

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2021

0370A2/sw

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

CONTENTS	PAGE(S)
Directors' report	1 - 8
Statement by Directors	9
Statutory declaration	9
Independent auditors' report	10 - 16
Statements of comprehensive income	17 - 18
Statements of financial position	19 - 20
Statements of changes in equity	21 - 23
Statements of cash flows	24 - 28
Notes to the financial statements	29 - 151

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

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 2021.

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
Datin Paduka Rashidah Binti Ramli
Chu Nyet Kim
Goh Wen Ling
Low Han Kee
Tay Tong Poh
Mahani Binti Amat
Benny Lim Jew Fong

(Retired on 25 June 2021)
(Resigned on 15 October 2021)

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

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

FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Net profit for the financial year	95,890	28,160
Profit attributable to:		
Owners of the Company	85,403	28,160
Non-controlling interests	10,487	-
	<u>95,890</u>	<u>28,160</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

DIVIDENDS

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

	RM'000
In respect of financial year ended 31 December 2021:	
Interim single tier dividend of 0.66 sen per ordinary share declared on 20 May 2021 and paid on 9 July 2021	<u>24,090</u>

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2021.

DIRECTORS' REMUNERATION

Details of Directors' remuneration as required by the Fifth Schedule of the Companies Act 2016 are set out in Note 39 to the financial statements.

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 1.1.2021	Granted and accepted	(Exercised)	(Lapsed)	As at 31.12.2021
14 May 2019	RM1.10	34,409	-	-	(1,255)	33,154

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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits as disclosed in Note 39 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares ('000)			
	At 1.1.2021	Acquired	(Disposed)	At 31.12.2021
The Company				
Direct interests:				
Tan Sri Dato' Lau Eng Guang	60,247	-	(8,000)	52,247
Datuk Lau Joo Hong	27,670	-	-	27,670
Lau Joo Han	85,998	4,501	-	90,499
Datin Paduka Rashidah Binti Ramli	500	-	-	500
Chu Nyet Kim	600	-	-	600
Goh Wen Ling	600	100	-	700
Low Han Kee	500	-	-	500
Tay Tong Poh	500	-	-	500
Indirect interests ^(a) :				
Lau Chia Nguang ^{(a)(1)}	58,633	202	-	58,835
Tan Sri Dato' Lau Eng Guang ^(b)	3,439	8,000	-	11,439
Tan Sri Lau Tuang Nguang ^{(a)(2)}	62,722	-	-	62,722
Datuk Lau Joo Hong ^{(a)(3)}	1,927,202	-	-	1,927,202
Lau Joo Han ^{(a)(4)}	1,927,202	-	-	1,927,202
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 has deemed interest in the Company by virtue of his children, Lau Joo Yong and Lau Joo Kien Brian. Low Han Kee has deemed interest in the Company by virtue of his spouse, Ooi Sze Lay.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Number of ordinary shares			
	At 1.1.2021	Acquired	(Disposed)	At 31.12.2021
<u>Ultimate holding company, Emerging Glory Sdn. Bhd.</u>				
Direct interests:				
Lau Chia Nguang	14,999	-	-	14,999
Tan Sri Dato' Lau Eng Guang	14,999	-	-	14,999
Tan Sri Lau Tuang Nguang	14,999	-	-	14,999
Lau Joo Han	20,002	-	-	20,002
Indirect interests:				
Datuk Lau Joo Hong ¹	20,002	-	-	20,002
Lau Joo Keat ²	14,999	-	-	14,999

Notes:

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

¹ CW Lau & Sons Sdn Bhd

² HN Lau & Sons Sdn Bhd

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

	Number of options over ordinary shares ('000)				
	At 1.1.2021	Granted and accepted	(Exercised)	(Lapsed)	At 31.12.2021
<u>The Company</u>					
Direct interests:					
Lau Chia Nguang	1,530	-	-	-	1,530
Tan Sri Dato' Lau Eng Guang	1,530	-	-	-	1,530
Tan Sri Lau Tuang Nguang	1,530	-	-	-	1,530
Datuk Lau Joo Hong	1,350	-	-	-	1,350
Lau Joo Han	1,275	-	-	-	1,275
Lau Joo Keat	1,275	-	-	-	1,275

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (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 46 to the financial statements.

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	Dr. Jayasankar A/L T. Sankaran (Retired on 25 January 2021)
Tan Sri Dato' Lau Eng Guang	Dr. Masri bin Sehap
Tan Sri Lau Tuang Nguang	Dr. Norwati Akma binti Abd Samad
Datuk Lau Joo Hong	Er Teck Hwa
Lau Jui Peng	Frederick Ng Yong Chiang
Lau Joo Heng	Goh Kar Meng
Lau Joo Han	Goh Kok Tin
Lau Joo Hwa	Goh Sze Ling
Lau Joo Kiang	Hao Tet Choy (Resigned on 1 August 2021)
Lau Joo Keat	Koh Bock Swi
Lau Joo Yong	Koh Kim Chui
Lau Joo Ping	Low Choon Seng
Lau Hai Nguan (Resigned on 21 January 2021)	Law Kim Kow
Adrian Ferdinand Oroh	Lee Chai Soon
Ali bin Mohamad Lazam	Lee Choon Seng
Brian M. O. Connor	Lee Lai Hock
Carlos Cabanes Royo	Lee Zhiwei
Choong Keen Shian	Liew Keng Teck (Resigned on 1 August 2021)
Choo Joo Thong	Lim Hock Mow
Chua Soon Huat	Lim Meng Bin
Chua Teck Choh	Lim Yong Poh
Chua Teck Lee	Loh Wee Ching
Dato' Dr. Ma'amor bin Osman	Loke Poh Lam
Dato' Mohamed Salleh bin Ahmad	Low Eng Guan
Dato' Koh Low @ Koh Kim Toon	Low Kim Seng
Dato' Seri Abdul Azim Bin Mohamad Zabidi	Low Chiew Boey
David Morella Jorba	Lt. Kol. (B) Kudri bin Haji Siraj

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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):

Dr. Aidawani binti Abd Latif	Tan Chin Heng (Resigned on 21 January 2021)
Mark Kevin S. Bibbigan	Tan Joo Hock
Na Eluen	Tan Lai Kai
Na Hap Cheng	Tan Koon Seng
Na Yok Chee	Tan Shiah Siah
Nam Hiok Joo	Tan Soon Teck
Nam Hiok Yong	Tang Ung Lee
Nam Ya Jun	Tay Kong Howe
Na Yi Chan	Teo Soon Heng
Ng Eng Leng	Tuan Haji Ahmad Bin Haji Ma' in
Ong Gee Tiong	Wong Chee Seng
Ong Pang Teck	Wong Hwa Yao
Quek Cheaw Kwang	Wong Sui Teck
Rewin Hanrahan Lie	Wang Tiam Soo
Rudy Hartono Husin	Wong Wai Meng
Sespriansyah	Yongkie Handaya
Sim Kim Hwa	Yip Ah Chean
Tan Bet Beng	Yeoh Jia Xing
Loi Jin Choo	Zarina Binti Abdul Kadir (Resigned on 1 June 2021)

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

AUDITORS' REMUNERATION

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

This report was approved by the Board of Directors on 19 April 2022.

Signed on behalf of the Board of Directors:

LAU CHIA NGUANG
DIRECTOR

TAN SRI LAU TUANG NGUANG
DIRECTOR

Kuala Lumpur

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

**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 17 to 151 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 2021 and financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2021 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 April 2022.

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 17 to 151 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: 19 April 2022

Before me:

MOHD IRWAN BIN MOHD RADZI
COMMISSIONER FOR OATHS

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD**
(Incorporated in Malaysia)
Registration No. 201401022577 (1098663-D)

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 2021, 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 2021 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 17 to 151.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201401022577 (1098663-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 matter	How our audit addressed the key audit matter
The biological assets of the Group comprise breeders, layers, broilers and hatching eggs. In determining the fair value of the biological assets, the Group uses the discounted cash flows model and significant estimate is involved in determining the key assumptions which will impact the amount of fair value of biological assets recognised.	<p>We evaluated the appropriateness of the methodology and key assumptions used by management in valuation of the biological assets.</p> <p>We have checked the mathematical accuracy of the valuation model prepared by management.</p> <p>We involved our valuation experts to check the discount rate used in computing the discounted cash flows of the biological assets to arrive at the fair value.</p>

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201401022577 (1098663-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>We focused on this area because there are significant estimates involved in determining the following key assumptions:</p> <ul style="list-style-type: none"> • expected selling price of day-old-chick, table eggs and broilers • feed consumption rate and feed costs <p>The accounting policy for biological assets has been disclosed in Note 2.27 to the financial statements.</p> <p>The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 17 to the financial statements.</p>	<p>We have corroborated the expected production of day-old-chick, table eggs and feed consumption rate to the historical data provided to us by management as well as the manufacturer's guidebook of the particular breed of poultry.</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 have test checked the mortality rate assumption against historical actual mortality rate.</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>Based on the above procedures performed, we concluded that no exception was noted.</p>

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 201401022577 (1098663-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and content in the 2021 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
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 201401022577 (1098663-D)

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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 201401022577 (1098663-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (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.

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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LEONG HUP INTERNATIONAL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 201401022577 (1098663-D)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

HERBERT CHUA GUAN HENG
03483/01/2024 J
Chartered Accountant

Kuala Lumpur
19 April 2022

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	4	7,153,520	6,040,664	34,600	24,400
Other income		53,503	59,800	312	346
Changes in fair value of biological assets		42,762	(11,910)	-	-
Changes in closing inventories		228,632	53,869	-	-
Purchases of inventories and livestock		(5,514,402)	(4,270,241)	-	-
Employee benefit costs including Directors' remuneration	5	(645,812)	(602,065)	(1,318)	(1,958)
Depreciation of:					
Property, plant and equipment	10	(245,394)	(229,980)	(144)	(143)
Investment properties	11	(265)	(253)	-	-
Right-of-use assets	12	(38,068)	(29,125)	-	-
Utilities costs		(185,647)	(171,799)	-	-
Repair and maintenance		(79,958)	(80,602)	-	-
Transportation expenses		(149,895)	(131,507)	-	-
Other expenses		(366,650)	(344,229)	(4,345)	(5,043)
Profit from operations	6	252,326	282,622	29,105	17,602
Finance costs	7	(112,446)	(125,871)	(922)	(870)
Share of profit of associates	15	435	375	-	-
Profit before tax		140,315	157,126	28,183	16,732
Tax expense	8	(44,425)	(39,603)	(23)	(146)
Net profit for the financial year		95,890	117,523	28,160	16,586

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other comprehensive income/(loss):					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		31,791	(23,536)	-	-
		<u>31,791</u>	<u>(23,536)</u>	<u>-</u>	<u>-</u>
Items that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation	32	8,545	(2,843)	-	-
Income tax relating to remeasurement of post-employment benefit obligation	8	(216)	575	-	-
		<u>8,329</u>	<u>(2,268)</u>	<u>-</u>	<u>-</u>
Other comprehensive income/(loss) for the financial year		<u>40,120</u>	<u>(25,804)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>136,010</u>	<u>91,719</u>	<u>28,160</u>	<u>16,586</u>
Profit for the financial year attributable to:					
Owners of the Company		85,403	113,145	28,160	16,586
Non-controlling interests		10,487	4,378	-	-
		<u>95,890</u>	<u>117,523</u>	<u>28,160</u>	<u>16,586</u>
Total comprehensive income/(loss) attributable to:					
Owners of the Company		116,161	92,212	28,160	16,586
Non-controlling interests		19,849	(493)	-	-
		<u>136,010</u>	<u>91,719</u>	<u>28,160</u>	<u>16,586</u>
Earnings per share attributable to the owners of the Company (sen):					
- basic and diluted	9	<u>2.34</u>	<u>3.10</u>		

