'000	2021 RM'000
In respect of the financial year ended 31 December 2021:		
- Interim dividend of 0.66 sen per ordinary share on 3,650,000,000 ordinary shares, paid on 9 July 2021	–	24,090
	–	24,090

NOTES TO THE FINANCIAL STATEMENTS

39 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions negotiated amongst the parties.

Related parties and relationship

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

<u>Name of company</u>	<u>Relationship</u>
Emerging Glory Sdn Bhd ("EGSB")	Ultimate holding company
<u>Subsidiaries of the Company:</u>	
Leong Hup (Malaysia) Sdn Bhd ("LHM")	Subsidiary
Leong Hup Corporate Services Sdn Bhd	Subsidiary
Leong Hup (Philippines) Inc	Subsidiary
Leong Hup Singapore Pte Ltd	Subsidiary
United Global Resources Limited	Subsidiary
<u>Subsidiary of LHM:</u>	
The Baker's Cottage Sdn Bhd	Indirect subsidiary
<u>Companies controlled by/Persons related to Lau family:</u>	
A'Famosa Golf Resort Bhd	Lau family *
Alam Muhibah Sdn Bhd	Lau family *
Amalan Tepat Sdn Bhd	Lau family *
Astaka Shopping Centre (Muar) Sdn Bhd	Lau family *
Chiap Hup Known You Agriculture Sdn Bhd	Lau family *
Emerging Success Pte Ltd	Lau family *
Emivest Sdn Bhd	Lau family *
Gemini Glory Sdn Bhd	Lau family *
Goh Cha Boh @ Goh Hui Siang	Lau family *
Hornbill Restoran & Kafe Sdn Bhd	Lau family *
Ikatan Kayangan Sdn Bhd	Lau family *
Jaya Belembang Sdn Bhd	Lau family *
Jordon International Food Processing Pte Ltd	Lau family *
Kemajuan Mesju Sdn Bhd	Lau family *
Lau Jui Peng	Lau family *
Leong Hup Corporation Sdn Bhd	Lau family *
Leong Hup Holdings Sdn Bhd	Lau family *
Leong Hup Pedagang Sayur	Lau family *
LKT Success Sdn Bhd	Lau family *
Pengangkutan Mekar Sdn Bhd	Lau family *
Perfect Breeding and Aquatic Corporation	Lau family *
Perfect Food Solutions Pte Ltd	Lau family *
Phil Malay Poultry Breeders, Inc	Lau family *
Platinum Epitome Sdn Bhd	Lau family *
Plenitude Hectares Sdn Bhd	Lau family *
Poly-Yarn Industries Sdn Bhd	Lau family *
Popular Yield Sdn Bhd	Lau family *
PT LeongHup Jayalindo	Lau family *
PT Sehat Cerah Indonesia	Lau family *

NOTES TO THE FINANCIAL STATEMENTS

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related parties and relationship (continued)

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

<u>Name of company</u>	<u>Relationship</u>
<u>Companies controlled by/Persons related to Lau family (continued):</u>	
Safari Bird Park & Wonderland Sdn Bhd	Lau family *
Safari Wonderland Sdn Bhd	Lau family *
Sri Menawan Sdn Bhd	Lau family *
Stable Discovery Sdn Bhd	Lau family *
Teratai Agriculture Sdn Bhd	Lau family *
Teratai Agriculture Vietnam Ltd	Lau family *
Wealthy Approach Sdn Bhd	Lau family *
<u>Companies controlled by Nam family:</u>	Nam family ^
Blue Home Marketing Sdn Bhd	

* Lau family refers to family members who, collectively control EGSB and the Company. The following Lau family members are Directors of the Company: Lau Chia Nguang, Tan Sri Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat collectively.

^ Nam family refers to family members who has significant financial interest in an indirect subsidiary, Teo Seng Capital Berhad, a company listed on Main Market of Bursa Malaysia Securities Berhad. The following Nam family member is Director of Teo Seng Capital Berhad: Nam Hiok Joo.

Significant related party transactions

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

	2022 RM'000	Group 2021 RM'000
<u>Associates</u>		
Advances granted	(1,024)	(77)
Interest income	1,021	1,002
<u>Companies controlled by the Lau family</u>		
Sales of goods	715,513	625,372
Purchases of goods	(370,138)	(322,690)
Transportation charges paid/payable	(14,230)	(14,178)
Purchases of sundries paid/payable	(6,203)	(4,496)
Interest income	985	-
Sales of property, plant and equipment	-	1
Purchase of property, plant and equipment	(258)	(2,721)
Management fee received/receivable	2,290	2,568
Rental receivable	3,646	4,610
Rental payable	(3,017)	(4,162)
Royalty fee paid/payable	(1,431)	(1,208)
<u>Companies controlled by the Nam family</u>		
Transportation charges paid/payable	(8,889)	(8,623)

NOTES TO THE FINANCIAL STATEMENTS

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	Company	
	2022 RM'000	2021 RM'000
Subsidiaries		
Interest expense paid/payable	(862)	(922)
Management fee paid/payable	(1,991)	(2,061)
Advances received	–	1,700
Repayment of advances by Company	(14)	(4,386)
Companies controlled by the Lau family		
Royalty fee paid/payable	(1,431)	(1,208)

Significant related party balances

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

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Company:				
Fees	2,028	1,539	730	777
Salaries, bonuses and other benefits	33,577	21,525	114	134
Defined contribution benefits	3,822	1,730	–	–
ESOS expense ⁽ⁱ⁾	102	397	102	397
	39,529	25,191	946	1,308
Management Team other than Directors of the Company:				
Fees paid to Directors of subsidiaries	335	366	–	–
Salaries, bonuses and other benefits	11,977	9,981	–	–
Defined contribution benefits	1,037	630	–	–
ESOS expense ⁽ⁱ⁾	56	216	–	–
	13,405	11,193	–	–
	52,934	36,384	946	1,308

Note:

- (i) ESOS expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. See Note 29 for the details of the ESOS.

