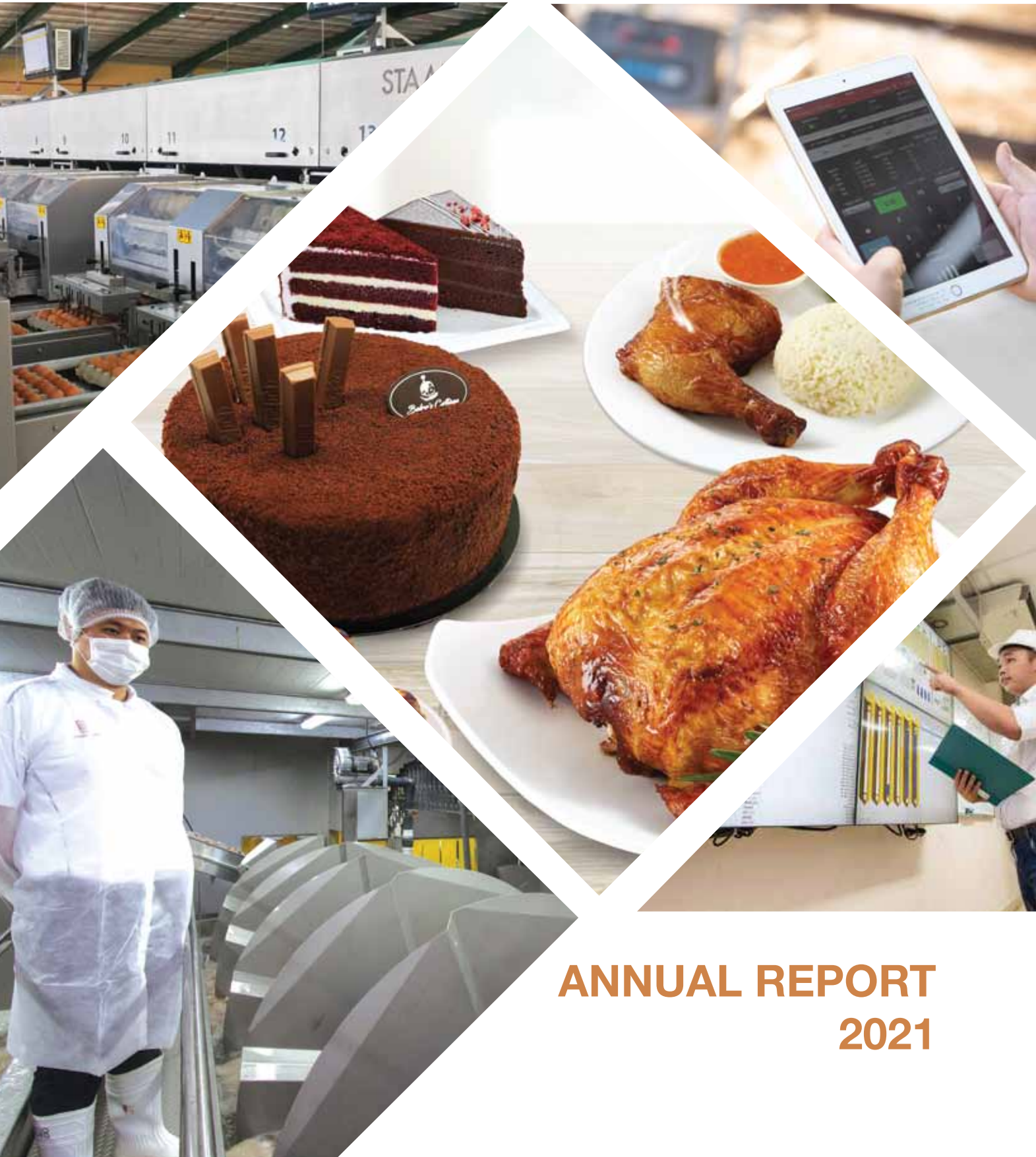




**Leong Hup International Berhad**  
Registration No.: 201401022577 (1098663-D)



**ANNUAL REPORT  
2021**

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# OVERVIEW OF **LEONG HUP** INTERNATIONAL BERHAD

## WHO WE ARE

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



## OUR **VISION**

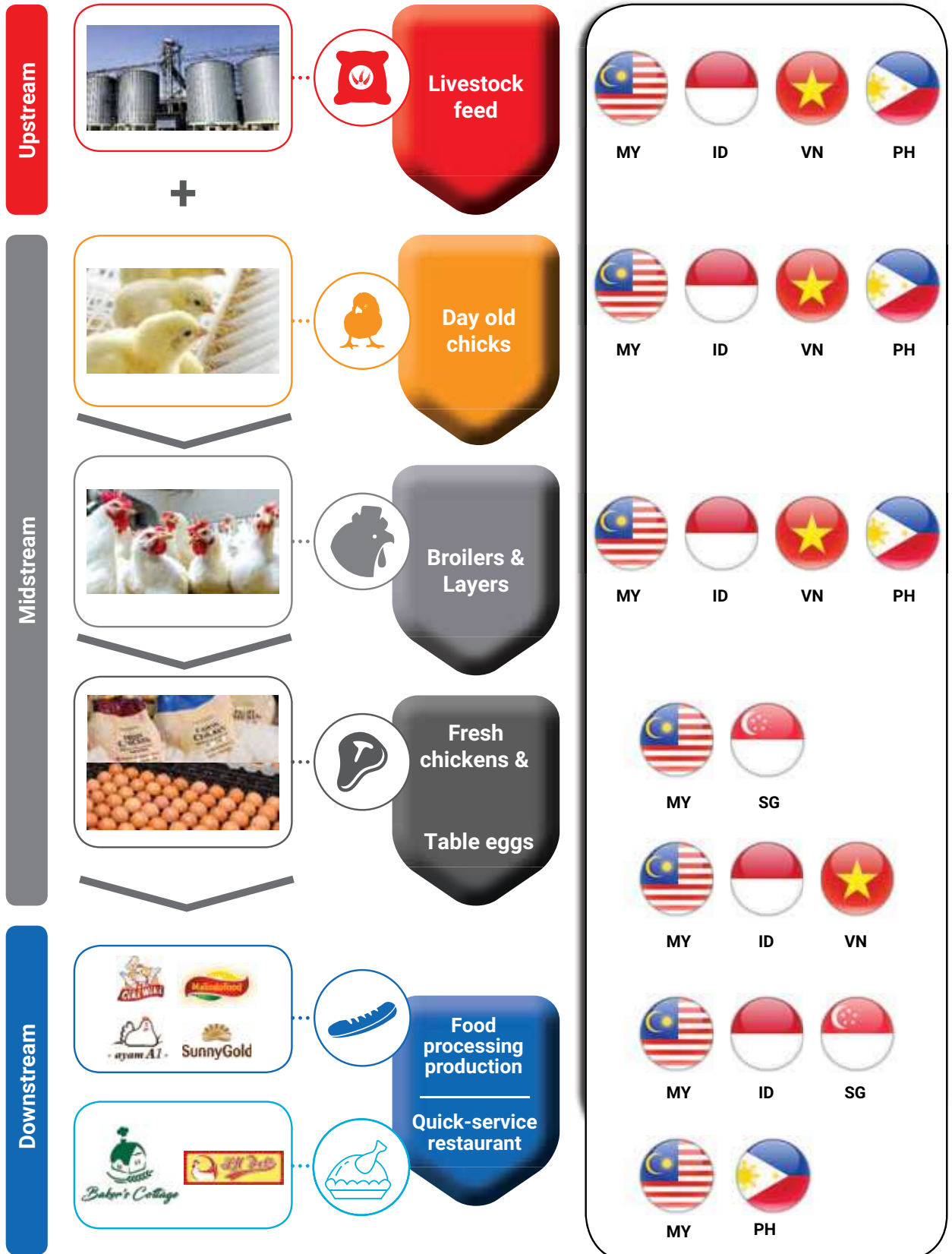
We aspire to be one of the top integrated poultry operators in the Asian region. We are committed to uphold trust and aim to be an exemplary organisation for safe, quality and affordable food.

# OUR VALUE CHAIN

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

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

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



# BUSINESS AT A GLANCE

## Feedmill

We produce feed for grandparent stock, parent stock, broiler chicken, layer chicken, broiler duck, swine, quail, cattle, goat, aquatic animals and certain domestic pets. Our livestock feed has high nutritional value, tailored to the type of livestock and rearing stage. The key brand name we use in Malaysia and Vietnam is "Leong Hup", and the key brand name we use in Indonesia is "Malindo". Other livestock feed brands that we market are "Gymtech", "Diamond Feed" and "Emivest" in Vietnam, "A88" in Indonesia, and "Top Spec" in Philippines.

As one of the leading integrated poultry operators in Southeast Asia, our Group is geographically diversified with footprints covering 5 key countries in the region, namely:



Malaysia



Indonesia



Singapore



Vietnam



Philippines

### An expanding Southeast Asian footprint with a growing market share

5 feedmills in **Malaysia**

5 feedmills in **Indonesia**

5 feedmills in **Vietnam**

1 feedmill in **Philippines**

**3,975,670** metric tonnes  
Total Group production capacity<sup>(1)</sup>

**2,562,960** metric tonnes  
Total Group sales volume of  
livestock feed<sup>(1)</sup>

**RM3,227.00** million  
Group revenue for Feedmill  
segment<sup>(2)</sup>

#### Notes:

- (1) For the financial year ended 31 December 2021. Feed sales volume include both internal and external sales.
- (2) Based on group revenue by product segment, as extracted from the audited financial statements of LHI for the financial year ended 31 December 2021.

## OVERVIEW OF LEONG HUP INTERNATIONAL BERHAD (CONT'D)

### Livestock Production

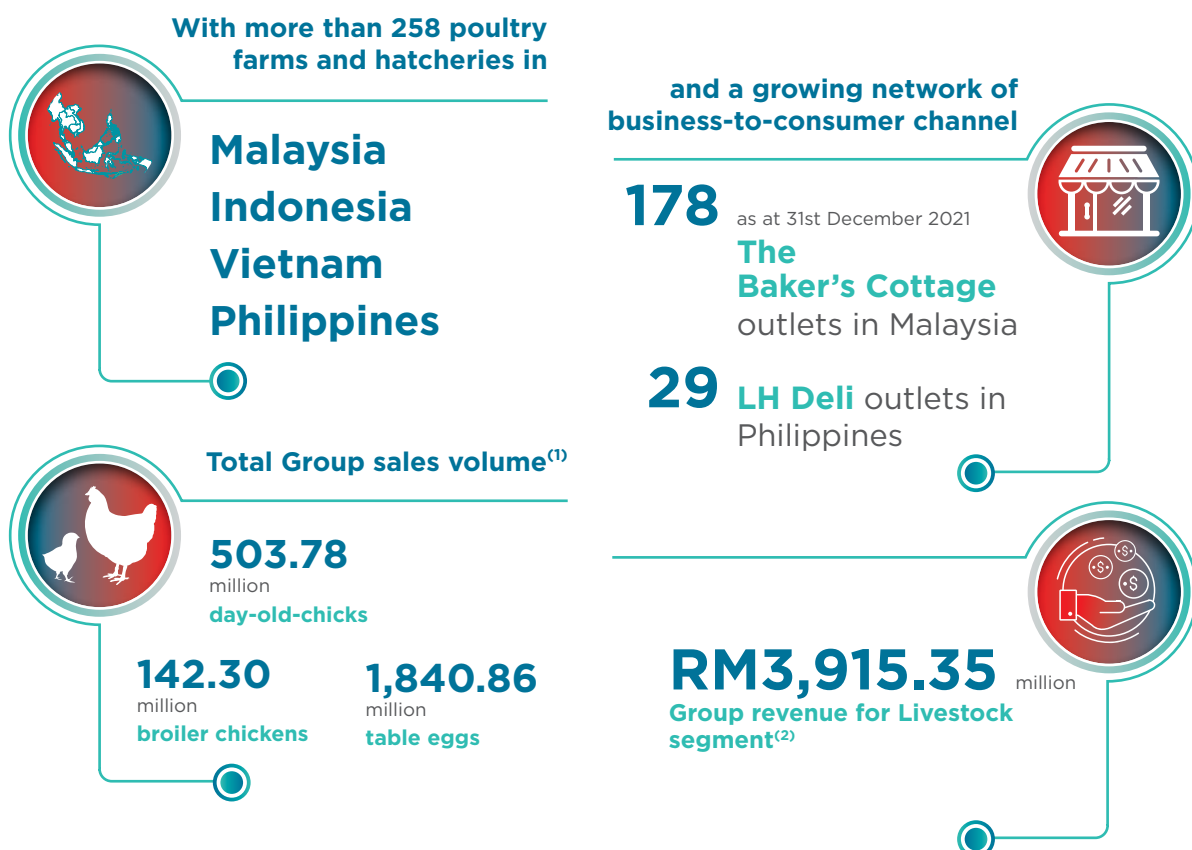
Our Livestock Business is vertically integrated and, in combination with our Feedmill Business, covers the entire poultry value chain. Our integrated, Farm-to-Plate business model operations began in Malaysia, where our headquarters remain. Today, we have expanded and operate in four other fast-growing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

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

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

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

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



#### Notes:

- (1) For the financial year ended 31 December 2021. Figures for broiler day-old-chicks ("DOC"), broiler chickens reflect the total of DOC and broiler chickens supplied internally and sold externally. All table eggs are sold to third parties.
- (2) Based on group revenue by product segment, as extracted from the audited financial statements of LHI for the financial year ended 31 December 2021.