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	2,770,319	2,656,481	164	308
Investment properties	11	22,278	21,797	-	-
Right-of-use assets	12	395,105	373,863	-	-
Intangible assets	13	96,080	95,321	-	-
Investment in subsidiaries	14	-	-	1,556,574	1,555,423
Investment in associates	15	1,728	1,581	-	-
Trade receivables	19	-	1,118	-	-
Other receivables, deposits and prepaid expenses	20	39,337	-	-	-
Amount due from an associate	22	16,273	16,196	-	-
Deferred tax assets	16	70,120	62,047	-	-
Total non-current assets		3,411,240	3,228,404	1,556,738	1,555,731
CURRENT ASSETS					
Biological assets	17	406,216	364,634	-	-
Inventories	18	973,519	721,869	-	-
Trade receivables	19	624,707	489,582	-	-
Other receivables, deposits and prepaid expenses	20	115,360	110,920	288	348
Amounts due from subsidiaries	21	-	-	1,291	1,345
Non-current assets held for sale	23	2,093	-	-	-
Tax recoverable		32,058	21,625	576	241
Cash and bank balances	25	764,621	757,769	7,026	4,681
Total current assets		2,918,574	2,466,399	9,181	6,615
TOTAL ASSETS		6,329,814	5,694,803	1,565,919	1,562,346
EQUITY AND LIABILITIES					
EQUITY					
Share capital	26	1,499,684	1,499,684	1,499,684	1,499,684
Merger reserve	27	(662,466)	(662,466)	-	-
Reserves	28	969,842	876,223	48,651	43,033
Equity attributable to owners of the Company		1,807,060	1,713,441	1,548,335	1,542,717
Non-controlling interests		552,780	535,122	-	-
Total equity		2,359,840	2,248,563	1,548,335	1,542,717

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	78,663	92,076	-	-
Lease liabilities	30	146,263	137,276	-	-
Bank borrowings	31	1,054,562	874,478	-	-
Post-employment benefits obligation	32	34,961	45,689	-	-
Derivative financial liabilities	24	-	467	-	-
Deferred income					
- government grants	33	1,613	1,907	-	-
Provision for asset retirement obligation	34	5,373	2,575	-	-
Total non-current liabilities		<u>1,321,435</u>	<u>1,154,468</u>	<u>-</u>	<u>-</u>
CURRENT LIABILITIES					
Trade payables	35	284,246	229,394	-	-
Other payables and accrued expenses	36	250,424	260,386	1,514	1,662
Amounts due to subsidiaries	37	-	-	16,070	17,967
Lease liabilities	30	26,286	18,894	-	-
Bank borrowings	31	2,070,089	1,764,835	-	-
Derivative financial liabilities	24	866	1,982	-	-
Deferred income					
- government grants	33	323	318	-	-
Tax payable		16,305	15,778	-	-
Provision for asset retirement obligation	34	-	148	-	-
Dividend payable		-	37	-	-
Total current liabilities		<u>2,648,539</u>	<u>2,291,772</u>	<u>17,584</u>	<u>19,629</u>
TOTAL LIABILITIES		<u>3,969,974</u>	<u>3,446,240</u>	<u>17,584</u>	<u>19,629</u>
TOTAL EQUITY AND LIABILITIES		<u>6,329,814</u>	<u>5,694,803</u>	<u>1,565,919</u>	<u>1,562,346</u>

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<u>Note</u>	<u>Share capital</u> RM'000	<u>Merger reserve</u> RM'000	<u>Foreign currency translation reserve</u> RM'000	<u>ESOS reserve</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total attributable to owners of the Company</u> RM'000	<u>Non-controlling interests</u> RM'000	<u>Total equity</u> RM'000
<u>Group</u>									
At 1 January 2020		1,499,684	(658,787)	(2,754)	6,486	796,580	1,641,209	539,314	2,180,523
Comprehensive income:									
- Net profit for the financial year		-	-	-	-	113,145	113,145	4,378	117,523
Other comprehensive income:									
- Remeasurement of post-employment benefit obligation		-	-	-	-	(3,236)	(3,236)	968	(2,268)
- Exchange translation differences		-	-	(17,697)	-	-	(17,697)	(5,839)	(23,536)
Total other comprehensive income		-	-	(17,697)	-	(3,236)	(20,933)	(4,871)	(25,804)
Total comprehensive income		-	-	(17,697)	-	109,909	92,212	(493)	91,719
Transactions with owners:									
- Dividends paid	38	-	-	-	-	(20,075)	(20,075)	(3,708)	(23,783)
- ESOS expenses	5	-	-	3	3,723	48	3,774	-	3,774
- Share options lapsed		-	-	-	(121)	121	-	-	-
- Acquisition of a subsidiary	14	-	(3,679)	-	-	-	(3,679)	9	(3,670)
		-	(3,679)	3	3,602	(19,906)	(19,980)	(3,699)	(23,679)
At 31 December 2020		1,499,684	(662,466)	(20,448)	10,088	886,583	1,713,441	535,122	2,248,563

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	<u>Note</u>	<u>Share capital</u> RM'000	<u>Merger reserve</u> RM'000	<u>Foreign currency translation reserve</u> RM'000	<u>ESOS reserve</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total attributable to owners of the Company</u> RM'000	<u>Non-controlling interests</u> RM'000	<u>Total equity</u> RM'000
<u>Group</u>									
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	-	-	-
		-	-	-	1,184	(23,726)	(22,542)	(2,191)	(24,733)
At 31 December 2021		1,499,684	(662,466)	5,540	11,272	953,030	1,807,060	552,780	2,359,840

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

<u>Company</u>	<u>Note</u>	<u>Share capital</u> RM'000	<u>ESOS reserve</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total equity</u> RM'000
At 1 January 2020		1,499,684	6,486	36,313	1,542,483
Total comprehensive income:					
Net profit for the financial year		-	-	16,586	16,586
Transactions with owners:					
Dividends paid	38	-	-	(20,075)	(20,075)
ESOS expenses	5	-	3,723	-	3,723
Share options lapsed		-	(121)	121	-
At 31 December 2020		<u>1,499,684</u>	<u>10,088</u>	<u>32,945</u>	<u>1,542,717</u>
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	-	1,548	-	1,548
Share options lapsed		-	(364)	364	-
At 31 December 2021		<u>1,499,684</u>	<u>11,272</u>	<u>37,379</u>	<u>1,548,335</u>

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		140,315	157,126	28,183	16,732
Adjustments for:					
Expense recognised in respect of defined benefit plan	32	8,870	8,234	-	-
Depreciation of:					
- property, plant and equipment	10	245,394	229,980	144	143
- investment properties	11	265	253	-	-
- right-of-use assets	12	38,068	29,125	-	-
Write-off of:					
- property, plant and equipment	10	7,634	1,515	-	-
- right-of-use assets	12	-	720	-	-
(Gain)/loss on termination of leases	6	(3,441)	108	-	-
Gain on disposal of:					
- property, plant and equipment		(2,675)	(3,875)	-	-
- right-of-use assets		(3,229)	-	-	-
Unrealised (gain)/loss on foreign exchange		(374)	2,852	(153)	100
Fair value (gain)/loss on derivative financial instruments		(1,618)	558	-	-
Share of profit of associates	15	(435)	(375)	-	-
Bad debts written off		24	387	-	-
Provision for/(reversal of) impairment loss on:					
- property, plant and equipment	10	184	516	-	-
- intangible asset	13	-	2,123	-	-
- trade receivables	19	3,142	12,413	-	-
- other receivables	20	1,995	(629)	-	-
ESOS expenses	5	1,548	3,774	397	911
Reversal of provision of claims		-	(7,017)	-	-
Dividend income		-	-	(34,600)	(24,400)
Interest income		(14,406)	(16,157)	(159)	(446)
Finance costs	7	112,446	125,871	922	870
		<u>533,707</u>	<u>547,502</u>	<u>(5,266)</u>	<u>(6,090)</u>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Changes in working capital:					
Biological assets		(42,762)	11,910	-	-
Inventories		(228,632)	(53,869)	-	-
Receivables		(183,330)	51,979	114	567
Payables		40,295	(86,422)	(282)	(849)
Cash generated from operations		119,278	471,100	(5,434)	(6,372)
Tax paid		(75,048)	(55,272)	(357)	(505)
Net cash flow from operating activities		44,230	415,828	(5,791)	(6,877)
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to an associate		-	(828)	-	-
Proceeds from disposal of:					
- property, plant and equipment		6,452	6,512	-	-
- right-of-use assets		7,670	175	-	-
Dividend income received from:					
- an associate	15	344	359	-	-
- subsidiaries		-	-	34,600	24,400
Interest income received		14,406	16,157	159	446
Additions of:					
- property, plant and equipment	10	(334,549)	(474,258)	-	-
- right-of-use assets	12	(11,383)	(39,623)	-	-
Subscription to subsidiaries ordinary shares	14	-	-	-	(30,000)
Acquisition of a subsidiary	14	-	(19,773)	-	-
Acquisition of additional shares in:					
- a subsidiary	14	(20)	-	-	-
- an associate	15	(59)	-	-	-
Decrease in fixed deposits pledged		3,392	4,074	-	-
(Placement)/Withdrawal of fixed deposits with more than three months maturity	25	(78,858)	16,700	-	-
Net cash flow from investing activities		(392,605)	(490,505)	34,759	(5,154)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance costs paid		(110,012)	(124,537)	-	-
Dividends paid to:					
- shareholders		(24,090)	(20,075)	(24,090)	(20,075)
- non-controlling interests		(2,191)	(3,671)	-	-
Repayment of hire purchase liabilities		(18,773)	(20,390)	-	-
Payments for the principal portion of lease liabilities		(25,120)	(19,350)	-	-
Drawdown of term loans		339,715	157,560	-	-
Repayment of term loans		(227,357)	(342,228)	-	-
Issuance of Sukuk Mudharabah		100,000	100,000	-	-
Payment of Sukuk Mudharabah transaction costs		(1,123)	-	-	-
Net drawdown of short term borrowings		233,227	345,779	-	-
Advance from a subsidiary		-	-	1,700	2,000
Repayment to a subsidiary		-	-	(4,386)	(1,846)
Proceeds from issuance of shares by subsidiary to non-controlling interest		-	9	-	-
Net cash flow from financing activities		264,276	73,097	(26,776)	(19,921)
Net changes in cash and cash equivalents		(84,099)	(1,580)	2,192	(31,952)
Effect of exchange translation differences		13,412	(6,825)	153	(100)
Cash and cash equivalents at beginning of the financial year		645,827	654,232	4,681	36,733
Cash and cash equivalents at end of the financial year	25	575,140	645,827	7,026	4,681

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

<u>Group</u>	Term loans and Sukuk Mudharabah RM'000	Short term borrowings* RM'000	Lease liabilities RM'000	Hire purchase liabilities RM'000	Total RM'000
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	(47,683)	(52,819)	(7,928)	(1,582)	(110,012)
	163,552	180,408	(33,048)	(20,355)	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	<u>1,313,886</u>	<u>1,689,255</u>	<u>172,550</u>	<u>24,515</u>	<u>3,200,206</u>
At 1 January 2020	1,169,206	1,100,728	118,524	39,084	2,427,542
Net cash flow	(84,668)	345,779	(19,350)	(20,390)	221,371
Finance costs paid	(54,028)	(62,622)	(5,925)	(1,962)	(124,537)
	(138,696)	283,157	(25,275)	(22,352)	96,834
Non-cash transaction:					
Finance costs	53,464	62,495	5,925	1,962	123,846
Interest accretion	564	297	-	-	861
Addition	5,434	-	54,519	11,742	71,695
Termination	-	-	(1,150)	-	(1,150)
Foreign exchange translation	(10,190)	(18,857)	(296)	3	(29,340)
Acquisition of a subsidiary	2,716	841	3,923	2,794	10,274
At 31 December 2020	<u>1,082,498</u>	<u>1,428,661</u>	<u>156,170</u>	<u>33,233</u>	<u>2,700,562</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

<u>Company</u>	<u>Amounts due to subsidiaries</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000
At 1 January	17,655	16,631
Net cash flow	(2,686)	154
Non-cash transaction: Finance costs	922	870
At 31 December	<u>15,891</u>	<u>17,655</u>

* Short-term borrowings exclude bank overdrafts.

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

1 GENERAL INFORMATION

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

Principal place of business

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

Registered office

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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 2021:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions'
- Amendments to MFRS 9, 139 & 7 'Interest Rate Benchmark Reform' – Phase 2

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 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

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

- Amendment to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'

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

- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 'Proceeds before intended use'
- Annual Improvements to MFRSs 2018 – 2021 Cycle
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'

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

- Amendments to MFRS 101 'Classification of liabilities as current or non-current'
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on 'Disclosure of Accounting Policies' and 'Definition of Accounting Estimates'
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- MFRS 17 'Insurance Contracts' and its 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.

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

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

(a) Subsidiaries

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

Business combinations under acquisition method

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

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

Acquisition-related costs are expensed as incurred.

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Business combination under common control

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

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

Transactions between Group companies

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

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

Non-controlling interests

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Loss of control

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

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

(b) Associates

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(b) Associates (continued)

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

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

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

(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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Goodwill

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

(a) Classification

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

(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.

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

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

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

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

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

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

The measurement of ECL reflects:

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

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

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 42 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 42 sets out the measurement details of ECL.

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk

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

The following indicators are incorporated:

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

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

The debtor meets unlikelihood 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.