NOTES TO THE FINANCIAL STATEMENTS

40 CONTINGENT LIABILITIES

On 5 August 2022, the Malaysia Competition Commission (“MyCC”) issued a Proposed Decision to the indirect subsidiary of the Group, Leong Hup Feedmill Malaysia Sdn. Bhd. upon the provisional finding of infringement of section 4 of the Competition Act 2010 (Act 712) by entering into anti-competitive agreements and/or concerted practices in increasing the price quantum of poultry feed that contains soybean meal and maize as its main ingredients, between early 2020 and mid 2022. The proposed financial penalty amounted to RM157,470,000.

Investigations by MyCC alleged that the sensitive commercial information shared between the five major feed millers is seen to potentially distort competition in the market. By adjusting prices at the same quantum, which results in similar increments amongst the five major feed millers, the choices of customers in choosing their preferred poultry feed supplier that offers the best value may be restricted. Therefore, the conduct of the five major feed millers can potentially lead to an anti-competitive landscape in the supply chain of the poultry industry.

As the Proposed Decision above are neither final nor conclusive, the Directors strongly believe that the allegation of the aforesaid infringement is without merit and intend to defend such allegation vigorously. The Directors are of the view that no material losses will arise in respect of the Proposed Decision. Accordingly, no provision is made in the financial statements.

Subsequent to year end, the indirect subsidiary had filed a written representation to MyCC within the specified period on 31 January 2023.

41 CAPITAL COMMITMENTS

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

	2022 RM'000	Group	2021 RM'000
Acquisition of property, plant and equipment:			
- approved by Directors and contracted for	42,924		66,985

The capital commitments as at 31 December 2022 include the estimated costs to be incurred in securing the certificate of completion and compliance on certain farms of the Group.

NOTES TO THE FINANCIAL STATEMENTS

42 CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

	FAAC RM'000	FLAC RM'000	FVPL RM'000	Total RM'000
Group				
2022				
Financial assets				
Trade receivables	649,878	-	-	649,878
Other receivables and deposits	62,414	-	-	62,414
Amount due from an associate	17,290	-	-	17,290
Cash and bank balances	840,288	-	-	840,288
	1,569,870	-	-	1,569,870
Financial liabilities				
Trade payables	-	358,946	-	358,946
Other payables and accrued expenses	-	269,796	-	269,796
Bank borrowings	-	3,032,708	-	3,032,708
Lease liabilities	-	177,757	-	177,757
Derivative financial liabilities	-	-	7,546	7,546
	-	3,839,207	7,546	3,846,753
2021				
Financial assets				
Trade receivables	624,707	-	-	624,707
Other receivables and deposits	41,746	-	-	41,746
Amount due from an associate	16,273	-	-	16,273
Cash and bank balances	764,621	-	-	764,621
	1,447,347	-	-	1,447,347
Financial liabilities				
Trade payables	-	284,246	-	284,246
Other payables and accrued expenses	-	247,437	-	247,437
Bank borrowings	-	3,124,651	-	3,124,651
Lease liabilities	-	172,549	-	172,549
Derivative financial liabilities	-	-	866	866
	-	3,828,883	866	3,829,749

NOTES TO THE FINANCIAL STATEMENTS

42 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	FAAC RM'000	FLAC RM'000	Total RM'000
Company			
2022			
Financial assets			
Amounts due from subsidiaries	1,429	–	1,429
Cash and bank balances	4,342	–	4,342
	5,771	–	5,771
Financial liabilities			
Other payables and accrued expenses	–	3,392	3,392
Amounts due to subsidiaries	–	17,670	17,670
	–	21,062	21,062
2021			
Financial assets			
Amounts due from subsidiaries	1,291	–	1,291
Cash and bank balances	7,026	–	7,026
	8,317	–	8,317
Financial liabilities			
Other payables and accrued expenses	–	1,514	1,514
Amounts due to subsidiaries	–	16,070	16,070
	–	17,584	17,584

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing its financial risks. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

As of the end of the reporting date, the maximum exposure to credit risk arising from financial assets is limited to the carrying amounts in the statements of financial position. The Group's major classes of financial assets are trade and other receivables and cash and bank balances.

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

(i) Trade receivables using simplified approach

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified 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 appropriate authorised personnel. With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(i) Trade receivables using simplified approach (continued)

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	<ul style="list-style-type: none"> • Customers that have history of default. • Amount that is more than 180 days past due. 	Lifetime ECL
Write-off	Amount that is more than 365 days and there is evidence indicating that the Group has no realistic prospect of recovery.	Asset is written off

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

The Group's ECL rate at the end of the reporting period is 0.47% (2021: 0.55%).

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 2022 and 31 December 2021 reconciles to the opening loss allowance disclosed in Note 20.