## OVERVIEW OF LEONG HUP INTERNATIONAL BERHAD (CONT'D)

### Awards

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



## OVERVIEW OF LEONG HUP INTERNATIONAL BERHAD (CONT'D)

### What Differentiates Us

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





# VALUE-CREATING BUSINESS MODEL

As at 31 December 2021



## OUR CAPITALS



### Financial

**RM2.36** billion  
of **shareholders'**  
funds

**RM3.12** billion  
in **total**  
**borrowings**

**RM6.33** billion  
in **total**  
**assets**

Strong operating cash flows and relationship with financial institutions



### Manufactured

**Fully-integrated** poultry operations

Scalable operations comprising **16 feedmills** and **258 poultry farms** across **5** Southeast Asian countries

**178 Baker's Cottage** outlets  
**29 LH Deli** outlets



### Natural

**734** operating sites    **275,322,918** sq ft  
of **land area**

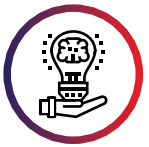
Installation and utilisation of photovoltaic panels for solar electricity generation



### Human

**12,130**  
employees

Diverse and skilled employees



### Intellectual

**Value-driven** culture  
**Business processes**, aided by technology and automation, to execute our strategy

Ability to adapt to change



### Social

**Strong relationship** with government agencies

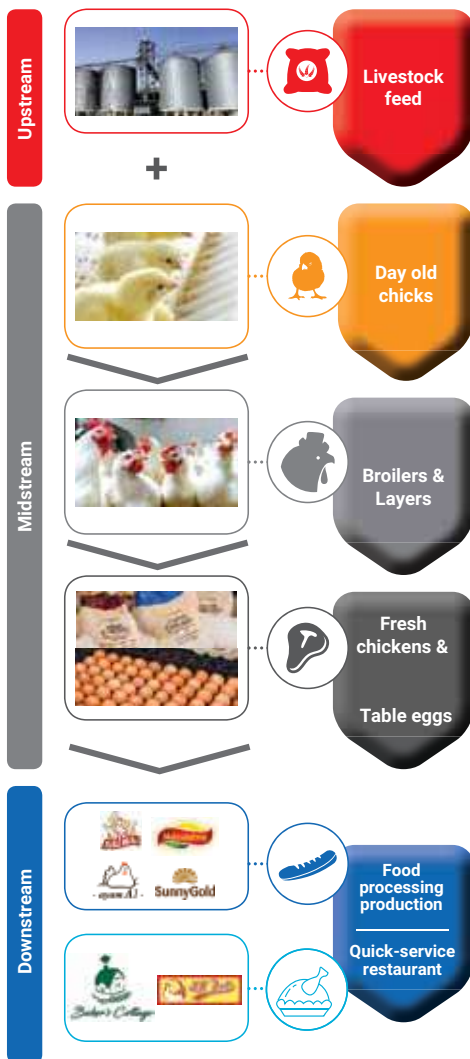
**Network** of suppliers

**Loyal** customers

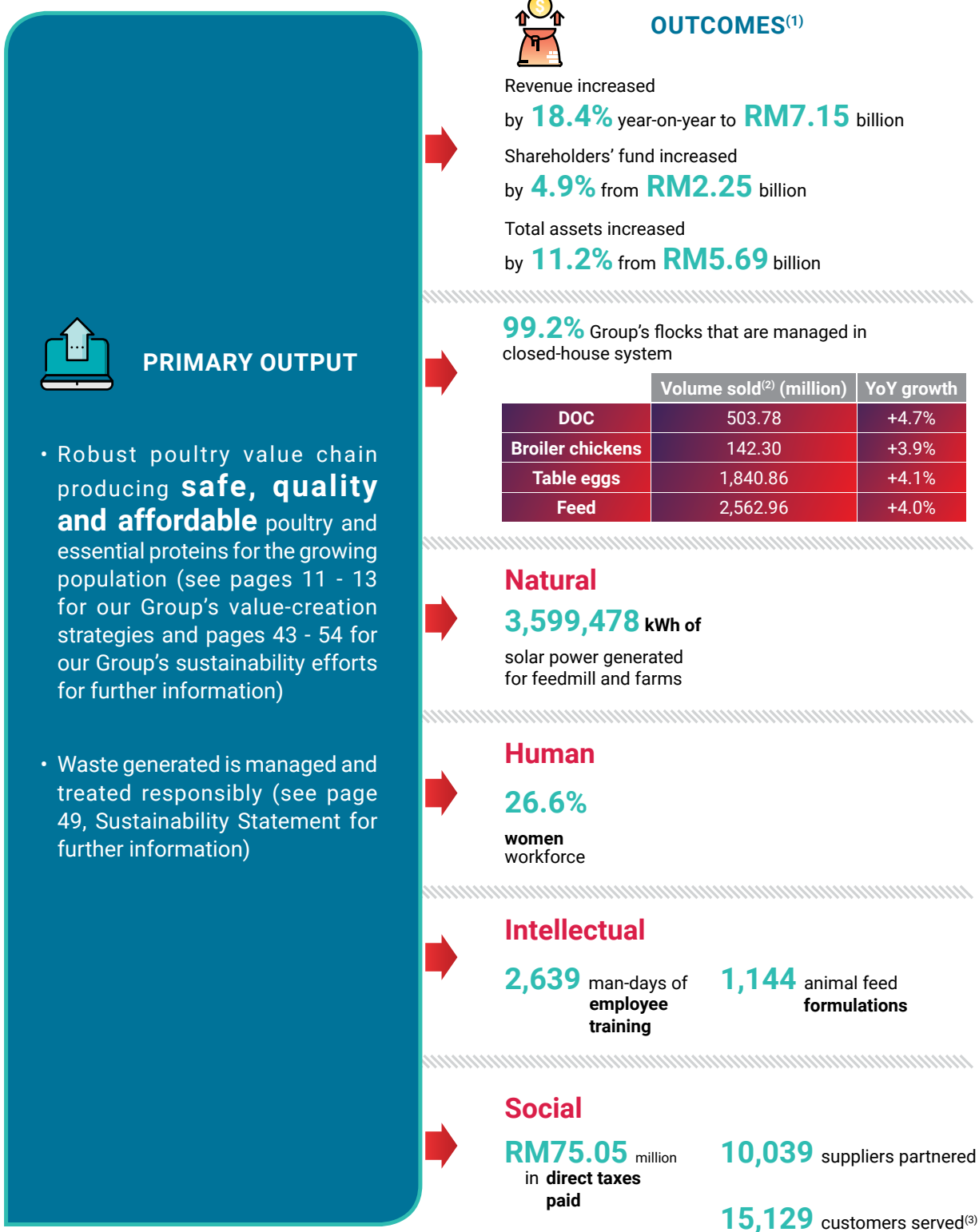


## BUSINESS ACTIVITIES

Our Farm-to-Plate business is geographically-diversified across 5 major Southeast Asian countries and is fully integrated from upstream to downstream, thus enabling us to harness the benefits of economies of scale to provide sustained value creation for all our stakeholders.



## VALUE-CREATING BUSINESS MODEL (CONT'D)



#### Notes:

(1) For the FYE 31 December 2021.

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

(3) Excludes the retail outlets customers

## VALUE-CREATING BUSINESS MODEL (CONT'D)

### Stakeholder Engagement

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

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

| Stakeholder Groups                                | How we engage <sup>(1)</sup>  |
|---|---|
| Government agencies, law enforcers and regulators | <ul style="list-style-type: none"> <li>Regular dialogues and written communications with relevant agencies and ministries</li> <li>Proactive participation in industry meetings and government-sponsored panel discussions on current developments, outlook and issues faced by the poultry industry</li> <li>Representation in industrial bodies including Federation of Livestock Farmers Association of Malaysia and other equivalent country-specific bodies</li> </ul>   |
| Customers & end-consumers                         | <ul style="list-style-type: none"> <li>Face-to-face interactions</li> <li>Feedback channels including customer hotline and surveys</li> <li>Online and social media platforms</li> </ul>  |
| Employees   | <ul style="list-style-type: none"> <li>One-on-one interactions between staff and line managers</li> <li>Staff events</li> <li>Performance reviews and exit interviews</li> </ul>  |
| Local community                                   | <ul style="list-style-type: none"> <li>Ongoing interaction with communities via corporate social responsibility (CSR) initiatives and local stakeholders' needs assessment</li> <li>Direct engagement around community concerns via personal interactions, meetings and public feedback channels</li> <li>Communicating through digital and media releases</li> </ul>   |
| Suppliers   | <ul style="list-style-type: none"> <li>Engagement with suppliers throughout our procurement and vendor application process</li> <li>Face-to-face interactions</li> </ul>  |
| Investors   | <ul style="list-style-type: none"> <li>Our corporate website serves as a key information platform</li> <li>Annual and interim results presentations</li> <li>One-on-one virtual engagements and non-deal roadshows with analysts and investors to provide updates on financial and corporate developments</li> <li>Site visits</li> <li>Electronic announcements (including email alerts on company's announcements)</li> <li>Editorial and selected social media coverage in the financial media</li> <li>Incorporating elements of integrated reporting in Annual Report</li> </ul> |

Note:

(1) See page 45 under Sustainability Statement - Stakeholder Engagement



## VALUE-CREATING BUSINESS MODEL (CONT'D)

### Our value creation

#### (a) Creating a geographically-diversified poultry operations within Southeast Asia

| Related key capitals  |              |         |   |              |        |
|---|--------------|---------|---|--------------|--------|
| Financial   | Manufactured | Natural | Human   | Intellectual | Social |
| <b>Activities and processes to create value</b>   |              |         |   |              |        |
| <ul style="list-style-type: none"> <li>Continue to grow production output to harness further operational efficiency and capture market share in each operating market</li> <li>Focus on operational and commercial excellence to strengthen geographical diversification in terms of operating footprint and financial contribution</li> <li>Deepen supply chain localisation within the poultry value chain framework</li> <li>Ongoing commitment on internal talent development and local employment opportunities</li> </ul> |              |         |   |              |        |
| <b>Outcomes and value created</b>   |              |         |   |              |        |
| <ul style="list-style-type: none"> <li>Uninterrupted poultry supply in support of domestic food security</li> <li>Increase penetration of protein consumption among the growing population</li> <li>Contribute towards post-pandemic recovery and socio-economic development of the countries we operate in via employment opportunities and other multiplier effect on local economies</li> <li>Attract a diverse workforce and retain talented employees</li> </ul>   |              |         |   |              |        |
| <b>Highlights</b>   |              |         |   |              |        |
| <b>Vietnam: Enhancing upstream resilience</b>   |              |         | <b>Philippines: Climbing up revenue diversification ladder</b>  |              |        |
|    |              |         |   |              |        |
|    |              |         |   |              |        |
| <ul style="list-style-type: none"> <li>Acquired Dong Thap feedmill which specialised in aquatic feed production in the second quarter of 2020</li> <li>Ramped up production of feed post-acquisition and commissioned an additional poultry feed line in the first quarter of 2021</li> <li>On an annualised basis, the Dong Thap feedmill added 237,600 MT/annum of production capacity to our Group</li> </ul>  |              |         | <ul style="list-style-type: none"> <li>LHI's first feedmill in the Philippines since establishing operations in 2015</li> <li>Commissioned in the second quarter of 2021, allowing our Group internal breeder and broiler farms to achieve feed requirement self-sufficiency</li> <li>Current production capacity up to 128,000 MT of poultry feed per annum, with further capacity enhancement planned to cater for incremental external demand</li> </ul> |              |        |

## VALUE-CREATING BUSINESS MODEL (CONT'D)

### (b) Future-proofing our Group's business model by moving further downstream

| <b>Related key capitals</b>  |              |              |       |        |  |
|--|--------------|--------------|-------|--------|--|
| Financial  | Manufactured | Intellectual | Human | Social |  |
| <b>Activities and processes to create value</b>  |              |              |       |        |  |
| <ul style="list-style-type: none"> <li>Integrate downward along the poultry value chain to get closer to consumers</li> <li>Grow business-to-consumer channel via The Baker's Cottage in Malaysia and LH Deli in the Philippines</li> <li>Diversify range of ready-to-eat ("RTE") and ready-to-cook ("RTC") poultry products that are value-for-money and convenience-driven for mass consumption</li> </ul>   |              |              |       |        |  |
| <b>Outcomes and value created</b>  |              |              |       |        |  |
| <ul style="list-style-type: none"> <li>Augment Farm-to-Plate growth strategy</li> <li>Optimise monetisation of poultry products along the value chain based on prevailing demand-supply conditions</li> <li>Establish brand equity and enhance trust among consumers</li> </ul>  |              |              |       |        |  |
| <b>Highlights</b>  |              |              |       |        |  |
| Malaysia: Business-to-consumer channel bolsters Farm-to-Plate play   |              |              |       |        |  |
| <div style="display: flex; justify-content: space-around;">   </div>  |              |              |       |        |  |
| <ul style="list-style-type: none"> <li>178 outlets as at 31 December 2021</li> <li>Modern QSR concept retailing roast chicken and set meals as well as signature bakery products including cakes and ice cream cakes, egg tarts and sausages, buns, pastries and mooncakes</li> <li>Utilised delivery app platforms to further widen retail reach and enhance appeal among young and urban consumer market</li> <li>Increased visibility in high-footfall areas including new outlets at the main shopping strip in Bukit Bintang and Central business district in Kuala Lumpur</li> </ul> |              |              |       |        |  |

## VALUE-CREATING BUSINESS MODEL (CONT'D)

### (c) Optimising capital expenditure and resource allocation

| <b>Related key capitals</b>   |              |              |  |        |  |
|---|--------------|--------------|--|--------|--|
| Financial   | Manufactured | Intellectual | Human  | Social |  |
| <b>Activities and processes to create value</b>   |              |              |  |        |  |
| <ul style="list-style-type: none"> <li>• Constant review and recalibration of capital expenditure in tandem with evolving market conditions</li> <li>• Strategic resource allocation towards process automation in feedmill and farming operations</li> <li>• Continuous upgrade of farming infrastructure into more resource-efficient and environmentally-friendly closed-house system</li> <li>• Technology-enabled flock management and digital integration of flock harvest with ERP system</li> </ul> |              |              |  |        |  |
| <b>Outcomes and value created</b>   |              |              |  |        |  |
| <ul style="list-style-type: none"> <li>• Optimise labour-to-output ratio, growth rate and operational efficiency for feedmill and farming operations</li> <li>• Lower bird stress, mortality rate and risk of disease transmission by way of better biosecurity, automated controls for feeding and climate management</li> </ul>   |              |              |  |        |  |
| <b>Highlights</b>   |              |              |  |        |  |
| Technology and digitalisation as enabler in broiler farming   |              |              |  |        |  |
|    |              |              |  |        |  |
| <ul style="list-style-type: none"> <li>• Continuous capital expenditure in broiler farm upgrades resulted in 99.2% closed house farming system throughout our Group's internal farms</li> <li>• More robust, up-to-date information and control days sales outstanding for faster cash conversion cycle and improved working capital management</li> </ul>  |              |              |  |        |  |



# EVENTS HIGHLIGHT

**20 MAY 2021**

**Commissioning of Tarlac feedmill, first feedmill in the Philippines**



**13 DECEMBER 2021**

**Opening of The Bakers' Cottage outlet in Jalan Bukit Bintang, Kuala Lumpur**

# CORPORATE SOCIAL RESPONSIBILITY

**31 JULY 2021**

**Eggs and chicken meat sponsorship to the Ho Chi Minh Heart Institute and University Medical Center of Ho Chi Minh City**



**29 AUGUST 2021**

**Food aid and donation to Store@Woodlands in Singapore, a food-rations initiative by the Woodlands branch of the PAP Community Foundation for the local residents in need**





# CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

**1 DECEMBER 2021**

**Food aid relief for PPR Kampung Baru HICOM, Selangor – in collaboration with Ceva Animal Health Asia's C Our Future Movement**



**27 & 28 DECEMBER 2021**

**Food aid relief for Pusat Pembelajaran Komuniti Chow Kit, Kuala Lumpur and residents in Puchong, Selangor – in collaboration with The Hope Branch**





# CORPORATE INFORMATION

## Board of Directors

### Lau Chia Nguang

Non-Independent Executive Chairman

### Tan Sri Lau Tuang Nguang

Non-Independent Executive Director/ Group Chief Executive Officer

### Tan Sri Dato' Lau Eng Guang

Non-Independent Executive Director

### Datuk Lau Joo Hong

Non-Independent Executive Director/ Group Chief Operating Officer

### Lau Joo Han

Non-Independent Executive Director

### Lau Joo Keat

Non-Independent Executive Director

### Low Han Kee

Senior Independent Non-Executive Director

### Datin Paduka Rashidah Binti Ramli

Independent Non-Executive Director

### Chu Nyet Kim

Independent Non-Executive Director

### Goh Wen Ling

Independent Non-Executive Director

### Tay Tong Poh

Independent Non-Executive Director

## Audit and Risk Committee

### Low Han Kee

Committee Chairman

### Chu Nyet Kim

Committee Member

### Goh Wen Ling

Committee Member

## Nomination Committee

### Tay Tong Poh

Committee Chairman

### Chu Nyet Kim

Committee Member

## Remuneration Committee

### Goh Wen Ling

Committee Chairperson

### Datin Paduka Rashidah Binti Ramli

Committee Member

### Low Han Kee

Committee Member

## Key Senior Management

### Lau Chia Nguang

Executive Chairman

### Tan Sri Lau Tuang Nguang

Group Chief Executive Officer

### Tan Sri Dato' Lau Eng Guang

Group Business Strategist

### Datuk Lau Joo Hong

Group Chief Operating Officer / Chief Executive Officer of Vietnam operations

### Lau Joo Han

Chief Executive Officer of Malaysia operations

### Lau Joo Keat

Country Head of Indonesia operations

### Lau Jui Peng

Group Breeder Chief Executive Officer

### Lau Joo Heng

Chief Executive Officer of the Philippines operations

### Lau Joo Hwa

Chief Executive Officer of Singapore operations

### Chew Eng Loke

Group Chief Financial Officer

## Company Secretaries

**Lum Sow Wai** (MAICSA 7028519)  
(SSM PC NO. 202008002373)

**Tan Lai Kai** (MIA 41018)  
(SSM PC NO. 202008002788)

**Te Hock Wee** (MAICSA 7054787)  
(SSM PC NO. 202008002124)

**Lim Hooi Mooi** (MAICSA 0799764)  
(SSM PC NO. 201908000134)

## Auditors

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

## Corporate Website

[www.leonghupinternational.com](http://www.leonghupinternational.com)

## Registered Office

Unit 30-01, Level 30, Tower A,  
Vertical Business Suite,  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur,  
Wilayah Persekutuan.  
Tel : +603-2783 9191  
Fax : +603-2783 9111

## Head/Management Office

Lot 3.05, 3rd Floor, Wisma Westcourt,  
126, Jalan Kelang Lama,  
58000 Kuala Lumpur,  
Wilayah Persekutuan.  
Tel : +603-7980 8086 /  
+603-7980 3817  
Fax : +603-7980 0040  
E-mail: [info@lhhb.com](mailto:info@lhhb.com)

## Share Registrar

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

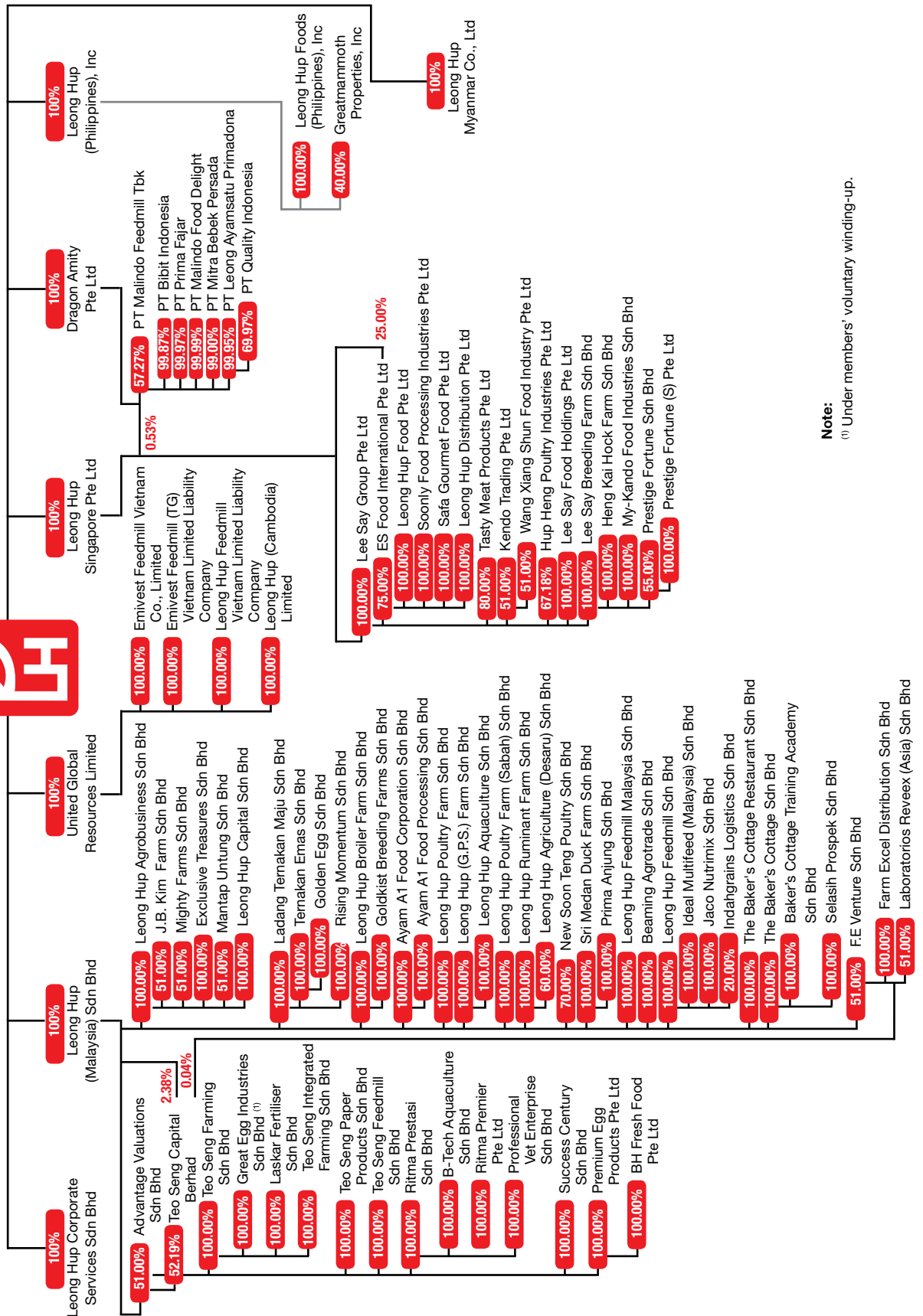
## Stock Exchange Listing

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

# GROUP CORPORATE STRUCTURE

As at 31 March 2022

## Leong Hup International Berhad



**Note:**  
<sup>(1)</sup> Under members' voluntary winding-up.

## PROFILE OF THE BOARD OF DIRECTORS



### Lau Chia Nguang

**Non-Independent  
Executive Chairman**

Nationality



Gender



Age

70

**Lau Chia Nguang** is our Non-Independent Executive Chairman and President Commissioner of PT Malindo Feedmill TBK ("Malindo Feedmill"). He completed his primary school education in 1964. He has over 43 years of experience and expertise in the integrated livestock industry.