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

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

2.11 Derivative and hedging activities

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

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

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

2.12 Financial guarantee contracts

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(a) Accounting by lessee (continued)

Lease liabilities

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

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

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

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

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

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

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(b) Accounting by lessor

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

Finance leases

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

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

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

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other receivables

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

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

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

2.15 Inventories

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

2.16 Cash and cash equivalents

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

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

2.17 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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Share capital (continued)

(c) Dividend distribution

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

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

(d) Purchase of own shares

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

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

(e) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

2.18 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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings and borrowing costs

(i) Borrowings

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

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

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

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

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

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

(ii) Borrowing costs

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

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

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

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax

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

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

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

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

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits

(a) Short term employee benefits

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

(b) Post-employment pension benefits

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

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

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(b) Post-employment pension benefits (continued)

(ii) Defined benefit plans (continued)

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

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

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

2.22 Share-based payments - Employee options

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

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

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Share-based payments - Employee options (continued)

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

Sales of chicken and other poultry related products

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

Sales of poultry feed

Revenue from sales of poultry feed are recognised net of discount and applicable tax at the point in time when control of the goods has transferred to customer. The terms of contract with the customer is ex-factory where control transfers upon the feed truck is weighed for quantity of feed loaded and accepted by customers' truck driver before it leaves the feedmill. Revenue for sales of feed by bag packaging are recognised upon delivery of the goods to locations specified by the customer and acceptance of the goods by the customer which indicate the transfer of control.

There is no element of financing present as the Group's sale of goods are either on cash term or on credit terms not exceeding 12 months.

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Foreign currencies (continued)

(iii) Group companies

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

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

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

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

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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

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

Breeders

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

Commercial layers

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

Broilers

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

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

Hatching eggs

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Land use rights

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

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

2.29 Segment reporting

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

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

2.30 Government grants

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

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

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

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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Biological assets

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

In measuring the fair value of livestock biological assets, management estimates are required. The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 17 to the financial statements.

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

The Group recorded a fair value for its biological assets of RM406,216,000 as at 31 December 2021 (2020: RM364,634,000).

(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.

(iii) Post-employment benefit obligation

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Post-employment benefit obligation (continued)

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

(iv) Income taxes

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

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

(v) Deferred taxes

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

(vi) Provision for asset retirement obligation

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

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

4 REVENUE

The Group derives the following types of revenue:

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from contracts with customers:</u>				
- Sales of goods	7,142,352	6,027,321	-	-
<u>Revenue from other sources:</u>				
- Lease income	10,973	12,882	-	-
- Dividend income from subsidiaries	-	-	34,600	24,400
- Others	195	461	-	-
Total revenue	7,153,520	6,040,664	34,600	24,400

Disaggregation of revenue from contracts with customers by product segments:

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Livestock and other poultry related products	3,915,350	3,354,543
Feedmill	3,227,002	2,672,778
	7,142,352	6,027,321

5 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and bonuses	601,107	559,012	921	1,047
Defined contribution plans	32,537	30,789	-	-
Defined benefit plans	10,620	8,490	-	-
ESOS expenses	1,548	3,774	397	911
	645,812	602,065	1,318	1,958

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

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

6 PROFIT FROM OPERATIONS

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration:				
Statutory audit				
- PricewaterhouseCoopers PLT	1,358	1,291	90	190
- Member firms of PricewaterhouseCoopers International Limited	1,892	1,833	-	-
- Others	197	191	-	-
Other services				
- PricewaterhouseCoopers PLT	55	55	-	-
- Member firms of PricewaterhouseCoopers International Limited	459	312	-	-
Foreign exchange (gains)/losses:				
- realised	(3,100)	(61)	1	-
- unrealised	(374)	2,852	(153)	100
Fair value (gain)/loss on derivative financial instruments	(1,618)	558	-	-
Rental expense*	15,097	13,221	-	-
Write-off of:				
- property, plant and equipment	7,634	1,515	-	-
- right-of-use assets	-	720	-	-
(Gain)/Loss on termination of leases	(3,441)	108	-	-
Provision for/(reversal of) impairment loss on:				
- property, plant and equipment	184	516	-	-
- intangible assets	-	2,123	-	-
- trade receivables	3,142	12,413	-	-
- other receivables	1,995	(629)	-	-
Expense recognised in respect of defined benefit plan	10,620	8,234	-	-
Farmers' incentive	75,627	74,948	-	-
Packing materials	22,193	24,999	-	-
Travelling expenses	8,123	12,000	-	-
Promotional and marketing expenses	11,794	10,317	-	-
Interest income	(14,406)	(16,157)	(159)	(446)
Rental income	(2,187)	(2,075)	-	-
Gain on disposal of:				
- property, plant and equipment	(2,675)	(3,875)	-	-
- right-of-use assets	(3,229)	-	-	-
Bad debts written off	24	387	-	-
Bad debts recovered	-	(32)	-	-
Government grant	(5,215)	(16,348)	-	-
Reversal of provision for claims	-	(7,017)	-	-

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

7 FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expenses on:				
Bankers' acceptances	12,149	14,504	-	-
Bank overdrafts	1,605	1,915	-	-
Term loans	43,578	53,464	-	-
Hire purchase liabilities	1,583	1,962	-	-
Lease liabilities	7,928	5,925	-	-
Revolving credits	26,473	32,718	-	-
Trust receipts	14,102	15,273	-	-
Loan from a subsidiary	-	-	922	870
Sukuk Mudharabah	4,775	-	-	-
Others	253	110	-	-
	<u>112,446</u>	<u>125,871</u>	<u>922</u>	<u>870</u>

8 TAX EXPENSE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax recognised in profit or loss:				
- Malaysian income tax	27,896	25,272	39	108
- Foreign tax	37,342	31,136	-	-
- (Over)/under provision in prior years	(805)	454	(16)	38
	<u>64,433</u>	<u>56,862</u>	<u>23</u>	<u>146</u>
Deferred taxation recognised in profit or loss (Note 16):				
- Origination and reversal of temporary differences	(20,496)	(17,259)	-	-
Real property gain tax	488	-	-	-
Tax expense	<u>44,425</u>	<u>39,603</u>	<u>23</u>	<u>146</u>
Deferred taxation recognised in OCI (Note 16):				
- Remeasurement of post-employment benefit obligation	216	(575)	-	-

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

8 TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax	140,315	157,126	28,183	16,732
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	33,676	37,710	6,764	4,016
Tax effects of:				
- expenses not deductible for tax purposes	26,080	18,393	1,579	1,948
- income not subject to tax	(3,115)	(7,040)	(8,304)	(5,856)
- share of result of an associate	(91)	(113)	-	-
- differential in tax rates of foreign subsidiaries	(2,786)	(9,701)	-	-
- utilisation of reinvestment allowance not recognised as tax benefits	-	(237)	-	-
- utilisation of previously unrecognised tax losses	(6,477)	(203)	-	-
- utilisation of previously unrecognised capital allowances	(1,163)	(240)	-	-
- utilisation of special incentive	(3,140)	(9,084)	-	-
- deductible temporary differences not recognised in current year	592	1,596	-	-
- current year tax losses for which no deferred tax asset is recognised	1,166	3,421	-	-
- reversal of previously recognised tax benefits arising from tax losses	-	4,647	-	-
Real property gain tax	488	-	-	-
(Over)/under provision in prior years	(805)	454	(16)	38
Tax expense	44,425	39,603	23	146

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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:

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Unutilised tax losses		
- expiring by year of assessment 2022*	3,963	6,554
- expiring by year of assessment 2023*	3,084	2,803
- expiring by year of assessment 2024*	2,899	2,635
- expiring by year of assessment 2025*^	1,833	42,762
- expiring by year of assessment 2026^	-	2,121
- expiring by year of assessment 2027^	-	16,524
- expiring by year of assessment 2028^	25,335	-
- expiring by year of assessment 2029^	2,121	-
- expiring by year of assessment 2030^	7,018	-
Unabsorbed capital allowances		
- no expiry period	22,684	27,530
Unutilised reinvestment allowance		
- expiring not more than seven years^	15,022	15,022
	<u>83,960</u>	<u>115,951</u>

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

^ 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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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:

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
Profit attributable to the owners of the Company	85,403	113,145
Weighted average number of ordinary shares in issue ('000)	3,650,000	3,650,000
Basic and diluted EPS (sen)	2.34	3.10

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 this financial year. 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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Land improvement</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture fittings, equipment and renovation</u> RM'000	<u>Construction-in-progress</u> RM'000	<u>Total</u> 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	<u>303,491</u>	<u>1,388,492</u>	<u>22,700</u>	<u>524,721</u>	<u>68,623</u>	<u>221,070</u>	<u>241,222</u>	<u>2,770,319</u>
<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	<u>303,491</u>	<u>1,388,492</u>	<u>22,700</u>	<u>524,721</u>	<u>68,623</u>	<u>221,070</u>	<u>241,222</u>	<u>2,770,319</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Land improvement</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture fittings, equipment and renovation</u> RM'000	<u>Construction-in-progress</u> RM'000	<u>Total</u> RM'000
<u>Net book value</u>								
At 1 January 2020	295,466	1,208,385	21,518	470,849	79,587	133,092	187,574	2,396,471
Additions	7,796	87,726	1,220	128,355	20,942	59,429	193,151	498,619
Effect on acquisition of a subsidiary (see Note 14)	781	462	-	7,560	679	8,928	-	18,410
Disposals	(830)	(108)	-	(197)	(1,244)	(258)	-	(2,637)
Write-off	-	(641)	(71)	(392)	(282)	12	(141)	(1,515)
Foreign exchange differences	25	(14,296)	-	(5,828)	(630)	(522)	(1,120)	(22,371)
Reclassifications	(1,600)	144,702	1,036	26,542	82	16,284	(187,046)	-
Depreciation charge for the financial year	-	(75,079)	(995)	(98,472)	(23,161)	(32,273)	-	(229,980)
Impairment charge for the financial year	-	(470)	-	-	-	-	(46)	(516)
At 31 December 2020	<u>301,638</u>	<u>1,350,681</u>	<u>22,708</u>	<u>528,417</u>	<u>75,973</u>	<u>184,692</u>	<u>192,372</u>	<u>2,656,481</u>
<u>At 31 December 2020:</u>								
Cost	301,638	1,984,940	26,885	1,295,946	229,173	388,098	192,457	4,419,137
Accumulated depreciation	-	(633,670)	(4,172)	(767,529)	(153,200)	(201,941)	-	(1,760,512)
Accumulated impairment loss	-	(589)	(5)	-	-	(1,465)	(85)	(2,144)
Net book value	<u>301,638</u>	<u>1,350,681</u>	<u>22,708</u>	<u>528,417</u>	<u>75,973</u>	<u>184,692</u>	<u>192,372</u>	<u>2,656,481</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Furniture, fittings and office equipment</u> RM'000	<u>Company</u> <u>Total</u> RM'000
<u>Net book value</u>		
At 1 January 2020	451	451
Depreciation charge for the financial year	(143)	(143)
	<u>308</u>	<u>308</u>
At 31 December 2020/1 January 2021	308	308
Depreciation charge for the financial year	(144)	(144)
	<u>164</u>	<u>164</u>
At 31 December 2021	<u>164</u>	<u>164</u>
<u>At 31 December 2021:</u>		
Cost	578	578
Accumulated depreciation	(414)	(414)
	<u>164</u>	<u>164</u>
Net book value	<u>164</u>	<u>164</u>
<u>At 31 December 2020:</u>		
Cost	578	578
Accumulated depreciation	(270)	(270)
	<u>308</u>	<u>308</u>
Net book value	<u>308</u>	<u>308</u>

- (a) As of 31 December 2021, certain property, plant and equipment of the Group with a net carrying value of RM707,246,000 (2020: RM628,872,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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):

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Carrying amount</u>		
Plant and machinery	29,992	38,282
Motor vehicles	30,468	30,906
Furnitures, fittings and equipment	294	4,537
	<u>60,754</u>	<u>73,725</u>

- (c) Additions of property, plant and equipment

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

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Cash payments	334,549	474,258
Unpaid balances included under other payables	10,482	15,050
Cash paid in respect of acquisitions in previous financial year	(15,050)	(5,465)
Financed by hire purchase	10,057	11,742
Financed by long term loans	5,870	3,034
Additions of property, plant and equipment	<u>345,908</u>	<u>498,619</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

11 INVESTMENT PROPERTIES

	<u>2021</u> RM'000	<u>Group</u> <u>2020</u> RM'000
<u>Cost</u>		
At 1 January	31,047	31,047
Transfer from property, plant and equipment	746	-
At 31 December	<u>31,793</u>	<u>31,047</u>
<u>Less: Accumulated depreciation</u>		
At 1 January	9,250	8,997
Charge for the financial year	265	253
At 31 December	<u>9,515</u>	<u>9,250</u>
<u>Net carrying amount</u>		
At 31 December	<u>22,278</u>	<u>21,797</u>
Fair values	<u>48,804</u>	<u>46,331</u>

The property rental income earned by the Group from investment properties, certain of which are leased out under operating leases, amounted to RM984,000 (2020: RM820,000). Direct operating expenses arising from investment properties that are revenue-generating of the Group amounted to RM123,000 (2020: RM97,000).