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

(iii) Financial guarantee contracts

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

(b) Liquidity risk

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

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

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

NOTES TO THE
FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

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

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

Group	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Carrying amount RM'000
<u>2022</u>						
Trade payables	358,946	-	-	-	358,946	358,946
Other payables and accrued expenses	269,796	-	-	-	269,796	269,796
Lease liabilities	30,402	30,307	46,931	134,114	241,754	177,757
Term loans and Sukuk Mudharabah	308,585	299,272	827,304	33,766	1,468,927	1,279,631
Other bank borrowings	1,745,877	5,752	2,426	-	1,754,055	1,753,077
Derivative financial liabilities	7,546	-	-	-	7,546	7,546
	2,721,152	335,331	876,661	167,880	4,101,024	3,846,753

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

<u>Group</u>	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Carrying amount RM'000
<u>2021</u>						
Trade payables	284,246	-	-	-	284,246	284,246
Other payables and accrued expenses	247,437	-	-	-	247,437	247,437
Lease liabilities	33,517	30,901	48,830	118,068	231,316	172,549
Term loans and Sukuk Mudharabah	317,291	280,922	761,715	86,133	1,446,061	1,313,887
Other bank borrowings	1,800,183	8,067	3,987	-	1,812,237	1,810,764
Derivative financial liabilities	866	-	-	-	866	866
	2,683,540	319,890	814,532	204,201	4,022,163	3,829,749

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Company

	Within 1 year	
	2022 RM'000	2021 RM'000
Other payables and accrued expenses	3,392	1,514
Amounts due to subsidiaries	17,670	16,070
	21,062	17,584

(c) Foreign currency risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure

	MYR RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
Group					
2022					
Financial assets					
Trade receivables	22,338	17,011	3,623	122	43,094
Other receivables, deposits and prepaid expenses	4,812	448	3,480	209	8,949
Cash and bank balances	33,720	8,010	89,689	674	132,093
	60,870	25,469	96,792	1,005	184,136
Financial liabilities					
Trade payables	(390)	(1,551)	(58,054)	(1,773)	(61,768)
Other payables and accrued expenses	(7,495)	(2,157)	(2,518)	(1)	(12,171)
Bank borrowings	(4,314)	(3,751)	(36,697)	(272)	(45,034)
Lease liabilities	–	(3,679)	–	–	(3,679)
	(12,199)	(11,138)	(97,269)	(2,046)	(122,652)
Net currency exposure	48,671	14,331	(477)	(1,041)	61,484
Group					
2021					
Financial assets					
Trade receivables	1,413	15,225	5,749	622	23,009
Other receivables, deposits and prepaid expenses	2,478	460	9,873	752	13,563
Cash and bank balances	17,025	19,700	70,823	772	108,320
	20,916	35,385	86,445	2,146	144,892
Financial liabilities					
Trade payables	(1,464)	(1,474)	(29,199)	(633)	(32,770)
Other payables and accrued expenses	(4,155)	(1,514)	(1,954)	–	(7,623)
Bank borrowings	(53)	(14,052)	(72,762)	–	(86,867)
Lease liabilities	–	(3,377)	–	–	(3,377)
	(5,672)	(20,417)	(103,915)	(633)	(130,637)
Net currency exposure	15,244	14,968	(17,470)	1,513	14,255

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax and equity to 5% (2021: 5%) strengthening/weakening of each currency respectively in MYR, SGD and USD against the respective functional currencies of the entities within the Group, with all other variables held constant.

Profit for the year increases/(decreases):

	2022 RM'000	Group 2021 RM'000
MYR		
- Strengthened 5%	1,849	579
- Weakened 5%	(1,849)	(579)
SGD		
- Strengthened 5%	545	569
- Weakened 5%	(545)	(569)
USD		
- Strengthened 5%	(18)	(664)
- Weakened 5%	18	664
Others		
- Strengthened 5%	(40)	57
- Weakened 5%	40	(57)

(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.

NOTES TO THE FINANCIAL STATEMENTS

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments:				
Financial assets				
Fixed deposits with licensed bank	143,545	198,708	-	-
Amount due from associate	17,290	16,273	-	-
	160,835	214,981	-	-
Financial liabilities				
Hire purchase liabilities	15,378	24,514	-	-
Bankers' acceptances	399,462	549,542	-	-
Trust receipts	602,646	538,564	-	-
Term loans	169,388	178,610	-	-
Amounts due to subsidiaries	-	-	16,739	15,891
	1,186,874	1,291,230	16,739	15,891
Floating rate instruments:				
Financial liabilities				
Hire purchase liabilities	2,574	-	-	-
Bank overdrafts	178,526	96,994	-	-
Term loans	810,127	936,183	-	-
Revolving credits	554,491	601,150	-	-
Sukuk Mudharabah	300,116	199,094	-	-
	1,845,834	1,833,421	-	-

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 2022	(7,014)	7,014	(7,014)	7,014
31 December 2021	(6,967)	6,967	(6,967)	6,967

NOTES TO THE FINANCIAL STATEMENTS

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:

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

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of financial instrument carried at fair value Level 2 RM'000	Carrying amount RM'000
Group		
2022		
Financial liabilities:		
Derivative financial liabilities (Note 24)	7,546	7,546
2021		
Financial liabilities:		
Derivative financial liabilities (Note 24)	866	866

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.

NOTES TO THE FINANCIAL STATEMENTS

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of assets not carried at fair value Level 3 RM'000	Carrying amount RM'000
Group		
<u>2022</u>		
Assets:		
Investment properties (Note 11)	48,877	21,995
<u>2021</u>		
Assets:		
Investment properties (Note 11)	48,804	22,278

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.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2022 RM'000	Group 2021 RM'000
Total borrowings (Note 31)	3,032,708	3,124,651
Cash and bank balances (excluding fixed deposit pledged as collateral)	(816,818)	(750,992)
Net debts	2,215,890	2,373,659
Total equity	2,589,575	2,359,840
Debt-to-equity ratio (times) [^]	0.86	1.01

[^] 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.