He began his career in the late 1960s as a vegetable wholesaler. In 1978, he joined one of our Group's subsidiaries. He led our Group's broiler business in Malaysia from 1985 to 2002.

He led the expansion of our Group's poultry business to Jakarta in 1996 with the incorporation of PT Leong Ayamsatu Primadona. Thereafter, he founded Malindo Feedmill in 1997 as the vehicle for expanding our Group's poultry business in Indonesia to tap into the market potential and opportunities of the Indonesian poultry industry. Malindo Feedmill was listed on the Jakarta Stock Exchange (now known as Indonesia Stock Exchange) in 2006.

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

His notable achievements, aside from leading the listing of Malindo Feedmill, include being recognised by Enterprise Asia in 2013 and 2015 with the Asia Pacific

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

He was appointed to our Board on 9 September 2014 and re-designated as our Executive Chairman on 1 October 2018. Currently, he also sits on the boards of various subsidiaries of our Group and several other private limited companies. He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He is the brother of Tan Sri Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the uncle of Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries; and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. He attended all the five (5) Board meetings held during the financial year.



## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Tan Sri Dato' Lau Eng Guang

**Non-Independent Executive Director &  
Group Business Strategist**

Nationality



Gender



Age

67

**Tan Sri Dato' Lau Eng Guang** is our Non-Independent Executive Director and Group Business Strategist. He completed his secondary school education in 1972 and South Australian matriculation in 1974. He has over 43 years of experience and expertise in the integrated livestock industry.

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

He is responsible for our Group's business strategies and risk management and has been involved in various aspects of our Group's operations. He served as a director in Leong Hup Holdings Bhd ("LH Holdings") and Emivest Bhd ("Emivest") when both companies were listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). He remains as director of both companies since 1989 and 2002, respectively.

He was appointed to our Board on 1 July 2014. Currently, he also sits on the boards of various subsidiaries of our Group and several other private limited companies. He is also the Executive Chairman of Comfort Gloves Berhad since 5 March 2021.

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

He is the brother of Lau Chia Nguang and Tan Sri Lau Tuang Nguang; and the uncle of Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. He attended all the five (5) Board meetings held during the financial year.

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Tan Sri Lau Tuang Nguang

**Non-Independent Executive Director &  
Group Chief Executive Officer**

Nationality



Gender



Age

63

**Tan Sri Lau Tuang Nguang** is our Non-Independent Executive Director, Group Chief Executive Officer and President Director of Malindo Feedmill. He completed his secondary school education in 1975. He has over 38 years of experience and expertise in the integrated livestock industry.

He began his career in the family farm business at one of our Group's subsidiaries where he gained experience through running the operations of the Grand Parent Stock ('GPS') and breeder farms and was director from 1978 to October 2018. He has been a director of LH Holdings since 1986. He sat on our Board from 2014 until his resignation on 1 August 2018. He was appointed as our Group's Chief Executive Officer on 13 June 2018 and was re-appointed to our Board on 23 November 2018.

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

He sat on the board of Teo Seng Capital Bhd ("Teo Seng") from 2009 to August 2018 and is the current President Director of Malindo Feedmill, both being our listed subsidiaries.

He served as a panel advisor to the Ministry of Agriculture and Industry ("MOA") (now known as the Ministry of Agriculture and Food Industries) in 2004 and currently sits as a panel member of the National Agriculture Advisory Council to the MOA. From 2005 to 2006, he was the President of the Federation of Livestock Farmers'

Association of Malaysia, an association instituted for the safeguarding of the livestock farming community's interest and the betterment of the livestock industry and presently sits on its advisory panel.

His notable achievements include receiving the Lifetime Achievement Award which was awarded by Department of Veterinary Services of Malaysia in 2013 during the 7th Malaysian Livestock Industry Award and being appointed as a panel member of National Agriculture Advisory Council, under the purview of the MOA in 2018.

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

He is the brother of Tan Sri Dato' Lau Eng Guang and Lau Chia Nguang; and the uncle of Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. He attended all the five (5) Board meetings held during the financial year.

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Datuk Lau Joo Hong

**Non-Independent Executive Director,  
Group Chief Operating Officer and  
Chief Executive Officer of our Group's Vietnam Operations**

Nationality



Gender



Age

51

**Datuk Lau Joo Hong** is our Non-Independent Executive Director, Group Chief Operating Officer and Chief Executive Officer for our Group's Vietnam operations. He completed his secondary school education in 1988. He has over 23 years of experience and expertise in the integrated livestock industry and retail market.

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

In 1994, he was also assigned the responsibility of overseeing the entire operations of another subsidiary principally involved in food processing products. He was transferred to Astaka Shopping Centre (Muar) Sdn Bhd ("Astaka"), another family business in 1996 where he was responsible for the overall operations of Astaka until the family's decision to venture into Vietnam's poultry business in 2007 where he planned and executed the expansion plan. He led our Vietnam operations as Deputy Chief Executive Officer until his promotion in 2014 to Chief Executive Officer. He has been leading the expansion of our Vietnam operations since its incorporation and was appointed as our Group Chief Operating Officer on 29 September 2020 to oversee the operational matters of the Group as well as assume responsibility for the execution of the Group's overall strategies.

He is a director of both LH Holdings and Emivest since 2008 and 2010 respectively (including the period whilst both companies were listed on the Kuala Lumpur Stock Exchange ("KLSE")).

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

He is also a director and substantial shareholder of CW Lau & Sons Sdn Bhd ("CWL&S"), which in turn is a substantial shareholder of Emerging Glory Sdn Bhd ("Emerging Glory"), a major shareholder of our Company.

He is the nephew of Lau Chia Nguang, Tan Sri Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the cousin of Lau Joo Han and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. He attended all the five (5) Board meetings held during the financial year.



## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Lau Joo Han

**Non-Independent Executive Director and Chief Executive Officer of our Group's Malaysia Operations**

Nationality



Gender



Age

47

**Lau Joo Han** is our Non-Independent Executive Director and Chief Executive Officer for our Group's Malaysia operations. He has over 22 years of experience in the livestock industry.

He graduated with a degree in International Trade from Victoria University, Melbourne, Australia in 1999.

He began his career in 2001 at Leong Hup Contract Farming Sdn Bhd (now known as Leong Hup Agrobusiness Sdn Bhd) in charge of the marketing and operations of that subsidiary. He rose through the ranks and has been the Chief Executive Officer of Leong Hup (Malaysia) Sdn Bhd ('LH Malaysia') since 2014, in-charge of overseeing the business and full operations of LH Malaysia. He was duly appointed and has served as a director of LH Malaysia since 2014.

He has extensive expertise in the upstream and downstream activities of livestock production, operation, development and marketing areas of the poultry industry. He has contributed to our Group's marketing strategies and spearheaded many business expansion projects at LH Malaysia which contributed to the growth of LH Malaysia. He is instrumental in the business transformation of The Baker's Cottage which has served as the business-to-consumer channel of our Group in Malaysia. He served as a non-executive director of Teo Seng from 2008 until he was re-designated to the position

of executive director in 2013 until his resignation on 31 July 2018.

He was appointed to our Board on 1 October 2018. Currently, he also sits on the board of directors of various subsidiaries of our Group and several other private limited companies. He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

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

He is the nephew of Lau Chia Nguang, Tan Sri Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang; and the cousin of Datuk Lau Joo Hong and Lau Joo Keat who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. He attended all the five (5) Board meetings held during the financial year.



## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Lau Joo Keat

**Non-Independent Executive Director and  
Country Head of our Group's Indonesia Operations**

Nationality



Gender



Age

42

**Lau Joo Keat** is our Non-Independent Executive Director and Country Head for our Group's Indonesia operations. He has approximately 19 years of experience and expertise in the integrated livestock industry.

In 2002, he obtained his Bachelor of Marketing from University of Kentucky, United States.

He began his career in 2002 when he joined the Malindo Feedmill as Production Manager of the breeding, hatchery and broiler farms. In 2007, he served as Head of Production of the breeding, hatchery and broiler farms. He has served as a director of Malindo Feedmill since 2015 and has been the Country Head of our Group's Indonesian business since 2017.

He was appointed to our Board on 9 September 2014. Currently, he also sits on the board of Malindo Feedmill, other various subsidiaries of our Group, and several other

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

He is the nephew of Lau Chia Nguang, Tan Sri Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang and the cousin of Datuk Lau Joo Hong and Lau Joo Han who are the Directors/major shareholders of our Company. Except for certain related party transactions of revenue or trading nature which are necessary for the day-to-day operations of our Company and its subsidiaries and for which he is deemed to be interested, there are no other business arrangements with our Company in which he has personal interest. He has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. He attended all the five (5) Board meetings held during the financial year.

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Low Han Kee

Senior Independent Non-Executive Director

Nationality



Gender



Age

62

**Low Han Kee** is our Senior Independent Non-Executive Director.

He qualified as a Certified Public Accountant with the Malaysian Association of Certified Public Accountants ("MACPA") (now known as Malaysian Institute of Certified Public Accountants) in 1984.

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

He has more than 32 years of financial expertise, having held senior finance positions in public listed companies, namely AMHB and Mulpha.

He was appointed to our Board on 1 August 2018. He is also the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee of the Company. Currently, he is a Non-Independent Non-Executive Director of AMHB and was appointed as member of Audit Committee of AMHB on 25 August 2021.

He does not have any family relationship with any Director/major shareholder of our Company. He does not have any conflict of interest with our Company. He has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. He attended all the five (5) Board meetings held during the financial year.

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Datin Paduka Rashidah Binti Ramli

Independent Non-Executive Director

Nationality



Gender



Age

62

**Datin Paduka Rashidah Binti Ramli** is our Independent Non-Executive Director.

She obtained her Bachelor of Arts (Honours) in South East Asian Studies from University of Malaya, Kuala Lumpur in 1982.

She began her career in 1984 as an Administrative and Diplomatic Officer and served at various senior levels in the Ministry of Foreign Affairs of Malaysia, including the Southeast Asia Division, Development Division and Chief of Inspectorate. She also had foreign postings in Singapore and Canada, and was Ambassador (in residence) to the Republic of Ecuador and the Republic of Colombia. In 2010, she was appointed as the Director General of the Southeast Asia Regional Centre for Counter-Terrorism, Ministry of Foreign Affairs until her retirement in 2017.