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.

	<u>2021</u> RM'000	<u>2020</u> RM'000
<u>Group</u>		
Within 1 year	1,342	785
In the 2 nd year	900	471
In the 3 rd year	47	401
Total undiscounted lease payments	<u>2,289</u>	<u>1,657</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

12 RIGHT-OF-USE ASSETS

<u>Group</u>	<u>Note</u>	<u>Leasehold land RM'000</u>	<u>Land use rights RM'000</u>	<u>Land from operating lease RM'000</u>	<u>Buildings RM'000</u>	<u>Plant and machinery RM'000</u>	<u>Total RM'000</u>
<u>Carrying amount</u>							
At 1 January 2020		20,773	168,006	81,041	36,679	925	307,424
Additions		12,823	24,802	38,698	19,510	3,362	99,195
Effect on acquisition of subsidiary	14	-	-	-	3,553	-	3,553
Disposal		-	(13)	(162)	-	-	(175)
Write-off		-	(720)	-	-	-	(720)
Terminations		-	-	(346)	(912)	-	(1,258)
Foreign exchange differences		(2)	(4,908)	466	(526)	(61)	(5,031)
Depreciation charge for the financial year		(448)	(8,622)	(6,610)	(12,080)	(1,365)	(29,125)
At 31 December 2020/1 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		34,985	188,204	102,647	65,865	3,404	395,105

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

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

Leasehold land	3 – 99 years
Land use rights	3 – 52 years
Land from operating lease	2 – 60 years
Buildings	1 – 6 years
Plant and machinery	1 – 12 years

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

12 RIGHT-OF-USE ASSETS (CONTINUED)

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

	<u>Note</u>	<u>2021</u> RM'000	<u>2020</u> RM'000
Interest expense (included in finance cost)	7	7,928	5,925
Expense relating to short-term leases (included in rental expenses)	6	14,890	12,907
Expense relating to leases of low value assets that are not shown above as short-term leases (included in rental expenses)	6	207	314
The total cash outflow for leases		<u>49,834</u>	<u>38,496</u>

Additions of right-of-use assets

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

	<u>2021</u> RM'000	<u>2020</u> RM'000
Cash payments	11,383	39,623
Financed by long term loans	-	2,400
Future lease payment included in lease liabilities	43,580	54,519
Provision for asset retirement obligation	2,445	2,653
Addition of right-of-use assets	<u>57,408</u>	<u>99,195</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

13 INTANGIBLE ASSETS

<u>Group</u>	<u>Goodwill on consolidation</u> RM'000	<u>Business customer</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January 2020	103,337	10,327	113,664
Translation differences	(26)	(6)	(32)
	<hr/>	<hr/>	<hr/>
At 31 December 2020/1 January 2021	103,311	10,321	113,632
Translation differences	759	155	914
	<hr/>	<hr/>	<hr/>
At 31 December 2021	104,070	10,476	114,546
	<hr/>	<hr/>	<hr/>
<u>Less: Accumulated amortisation</u>			
At 1 January 2020	-	10,327	10,327
Translation differences	-	(6)	(6)
	<hr/>	<hr/>	<hr/>
At 31 December 2020/1 January 2021	-	10,321	10,321
Translation differences	-	155	155
	<hr/>	<hr/>	<hr/>
At 31 December 2021	-	10,476	10,476
	<hr/>	<hr/>	<hr/>
<u>Less: Accumulated impairment losses</u>			
At 1 January 2020	5,867	-	5,867
Impairment charge for the financial year	2,123	-	2,123
	<hr/>	<hr/>	<hr/>
At 31 December 2020/1 January 2021/ 31 December 2021	7,990	-	7,990
	<hr/>	<hr/>	<hr/>
<u>Net carrying amount</u>			
At 31 December 2021	96,080	-	96,080
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020	95,321	-	95,321
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

13 INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

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

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
<u>Malaysia</u>		
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
<u>Singapore</u>		
Processing and marketing of consumer products	55,634	54,875
	<u>96,080</u>	<u>95,321</u>

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

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

The carrying amount of intangible assets totalling RM96.1 million (2020: RM95.3 million) comprising goodwill on consolidation were tested for impairment.

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

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

- 'Baseline' scenario considers the average year-to-date selling prices;
- 'Best case' scenario incorporates the current and forward-looking information on macroeconomic factors affecting the projected selling prices, including the recovery in economy from the Covid-19 pandemic; and
- 'Worst case' scenario which considers the historical selling prices when the economy plummeted in 2021 due to the lockdown implemented by the government throughout the year

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

13 INTANGIBLE ASSETS (CONTINUED)

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

	<u>2021</u> %	<u>2020</u> %
<u>Manufacturing of animal feeds</u>		
Revenue growth rate	1.7	2.0
EBITDA margin	6.7	8.5
Discount rate	9.0	9.0
Terminal growth rate	1.0	1.0
<u>Trading of animals health products</u>		
Revenue growth rate	4.5	2.0
EBITDA margin	17.8	19.2
Discount rate	11.9	9.5
Terminal growth rate	1.0	1.0
<u>Poultry farming and breeding</u>		
Revenue growth rate	6.7	8.6
EBITDA margin	7.7	7.7
Discount rate	11.7	9.5
Terminal growth rate	1.0	1.0
<u>Processing and marketing of consumer products</u>		
Revenue growth rate	3.4	2.5
EBITDA margin	7.4	11.0
Discount rate	11.0	12.0
Terminal growth rate	2.0	2.0

In the previous financial year, the Group had recognised an impairment charge of RM2,123,000 on goodwill arising from the poultry farming and breeding CGU as a result of the uncertainty in the coloured bird chicken market.

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

Business customer relationship

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000
Unquoted shares, at cost	1,547,687	1,547,687
Capital contribution to subsidiaries – ESOS Options	8,887	7,736
	<u>1,556,574</u>	<u>1,555,423</u>

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

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<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 and trading of materials
Leong Hup Singapore Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Dragon Amity Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Investment holding
Leong Hup Corporate Services Sdn. Bhd.*	100.00	100.00	Management services provider
Leong Hup (Philippines), Inc# (Incorporated in Philippines)	100.00	100.00	Raising, breeding, cross breeding, fattening and pasturing of poultry and similar stocks
Leong Hup Myanmar Co., Ltd & (Incorporated in Myanmar)	100.00	100.00	Dormant
<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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<u>Indirect subsidiaries</u> (continued)			
Leong Hup Agrobusiness Sdn. Bhd.*	100.00	100.00	Production and distribution of breeder and broiler day-old-chick, broiler chicken, animal feeds and consumer food products and operating of food, beverages and bakery retail outlets
Leong Hup Capital Sdn. Bhd.*	100.00	100.00	Funding vehicle, investment advisory services, other financial activities except insurance/takaful and pension funding
The Baker's Cottage Sdn. Bhd.^	100.00	100.00	Manufacturing, trading and distribution of food products
Baker's Cottage Training Academy Sdn. Bhd.^	100.00	100.00	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.*	100.00	100.00	Dormant

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<u>Indirect subsidiaries (continued)</u>			
Leong Hup Ruminant Farm Sdn. Bhd.*	100.00	100.00	Investment holding
Leong Hup Feedmill Sdn. Bhd.*	100.00	100.00	Provision of manufacturing related services
Sri Medan Duck Farm Sdn. Bhd.*	100.00	100.00	Provision of farming related services
Beaming Agrotrade Sdn. Bhd.*	100.00	100.00	Investment holding
The Baker's Cottage Restaurant Sdn. Bhd [^]	100.00	100.00	Operating a restaurant dealing with food and beverage
Ayam A1 Food Processing Sdn. Bhd.*	100.00	100.00	Provision of manufacturing related services
Goldkist Breeding Farms Sdn. Bhd.*	100.00	100.00	Provision of farming related services
J.B. Kim Farm Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
Mighty Farms Sdn. Bhd.*	51.00	51.00	Rearing of broiler chicken for sales
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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<u>Indirect subsidiaries (continued)</u>			
Rising Momentum Sdn. Bhd.*	100.00	51.00	Rearing of broiler chicken for sales
Farm Excel Distribution Sdn. Bhd.^	51.00	51.00	Distribution of pharmaceutical and veterinary products
Laboratorios Reveex (Asia) Sdn. Bhd.^	26.01	26.01	Trading of veterinary products
Leong Hup Aquaculture Sdn. Bhd.*	100.00	100.00	Sales of aquaculture produce
Teo Seng Capital Berhad* ^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
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	Poultry farming
B-Tech Aquaculture Sdn. Bhd.*	29.02	29.02	Dormant

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<u>Indirect subsidiaries</u> (continued)			
Laskar Fertiliser Sdn. Bhd.*	29.02	29.02	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produce
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
Pioneer Prosperity Sdn. Bhd. ^u	-	29.02	Dormant
Premium Egg Products Pte. Ltd.# (Incorporated in Singapore)	29.02	29.02	Wholesaler, importers, exporters of eggs products
BH Fresh Food Pte. Ltd.# (Incorporated in Singapore)	29.02	29.02	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income
Ritma Premier Pte. Ltd.# (Incorporated in Singapore)	29.02	29.02	Distribution of pet food, medicine and other animal health related products
Leong Hup Agriculture (Desaru) Sdn. Bhd.*	60.00	60.00	Plantation of coconut and pineapple
Ideal Multifeed (Malaysia) Sdn. Bhd.*	100.00	100.00	Manufacturing and marketing of animal feeds

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<u>Indirect subsidiaries</u> (continued)			
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 and poultry feed
Leong Hup Feedmill Vietnam Limited Liability Company # (Incorporated in Vietnam)	100.00	100.00	Producing animal and poultry feed
Leong Hup (Cambodia) Limited^ (Incorporated in Cambodia)	100.00	100.00	Trading of animals feed
Lee Say Group Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry and investment holding

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<u>Indirect subsidiaries</u> (continued)			
Tasty Meat Products Pte. Ltd.^ (Incorporated in Singapore)	80.00	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Kendo Trading Pte. Ltd. # (Incorporated in Singapore)	51.00	51.00	Slaughtering, processing and sale of fresh and frozen poultry products
Lee Say Food Holdings Pte. Ltd. ^ (Incorporated in Singapore)	100.00	100.00	Investment holding
PT Ayam Prima Esa & (Incorporated in Indonesia)	-	100.00	Dormant – liquidated
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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<u>Indirect subsidiaries</u> (continued)			
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
My-Kando Food Industries Sdn. Bhd.*	100.00	100.00	Poultry farming, rental of chicken coops and related activities

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name of the Company</u>	<u>Effective percentage of ownership</u>		<u>Principal activities</u>
	<u>2021</u> %	<u>2020</u> %	
<u>Indirect subsidiaries</u> (continued)			
PT Malindo Feedmill Tbk ^{#β} (Incorporated in Indonesia)	57.80	57.80	Investment holding, poultry feed industry and day-old-chick farming
PT Bibit Indonesia [#] (Incorporated in Indonesia)	57.72	57.72	Broiler grandparent stock farming
PT Prima Fajar [#] (Incorporated in Indonesia)	57.78	57.78	Trading and service and broiler chicken farm
PT Leong Ayamsatu Primadona [#] (Incorporated in Indonesia)	57.77	57.77	Day-old-chick and broiler chicken farm
PT Malindo Food Delight [#] (Incorporated in Indonesia)	57.79	57.79	Processing and preserving of meat
PT Quality Indonesia [#] (Incorporated in Indonesia)	40.44	40.44	Duck farming
PT Mitra Bebek Persada [#] (Incorporated in Indonesia)	57.22	57.22	Duck farming
Leong Hup Foods (Philippines), Inc [^] (Incorporated in Philippines)	100.00	100.00	Processing, packaging and distributing all kinds of livestock products

* Audited by PricewaterhouseCoopers PLT, Malaysia

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

^ Audited by a firm other than member firm of PricewaterhouseCoopers International Limited.

& Unaudited – no statutory audit requirements

α Listed on Main Market of Bursa Malaysia Securities Berhad

β Listed on Indonesia Stock Exchange

μ Struck off under Section 550 of the Companies Act 2016 during the financial year

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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.