NOTES TO THE FINANCIAL STATEMENTS

46 OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Management Team as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into two main operating segments as follows:

- Livestock and poultry related products – production and distribution of breeder and broiler day-old-chick, broiler chickens, eggs, animal health products, consumer food products and sales of food and beverage.
 - Feedmill – Manufacturing and trading of animal feeds.
- (a) The Management Team assesses the performance of the operating segments based on their earnings before interest, tax, depreciation and amortisation (“EBITDA”). The accounting policies of the operating segments are the same as the Group’s accounting policies.

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

- (b) Each operating segment assets is measured based on all assets of the segment.
- (c) Each operating segment liabilities is measured based on all liabilities of the segment.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company’s headquarters) and head office expenses. These includes investment properties, deferred tax assets/liabilities, tax recoverable/payable and borrowings.

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

NOTES TO THE FINANCIAL STATEMENTS

46 OPERATING SEGMENTS (CONTINUED)

Business segments

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

NOTES TO THE FINANCIAL STATEMENTS

46 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

2021	Livestock & poultry related products RM'000	Feedmill RM'000	Inter- segment elimination RM'000	Group RM'000
Revenue				
- external revenue	3,915,350	3,227,002	-	7,142,352
- inter-segment revenue	-	1,358,789	(1,358,789)	-
Revenue from sales of goods	3,915,350	4,585,791	(1,358,789)	7,142,352
Revenue from other sources				11,168
Total revenue				<u>7,153,520</u>
EBITDA	184,597	420,664	(69,208)	536,053
Depreciation	(211,644)	(67,053)	(5,030)	(283,727)
Share of results in associates	(27,047)	353,611	(74,238)	252,326
Finance costs				435
Profit before taxation				<u>140,315</u>
Tax expense				(44,425)
Net profit for the financial year				<u>95,890</u>
Assets				
Segment assets	7,171,163	4,844,190	(5,809,995)	6,205,358
Unallocated assets:				
Investment properties				22,278
Deferred tax assets				70,120
Tax recoverable				32,058
Total assets				<u>6,329,814</u>
Liabilities				
Segment liabilities	1,748,668	1,215,867	(2,214,180)	750,355
Unallocated liabilities:				
Borrowings				3,124,651
Deferred tax liabilities				78,663
Tax payable				16,305
Total liabilities				<u>3,969,974</u>
Other disclosure				
Capital expenditure*	298,536	105,695	(915)	403,316
Non-cash item (other than depreciation)	9,509	(1,766)	(1,570)	6,173

* Includes capital expenditure in respect of property, plant and equipment ("PPE") and right-of-use assets in financial year ended 31 December 2022 and 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

46 OPERATING SEGMENT (CONTINUED)

Geographical Information

Revenue from contracts with customers

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

	2022 RM'000	Group 2021 RM'000
Malaysia	2,357,663	1,947,399
Singapore	796,216	784,960
Indonesia	3,282,071	2,460,361
Vietnam	2,196,586	1,748,822
Philippines	395,663	200,810
Total revenue	9,028,199	7,142,352

EBITDA

	2022 RM'000	Group 2021 RM'000
Malaysia	360,840	193,787
Singapore	60,101	79,972
Indonesia	138,338	147,016
Vietnam	145,386	78,028
Philippines	60,608	37,250
Total EBITDA	765,273	536,053

Non-current assets

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

	2022 RM'000	Group 2021 RM'000
Malaysia	1,547,219	1,554,349
Singapore	372,245	373,771
Indonesia	665,350	671,930
Vietnam	498,224	478,087
Philippines	242,008	207,373
Total non-current assets	3,325,046	3,285,510

NOTES TO THE FINANCIAL STATEMENTS

46 OPERATING SEGMENTS (CONTINUED)

Geographical Information (continued)

Total Borrowings (excluding lease liabilities)

	2022 RM'000	Group 2021 RM'000
Malaysia	965,268	1,188,742
Singapore	554,086	454,941
Indonesia	853,344	798,125
Vietnam	587,963	638,957
Philippines	72,047	43,886
Total borrowings	3,032,708	3,124,651

Major customers

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

47 EVENTS SUBSEQUENT TO YEAR END

On 13 February 2023, a direct subsidiary, Leong Hup Philippines, Inc. declared dividend of USD2,430,600 (approximately RM10,636,000) in respect of the financial year ending 31 December 2023 and paid to the Company on 16 February 2023.

On 14 March 2023, a direct subsidiary, Leong Hup (Malaysia) Sdn. Bhd. declared dividend of RM46,700,000 in respect of the financial year ending 31 December 2023 and paid to the Company on 30 March 2023.

On 14 April 2023, a direct subsidiary, United Global Resources Limited declared and paid dividend of RM19,600,000 in respect of the financial year ending 31 December 2023 to the Company.

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

48 EFFECT OF INTERBANK OFFERED RATE REFORM

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

Malaysia

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

NOTES TO THE FINANCIAL STATEMENTS

48 EFFECT OF INTERBANK OFFERED RATE REFORM (CONTINUED)

Malaysia (continued)

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

Indonesia

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

As at 31 December 2022, the alternative benchmark for JIBOR is not yet been determined. Management will continue to monitor this and take the necessary action to address related risk and uncertainties going forward.