She was conferred the Selangor State Award of Datuk Paduka Mahkota Selangor in 2008, which carries the title 'Datin Paduka'.

She was appointed to our Board on 1 August 2018. She is also a member of the Remuneration Committee of the Company. Other than the Company, she is not a Director of any other public companies and listed issuers in Malaysia.

She does not have any family relationship with any Director/major shareholder of our Company. She does not have any conflict of interest with our Company. She has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. She attended all the five (5) Board meetings held during the financial year.



## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Chu Nyet Kim

Independent Non-Executive Director

Nationality



Gender



Age

66

**Chu Nyet Kim** is our Independent Non-Executive Director. She has more than 34 years of working experience in the field of taxation, finance and accounting functions.

She obtained her Diploma in Accounting (Honours) from Algonquin College of Applied Arts and Technology, Canada in 1977. She became an associate member of the Chartered Association of Certified Accountants, United Kingdom (now known as Association of Chartered Certified Accountants, United Kingdom) ("ACCA") in 1995 and she has been a Fellow member of the ACCA since 2000. She became a member of the Malaysian Institute of Accountants ("MIA") in 2018.

She began her career in Harrisons & Crosfield (Sabah) Sdn Bhd in 1977 as an accounts executive until 1980 before leaving the company to study full time for her ACCA. She then joined Houw Hing Co., Singapore, a trading company and served as an accountant from 1984 to 1987. Thereafter, she moved to Indonesia and went on sabbatical before re-entering the workforce when she joined Deloitte Indonesia ("Deloitte") in Jakarta, Indonesia in 1989. She was admitted as a partner in Deloitte in 1997 and later became a senior partner of Deloitte Southeast Asia Cluster until her retirement in 2016. In the 27 years that she was with Deloitte, she held various positions,

specialising in taxation with her last designation as the Leader of Global Employer Services (a tax service line) and Tax Risk Leader/Deputy Tax Managing Partner of Deloitte Indonesia. As the Tax Risk Leader of Deloitte Indonesia, she worked closely with Deloitte Southeast Asia Tax Risk Leader to build up the tax risk management team in Indonesia.

She was appointed to our Board on 1 August 2018. She is also a member of the Audit and Risk Committee as well as Nomination Committee of the Company. She does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company. She has been a Commissioner of PT PZ Cussons Indonesia ("PT PZ Cussons") since 2016. PT PZ Cussons is a subsidiary of PZ Cussons PLC, a company listed on the London Stock Exchange and a constituent of the FTSE 250 Index.

She does not have any family relationship with any Director/major shareholder of our Company. She does not have any conflict of interest with our Company. She has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. She attended all the five (5) Board meetings held during the financial year.



## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Goh Wen Ling

Independent Non-Executive Director

Nationality



Gender



Age

42

**Goh Wen Ling** is our Independent Non-Executive Director. She has over 17 years of working experience in the legal industry encompassing direct real estate acquisitions and divestments, retail banking and various aspects of financing, corporate and commercial legal practice.

She graduated with a Bachelor of Laws (Honours) degree from University of Hull in 2000. She obtained her Postgraduate Diploma from City University London, Inns of Court School of Law in 2001. She was called to the Bar of England and Wales in 2001 as a Barrister-at-Law of the Honourable Society of the Middle Temple in 2001. In 2002, she was admitted to the High Court of Malaya as an advocate and solicitor.

She began her professional career in 2002 as an associate in the intellectual property department of Messrs. Shook Lin & Bok where her main area of practice was in intellectual property litigation, reviewing and advising on trade marks, patents and industrial design registration and general advisory work relating to intellectual property rights.

She left legal practice in 2003 and started her own event management company, Aldrea Dream Media Sdn Bhd. In 2004, she returned to legal practice and joined Messrs. Andrew T.S. Goh & Khairil as a junior partner and head of the conveyancing, corporate and banking department and is still currently active in legal practice.

She was appointed to our Board on 1 August 2018. She is also the Chairperson of the Remuneration Committee and a member of the Audit and Risk Committee of the Company. She does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

She does not have any family relationship with any Director/major shareholder of our Company. Except for providing some legal services as an advocate and solicitor capacity, she does not have any conflict of interest with our Company. She has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. She attended all the five (5) Board meetings held during the financial year.

## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)



### Tay Tong Poh

Independent Non-Executive Director

Nationality



Gender



Age

60

**Tay Tong Poh** is our Independent Non-Executive Director.

He obtained a Bachelor of Science in Electrical Engineering from the University of Southern California Viterbi School of Engineering, United States in 1984 and a Master of Business Administration (Finance) from the University of Chicago Booth School of Business, United States in 1986.

He has 18 years of experience in corporate banking, corporate finance, project finance, leveraged finance and debt capital markets in J.P Morgan Securities (Asia Pacific) Limited ("JP Morgan"). He began his career with Chase Manhattan Bank, Singapore ("CMB") as an associate in 1987 and transferred to Chase Manhattan Asia Limited, Hong Kong ("CMAL") in 1993. Both CMB and CMAL were the predecessors of JP Morgan. He held various senior management positions in JP Morgan with his last designation as managing director of Debt Capital Markets, Asia Pacific where he was responsible for the loan syndication business of JP Morgan in Asia Pacific and aided in establishing JP Morgan as one of the market leaders in leveraged finance in the region.

He took a career break after he left JP Morgan in 2004 and relocated to Singapore in 2005. He joined United Overseas Bank Limited ("UOB") as Head of Investment Banking and Executive Vice President from 2006 to 2011. Whilst in UOB, he served as a member of UOB's Management Committee and Investment Committee.

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

He was appointed to our Board on 1 August 2018. He is also the Chairman of the Nomination Committee of the Company. He does not hold any other directorship in public companies and listed issuers in Malaysia other than the Company.

He does not have any family relationship with any Director/major shareholder of our Company. He does not have any conflict of interest with our Group. He has no conviction of any offences within the past five (5) years or any sanctions and penalties imposed by relevant regulatory bodies during the financial year ended 31 December 2021. He attended all the five (5) Board meetings held during the financial year.

## PROFILE OF THE KEY SENIOR MANAGEMENT



### Lau Jui Peng

Group Breeder Chief Executive Officer

Nationality



Gender



Age

50

**Lau Jui Peng** is our Group Breeder Chief Executive Officer. He has over 22 years of experience and expertise in the production processes and management of poultry companies.

He graduated in 1996 with a Bachelor's degree in Business Administration from the Hawaii Pacific University, United States.

He began his career in 1999 when he joined one of our Group's subsidiary as the Head of breeder operation. He has held various management positions in that subsidiary including General Manager and Deputy Chief Executive Officer. He has been the Chief Executive Officer of our Group's Breeder Operation since 2013, and is responsible for the production, operation and administration of breeder operation.

He was appointed as Non-Executive Chairman of Teo Seng in 2008 and was re-designated as the Executive Chairman, a position which he has held since 2013 until his subsequent re-designation as Non-Executive Chairman on 29 January 2019. Currently, he also sits on the board of various subsidiaries of our Group and several private limited companies.

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

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

## PROFILE OF THE KEY SENIOR MANAGEMENT (CONT'D)



### Lau Joo Heng

**Chief Executive Officer of our  
Group's Philippines Operations**

Nationality



Gender



Age

47

**Lau Joo Heng** is the Chief Executive Officer of our Group's Philippines operations. He has 18 years of experience in the operational activities of the integrated livestock industry and exposure in retail and export businesses.

He graduated from Western Michigan University, United States with a Bachelor and Master's degree in Finance in 1996 and 1998 respectively.

He began his career in 1998 when he joined Arab-Malaysian Merchant Bank Berhad as Risk Management Officer until he left to join the family business from 1999 until he was transferred to a bakery business owned by LH Holdings in 2003 as its Chief Executive Officer. He held positions at various management levels in the family business and our subsidiaries. He left the bakery business to join our Group's Livestock business on 2015 and expanded our Livestock business to Philippines. He has since led our Philippines operations.

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

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

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

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



## PROFILE OF THE KEY SENIOR MANAGEMENT (CONT'D)



### Lau Joo Hwa

Chief Executive Officer of our  
Group's Singapore Operations

Nationality



Gender



Age

43

**Lau Joo Hwa** is the Chief Executive Officer of our Group's Singapore operations. He has over 19 years of experience in the operational activities of the integrated livestock industry and exposure in retail and export businesses.

He graduated from Victoria University of Melbourne, Australia in 2002 with a Bachelor's degree in Business.

He began his career in 2002 as a Marketing Manager at Malindo Feedmill and was re-designated as its Operational Manager in 2008. He was promoted to the position of Deputy Chief Executive Officer of Malindo Feedmill in charge of marketing and overall administration. He was also appointed as Deputy Chief Executive Officer of one of our Singapore subsidiaries in 2014. He has been the Chief Executive Officer of our Group's Singapore operations since 23 October 2014.

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

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

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

## PROFILE OF THE KEY SENIOR MANAGEMENT (CONT'D)



### Chew Eng Loke

Group Chief Financial Officer

Nationality



Gender



Age

53

**Chew Eng Loke** is our Group Chief Financial Officer. He has over 28 years of experience in management and financial roles at numerous companies.

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

He began his career with The Asia Life Assurance Society Limited (now known as Tokio Marine Life Assurance Singapore) in 1991 as an Executive Assistant and assumed the position of Executive Officer until 1992 when he joined Ayamas Food Corporation Berhad (now known as Ayamas Food Corporation Sdn Bhd) ("Ayamas"). Whilst at Ayamas, he held several general management and finance roles, including Assistant Management Accountant, Management Accountant and Operations Support Manager. He left Ayamas in 1999 to join Universal Nutribeverage (M) Sdn Bhd as Chief Operating Officer and was appointed as General Manager of Green Spot Beverage (M) Sdn Bhd in 2000 until 2002. He was a director of Prinsip Mahir Sdn Bhd from 2003 until 2008. Thereafter, he joined Texchem Resources Berhad and assumed the position of Assistant General

Manager before moving to its subsidiary, Seapack Food Sdn Bhd (now known as Sea Master Food Sdn Bhd), as General Manager (Operations) in 2006 until 2007.

Subsequently, from 2007 to 2014, he was the Chief Financial Officer of Ogawa World Berhad, which was previously listed on the Main Market of Bursa Securities, with operations across Asia including China, which distributes healthcare equipment and supplementary appliances through its subsidiaries. He then joined AirAsia X Berhad, a long-haul budget airline company listed on Bursa Securities, in 2014 as its Chief Financial Officer, responsible for corporate finance and treasury matters, financial planning and analysis, external reporting and investor relations. He then left AirAsia X Berhad in 2015 and joined our Company as Group Chief Financial Officer on 1 March 2015 and is responsible for all of our Group's overall financial operations.

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

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

# FINANCIAL HIGHLIGHTS

|  | FY 2017<br>RM'000 | FY 2018<br>RM'000 | FY 2019<br>RM'000 | FY 2020<br>RM'000 | FY 2021<br>RM'000 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue  | 5,501,364         | 5,746,572         | 6,054,756         | 6,040,664         | <b>7,153,520</b>  |
| Profit Before Taxation   | 292,267           | 348,575           | 288,750           | 157,126           | <b>140,315</b>    |
| Profit Attributable to Owners of the Parent                    | 192,573           | 186,185           | 150,579           | 113,145           | <b>85,403</b>     |
| Weighted Average Number of Shares in Issue ('000) <sup>@</sup> | 3,400,000         | 3,400,000         | 3,557,535         | 3,650,000         | <b>3,650,000</b>  |
| Net EPS (Sen)  | 5.66              | 5.48              | 4.23              | 3.10              | <b>2.34</b>       |
| PBT Margin (%)   | 5.31              | 6.07              | 4.77              | 2.60              | <b>1.96</b>       |

Note:

@ As the Company undertook bonus issue and share split exercise on 11 January 2019, the basic and diluted earnings per share have been adjusted to reflect the new number of ordinary shares of 3,400,000,000. In accordance with MFRS 133 'Earnings per Share', the calculation of basic and diluted earnings per share for all periods presented have been adjusted retrospectively as the number of ordinary shares has increased as a result of bonus issue or share split. The weighted average number of ordinary shares in issue for financial year ended 31 December 2019 takes into account the issuance of 250,000,000 new ordinary shares of the Company on 15 May 2019.