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>2021</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	70.98	49.00	0.00^	42.20
Summarised statements of comprehensive income:				
Revenue	530,140	38,246	330,110	2,457,995
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:				
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	1,310	-
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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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)

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>2021</u>				
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
	<hr/>	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at 31 December	49,017	15,344	134,223	38,222
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

^ 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%).

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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)

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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)

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

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

31.12.2021

Addition of investments in subsidiaries

- (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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2020

Acquisition of a subsidiary

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

31.12.2020 (continued)

Acquisition of a subsidiary (continued)

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

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

Changes in equity interest in subsidiaries

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

Addition of investments in subsidiaries

- (a) On 25 August 2020, the Company subscribed for an additional 1,500,000,000 new ordinary shares of Peso 1.00 each in the issued and paid up capital of Leong Hup (Philippines) Inc. ("LHPI") for a total consideration of Peso 1,500,000,000 (equivalent to RM122,705,000) by way of cash consideration of RM30,000,000 and the balance was offsetting with an equivalent amount owing to the Company. This transaction has no material financial impact to the Group.
- (b) On 3 September 2020, a direct subsidiary, Leong Hup (Philippines) Inc. incorporated a subsidiary by subscribing for 10,999,997 new ordinary shares of Peso 1.00 each, representing 99.99% of the issued and paid-up capital in Leong Hup Foods (Philippines), Inc. ("LHFP"), a company incorporated in Philippines, for a total cash consideration of Peso 10,999,997 (equivalent to RM942,000). The transaction has no material financial impact to the Group.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

15 INVESTMENT IN ASSOCIATES

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
At cost:		
Unquoted shares	1,415	1,358
Share of post-acquisition results (net of dividends received)	313	223
	<u>1,728</u>	<u>1,581</u>

Nature of investment in associates for 2021 and 2020:

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

* Not audited by PricewaterhouseCoopers PLT (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.

	<u>Associates</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Summarised statements of financial position:		
Total non-current assets	14,855	15,581
Total current assets	11,751	9,738
Total current liabilities	(18,202)	(17,321)
Net assets	<u>8,404</u>	<u>7,998</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

15 **INVESTMENT IN ASSOCIATES (CONTINUED)**

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

	<u>Associates</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Summarised statements of comprehensive income:		
Revenue	7,781	7,679
Profit for the financial year	1,983	1,824
Total comprehensive income	<u>1,983</u>	<u>1,824</u>
Group's share of profit for the financial year	435	375
Group's share of total comprehensive income	435	375
Dividend received	<u>344</u>	<u>359</u>
Reconciliation of net assets to carrying amount:		
Group's share of net assets	<u>1,728</u>	<u>1,581</u>
Carrying amount of the Group's interests in the associate	<u>1,728</u>	<u>1,581</u>

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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.

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Deferred tax assets	70,120	62,047
Deferred tax liabilities	(78,663)	(92,076)
At 31 December	<u>(8,543)</u>	<u>(30,029)</u>

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:

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
At 1 January	(30,029)	(45,254)
Credited/(Charged) to profit or loss (Note 8)		
- Property, plant and equipment	2,512	12,981
- Employee benefit obligation	326	32
- Unutilised tax losses	8,358	(2,595)
- Trade and other receivables	917	989
- Trade and other payables	899	2,355
- Right-of-use assets	215	251
- Biological assets	4,265	5,753
- Others	3,004	(2,507)
	20,496	17,259
Translation differences	1,206	(1,708)
(Credit)/charged to other comprehensive income	(216)	575
Effect of acquisition of subsidiary (See Note 14)	-	(901)
At 31 December	<u>(8,543)</u>	<u>(30,029)</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

16 DEFERRED TAXATION (CONTINUED)

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Property, plant and equipment	35,792	28,457
- Employee benefit obligation	8,598	8,329
- Unutilised tax losses	15,269	7,345
- Trade and other receivables	9,616	8,038
- Trade and other payables	11,299	7,145
- Biological assets	13,447	9,673
- Lease liabilities	8,468	11,059
	<u>102,489</u>	<u>80,046</u>
Offsetting	(32,369)	(17,999)
Deferred tax assets (after offsetting)	<u>70,120</u>	<u>62,047</u>
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(95,064)	(78,631)
- Investment properties	(644)	(644)
- Trade and other receivables	(1)	-
- Right-of-use assets	(9,992)	(10,806)
- Biological assets	(4,298)	(8,794)
	<u>(109,999)</u>	<u>(98,875)</u>
Offsetting	32,369	17,999
Deferred tax liabilities (after offsetting)	<u>(77,630)</u>	<u>(80,876)</u>
Subject to real property gain tax:		
Deferred tax liabilities		
- Property, plant and equipment	(1,033)	(11,200)
	<u>(78,663)</u>	<u>(92,076)</u>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

17 BIOLOGICAL ASSETS

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>At fair value less cost to sell:</u>		
Grandparent stocks (breeder)	36,738	35,985
Parent stocks (breeder)	202,239	171,881
Layer stocks	67,790	66,707
Broiler stocks	40,483	44,316
Hatching eggs	55,750	43,694
Others	3,216	2,051
	<u>406,216</u>	<u>364,634</u>

The movement of biological assets can be analysed as follows:

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Breeders (grandparent and parent stock)</u>		
At 1 January	207,866	217,380
Additions	157,001	131,965
Change in fair value	83,019	75,517
Livestock losses	(38,301)	(69,748)
Depopulation	(173,362)	(143,766)
Foreign currency translation	2,754	(3,482)
At 31 December	<u>238,977</u>	<u>207,866</u>
<u>Layers</u>		
At 1 January	66,707	67,723
Additions	13,068	11,952
Change in fair value	32,155	30,096
Livestock losses	(8,269)	(10,252)
Depopulation	(36,249)	(32,571)
Foreign currency translation	378	(241)
At 31 December	<u>67,790</u>	<u>66,707</u>
<u>Broilers</u>		
At 1 January	44,316	47,664
Additions	273,320	238,206
Change in fair value	188,917	260,789
Livestock losses	(36,919)	(36,445)
Sales of live birds	(429,689)	(465,699)
Foreign currency translation	538	(199)
At 31 December	<u>40,483</u>	<u>44,316</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

17 BIOLOGICAL ASSETS (CONTINUED)

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

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Hatching eggs</u>		
At 1 January	43,694	44,303
Additions	674,364	639,149
Discarded eggs	(208,050)	(191,684)
Hatched and sold as day-old-chick	(454,799)	(447,621)
Foreign currency translation	541	(453)
	<u>55,750</u>	<u>43,694</u>
At 31 December	55,750	43,694
Others	<u>3,216</u>	<u>2,051</u>
	<u>406,216</u>	<u>364,634</u>

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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 43) 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.

<u>Description of valuation technique and input used</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurements</u>
<u>Breeders & Layers</u>		
Discounted cash flows: The valuation method considers the projected quantity and price of DOC and table eggs to be produced over the life of the breeder and layer, taking into account of expected growing cost and the breeder and layer's mortality rate.	<ul style="list-style-type: none"> Projected selling prices of DOC and table eggs based on management's estimate by reference to historical selling price adjusted for abnormal market movements. Management's estimate of feed and other variable costs expected to be incurred throughout the life cycle. 	<p>The higher the projected selling price, the higher the fair value</p> <p>The higher the costs, the lower the fair value</p>
<u>Broilers</u>		
Discounted cash flows: The valuation method considers the projected selling price and weight of the broilers taking into account the broilers mortality rate.	<ul style="list-style-type: none"> Projected selling prices of broiler based on management's estimate by reference to historical selling price adjusted for abnormal market movements. Management's estimate of feed and other variable costs expected to be incurred throughout the life cycle. 	<p>The higher the projected selling price, the higher the fair value</p> <p>The higher the costs, the lower the fair value</p>
<u>Hatching eggs</u>		
Discounted cash flows: The valuation method considers price of DOC, taking into account of expected hatchery cost and the hatching eggs' hatchability.	<ul style="list-style-type: none"> Projected selling prices of DOC based on management's estimate by reference to historical selling price adjusted for abnormal market movements. Management's estimate of hatchery and other variable costs expected to be incurred throughout the hatching process. 	<p>The higher the projected selling price, the higher the fair value</p> <p>The higher the costs, the lower the fair value</p>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

17 BIOLOGICAL ASSETS (CONTINUED)

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

	<u>2021</u> RM	<u>2020</u> RM
<u>Breeders & hatching eggs</u>		
Projected selling price of		
- Hatching egg/ DOC (parent stock)	4.74 - 21.26	12.21 - 18.71
- DOC (broiler)	1.52 - 3.56	1.42 - 4.10
Feed cost per kg for		
- grandparent stocks	1.76 - 2.90	1.45 - 2.54
- parent stocks	<u>1.46 - 2.30</u>	<u>1.38 - 2.25</u>
<u>Layers</u>		
Project selling prices for table eggs per egg	0.25 - 0.35	0.26 - 0.34
Feed cost per kg	<u>1.24 - 1.85</u>	<u>1.22 - 1.62</u>
<u>Broilers</u>		
Projected selling prices for broilers per kg	4.25 - 6.91	4.35 - 6.60
Feed cost per kg	<u>1.77 - 2.42</u>	<u>1.53 - 2.22</u>

Sensitivity analysis

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

	<u>Effect on fair value of biological assets</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000
Projected selling prices of DOC/table eggs/broilers		
- increased by 5%	38,360	33,175
- decreased by 5%	(38,360)	(33,175)
Feed cost per kg		
- increased by 10%	(38,643)	(28,538)
- decreased by 10%	<u>38,643</u>	<u>28,538</u>

As at 31 December 2021, certain biological assets of the Group amounting to RM112,070,000 (2020: RM83,835,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

18 INVENTORIES

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Processed chickens and trading stocks	150,452	127,691
Poultry feeds	53,277	38,966
Consumable supplies	88,556	56,832
Raw material	670,446	475,840
Work-in-progress	2,325	2,325
Others	8,463	20,215
	<u>973,519</u>	<u>721,869</u>

As at 31 December 2021, certain inventories of the Group amounting to RM114,264,000 (2020: RM83,829,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

19 TRADE RECEIVABLES

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Current</u>		
Trade receivables	469,685	388,652
Amounts due from related parties	194,505	137,831
	<u>664,190</u>	<u>526,483</u>
Less: Provision for impairment of trade receivables	(39,483)	(36,901)
	<u>624,707</u>	<u>489,582</u>
<u>Non-current</u>		
Trade receivables	-	1,118
	<u>624,707</u>	<u>490,700</u>

During the previous financial year, the non-current trade receivables were repayable by June 2022, discounted at a rate of 10% per annum and secured by a personal guarantee.

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

As at 31 December 2021, certain trade receivables of the Group amounting to RM62,341,000 (2020: RM44,657,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

19 **TRADE RECEIVABLES (CONTINUED)**

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

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
At 1 January	36,901	27,872
Impairment loss recognised	3,142	12,413
Impairment loss written off	(1,242)	(2,537)
Translation differences	682	(847)
	<u>39,483</u>	<u>36,901</u>

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

Amounts recognised in profit or loss

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

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Impairment losses:		
- individual receivables written off directly	14	374
- movement in provision for impairment	3,142	12,413
	<u>3,156</u>	<u>12,787</u>

20 **OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Other receivables	23,880	13,120	-	-
GST/VAT receivable	1,301	1,164	-	-
Deposits	19,861	17,912	-	-
Prepaid expenses	20,035	19,541	288	348
Advances to suppliers	52,278	59,184	-	-
	<u>117,355</u>	<u>110,921</u>	<u>288</u>	<u>348</u>
Less: Impairment losses	(1,995)	(1)	-	-
	<u>115,360</u>	<u>110,920</u>	<u>288</u>	<u>348</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

20 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<u>Non-current</u>				
Deposits	5,979	-	-	-
Prepaid expenses	2,622	-	-	-
Advances to suppliers	30,736	-	-	-
	<u>39,337</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>154,697</u>	<u>110,920</u>	<u>288</u>	<u>348</u>

As at 31 December 2021, certain other receivables of the Group amounting to RM12,050,000 (2020: RM3,945,000) 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:

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
At 1 January	1	3,200
Impairment loss recognised	1,995	-
Reversal of impairment loss	-	(629)
Impairment loss written off	-	(2,578)
Translation differences	(1)	8
At 31 December	<u>1,995</u>	<u>1</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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 to secure leases of its land for the Group's operations in Philippines. The amount is recoverable on the expiry of its leases and carry an interest rate of 6.5% per annum (2020: 6.5% per annum).