Singapore

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

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

As at 31 December 2022, there is no change to the Group's IBOR-linked contracts. The Group will closely monitor the regulators' announcement on the alternative benchmark rate or discontinuation of publication of the relevant benchmark interest rates for the relevant tenors; and engage the counterparties to discuss necessary changes to the related contracts. The carrying amounts of these borrowings and amounts which reference to IBOR and have not transitioned to the respective new alternative reference rates ("ARR") are disclosed below.

	Carrying amount		Amounts which have yet to transition to an alternative benchmark interest	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Exposed to KLIBOR</u>				
Long-term borrowings	300,116	199,094	300,116	199,094
<u>Exposed to SIBOR</u>				
Long-term borrowings	304,515	335,199	301,112	328,103
<u>Exposed to JIBOR</u>				
Long-term borrowings	172,725	138,700	172,725	138,700

49 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 18 April 2023.

TOP 10 PROPERTIES OWNED

By Leong Hup International Berhad and its Subsidiaries

No.	Location	Description	Tenure	Land Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Acquisition/ Revaluation
1	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	4	70,847	Dec-20
2	Brgy. Baras Baras, Tarlac City, Province of Tarlac, the Philippines	Feedmill Building	50 years of useful life	81,405 m ²	2	54,142	May-21
3	Lot II-5, II-6, II-7, Sa Dec IP, Sa Dec ward, Dong Thap Province, Vietnam	Feedmill Land & Building	Leasehold expiring on 18 June 2054	52,576 m ²	3	53,913	Jun-20
4	31 Fishery Port Road S619741, Singapore	Warehouse	Leasehold expiring on 31 December 2030	23,595 m ²	55	44,251	Jan-78
5	HSD 32179, PTD 1721, Mukim of Sedili Kechil, District of Kota Tinggi, State of Johor Darul Ta'zim, Malaysia	Breeder Land & Building	Prepaid lease payment expiring in year 2070	532 acres	5 to 9 years	44,070	Apr-12
6	Lot AV-1,2,3,4,7 Tan Huong IZ, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Vietnam	Feedmill Land & Building	Leasehold expiring on 28 November 2056	58,681 m ²	9	41,133	Mar-13
7	Lô CN 10, KCN TânTrường, Xã Tân Trường, Huyện Cẩm Giàng, Tỉnh Hải Dương, Vietnam	Feedmill Land & Building	Leasehold expiring on 2 June 2055	40,009 m ²	7.5	41,029	May-16
8	Pajakan Negeri 24345 & 24355, Lot 102514 & Lot 102526, Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia	Industrial Land/ Feedmill plant	Leasehold expiring on 24 February 2121	269,201 sq ft	11	39,615	Mar-97
9	Lot A_11A_CN, Bau Bang IZ, Lai Uyen Commune, Bau Bang District, Binh Duong Province, Vietnam	Feedmill Land & Building	Leasehold expiring on 30 June 2057	28,000 m ²	12	33,218	Apr-10
10	Grobogan 1, Indonesia (Desa Harjowinangun Kecamatan Godong Kabupaten Grobogan Propinsi Jawa Tengah)	Feedmill Plant	Prepaid Lease Payment expiring on 7 February 2043	56,064 m ²	8	32,553	Jul-12
	Grobogan 1, Indonesia (Desa Harjowinangun Kecamatan Godong Kabupaten Grobogan Propinsi Jawa Tengah)	Feedmill Plant	Prepaid Lease Payment expiring on 2 February 2046	9,418 m ²			Jul-15
	Grobogan 2, Indonesia (Desa Harjowinangun Kecamatan Godong Kabupaten Grobogan Propinsi Jawa Tengah)	Feedmill Plant	Prepaid Lease Payment expiring on 2 September 2046	7,314 m ²			Jul-16

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2023

Total Number of Issued Shares	:	3,650,000,000
Class of Shares	:	Ordinary shares
Voting Right	:	One vote per ordinary share
Number of Shareholders	:	8,751

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Total Shareholdings	%
Less than 100 shares	16	282	0.000
100 – 1,000 shares	746	501,030	0.012
1,001 – 10,000 shares	3,997	23,417,658	0.641
10,001 – 100,000 shares	3,238	114,568,800	3.138
100,001 to less than 5% of issued shares	752	1,271,942,830	34.847
5% and above of issued shares	2	2,239,569,400	61.358
Total	8,751	3,650,000,000	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(According to the Register of Substantial Shareholders as at 31 March 2023)

	No. of Shares	Direct		Indirect	
			% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Emerging Glory Sdn Bhd ("EGSB")	1,927,201,000		52.800	–	–
Clarinden Investments Pte Ltd	312,368,400		8.558	–	–
Concordant Investments Pte Ltd	–	–	–	312,368,400 ⁽²⁾	8.558
Affinity Asia Pacific Fund IV L.P.	–	–	–	312,368,400 ⁽³⁾	8.558
Affinity Asia Pacific Fund IV (No. 2) L.P.	–	–	–	312,368,400 ⁽³⁾	8.558
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	97,099,132		2.660	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 his shareholdings held in CWL&S pursuant to Section 8(4) of the Act.