## CHAIRMAN'S STATEMENT

“

**Dear Shareholders,**

**I am delighted and honoured to present this Annual Report which details our efforts throughout the year as we continue to grow the business and make progress on our strategies.**

”



**LAU CHIA NGUANG**

Non-Independent Executive Chairman

## CHAIRMAN'S STATEMENT (CONT'D)

### OUR OPERATING ENVIRONMENT

Despite signs of a nascent recovery following the global upheaval brought about by Covid-19 pandemic, 2021 has proven to be one of the most challenging years in recent history.

The year commenced with Southeast Asian countries staging an economic rebound as Covid-19 pandemic containment measures were partially lifted which allowed for resumption of economic activities. Our thesis for a sustained recovery in 2021 was upended as the year rolled on when the spread of Delta variant saw an alarming spike in infections and hospitalisation while the healthcare sector was overwhelmed to the verge of breaking point.

Governments across the region responded swiftly to contain the spread by implementing broad-based lockdowns and harsh mobility restrictions which had negatively affected all demand channels as economic activities in the operating markets of LHI and its subsidiaries (our "Group") were brought to a standstill during the third quarter of July to September 2021.

On the other side of the equation, the supply chain continues to be buffeted by high commodity costs and this has continued to affect every poultry producer. Corn and soybean meal, which collectively makes up about 70% of feed costs, have seen record price levels as the price of those two commodities jumped more than 40% year-on-year in 2021 and is soaring to record levels again in 2022 amid escalating geopolitical tension and Russia's invasion of Ukraine.

The aforementioned lockdowns had restricted demand conditions in our operating markets and hindered the usual pace of cost pass-through, as rising commodity costs outpaced the increase in livestock feed selling prices, casting pressure on our Group's margin. The confluence of events had impacted our Group's earnings as it recorded its first ever loss in the third quarter of 2021.

Nevertheless, as the region increased vaccinations rates of its populations and hospitalisation rates reduced to manageable levels, governments across the region had progressively relaxed lockdowns and allowed the resumption of economic activities in the fourth quarter of October to December 2021, which had enabled our Group to record a solid turnaround, driven by pent-up demand amid improved economic environment.

### STAYING FOCUSED ON OUR FARM-TO-PLATE STRATEGY

LHI's scale, integration and footprint in five key countries across Southeast Asia has given us a natural hedge and higher buffer to absorb commodity cost increases. Our Group being in the commodity business, has focused on cost leadership to increase our market share. We continue to infuse automation into our operations and adopt technology into our systems. We are nimble and able to stay ahead of the cost curve.

Despite the setbacks that our Group had to contend with as a result of Covid-19 pandemic and its devastating impact on economic growth and consumption levels, we stayed on course with the execution of our strategic initiatives by achieving continuous volume expansion, moving further downstream and enhancing vertical integration. In the financial year end ("FYE") 31 December 2021, we delivered growth in sales volume of between 3.9% and 6.2% across our main product lines including livestock feed, day-old-chicks, broiler chickens and table eggs.

In FYE 31 December 2021, we celebrated a few important milestones that marked the stepping up of integration in our operating markets which affords us greater flexibility and optionality in terms of where we can monetise our products along the poultry value chain.

Our Philippines' operation has come a long way since its inception in 2015, with the commissioning of its maiden feedmill in Tarlac, Central Luzon in the middle of 2021. The feedmill currently has an installed capacity of 128,000 MT of feed per annum. It supplies the bulk of poultry feed consumed by our internal poultry farms and we sell to external customers as well. The feedmill was built with future expansion in mind, and as such, it is able to accommodate additional production lines as we expand our Philippines' footprint. With this new feedmill, it has created a new revenue stream and allowed for internalisation of margins within our Group. This places our Philippines' operation in a good position to capture further upside potential in the years to come.

As we continued to build resilience into our business with our Farm-to-Plate growth strategy, we are pleased to report that our business-to-consumer channel, The Baker's Cottage ("TBC") has done very well and charted impressive growth in FYE 31 December 2021. Amid food price inflation, TBC's popular roast chicken is retailed at an affordable price tag of RM17.99 per bird, which offers outstanding value, quality and convenience for consumers. Along with TBC's range of value-for-money, ready-to-eat poultry and pastry products, the revamped hybrid quick service restaurant-cum-bakery outlet concept continues to thrive and gain traction among convenience driven and budget conscious consumers. From 28 outlets on 1 January

## CHAIRMAN'S STATEMENT (CONT'D)

### STAYING FOCUSED ON OUR FARM-TO-PLATE STRATEGY (CONT'D)

2020, the chain now has 184<sup>(1)</sup> outlets, with more to come as we target to reach a total of 200 outlets before the end of 2022.

Crucially, during these uncertain times, we remained steadfast in maintaining business continuity and carried our social responsibility in helping to ensure food security in our operating markets. Apart from that, we hired more people into our workforce and ended the year with a strong team of 12,130 employees. Other outcomes arising from our Group's value-creating business model for our stakeholders are set out in pages 8 to 13 of the Annual Report.

### FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Our Group posted a record operational revenue of RM7.14 billion in FYE 31 December 2021, an increase of 18.4% as compared to RM6.03 billion recorded in the previous financial year. This was on the back of solid performance of the Livestock and Feedmill segments, where revenue increased by 16.7% and 20.7% year-on-year respectively.

Geographically, Indonesia was the largest revenue contributing segment of our Group with RM2,460.36 million (34.4%). Malaysia was the second highest contributor at RM1,947.40 million (27.3%). Next was Vietnam at RM1,748.82 million (24.5%), Singapore at RM784.96 million (11.0%) and the Philippines at RM200.81 million (2.8%).

Profit after tax and minority interests was RM85.40 million in FYE 31 December 2021, as compared to RM113.15 million in the preceding financial year, caused by the prolonged pandemic impact and lockdown-induced demand weakness across all of our operating markets which had depressed the overall FYE 31 December 2021 performance. Earnings per share was correspondingly lower by 24.5% at 2.34 sen, from 3.10 sen a year ago.

During the financial year under review, our Group's balance sheet remained sturdy, as we ensured prudent capital management with sufficient liquidity in line with our business needs. Our Group's cash position for FYE 31 December 2021 stood at RM764.62 million, as compared to RM757.77 million in the preceding financial year. Our shareholder's funds were RM2.36 billion and we closed the year with a comfortable net gearing ratio of 1.0 times. Further details on our Group's financial performance and financial position for the FYE 31 December 2021 are set out in the Management Discussion and Analysis by the Group Chief Executive Officer in pages 38 to 42 of the Annual Report.

Note:

(1) As at 31 March 2022.

### PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

In 2022, the transition into the endemic phase of Covid-19 may bring potential externally-induced and supply-driven headwinds in the form of supply chain disruption, escalating energy prices and inflationary risk. Our Group remains vigilant amid these challenges which will be mitigated by our prudent management and solid Group fundamentals.

We are optimistic on overall prospects of our Group, as the region's economy is expected to resume its recovery trajectory, supported by continued progress of vaccination and booster shot rollouts, further normalisation of economic activities and improving consumer sentiments. These promising signs are precursor to a sustained reopening path and broader recovery. Strategically, Southeast Asia is expected to play an important post-pandemic role in Asia's economic trajectory and our Group is in a sweet spot to harness the benefits of this recovery narrative.

In addition to the ongoing cost optimisation agenda, our Group will continue to improve on its operational efficiency by deploying automation and technology in an effective manner that makes economic and operational sense. We anticipate that these continuing efforts will help us in managing costs while offsetting some of the ongoing commodity-driven cost pressure which is global in nature.

### ACKNOWLEDGEMENTS

On behalf of the Board, I wish to extend my sincere appreciation to the previous Board members, Mr Benny Lim Jew Fong and Puan Mahani Binti Amat, for their stewardship and esteemed contribution during their tenure of service with our Group.

I would also like to thank all our valued stakeholders for their continued and unwavering support, and for standing alongside us as we continue to navigate the new market reality and next phase of growth. To my fellow directors, thank you for your substantial contributions for the past one year, and for helping to steer the business to succeed for years to come.

My heartfelt gratitude also goes out to the management team and all employees for their remarkable commitment and performance during this challenging period. With your relentless spirit, I am confident that we are well positioned to accelerate our growth and improve on our performance.



# MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER

## TAN SRI LAU TUANG NGUANG

Non-Independent Executive Director &  
Group Chief Executive Officer



## MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

### INTRODUCTION

Throughout 2021, the unfolding Covid-19 pandemic continued to raise concerns and impacted our business and the Malaysian economy. It has been hard to predict the impact Covid-19 had on: the Malaysian and global economy; the impact on demand for the productions, supply chain, services, solutions and our Group's business operations throughout the changes of Movement Control Order ("MCO"). The overall business environment in LHI's operating markets was subject to much uncertainty, due primarily to the effects of the Covid-19 pandemic which continues to evolve since the start of the outbreak two years ago.

As economic recovery gradually took place following the roll out of Covid-19 vaccination by governments across the region, the emergence of new Covid-19 variants such as Delta posed a significant public health risk and the subsequent enforcement of containment measures by government became a major hindrance to the economic recovery. Vietnam, which had early success in its Covid-19 containment strategies, was severely affected by the Delta variant, which led to strict curbs on movement in several cities and provinces.

Meanwhile, our Group's other operating markets were also negatively affected, as national governments re-imposed lockdown measures to contain the spread of Covid-19 cases. Although the total eradication of Covid-19 is still uncertain, at least in highly vaccinated countries – the link between cases and death seems to have been weakened. It is optimistic that the pandemic

is moving towards an endemic phase thus allowing countries to reopen their borders with positive growth implications.

For grain and livestock producers, supply chain disruptions continued to persist amid prolonged impact of the pandemic on production, logistics and consumption. This resulted in lower aggregate supply of grains, which was further aggravated by the occurrence of La Nina and other unusual weather patterns in major grain-exporting countries in North and South America. Lower crop yield due to the impact of weather phenomena resulted in demand for grains outstripping its supply which led to soaring commodity prices, including corn and soybean meal which are the major inputs for our livestock feed business. Corn futures surged from a 12-month average of USD165/MT in 2020 to USD260/MT in 2021, while the 12-month average for soybean meal futures jumped from USD395/MT in 2020 to USD481/MT in 2021. (Source: [www.indexmundi.com](http://www.indexmundi.com))

Footfall in hotels, restaurants and cafes remained sluggish as a result of the prolonged lockdowns and continued international border closure had depressed overall demand for poultry products. This gave rise to an oversupply of broiler chickens, particularly during the third quarter of 2021, which affected the selling price of poultry products. As feed and poultry selling prices were unable to keep up with the increase in commodity prices, our Group's margin was severely compressed.

### FINANCIAL PERFORMANCE REVIEW

Given these uncertainties that was brought by Covid-19 and the operating challenges, our Group continued to execute its strategies and posted revenue of RM7.15 billion in FYE 31 December 2021, representing an increase of 18.4% from the preceding financial year. During the year under review, our Group registered a lower profit attributable to owners of the company ("PATMI") at RM85.40 million, as compared to RM113.15 million in FYE 31 December 2020, mainly due to lower livestock feed sales volume in Vietnam and margin compression as the increase in raw material costs outpaced the increase in average selling price of livestock feed.