23 NON-CURRENT ASSETS HELD FOR SALE

	<u>Buildings</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Total</u> RM'000
<u>Group</u>			
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 RM7.7 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 as at 31 December 2021.

The Purchaser exercised the option to purchase on 3 January 2022 but the said transaction has yet to be completed as at the date of this report.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

24 DERIVATIVE FINANCIAL LIABILITIES

	2021		Group 2020	
	Contract/ Notional Amount RM'000	Derivative Liabilities RM'000	Contract/ Notional Amount RM'000	Derivative Liabilities RM'000
<u>Non-current liabilities</u>				
Interest rate swap contracts	-	-	29,006	(467)
<u>Current liabilities</u>				
Forward foreign exchange contracts	104,285	(492)	86,096	(1,710)
Foreign currency swap contracts	31,406	(179)	30,425	(272)
Interest rate swap contracts	15,388	(195)	-	-
	151,079	(866)	116,521	(1,982)
Derivative financial liabilities	151,079	(866)	145,527	(2,449)

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 (2020: 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 gain of RM1,618,000 (2020: loss of RM558,000) arising from fair value changes of derivatives during the financial year as disclosed in Note 6 to the financial statements. The method and assumptions applied in determining fair values of derivatives are disclosed in Note 43(b) to the financial statements.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

25 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed deposits with licensed banks	198,708	305,648	-	-
Cash on hand and at banks	565,913	452,121	7,026	4,681
Total cash and bank balances	764,621	757,769	7,026	4,681
Less: Bank overdraft (Note 31)	(96,994)	(94,921)	-	-
Less: Fixed deposits pledged as collateral	(13,629)	(17,021)	-	-
Less: Fixed deposits of more than three months maturity with licensed banks	(78,858)	-	-	-
Cash and cash equivalents	575,140	645,827	7,026	4,681

Certain fixed deposits with licensed bank of the Group with maturity period of 12 months and at a total carrying amount of RM13,629,000 (2020: RM17,021,000) 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 (2020: 30 to 90 days).

The weighted average effective interest rate of the fixed deposits with licensed banks ranges from 0.04% to 4.30% (2020: 0.55% to 5.10%) per annum.

26 SHARE CAPITAL

	Group and Company			
	2021		2020	
	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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

27 MERGER RESERVE

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

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

28 RESERVES

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
		RM'000	RM'000	RM'000	RM'000
Foreign currency translation reserve	(i)	5,540	(20,448)	-	-
Retained earnings	(ii)	953,030	886,583	37,379	32,945
ESOS reserve	(iii)	11,272	10,088	11,272	10,088
		<u>969,842</u>	<u>876,223</u>	<u>48,651</u>	<u>43,033</u>

(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 2021 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.

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

29 EMPLOYEE SHARE OPTION SCHEME

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

The Options are for one option for one new share. The issuance of new shares for the Options shall not exceed in aggregate 5.00% of the total number issued shares of the Company (excluding treasury shares, if any) at any one time during the duration of ESOS. The ESOS expire on 10 April 2024, being 5 years from the Effective Date but is renewable for a period of up to 5 years or such shorter period immediately from the expiry date provided that the ESOS shall not exceed in aggregate 10 years from the Effective Date.

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

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

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

<u>Grant date</u>	<u>Number of options</u> '000	<u>Exercise price</u> RM	<u>Vesting conditions</u>	<u>Contractual life of options</u>
16 May 2019	35,092	1.10	<ul style="list-style-type: none"> - 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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

29 EMPLOYEE SHARE OPTION SCHEME (CONTINUED)

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

	<u>2021</u>	<u>Group</u> <u>2020</u>
	<u>Number</u> <u>of options</u> <u>'000</u>	<u>Number</u> <u>of options</u> <u>'000</u>
Outstanding as at 1 January	34,409	34,898
Lapsed during the financial year	(1,255)	(489)
Outstanding as at 31 December	<u>33,154</u>	<u>34,409</u>

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:

	<u>Award date</u> 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	<u>37.71%</u>

30 LEASE LIABILITIES

	<u>2021</u>	<u>Group</u> <u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>
Classified as:		
- Current	26,286	18,894
- Non-current	146,263	137,276
	<u>172,549</u>	<u>156,170</u>

The lease liabilities represent the present value of remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 4.51% (2020: 4.51%) per annum.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

31 BANK BORROWINGS

	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
		<u>Group</u>
		<u>2020</u>
		RM'000
Secured:		
<u>Current</u>		
Bankers' acceptances	2,700	2,742
Bank overdrafts	84,519	82,042
Term loans (a)	190,371	154,890
Revolving credits	368,129	291,945
Hire purchase liabilities (c)	12,970	14,852
	<u>658,689</u>	<u>546,471</u>
<u>Non-current</u>		
Term loans (a)	718,048	589,621
Hire purchase liabilities (c)	11,544	18,381
	<u>729,592</u>	<u>608,002</u>
	<u>1,388,281</u>	<u>1,154,473</u>
Unsecured:		
<u>Current</u>		
Bankers' acceptances	546,842	469,138
Bank overdrafts	12,475	12,879
Term loans (b)	73,931	71,511
Revolving credits	233,021	255,892
Trust receipts	538,564	408,944
Sukuk Mudharabah (d)	6,567	-
	<u>1,411,400</u>	<u>1,218,364</u>
<u>Non-current</u>		
Term loans (b)	132,443	166,476
Sukuk Mudharabah (d)	192,527	100,000
	<u>324,970</u>	<u>266,476</u>
	<u>1,736,370</u>	<u>1,484,840</u>
Total borrowings:		
Bankers' acceptances	549,542	471,880
Bank overdrafts (Note 25)	96,994	94,921
Term loans	1,114,793	982,498
Revolving credits	601,150	547,837
Trust receipts	538,564	408,944
Hire purchase liabilities (c)	24,514	33,233
Sukuk Mudharabah (d)	199,094	100,000
	<u>3,124,651</u>	<u>2,639,313</u>
Less: Amount due within 12 months	(2,070,089)	(1,764,835)
Non-current portion	<u>1,054,562</u>	<u>874,478</u>

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

31 BANK BORROWINGS (CONTINUED)

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 SGD66.3 million (equivalent to RM204.7 million) (2020: SGD69.8 million (equivalent to RM212.2 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 SGD34.9 million (equivalent to RM107.7 million) (2020: SGD36.8 million (equivalent to RM111.9 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) were cumulatively drawn down in the previous financial years by an indirect subsidiary incorporated in Singapore. The outstanding balance at the end of the financial year is SGD3.0 million (equivalent to RM9.4 million) (2020: SGD4.8 million (equivalent to RM14.6 million)). The loan is repayable in 60 monthly instalments commencing 11 months from the first drawn down date on 8 December 2017.
- (iv) A floating-rate term loan of PHP100.0 million (equivalent to RM8.4 million) were cumulatively drawn down in the previous financial years in 2018 and 2019 by an indirect subsidiary incorporated in Philippines. The outstanding balance at the end of the financial year is PHP37.5 million (equivalent to RM3.1 million) (2020: PHP62.5 million (equivalent to RM5.2 million)). The loan is repayable in 48 monthly instalments commencing 6 months from the first drawn down date.
- (v) A floating-rate term loan of PHP200.0 million (equivalent to RM16.7 million) was drawn down in September 2020 and November 2020 by an indirect subsidiary incorporated in Philippines. The outstanding balance at the end of the financial year is PHP150.0 million (equivalent to RM12.3 million) (2020: PHP190.0 million (equivalent to RM15.9 million)). The loan is repayable in 20 quarterly instalments commencing immediately after the first drawn down date.
- (vi) A floating-rate term loan of PHP180.0 million (equivalent to RM14.7 million) was drawn down during the financial year by an indirect subsidiary incorporated in Philippines. The outstanding balance at the end of the financial year is 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) were cumulatively drawn down in the previous financial years by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR52.7 billion (equivalent to RM15.4 million) (2020: IDR101.4 billion (equivalent to RM29.0 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.

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

31 BANK BORROWINGS (CONTINUED)

The term loans of the Group include:

(a) Secured (continued)

- (viii) A floating-rate term loan of IDR200.0 billion (equivalent to RM58.4 million) was drawn down during the financial year by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR200.0 million (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.
- (ix) A floating-rate term loan of IDR300.0 billion (equivalent to RM87.6 million) was drawn down during the financial year by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR300.0 million (equivalent to RM87.6 million). The loan 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.
- (x) A floating-rate term loan amounting to IDR300.0 billion (equivalent to RM85.8 million) was drawn down in July 2020 and December 2020 by an indirect subsidiary incorporated in Indonesia. The subsidiary further drawn down IDR200 billion (equivalent to RM 58.4 million) during the financial year. The outstanding balance at the end of the financial year is IDR475.0 billion (equivalent to RM138.7 million) (2020: IDR300.0 billion (equivalent to RM85.8 million)). The loan is repayable in 72 monthly instalments of IDR4.2 billion for the first 12 instalments, IDR6.3 billion for the next 24 instalments and IDR8.3 billion for the last 36 instalments is fully repayable by June 2027.
- (xi) A term loan amounting to IDR745.0 billion (equivalent to RM213.1 million) was first drawn down in September 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR260.8 billion (equivalent to RM76.1 million) (2020: IDR409.8 billion (equivalent to RM117.2 million)). The loan is repayable in 60 monthly instalments of IDR12.4 billion and fully repayable by September 2023.
- (xii) A fixed-rate term loan amounting to IDR255.0 billion (equivalent to RM72.9 million) was first drawn down in December 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR108.6 billion (equivalent to RM31.7 million) (2020: IDR165.3 billion (equivalent to RM47.3 million)). The financing is with fixed interest rate at 9.25% per annum and is repayable in 54 monthly instalments of IDR4.72 billion and fully repayable by November 2023.
- (xiii) Musyarakah Mutanaqisah term financing of IDR95.0 billion (equivalent to RM27.2 million) was first drawn down in December 2018 by an indirect subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial year is IDR40.5 billion (equivalent to RM11.8 million) (2020: IDR61.6 billion (equivalent to RM17.6 million)). The financing is with fixed profit rate at 9.0% per annum and is repayable in 54 monthly instalments of IDR1.76 billion and fully repayable by November 2023.
- (xiv) A floating-rate term loan amounting to VND125.5 billion (equivalent to RM21.8 million) were cumulatively drawn down in the previous financial years in 2018 and 2019 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND37.0 billion (equivalent to RM6.7 million) (2020: VND66.6 billion (equivalent to RM11.6 million)). The loan is repayable in 17 quarterly instalments of VND7.4 billion commencing 13 months from the first utilisation date.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

31 BANK BORROWINGS (CONTINUED)

The term loans of the Group include:

(a) Secured (continued)

- (xv) A floating-rate term loan amounting to VND196.5 billion (equivalent to RM34.2 million) was cumulatively drawn down in the previous financial years by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND46.0 billion (equivalent to RM8.4 million) (2020: VND96.2 billion (equivalent to RM16.8 million)). The loan is repayable in 49 monthly instalments of VND4.2 billion each commencing 18 months from the first drawn date.
- (xvi) A floating-rate term loan amounting to VND23.4 billion (equivalent to RM4.1 million) was cumulatively drawn down in the previous financial years in 2019 and 2020 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is VND8.4 billion (equivalent to RM1.5 million) (2020: VND18.4 billion (equivalent to RM3.2 million)). The loan is repayable in 28 monthly instalments of VND0.8 billion each commencing 9 months from the first drawn date.
- (xvii) A floating-rate term loan amounting to SGD4.6 million (equivalent to RM14.0 million) was first drawn down in SGD in December 2019 by a wholly-owned subsidiary incorporated in Vietnam. The outstanding balance at the end of the financial year is SGD2.3 million (equivalent to RM7.1 million) (2020: SGD3.5 million (equivalent to RM10.6 million)). The loan is repayable in 16 quarterly instalments of SGD287,500 each commencing 3 months from the first drawn date.