ANALYSIS OF SHAREHOLDINGS

DIRECTORS' SHAREHOLDINGS

(According to the Register of Directors' Shareholdings as at 31 March 2023)

	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Lau Chia Nguang	–	–	58,935,607 ⁽²⁾	1.615
Tan Sri Dato' Lau Eng Guang	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	97,099,132	2.660	1,927,201,000 ⁽⁶⁾	52.800
Lau Joo Keat	–	–	58,633,207 ⁽⁷⁾	1.606
Low Han Kee	500,000	0.014	10,000 ⁽⁸⁾	negligible
Datin Paduka Rashidah Binti Ramli	500,000	0.014	–	–
Chu Nyet Kim	800,000	0.022	–	–
Goh Wen Ling	700,000	0.019	–	–
Tay Tong Poh	500,000	0.014	–	–

Notes:

- (1) Calculated based on 3,650,000,000 Shares.
- (2) Deemed interested by virtue of his shareholdings in CN Lau Holdings Sdn Bhd pursuant to Section 8(4) of the Act.
- (3) Deemed interested by virtue of his children's (Lau Joo Kien Brian & Lau Joo Yong) shareholdings in LHI pursuant to Section 59(11)(c) of the Act.
- (4) Deemed interested by virtue of his shareholdings in TN Lau Holdings Sdn Bhd pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his shareholdings in EGSB through his shareholdings held in CWL&S pursuant to Section 8(4) of the Act.
- (6) Deemed interested by virtue of his shareholdings in EGSB pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his shareholdings in HN Lau & Sons Sdn Bhd pursuant to Section 8(4) of the Act.
- (8) Deemed interested by virtue of his spouse's shareholdings in LHI pursuant to Section 59(11)(c) of the Act.

THIRTY (30) LARGEST SHAREHOLDERS

As at 31 March 2023

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 Securities Pte Ltd for Clarinden Investments Pte Ltd	312,368,400	8.558
3.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	180,000,000	4.932
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	102,887,800	2.819
5.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Private Wealth Management For Lau Joo Han (PW-M00713) (420214)	96,809,132	2.652
6.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for Bank of Singapore Limited (Local)	62,721,960	1.718
7.	CN Lau Holdings Sdn Bhd	58,935,607	1.615
8.	HSBC Nominees (Tempatan) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-TEMP)	54,940,400	1.505
9.	Louis Dreyfus Company Asia Pte Ltd	50,045,400	1.371
10.	Permodalan Nasional Berhad	29,531,600	0.809

ANALYSIS OF SHAREHOLDINGS

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

As at 31 March 2023

No.	Name of Shareholders	No. of Shares	%
11.	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia 2 - Wawasan</i>	29,000,000	0.794
12.	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia</i>	29,000,000	0.794
13.	HN Lau & Sons Sdn Bhd	28,633,207	0.784
14.	Lau Joo Heng	24,583,822	0.674
15.	Lau Jui Peng	24,583,822	0.674
16.	Affin Hwang Nominees (Asing) Sdn Bhd <i>DBS Vickers Secs (S) Pte Ltd For WII Pte Ltd</i>	24,123,300	0.660
17.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Lau Eng Guang (PB)</i>	20,133,207	0.551
18.	AmanahRaya Trustees Berhad <i>Amanah Saham Malaysia 3</i>	20,000,000	0.547
19.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lau Eng Guang</i>	17,532,000	0.480
20.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (AHAM AM EQ)</i>	15,564,900	0.426
21.	Hong Leong Capital Berhad	15,380,000	0.421
22.	HSBC Nominees (Asing) Sdn Bhd <i>J.P. Morgan Securities PLC</i>	12,573,000	0.344
23.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lau Eng Guang</i>	12,500,000	0.342
24.	Guoline (Singapore) Pte Ltd	10,000,000	0.273
25.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (PHEIM)</i>	8,154,419	0.223
26.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lau Joo Kien Brian</i>	8,000,000	0.219
27.	Permodalan Nasional Berhad <i>Bumiputera Wealth Fund</i>	8,000,000	0.219
28.	Citigroup Nominees (Asing) Sdn Bhd <i>UBS AG</i>	7,804,952	0.213
29.	AmanahRaya Trustees Berhad <i>Amanah Saham Nasional</i>	7,576,400	0.207
30.	Cartaban Nominees (Asing) Sdn Bhd <i>Exempt An for LGT Bank AG (Foreign)</i>	7,000,000	0.191
	Total	3,205,584,328	87.813

NOTICE OF 9TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 9th Annual General Meeting of the Company will be conducted fully virtual through live streaming from the online meeting platform and online remote voting via the Remote Participation and Voting (“RPV”) facilities at <https://tjih.online> on **Friday, 2 June 2023 at 11.00 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. **(Please refer to the Explanatory Notes to the Agenda)**
2. To approve the payment of Directors’ fees up to an aggregate amount of RM850,000 for the financial year ending 31 December 2023, 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 for the period from 2 June 2023 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) Datuk Lau Joo Hong **(Ordinary Resolution 3)**
 - (b) Mr Lau Joo Keat **(Ordinary Resolution 4)**
 - (c) Ms Chu Nyet Kim **(Ordinary Resolution 5)**
 - (d) Ms Goh Wen Ling **(Ordinary Resolution 6)**
5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

AS SPECIAL BUSINESS:

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

6. **Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** **(Ordinary Resolution 8)**

“**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution, when aggregated with the total number of such shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company held after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting (“Proposed General Mandate”).”

NOTICE OF 9TH ANNUAL 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 9)*

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4 of Part A of the Circular to Shareholders dated 28 April 2023 provided that such transactions are:-

- (a) necessary for the Group's day-to-day operations;
- (b) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- (c) not detrimental to the interest of the minority shareholders of the Company.