Indonesia's economy continued to recover in 2021, although it moderated during the second half of the year due to the impact of the pandemic. The World Bank had estimated a gross domestic product ("GDP") growth rate of 3.7% in Indonesia's economy in 2021 as compared to a contraction of 2.1% in 2020. The Consumer Survey conducted by Bank Indonesia indicated that consumer

optimism has continued to strengthen despite some transitory setbacks. Consumer perception of current economic conditions improved particularly in terms of job availability and income, in line with increasing public mobility after the authorities relaxed the emergency public activity restrictions (PPKM) amid improvement in the government's response to Covid-19.

We recorded higher sales volume and an increase in average selling price for broiler chickens and livestock feed during the financial year under review. Average selling price for broiler day-old-chicks ("DOC") also rebounded and exceeded its pre-pandemic level, illustrating the effectiveness of the governments' efforts to maintain price stability by managing the country's overall hatching egg and DOC productions. Earnings before interest, tax, depreciation and amortisation ("EBITDA") from Indonesia was higher at RM147.02 million in FYE 31 December 2021, as compared to RM136.27 million recorded in FYE 31 December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

### FINANCIAL PERFORMANCE REVIEW (Cont'd)

In Malaysia, the impact of the subsequent lockdowns on the economy was less severe than what was first experienced in 2020, as essential economic sectors were allowed to operate by the government albeit under capacity limitations. Under the National Recovery Plan on the Covid-19 exit strategy, government-mandated restrictions were eased gradually as interstate travel and social activities were allowed to resume in stages. The action had enabled economic activities to pick up towards the fourth quarter of the year. As part of its ongoing efforts to address the economic hardships faced by the people due to Covid-19 pandemic, the government had extended its fiscal initiatives by introducing new support measures and making adjustments to existing fiscal stimulus packages, such as the PEMERKASA Plus with approximately RM40 billion allocated for further Covid-19 relief and assistance.

The pandemic had prolonged demand uncertainty, supply chain disruption arising from the persistent rise in commodity prices and perennial labour shortage problems besetting the poultry industry had forced many poultry farmers in Malaysia to downsize their operations or exit the industry. As a result of the lower total industry volume and the gradual improvement in demand, there was a marked improvement in the average selling prices for broiler chickens and DOC in the fourth quarter of 2021. Our business-to-consumer channel in Malaysia also grew from strength to strength as the downward vertical integration of our fully integrated poultry business continued to bear fruits and helped to stabilise our margins and mitigate volatility in poultry selling prices. As at 31 December 2021, The Baker's Cottage reached 178 outlets in Peninsular Malaysia versus 95 outlets in the prior year. This led to an increase in Malaysian operations' EBITDA to RM193.79 million against the RM160.01 million recorded a year ago.

Vietnam's GDP growth slowed to 2.6% in 2021 from 2.9% the year before due to significant pandemic challenges, which entailed localised curfews and harsh movement controls across its major cities including Ho Chi Minh City and Hanoi from the middle of 2021. Consumer spending declined sharply which translated into lower demand for poultry products and livestock feed. Sales volume for livestock feed was likewise affected at the height of Vietnam's pandemic lockdown between July 2021 and October 2021. Although there was an increase in the average selling price of livestock feed, higher raw material costs had more than offset the same which led to margin compression in the second half of 2021, resulting in a full-year EBITDA of RM78.03 million as compared to RM139.65 million recorded in FYE 31 December 2020.

Singapore's GDP grew 7.2% in 2021, rebounding from a pandemic-induced 5.4% contraction in 2020, due mainly to the robust order book of its electronics and precision engineering sectors. The city state's Covid-19 strategies have been largely successful, as the country has one

of the highest vaccination rates in the world despite intermittent spikes in the daily new Covid-19 cases. The government took a dynamic approach in enforcing stop-start curbs around work and social interactions such that a substantial portion of the people's day-to-day lives could resume. Higher vaccination rates had also led to a more relaxed circuit breaker measures, including the move to partially reopen its international border with the introduction of vaccinated travel lanes with designated countries, which entails quarantine-free travel for qualified visitors.

We recorded an increase in the sales volume of frozen food and dressed duck following the resumption of dine-in activities. Singapore's full-year EBITDA was reduced to RM79.97 million from RM108.35 million in FYE 31 December 2020, as margins were impacted due to a rise in the input cost of broiler chickens on the heels of higher feed cost, tapering of government grants as well as absence of a one-off writeback recorded prior year.

Our Philippines operations achieved a new milestone in 2021 with the commissioning of its first feedmill plant in Tarlac, Central Luzon during the second quarter of 2021. This was despite some earlier setback from the pandemic lockdown which delayed the completion of its construction. Since commencing operation, our feedmill supplied quality animal feeds to our own farms as well as to third party farmers. We have also made headways in our Farm-to-Plate strategy in the Philippines with the expansion of its business-to-consumer channel, LH Deli, a scalable quick-service restaurant franchise that retails fried chicken and other ready-to-eat products. As at 31 December 2021, there was a total of 29 participating kiosks in this venture.

On the back of favourable average selling prices and stronger sales volume of broiler chickens and DOC, as well as contributions from its new feedmill and business-to-consumer channel, revenue from the Philippines' operations almost doubled to RM200.81 million during the year under review, from RM103.87 million recorded in FYE 31 December 2020. Correspondingly, our operations in the Philippines delivered an EBITDA of RM37.25 million as compared to negative EBITDA of RM2.26 million from a year ago.

Our vertically-integrated poultry operations and geographical diversification had afforded our Group a stronger ability to monetise a portion of our products at the most optimal price points in the value chain when there is demand-supply imbalance which provided us incremental margins and enabled our Group to be profitable in FYE 31 December 2021. As at 31 December 2021, our Group's balance sheet had strengthened with shareholders' funds of RM2.36 billion and net assets attributable to ordinary equity holders rising to RM0.50 per share, representing an increase of 5.5% from a year ago, as we closed the year with a net gearing ratio of 1.00 time.



## MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

### CAPITAL EXPENDITURE

Our Group invested RM345.91 million in capital expenditure ("capex") during FYE 31 December 2021. Our capex is driven by focus to meet long-term demand upside for meat protein within our footprints in Southeast Asia. We continue to deploy resources towards our downstream business, such as our business-to-

consumer channels as well as coldrooms, to enhance revenue and preserve margins. We believe that these downstream investments are essential to our Group's ongoing Farm-to-Plate strategy, as we continued to expand our upstream activities and deliver an overall business that is resilient and sustainable.

### RISK AND MITIGATING MEASURES

#### Covid-19 Pandemic Risk

The impact and severity of the Covid-19 pandemic on businesses have had far-reaching consequences beyond the spread and containment of the virus itself, affecting every sector of the global economy. Social distancing and hygiene compliance have become the key factors in combating the pandemic. Our Group had put in place strict standard operating procedures ("SOP") which adhere to the countries prevailing Covid-19 regulations including work-from-home arrangement (where possible), transition to digital platforms for meetings and internal discussions, daily temperature screening for employees and visitors, Covid-19 vaccination leave for employees and arrangement for our foreign workers to undergo Covid-19 screenings. The pandemic has also resulted in heightened volatility in poultry products pricing amid demand uncertainties and ongoing supply chain adjustments in our operating markets, which has adversely affected our Group's businesses. Our Group took advantage of our position as an integrated poultry producer by monetising a portion of our products at the most optimal price points in the value chain, where possible, to preserve our Group's profit margin. Simultaneously, our Group had accelerated capital investment to pivot to Farm-to-Plate business model for better price stability.

system to minimise the impact of disease transmission through open air. Additionally, we also have dedicated veterinarians for our livestock farms to ensure that our livestock are healthy.

#### Selling Price Volatility

Our products sold in the open market under Livestock business segment, including broiler chickens and DOC. They have historically been subject to wide selling price fluctuations due to changes in demand and supply conditions. They can be affected by seasonal factors such as weather, festive seasons and school holidays as well as occurrences of other factors beyond our control such as lockdowns imposed by the authorities for public health reasons, which may result in unusual movements in selling prices or affect our selling prices negatively. Consequently, our quarterly financial results may also be affected by such fluctuations. We minimise our exposure through vigilance and close monitoring of prevailing market prices and we remain focused on our cost optimisation strategy. Additionally, our investments in business-to-consumer channels such as The Baker's Cottage chain have enabled our Group to have more stable profit margins.

#### Biosecurity and Disease Control

Outbreaks of livestock diseases at our poultry farms or facilities may significantly restrict our ability to conduct our operations. Avian Influenza such as H5N1 and H7N9 are highly contagious among birds and can cause sickness or death of domesticated birds, including chickens, geese, ducks and turkeys. In the event that disease afflict our livestock, it will have an adverse impact on our productivity and mortality of our livestock, which would then have an adverse effect on the revenue and profitability of our Group. Recognising the importance of this risk, the management team carries out several preventive actions to mitigate the risk. We have implemented measures to mitigate this risk with stringent biosecurity control at our livestock farms. Our chicken farms are mainly closed house farming

#### Succession Planning

We believe that our future success is heavily dependent upon the continued service of our Executive Directors and key senior management team who have valuable experience in the business in which we operate.

We believe we offer attractive terms of employment including an employee share option scheme, which is crucial for our Group to attract and retain qualified personnel. In addition, our Group views proactive succession planning as a strategic importance to ensure long term continuity of business and operations. We will continue to recruit more professional staff and to retain them for dedicated needs in our organisation.

## MANAGEMENT DISCUSSION AND ANALYSIS BY THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

### OUTLOOK

With higher Covid-19 vaccination rates across our operating markets, and Covid-19 being recognised as endemic, the reopening of international borders and economies bode well for our livestock feed and poultry products. However, the recovery may be tempered by inflationary environments which may impact both demand and supply.

Supply-side disruptions remain an ongoing challenge and continues to affect poultry producers globally, chiefly due to elevated commodity prices and rising logistic costs. Our Group will continue to pursue downward integration

in our operating markets and renew our focus on cost optimisation agenda by infusing elements of automation and technology into our operations, where appropriate. These ongoing strategies will help to preserve our Group's margins and increase our market share further in line with our volume expansion trajectory.

Our Group will maintain judicious and disciplined capital allocation to ensure sufficient liquidity in cash and equivalents, as well as through ample banking facilities to fund our Group's working capital and capex.

### DIVIDEND POLICY

We have a target payout ratio of 30.0% of our PATMI in each fiscal year on a consolidated basis after taking into account reinvestment opportunities for further expansion in our businesses. Our Board had declared an interim single tier dividend of 0.66 sen per ordinary share for FYE 31 December 2021, which was paid on 9 July 2021. This dividend payout ratio is lower than 30.0% as our Group prioritised business needs and maintenance of a strong balance sheet in response to the Covid-19 pandemic.

Premised upon continued expansion and volume growth across our Group as well as resumption of economic activities, we are hopeful for a better year in 2022, which will pave the way for our Group to declare a better dividend for the upcoming financial year.

# SUSTAINABILITY STATEMENT

**As one of Southeast Asia’s leading fully integrated poultry producers, Leong Hup International Berhad (“LHI”) and its subsidiaries (“LHI Group” or “Group”) strives to conduct its business practices in a responsible and sustainable manner.**





## SUSTAINABILITY STATEMENT (CONT'D)

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

The content of this Sustainability Statement (“Statement”) reports on our Group’s on-going sustainability initiatives for the financial year ended (“FYE”) 31 December 2021 and illustrates our various endeavours to build up the three key pillars of our sustainability efforts, namely economic, environmental and social (“EES”) aspects.