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

31 BANK BORROWINGS (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 RM17.6 million (2020: RM24.0 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 outstanding balance at the end of the financial year is RM27.9 million (2020: RM41.1 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 RM13.3 million (2020: RM17.6 million). The financing is repayable in 60 monthly instalments, being RM358,334 for the first to fifty-nine (59) instalment and RM358,294 for the last instalment, commencing 12 months from the first drawn date.
- (iv) A floating-rate term loan amounting to RM18.2 million was cumulatively drawn down in previous financial year by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial year is RM12.7 million (2020: RM16.4 million). The financing is repayable in 60 monthly instalments, being RM303,334 for the first to fifty-nine (59) instalment and RM303,294 for the last instalment, commencing 12 months from the first drawn date.
- (v) A floating-rate term loan amounting to RM3.2 million was first drawn down in October 2020 by a wholly-owned subsidiary incorporated in Malaysia. The subsidiary further drawn down RM12.8 million during the financial year. The outstanding balance at the end of the financial year is RM15.0 million (2020: RM3.1 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 RM9.4 million (2020: RM10.4 million). The financing is repayable in 60 monthly instalments, being RM173,334 for the first to fifty-nine (59) instalment and RM173,294 for the last instalment, commencing 12 months from the first drawn date.
- (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 RM17.0 million (2020: RM23.2 million). The financing is repayable in 60 monthly instalments, being RM516,700 for the first to fifty-nine (59) instalment and RM514,700 for the last instalment, commencing 12 months from the first drawn date.

The remaining term loans at the end of the financial year amounting to RM206.6 million (2020: RM147.9 million) have repayment terms ranging from 3 years to 15 years from respective first drawdown date and will be fully repayable by December 2031.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

31 BANK BORROWINGS (CONTINUED)

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

	Group	
	<u>2021</u>	<u>2020</u>
	%	%
Ringgit Malaysia	3.6	3.6
Singapore Dollar	1.7	1.7
Indonesia Rupiah	7.4	8.7
Vietnamese Dong	5.4	5.2
Philippines Peso	4.5	4.9
	<u> </u>	<u> </u>

(c) Hire purchase liabilities

Future instalment payments under hire purchase liabilities are as follows:

	Group	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Instalment payments:		
- Not later than 1 year	13,933	16,266
- Later than 1 year but not later than 5 years	12,054	19,337
	<u>25,987</u>	<u>35,603</u>
Less: Future finance charges	(1,473)	(2,370)
Present value of hire purchase liabilities	<u>24,514</u>	<u>33,233</u>
Of which are:		
- Not later than 1 year	12,970	14,852
- Later than 1 year and not later than 5 years	11,544	18,381
	<u>24,514</u>	<u>33,233</u>

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

	Group	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Carrying amount	24,514	33,233
Fair value	<u>24,729</u>	<u>33,621</u>

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.

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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

On 15 June 2021, LHC completed issuance of a total of RM100 million (RM34 million, RM33 million and RM33 million cumulatively) in nominal value ("second issuance", "third issuance" and "fourth issuance" respectively) with a tenure of 3 to 5 years from the date of issuance. Each issuance bears a periodic payment rate of 3.13% per annum and is due for repayment in June 2024, June 2025 and June 2026 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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

31 BANK BORROWINGS (CONTINUED)

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

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Later than one year but not later than two years	256,129	239,975
Later than two years but not later than five years	717,305	591,590
Later than five years	81,128	42,913
	<u>1,054,562</u>	<u>874,478</u>

The currency profile of borrowings is as follows:

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Ringgit Malaysia	1,181,905	1,033,005
Singapore Dollar	468,940	482,161
US Dollar	72,762	95,322
Indonesia Rupiah	766,875	576,901
Vietnamese Dong	590,283	405,811
Philippines Peso	43,886	46,113
	<u>3,124,651</u>	<u>2,639,313</u>

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

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

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

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	%	%
Bankers' acceptances	2.5	2.7
Bank overdrafts*	1.3	1.3
Term loans	4.6	4.6
Revolving credits	4.0	4.5
Trust receipts	2.9	3.0
Hire purchase liabilities	2.9	3.0
Sukuk Mudharabah	3.1	3.1
	<u>3.1</u>	<u>3.1</u>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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 PT RAS Actuarial Consulting, an independent actuary in Indonesia (2020: PT Prima Bhaksana Lestari). The method used in the actuarial valuation is the "Projected Unit Credit" method with the following assumptions:

	<u>2021</u>	<u>Group</u> <u>2020</u>
Retirement age	56 years	56 years
Discount rate (per annum)	7.5%	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:

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
At 1 January	45,689	36,865
Current service cost	5,514	5,308
Interest cost	3,356	2,926
Benefit paid	(11,686)	(873)
Translation differences	844	(1,380)
Remeasurement of post-employment benefit obligation charged to other comprehensive income	(8,545)	2,843
At 31 December	<u>34,961</u>	<u>45,689</u>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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:

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
Current service cost	5,514	5,308
Interest cost	3,356	2,926
	<u>8,870</u>	<u>8,234</u>
Expenses recognised in profit or loss		
Remeasurements:		
Actuarial (gain)/loss arising from changes in financial assumptions	(7,519)	3,801
Actuarial gain arising from experience adjustment	(1,026)	(972)
Actuarial loss arising from changes in demographic assumptions	-	14
	<u>(8,545)</u>	<u>2,843</u>
Remeasurements (gain)/loss of post-employment benefit obligation recognised in other comprehensive income		

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

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
<u>Effect on current service cost</u>		
- 1% on discount rate	3,653	5,981
+ 1% on discount rate	(3,132)	(4,998)

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

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

33 DEFERRED INCOME – GOVERNMENT GRANTS

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
As at 1 January	2,225	2,544
Amortised during the financial year	(322)	(319)
Translation differences	33	-
As at 31 December	<u>1,936</u>	<u>2,225</u>
Classified as:		
Current	323	318
Non-current	1,613	1,907
As at 31 December	<u>1,936</u>	<u>2,225</u>

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

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
As at 1 January	2,723	-
Additions	2,445	2,653
Unwinding of discount	205	70
As at 31 December	<u>5,373</u>	<u>2,723</u>
Classified as:		
Current	-	148
Non-current	5,373	2,575
As at 31 December	<u>5,373</u>	<u>2,723</u>

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

35 TRADE PAYABLES

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Trade payable	248,012	214,742
Amounts due to related parties (trade)	36,234	14,652
	<u>284,246</u>	<u>229,394</u>

Amounts due to related parties comprise payables from companies controlled by the Lau family amounting to RM35,498,163 (2020: RM13,880,094) and the Nam Family amounting to RM735,849 (2020: RM771,932). See Note 39 for significant related party disclosures.

36 OTHER PAYABLES AND ACCRUED EXPENSES

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Other payables	86,170	90,622	-	-
GST/VAT payable	2,987	2,227	-	-
Accrued expenses	157,134	163,509	1,514	1,662
Amounts due to related parties (non-trade)	4,133	4,028	-	-
	<u>250,424</u>	<u>260,386</u>	<u>1,514</u>	<u>1,662</u>

Amounts due to related parties

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

37 AMOUNTS DUE TO SUBSIDIARIES

	<u>Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Unsecured advances	15,891	17,655
Non-trade transactions	179	312
	<u>16,070</u>	<u>17,967</u>

The unsecured advances granted by a subsidiary bear interest rate of 5.3% (2020: 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

	<u>Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	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	-
In respect of the financial year ended 31 December 2020:		
- Interim dividend of 0.55 sen per ordinary share on 3,650,000,000 ordinary shares, paid on 30 September 2020	-	20,075
	<u>24,090</u>	<u>20,075</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

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
<u>Subsidiary of LHM:</u>	
The Baker's Cottage Sdn Bhd	Indirect subsidiary
<u>Companies controlled by Lau family:</u>	
A'Famosa Golf Resort Bhd	Lau family *
Amalan Tepat Sdn Bhd	Lau family *
Astaka Shopping Centre (Muar)	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 Joo Han	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 (Phi)	Lau family *
Perfect Food Solutions Pte Ltd	Lau family *
Phil Malay Poultry Breeders, Inc	Lau family *
Platinum Epitome Sdn Bhd	Lau family *
Plenitude Hectares Sdn Bhd	Lau family *
Poly-Yarn Industries Sdn Bhd	Lau family *
Popular Yield Sdn Bhd	Lau family *

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related parties and relationship

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 Lau family (continued):</u>	
PT LeongHup JayaIndo	Lau family *
PT Sehat CERAH Indonesia	Lau family *
Safari Bird Park & Wonderland Sdn Bhd	Lau family *
Safari Wonderland Sdn Bhd	Lau family *
Sri Menawan Sdn Bhd	Lau family *
Stable Discovery Sdn Bhd	Lau family *
Teratai Agriculture Sdn Bhd	Lau family *
Teratai Agriculture Vietnam Ltd	Lau family *
Wealthy Approach Sdn Bhd	Lau family *
<u>Companies controlled by Nam family:</u>	
Blue Home Marketing Sdn Bhd	Nam family ^

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

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
<u>Ultimate holding company</u>		
Consideration paid for the acquisition of subsidiary	-	(17,937)
<u>Fellow subsidiaries</u>		
Sales of goods	-	2,836
Purchase of goods	-	(2,967)
Rental expense paid/payable	-	(15)
<u>Associates</u>		
Advances granted	(77)	(828)
Interest income	1,002	1,013
<u>Companies controlled by the Lau family</u>		
Sales of goods	625,372	540,046
Purchases of goods	(322,690)	(188,290)
Transportation charges paid/payable	(14,178)	(14,747)
Purchases of sundries paid/payable	(4,496)	(3,180)
Interest income	-	88
Sales of property, plant and equipment	1	211
Purchase of property, plant and equipment	(2,721)	(6,252)
Purchase of business assets	-	(2,393)
Management fee received/receivable	2,568	2,958
Rental receivable	4,610	3,586
Rental payable	(4,162)	(4,159)
Royalty fee paid/payable	(1,208)	(1,211)
<u>Companies controlled by the Nam family</u>		
Transportation charges paid/payable	(8,623)	(8,462)

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	<u>Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Subsidiaries</u>		
Interest expense paid/payable	(922)	(870)
Management fee paid/payable	(2,061)	(2,119)
Advances received	1,700	2,000
Repayment of advances by Company	(4,386)	(1,846)
	<u> </u>	<u> </u>
<u>Companies controlled by the Lau family</u>		
Royalty fee paid/payable	(1,208)	(1,211)
	<u> </u>	<u> </u>

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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

39 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel compensation

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

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<u>Directors of the Company:</u>				
Fees	1,539	1,581	777	830
Salaries, bonuses and other benefits	21,525	22,559	134	142
Defined contribution benefits	1,730	1,933	-	-
ESOS expense ⁽ⁱ⁾	397	911	397	911
	<u>25,191</u>	<u>26,984</u>	<u>1,308</u>	<u>1,883</u>
<u>Management Team other than</u> <u>Directors of the Company:</u>				
Fees paid to Directors of subsidiaries	366	366	-	-
Salaries, bonuses and other benefits	9,981	9,021	-	-
Defined contribution benefits	630	634	-	-
ESOS expense ⁽ⁱ⁾	216	496	-	-
	<u>11,193</u>	<u>10,517</u>	<u>-</u>	<u>-</u>
	<u>36,384</u>	<u>37,501</u>	<u>1,308</u>	<u>1,883</u>

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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

40 CAPITAL COMMITMENTS

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

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
Acquisition of property, plant and equipment:		
- approved by Directors and contracted for	66,985	50,165

The capital commitments as at 31 December 2021 include the estimated costs to be incurred in securing the certificate of completion and compliance on certain farms of the Group.

41 CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

	<u>FVPL</u>	<u>FAAC</u>	<u>FLAC</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
<u>2021</u>				
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
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
	866	-	3,828,883	3,829,749

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

41 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

<u>Group</u>	<u>FVPL</u> RM'000	<u>FAAC</u> RM'000	<u>FLAC</u> RM'000	<u>Total</u> RM'000
<u>2020</u>				
<u>Financial assets</u>				
Trade receivables	-	490,700	-	490,700
Other receivables and deposits	-	31,032	-	31,032
Amount due from an associate	-	16,196	-	16,196
Cash and bank balances	-	757,769	-	757,769
	<u>-</u>	<u>1,295,697</u>	<u>-</u>	<u>1,295,697</u>
<u>Financial liabilities</u>				
Trade payables	-	-	229,394	229,394
Other payables and accrued expenses	-	-	258,159	258,159
Bank borrowings	-	-	2,639,313	2,639,313
Lease liabilities	-	-	156,170	156,170
Derivative financial liabilities	2,449	-	-	2,449
	<u>2,449</u>	<u>-</u>	<u>3,283,036</u>	<u>3,285,485</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

41 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

<u>Company</u>	<u>FAAC</u> RM'000	<u>FLAC</u> RM'000	<u>Total</u> RM'000
<u>2021</u>			
<u>Financial assets</u>			
Amounts due from subsidiaries	1,291	-	1,291
Cash and bank balances	7,026	-	7,026
	<u>8,317</u>	<u>-</u>	<u>8,317</u>
<u>Financial liabilities</u>			
Other payables and accrued expenses	-	1,514	1,514
Amounts due to subsidiaries	-	16,070	16,070
	<u>-</u>	<u>17,584</u>	<u>17,584</u>
<u>2020</u>			
<u>Financial assets</u>			
Amounts due from subsidiaries	1,345	-	1,345
Cash and bank balances	4,681	-	4,681
	<u>6,026</u>	<u>-</u>	<u>6,026</u>
<u>Financial liabilities</u>			
Other payables and accrued expenses	-	1,662	1,662
Amounts due to subsidiaries	-	17,967	17,967
	<u>-</u>	<u>19,629</u>	<u>19,629</u>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

As of the end of the reporting date, the maximum exposure to credit risk arising from financial assets is limited to the carrying amounts in the statements of financial position.