THAT the authority conferred shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at such Annual General Meeting whereby the authority is renewed; or
- (ii) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to this resolution."

8. **Proposed Renewal of Authority for the Company to Purchase its own Shares ("Proposed Renewal of Share Buy-Back Authority")** *(Ordinary Resolution 10)*

"THAT subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given for the Company to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company provided that:-

- (a) the aggregate number of ordinary shares in the Company purchased and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;

NOTICE OF 9TH ANNUAL GENERAL MEETING

- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase; and
- (c) the Directors of the Company may decide either to retain the shares so purchased as treasury shares or cancel the shares so purchased or retain part of the shares so purchased and cancel the remainder or resell the treasury shares on Bursa Malaysia Securities Berhad or distribute the treasury shares as dividends or transfer the treasury shares under an employees' share scheme or as purchase consideration or otherwise use the treasury shares for such other purpose in the manner as prescribed by the applicable laws, guidelines, rules and regulations.

THAT the authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required by law to be held; or
- (c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own shares before the aforesaid expiry date and, in any event, in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors deem fit and expedient at their discretion in the best interest of the Company."

- 9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

LUM SOW WAI (MAICSA 7028519) (SSM PC NO. 202008002373)

TAN LAI KAI (MIA 41018) (SSM PC NO. 202008002788)

TE HOCK WEE (MAICSA 7054787) (SSM PC NO. 202008002124)

Company Secretaries

Kuala Lumpur

28 April 2023

NOTICE OF 9TH ANNUAL GENERAL MEETING

NOTES:

1. *The 9th Annual General Meeting will be conducted fully virtual through live streaming from the online meeting platform at <https://tjih.online>.*

Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 9th Annual General Meeting via the RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIH Online website at <https://tjih.online>.

For further information, kindly refer to the Administrative Guide for the 9th Annual General Meeting.

2. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 26 May 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*
3. *A member of the Company who is entitled to attend and vote at a general meeting may appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
4. *A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than 2 proxies to attend, participate, speak and vote instead of the member at the general meeting.*
5. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
7. *Where a member, an authorised nominee or an exempt authorised nominee appoints more than 1 proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the 9th Annual General Meeting or adjourned general meeting at which the person named in the appointment proposes to vote:*
 - (i) *In hard copy form*
Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (ii) *By electronic means via Tricor TIH Online website at <https://tjih.online>*
Please refer to the Administrative Guide of the 9th Annual General Meeting for further information on electronic submission of proxy form via TIH Online.
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the general meeting or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

NOTICE OF 9TH ANNUAL GENERAL MEETING

NOTES: (CONT'D)

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, 31 May 2023 at 11.00 a.m.**
12. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the ORIGINAL certificate of appointment executed in the manner as stated in the proxy form with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia if this has not been lodged with the Company's Share Registrar earlier.
13. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 9th Annual General Meeting will be put to vote by way of poll.

EXPLANATORY NOTES TO THE AGENDA

(i) **Item 1 of the Agenda**

Audited Financial Statements for the financial year ended 31 December 2022

This item is meant for discussion only. The provision of Section 248(2) and Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a motion to be put forward to vote by shareholders.

(ii) **Ordinary Resolution 1**

Payment of Directors' fees

The Directors' fees proposed for the financial year ending 31 December 2023 are calculated based on the current board size and provisional sum for appointment of a new Independent Director to the Board. This resolution is to facilitate payment of Directors' fees on current financial year basis. The payment of the Directors' fees will only be made quarterly in arrears if the proposed Ordinary Resolution 1 has been passed at the 9th Annual General Meeting of the Company.

(iii) **Ordinary Resolution 2**

Payment of Directors' benefits

Directors' benefits consist of meeting allowance payable to Independent Non-Executive Directors and in determining the estimated amount, the Board of Directors ("Board") has considered various factors including the current board size and number of scheduled meetings for the Board and Board Committees for the period from 2 June 2023 until the next Annual General Meeting as well as the number of Independent Non-Executive Directors involved in the meeting. In the event the proposed amount is insufficient (due to more meetings or enlarged board size), approval will be sought at the next Annual General Meeting for the shortfall.

(iv) **Ordinary Resolutions 3 to 6**

Re-election of Directors

The following Directors of the Company are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 9th Annual General Meeting:-

- (i) Datuk Lau Joo Hong;
- (ii) Mr Lau Joo Keat;
- (iii) Ms Chu Nyet Kim; and
- (iv) Ms Goh Wen Ling.

Their profiles are disclosed in the Profile of the Board of Directors of the 2022 Annual Report.

NOTICE OF 9TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO THE AGENDA (CONT'D)

(iv) Ordinary Resolutions 3 to 6 (Cont'd)
Re-election of Directors

Saved as disclosed, the retiring Directors have no conflict of interest with the Company and have no family relationship with any Director and/or major shareholder of the Company. The Nomination Committee ("NC") has considered the performance and contribution, time and commitment, calibre and personality, and fit and properness of the retiring Directors. Based on the recommendation of the NC, the Board is supportive of their re-election based on the following justifications:-