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

(i) Trade receivables

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(i) Trade receivables (continued)

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

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

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

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

<u>Category</u>	<u>Description</u>	<u>Basis for recognising expected credit losses ("ECL")</u>
Performing	The customers that have no history of default.	Lifetime ECL
In-default	<ul style="list-style-type: none"> • Customers that have history of default. • Amount that is more than 90 days past due. 	Lifetime ECL
Write-off	Amount that is more than 365 days and there is evidence indicating that the Group has no realistic prospect of recovery.	Asset is written off

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

The Group's ECL rate at the end of the reporting period is 0.55% (2020: 0.62%).

No significant changes to estimation techniques or assumptions were made during the reporting period.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(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 2021 and 31 December 2020 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.

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

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

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

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

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	Within <u>1 year</u> RM'000	<u>1 to 2 years</u> RM'000	<u>2 to 5 years</u> RM'000	More than <u>5 years</u> RM'000	<u>Total</u> RM'000
<u>Group</u>					
<u>2020</u>					
Trade payables	229,394	-	-	-	229,394
Other payables and accrued expenses	258,159	-	-	-	258,159
Lease liabilities	25,270	26,305	40,456	123,902	215,933
Term loans and Sukuk Mudharabah	266,272	255,686	613,881	42,157	1,177,996
Other bank borrowings	1,539,848	11,796	7,541	-	1,559,185
Derivative financial liabilities	2,449	-	-	-	2,449
	<u>2,321,392</u>	<u>293,787</u>	<u>661,878</u>	<u>166,059</u>	<u>3,443,116</u>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(b) Liquidity risk (continued)

Company

	Within 1 year	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Other payables and accrued expenses	1,514	1,662
Amounts due to subsidiaries	16,070	17,967
	<u>17,584</u>	<u>19,629</u>

Included within trust receipts (unsecured) and term loan (secured) of the Group as disclosed in Note 31 is RM92.6 million and RM6.7 million in respect of borrowings drawdown by Emivest Feedmill Vietnam Co., Limited. The borrowings subject the indirect subsidiary to financial covenant of earnings before interest, taxes, depreciation and amortisation ("EBITDA") over current portion of the medium/long term debt ratio of more than 2. However, as at 31 December 2021, the indirect subsidiary EBITDA over current portion of the medium/long term debt ratio is less than 2. Thus, the indirect subsidiary has since obtained the waiver from the bank for compliance with the debt covenant for the financial year ended 31 December 2021.

Other than the above, there is no non-compliance of financial covenants for borrowings of the Group and of the Company during the financial year.

(c) Foreign currency risk

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

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

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

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure

	<u>MYR</u> RM'000	<u>SGD</u> RM'000	<u>USD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Group</u>					
<u>2021</u>					
<u>Financial assets</u>					
Trade receivables	1,413	15,225	5,749	622	23,009
Other receivables	2,478	460	9,873	752	13,563
Cash and bank balances	17,025	19,700	70,823	772	108,320
	<u>20,916</u>	<u>35,385</u>	<u>86,445</u>	<u>2,146</u>	<u>144,892</u>
<u>Financial liabilities</u>					
Trade payables	(1,464)	(1,474)	(29,199)	(633)	(32,770)
Other payables	(4,155)	(1,514)	(1,954)	-	(7,623)
Bank borrowings	(53)	(14,052)	(72,762)	-	(86,867)
Lease liabilities	-	(3,377)	-	-	(3,377)
	<u>(5,672)</u>	<u>(20,417)</u>	<u>(103,915)</u>	<u>(633)</u>	<u>(130,637)</u>
Net currency exposure	<u>15,244</u>	<u>14,968</u>	<u>(17,470)</u>	<u>1,513</u>	<u>14,255</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)

	<u>MYR</u> RM'000	<u>SGD</u> RM'000	<u>USD</u> RM'000	<u>IDR</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Group</u>						
<u>2020</u>						
<u>Financial assets</u>						
Trade receivables	270	12,800	9,492	-	2,155	24,717
Other receivables	2,374	795	8,680	3	126	11,978
Cash and bank balances	25,639	14,587	77,780	185	1,052	119,243
	<u>28,283</u>	<u>28,182</u>	<u>95,952</u>	<u>188</u>	<u>3,333</u>	<u>155,938</u>
<u>Financial liabilities</u>						
Trade payables	(2,098)	(1,833)	(31,558)	-	(1,440)	(36,929)
Other payables	(6,143)	(2,193)	(1,916)	-	(351)	(10,603)
Bank borrowings	(113)	(19,239)	(95,323)	-	-	(114,675)
Lease liabilities	(83)	(3,530)	-	-	-	(3,613)
	<u>(8,437)</u>	<u>(26,795)</u>	<u>(128,797)</u>	<u>-</u>	<u>(1,791)</u>	<u>(165,820)</u>
Net currency exposure	<u>19,846</u>	<u>1,387</u>	<u>(32,845)</u>	<u>188</u>	<u>1,542</u>	<u>(9,882)</u>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 **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% (2020: 5%) strengthening/weakening of each currency respectively in MYR, SGD, USD and IDR against the respective functional currencies of the entities within the Group, with all other variables held constant.

Profit for the year increases/(decreases):

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
MYR		
- Strengthened 5%	579	754
- Weakened 5%	(579)	(754)
SGD		
- Strengthened 5%	569	53
- Weakened 5%	(569)	(53)
USD		
- Strengthened 5%	(664)	(1,248)
- Weakened 5%	664	1,248
IDR		
- Strengthened 5%	-	7
- Weakened 5%	-	(7)
	<u> </u>	<u> </u>

(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.

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

42 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Fixed rate instruments:</u>				
<u>Financial assets</u>				
Fixed deposits with licensed bank	198,708	305,648	-	-
Amount due from associate	16,273	16,196	-	-
	<u>214,981</u>	<u>321,844</u>	<u>-</u>	<u>-</u>
<u>Financial liabilities</u>				
Hire purchase liabilities	24,514	33,233	-	-
Bankers' acceptances	549,542	471,880	-	-
Trust receipts	538,564	408,944	-	-
Term loans	178,610	239,133	-	-
Amounts due to subsidiaries	-	-	15,891	17,655
	<u>1,291,230</u>	<u>1,153,190</u>	<u>15,891</u>	<u>17,655</u>
<u>Floating rate instruments:</u>				
<u>Financial liabilities</u>				
Bank overdrafts	96,994	94,921	-	-
Term loans	936,183	743,365	-	-
Revolving credits	601,150	547,837	-	-
Sukuk Mudharabah	199,094	100,000	-	-
	<u>1,833,421</u>	<u>1,486,123</u>	<u>-</u>	<u>-</u>

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
<u>Group</u>				
31 December 2021	<u>(6,967)</u>	<u>6,967</u>	<u>(6,967)</u>	<u>6,967</u>
31 December 2020	<u>(5,647)</u>	<u>5,647</u>	<u>(5,647)</u>	<u>5,647</u>

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

43 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
Borrowings	31
Trade payables	35
Other payables and accrued expenses	36
Amounts due to subsidiaries	37

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

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

(b) Fair value measurement

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

- (i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- (ii) Level 2 – Valuation techniques for the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- (iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

43 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.

<u>Group</u>	Fair value of financial instrument carried at fair value Level 2 RM'000	Carrying amount RM'000
<u>2021</u>		
<u>Financial liabilities:</u>		
Derivative financial liabilities	866	866
	<u> </u>	<u> </u>
<u>2020</u>		
<u>Financial liabilities:</u>		
Derivative financial liabilities	2,449	2,449
	<u> </u>	<u> </u>

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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

43 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
<u>Group</u>		
<u>2021</u>		
<u>Assets:</u>		
Investment properties (Note 11)	48,804	22,278
	<u> </u>	<u> </u>
<u>2020</u>		
<u>Assets:</u>		
Investment properties (Note 11)	46,331	21,797
	<u> </u>	<u> </u>

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.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

44 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:

	<u>2021</u>	<u>Group</u> <u>2020</u>
	RM'000	RM'000
Total borrowings (See Note 31)	3,124,651	2,639,313
Cash and bank balances (excluding fixed deposit pledged as collateral)	(750,992)	(740,748)
Net debts	<u>2,373,659</u>	<u>1,898,565</u>
Total equity	<u>2,359,840</u>	<u>2,248,563</u>
Debt-to-equity ratio (times)^	<u>1.01</u>	<u>0.84</u>

^ 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.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

45 OPERATING SEGMENTS

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

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

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

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

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

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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

45 OPERATING SEGMENTS (CONTINUED)

Business segments

	Livestock & poultry related <u>products</u> RM'000	<u>Feedmill</u> RM'000	Inter- segment <u>elimination</u> RM'000	<u>Group</u> RM'000
<u>2021</u>				
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				
Depreciation	184,597	420,664	(69,208)	536,053
	(211,644)	(67,053)	(5,030)	(283,727)
	(27,047)	353,611	(74,238)	252,326
Share of results in associates				435
Finance costs				(112,446)
Profit before taxation				140,315
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

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

45 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

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

* Includes capital expenditure in respect of property, plant and equipment ("PPE") and right-of-use assets in financial year ended 31 December 2021 and 31 December 2020.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

45 OPERATING SEGMENT (CONTINUED)

Geographical Information

Revenue

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

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Malaysia	1,947,399	1,616,836
Singapore	784,960	723,129
Indonesia	2,460,361	2,019,833
Vietnam	1,748,822	1,563,657
Philippines	200,810	103,866
	<u>7,142,352</u>	<u>6,027,321</u>

EBITDA

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Malaysia	193,787	160,008
Singapore	79,972	108,349
Indonesia	147,016	136,272
Vietnam	78,028	139,651
Philippines	37,250	(2,261)
Myanmar	-	(39)
	<u>536,053</u>	<u>541,980</u>

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.

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Malaysia	1,554,349	1,489,715
Singapore	373,771	389,533
Indonesia	671,930	658,043
Vietnam	478,087	440,413
Philippines	207,373	171,339
	<u>3,285,510</u>	<u>3,149,043</u>

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

45 OPERATING SEGMENTS (CONTINUED)

Geographical Information (continued)

Total Borrowings (excluding lease liabilities)

	<u>Group</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Malaysia	1,188,742	1,041,392
Singapore	454,941	463,035
Indonesia	798,125	607,156
Vietnam	638,957	481,617
Philippines	43,886	46,113
Total borrowings	<u>3,124,651</u>	<u>2,639,313</u>

Major customers

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

46 EVENTS SUBSEQUENT TO YEAR END

On 10 January 2022, a floating-rate Sukuk Mudharabah amounting to RM100 million was cumulatively drawdown by an indirect subsidiary, Leong Hup Capital Sdn. Bhd. The cumulative drawdowns of RM30 million, RM40 million and RM30 million will be fully repayable by January 2025, January 2026 and January 2027 respectively.

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)****47 EFFECT OF INTERBANK OFFERED RATE REFORM**

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

Malaysia

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

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 will be reviewed by BNM in the second half of 2022. A new Islamic benchmark rate to replace the Kuala Lumpur Islamic Reference Rate will be announced by BNM by the first half of 2022.

Indonesia

The Group also has a number of borrowings which referenced the Jakarta Interbank Offered Rate (‘JIBOR’) which extends beyond 2021.

As at 31 December 2021, 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 2021.

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 will be discontinued on 31 March 2022. The remaining 1-, 3-month SIBOR tenors will be ceased on 31 December 2024.

Registration No.

201401022577 (1098663-D)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

47 EFFECT OF INTERBANK OFFERED RATE REFORM (CONTINUED)

As at 31 December 2021, 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.

	<u>Carrying amount as at 31 December 2021</u> RM'000	<u>Amounts which have yet to transition to an alternative benchmark interest as at 31 December 2021</u> RM'000
<u>Exposed to KLIBOR</u> Long-term borrowings	199,094	199,094
<u>Exposed to SIBOR</u> Long-term borrowings	335,199	328,103
<u>Exposed to JIBOR</u> Long-term borrowings	138,700	138,700

48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 19 April 2022.