- (i) Ordinary Resolution 3 – Re-election of Datuk Lau Joo Hong as Non-Independent Executive Director
Datuk Lau Joo Hong contributes tremendously to the Group by overseeing the Group's operations. He shows exemplary leadership as Group Chief Operating Officer and is familiar with the Group's business operation to steer the Group forward.
- (ii) Ordinary Resolution 4 – Re-election of Lau Joo Keat as Non-Independent Executive Director
Lau Joo Keat has vast experience in the integrated livestock industry and has contributed significantly to the Group by providing valuable input to steer the Group forward.
- (iii) Ordinary Resolution 5 – Re-election of Chu Nyet Kim as Independent Non-Executive Director
Chu Nyet Kim exercised due care and carried out her duties professionally and proficiently during her tenure as an Independent Non-Executive Director of the Company. She remains objective and independent in expressing her view and participating in Board's deliberation and decision-making process.
- (iv) Ordinary Resolution 6 – Re-election of Goh Wen Ling as Independent Non-Executive Director
Goh Wen Ling has demonstrated her independence through her engagement in Board and Board Committee meetings. She also exercised due care and carried out her duties professionally and proficiently during her tenure as Independent Non-Executive Director of the Company.

(v) Ordinary Resolution 7
Re-appointment of Auditors

The Board had, through the Audit and Risk Committee, considered the re-appointment of PricewaterhouseCoopers PLT as Auditors of the Company. The factors considered by the Audit and Risk Committee in making the recommendation to the Board to table their re-appointment at the 9th Annual General Meeting are disclosed in the 2022 Annual Report.

(vi) Ordinary Resolution 8
Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 8, if passed, will empower the Directors to issue and allot up to a maximum of 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

This is a renewal of the mandate obtained from shareholders at the last Annual General Meeting held on 17 June 2022. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 17 June 2022 and the mandate will lapse at the conclusion of the 9th Annual General Meeting.

NOTICE OF 9TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO THE AGENDA (CONT'D)

(vii) Ordinary Resolution 9
Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 9, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with its related parties as identified in Section 2.4 of Part A of the Circular to Shareholders dated 28 April 2023 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 28 April 2023, which is available at the Company's website at <https://www.leonghupinternational.com/investor/generalmeeting/>.

(viii) Ordinary Resolution 10
Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 10, if passed, will empower the Company to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Further information relating to this proposed resolution is set out in Part B of the Statement to Shareholders dated 28 April 2023, which is available at the Company's website at <https://www.leonghupinternational.com/investor/generalmeeting/>.

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.

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LEONG HUP INTERNATIONAL BERHAD
Registration No. 201401022577 (1098663-D)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.

No. of shares held

I/We Tel.
[Full name in block, MyKad/Passport/Company No.]

of
[Full address]

being a Member of the abovenamed Company, hereby appoint the following person(s):

Full Name (in Block Letters)	MyKad/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			

and

Full Name (in Block Letters)	MyKad/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			

or failing him/her, the Chairman of the meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf at the 9th Annual General Meeting of the Company which will be conducted fully virtual through live streaming from the online meeting platform and online remote voting via the Remote Participation and Voting ("RPV") facilities at <https://tjih.online> on **Friday, 2 June 2023 at 11.00 a.m.** or at any adjournment thereof, and to vote as indicated below:

Description of Resolution	Resolution	FOR	AGAINST
To approve the payment of Directors' fees up to an aggregate amount of RM 850,000 for the financial year ending 31 December 2023, to be paid quarterly in arrears.	Ordinary Resolution 1		
To approve the payment of Directors' benefits up to an aggregate amount of RM 174,000 for the period from 2 June 2023 until the next Annual General Meeting of the Company.	Ordinary Resolution 2		
To re-elect Datuk Lau Joo Hong as Director.	Ordinary Resolution 3		
To re-elect Mr Lau Joo Keat as Director.	Ordinary Resolution 4		
To re-elect Ms Chu Nyet Kim as Director.	Ordinary Resolution 5		
To re-elect Ms Goh Wen Ling as Director.	Ordinary Resolution 6		
To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7		
Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary Resolution 8		
Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 9		
Proposed Renewal of Share Buy-Back Authority.	Ordinary Resolution 10		

(Please indicate with "X" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from so doing at his/her discretion.)

Signed this day of

Signature*
Member

*** Manner of execution:**

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
 - (i) at least two (2) authorised officers, one of whom shall be a director; or
 - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

NOTES:

1. The 9th Annual General Meeting will be conducted fully virtual through live streaming from the online meeting platform at <https://tjih.online>. Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 9th Annual General Meeting via the RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIH Online website at <https://tjih.online>. For further information, kindly refer to the Administrative Guide for the 9th Annual General Meeting.
2. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 26 May 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.
3. A member of the Company who is entitled to attend and vote at a general meeting may appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than 2 proxies to attend, participate, speak and vote instead of the member at the general meeting.
5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.



7. Where a member, an authorised nominee or an exempt authorised nominee appoints more than 1 proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportion of his shareholdings to be represented by each proxy.
8. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the 9th Annual General Meeting or adjourned general meeting at which the person named in the appointment proposes to vote.
 - (i) In hard copy form
Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (ii) By electronic means via Tricor TIIH Online website at <https://tiih.online>
Please refer to the Administrative Guide of the 9th Annual General Meeting for further information on electronic submission of proxy form via TIIH Online.
9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the general meeting or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
10. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
11. Last date and time for lodging the proxy form is **Wednesday, 31 May 2023 at 11.00 a.m.**
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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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Fold This Flap For Sealing



LEONG HUP INTERNATIONAL BERHAD

Registration No.: 201401022577 (1098663-D)

3rd Floor, Wisma Westcourt, 126, Jalan Klang Lama
58000 Kuala Lumpur, Wilayah Persekutuan, Malaysia

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