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

### GOVERNANCE STRUCTURE FOR SUSTAINABILITY

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

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

### SCOPE

The content of this Statement encompasses our Group’s key business segments, namely Feedmill and Livestock operations in Malaysia, Singapore, Indonesia, Vietnam and the Philippines. In general, our Group’s business operations in these countries can be categorised as follows:

| Business operations                  | Malaysia | Indonesia | Singapore | Vietnam | Philippines |
|--------------------------------------|----------|-----------|-----------|---------|-------------|
| <b>Feedmill</b>                      | ✓        | ✓         | -         | ✓       | ✓           |
| <b>Livestock:</b>                    |          |           |           |         |             |
| - Breeder                            | ✓        | ✓         | ✓         | ✓       | ✓           |
| - Layer                              | ✓        | ✓         | -         | ✓       | -           |
| - Broiler                            | ✓        | ✓         | ✓         | ✓       | ✓           |
| - Food Processing Production (“FPP”) | ✓        | ✓         | ✓         | -       | -           |
| - Quick-Service Restaurant (“QSR”)   | ✓        | -         | -         | -       | ✓           |

## SUSTAINABILITY STATEMENT (CONT'D)

### STAKEHOLDER ENGAGEMENT

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

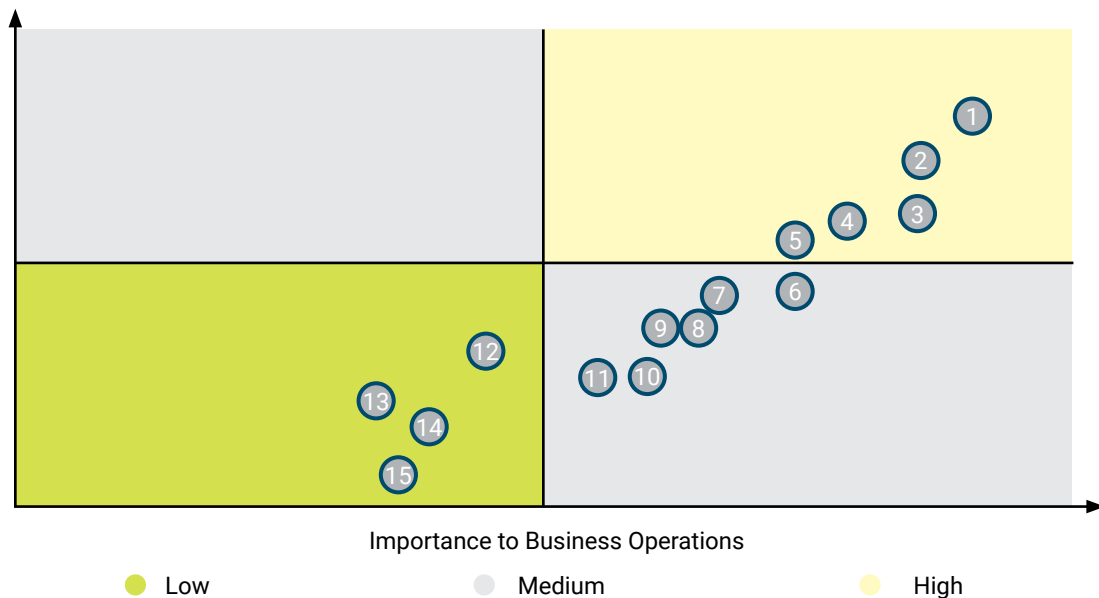
The following table lists our engagement activities with fellow stakeholders to-date:

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

### MATERIALITY MATRIX

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

The materiality assessment undertaken by our Group had identified several key sustainability matters most relevant to our business operations relating to EES aspects. This year, we have maintained our material sustainability matters and their prioritisation as of FYE 31 December 2021. The materiality matrix is illustrated below:



## SUSTAINABILITY STATEMENT (CONT'D)

### MATERIALITY MATRIX (CONT'D)

|  |  |                                      |                       |
|--|--|--------------------------------------|-----------------------|
| 1. Food Safety                         | 2. Biosecurity                           | 3. Quality control and certification | 4. Waste management   |
| 5. Occupational health and safety      | 6. Employee and talent development       | 7. Logistics                         | 8. Water              |
| 9. Odour control                       | 10. Energy conservation                  | 11. Contribution to community        | 12. Product labelling |
| 13. Product packaging and distribution | 14. Equal opportunities and human rights | 15. Support of local businesses      |                       |

### MATERIAL SUSTAINABILITY MATTERS

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

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

The material sustainability matters have been determined that are most relevant to our business operations relating to the EES aspects. Performed by senior leaders of our business operations, including the Executive Committee and their delegates, the said exercise had taken into consideration the views and concerns of our stakeholders.

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

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

### SUSTAINABILITY EFFORTS

Our Group is guided by the best industry practices in our business operations to produce and deliver quality products to our customers, while also being cognisant of the economic, environment and social aspects of our communities.

#### 1. Towards the Economy

##### 1.1 Food Safety and Quality Control

We are one of the largest fully integrated producers of poultry, eggs, and livestock feed in Southeast Asia, operating in Malaysia, Singapore, Indonesia, Vietnam and the Philippines. Poultry is the preferred animal-based protein with consumers in our operating markets, given its relative affordability and quality.

As a provider of food source, our Group commits itself to ensuring the safety of food products and delivering accountability to public safety where food consumption is concerned. In respect of our Livestock business, food safety and quality control becomes pertinent where human consumption of our Group's product is involved and this include egg production, farming of broiler chickens and FPP operations. In respect of our Feedmill business, livestock feed produced by our Group plays an important role in the growth and health of livestock and consequently, ensures uninterrupted supply of meat protein in the food production chain.

Our Group's ability to ensure food safety and quality control stems from management practices and standards adopted by our Group's various business operations, which take into account various considerations including, among others, local laws and regulations, international standards, market demand, as well as existing industrial practices in ensuring the safety and quality of food products.

## SUSTAINABILITY STATEMENT (CONT'D)

### SUSTAINABILITY EFFORTS (CONT'D)

#### 1. Towards the Economy (Cont'd)

##### 1.1 Food Safety and Quality Control (Cont'd)

Food safety controls including risk assessment, hazard analysis, traceability procedures, hygiene controls, are established in our operations to ensure systematic management of food safety. A number of our Group's feedmills, egg production and FPP operations across the region adopts international standards such as ISO 9001 Quality Management System ("ISO 9001"), ISO 22000 Food Safety Management System ("ISO 22000"), FSSC 22000 Food Safety System Certification ("FSSC 22000"), Safe Food Industry Responsibility ("MeSTI") or Veterinary Control Number (Nomor Kontrol Veteriner / "NKV").

| Business operations | Malaysia   | Indonesia  | Singapore  | Vietnam   | Philippines     |
|---------------------|--|--|--|---|-----------------|
| Feedmill            | <ul style="list-style-type: none"> <li>· ISO 22000</li> <li>· HACCP</li> </ul>   | <ul style="list-style-type: none"> <li>· ISO 9001</li> <li>· ISO 22000</li> <li>· HACCP</li> <li>· GMP</li> </ul>  | NA <sup>1</sup>  | <u>Medicine &amp; Vitamin Plant</u> <ul style="list-style-type: none"> <li>· GMP</li> </ul><br><u>Feedmill Plant</u> <ul style="list-style-type: none"> <li>· ISO 9001</li> <li>· ISO 22000</li> <li>· HACCP</li> </ul> | NA <sup>1</sup> |
| Livestock           | <u>Layer Farms</u> <ul style="list-style-type: none"> <li>· MyGAP</li> </ul><br><u>Layer Grading Stations</u> <ul style="list-style-type: none"> <li>· ISO 22000</li> <li>· HACCP</li> <li>· GMP</li> </ul><br><u>FPP</u> <ul style="list-style-type: none"> <li>· Halal</li> <li>· ISO 9001</li> <li>· HACCP</li> <li>· MeSTI</li> </ul><br><u>QSR</u> <ul style="list-style-type: none"> <li>· Halal</li> <li>· HACCP</li> <li>· ISO 9001</li> <li>· ISO 9002</li> </ul> | <u>FPP</u> <ul style="list-style-type: none"> <li>· Halal</li> <li>· ISO 9001</li> <li>· ISO 22000</li> <li>· HACCP</li> <li>· GMP</li> <li>· NKV</li> </ul> | <u>FPP</u> <ul style="list-style-type: none"> <li>· Halal</li> <li>· FSSC 22000<sup>2</sup></li> </ul> | NA <sup>1</sup>   | NA <sup>1</sup> |

**Notes:**

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

Most of our Group's feedmills, egg production facilities and FPP operations across Malaysia, Indonesia, Singapore and Vietnam have obtained certification for either ISO 9001 or ISO 22000, or its alternative – FSSC 22000, save for a medicine and vitamin plant in Vietnam which operates in accordance with World Health Organisation's Good Manufacturing Practices ("GMP") and Vietnamese law and regulations pertaining to manufacturing of veterinary drugs. In addition, 90% of our layer farms and 40% of our broiler chicken farms in Malaysia have obtained the Malaysian Good Agricultural Practices ("MyGAP") certification by the Department of Veterinary Services of Malaysia. MyGAP is a prerequisite for overseas export of livestock, which requires farmhouses to operate on a closed-house system ("CHS") with comprehensive farm management and considerations given to animal welfare and health, safety and environment standards. With regards to our FPP operations in Singapore, we are proud to have been awarded an "A" grade under the Food Safety Excellence Scheme by the Singapore Food Agency for 17 years consecutively.



## SUSTAINABILITY STATEMENT (CONT'D)

### SUSTAINABILITY EFFORTS (CONT'D)

#### 1. Towards the Economy (Cont'd)

##### 1.1 Food Safety and Quality Control (Cont'd)

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

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

By adopting these quality or food safety standards and certifications, we ensure that food safety and quality standards are clearly set out, communicated and complied with throughout our operations. Any effectiveness of our food safety and quality management process will be highlighted via our internal audit activities or annual ISO audit activities for remedial actions to be conducted.

##### Halal Certification

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

##### Trainings

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

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

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

##### 1.2 Biosecurity

Apart from food safety and quality control, we continue to place stringent biosecurity controls throughout our poultry farming operations encompassing grandparent stocks, parent stocks, broiler chickens and layers. It is thus important to keep the flocks healthy and prevent infectious diseases. Biosecurity measures are also implemented at feedmills as trucks transporting feed to farms can be a carrier of microorganisms.

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

## SUSTAINABILITY STATEMENT (CONT'D)

### SUSTAINABILITY EFFORTS (CONT'D)

#### 1. Towards the Economy (Cont'd)

##### 1.2 Biosecurity (Cont'd)

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

We recognise the benefits of adopting CHS for flock management, enabling better control over the biosecurity and climate factors such as temperature, humidity, light and airflow, which affect both the growth and health of poultry, thereby offering improved levels of biosecurity. We run our farms on an "all-in-all-out" cyclical basis, with each farm being "offline" for approximately three weeks, prior to subsequent batch of day-old-chicks' entry into the farmhouse. This decreases the likelihood of diseases spreading and allows us to sanitise the farms when they are "offline". As at 31 December 2021, approximately 99.3% of our Group's flocks are managed in CHS (98.7% as at 31 December 2020).

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

As at 31 December 2021, our Group's broiler operations, located in Malaysia, Indonesia, Vietnam and the Philippines, are supported by more than 741 contract farmers (716 as at 31 December 2020) licenced by relevant local authorities to accommodate the size of market demand in these markets. In this regard, we ensure food safety and quality by conducting frequent visits to these contract farms, and sometimes via formal audits. Any identified practices, or non-adoption of necessary practices, which jeopardises hygiene, safety and quality of meat produce will be highlighted to contract farmers for remedial actions to be undertaken, failing which the business partnership will be reassessed and terminated where necessary.

In forming business partnerships with contract farmers, we are also guided by strict selection criteria, with due consideration given to, among others, the experience, track record, and existing practices adopted by the contract farmers. Our Group continued emphasis on increasing the use of own broiler farms rather than contract farms has also resulted in higher farm efficiency, as we are able to run our farms better than most of our contract farmers, who are smaller and less experienced than we are. This is also in line with our Group's "Farm-to-Plate" business model which allows us to effectively manage quality while optimising cost efficiencies across the value chain. By doing so, it allows our industry to promote sustainable growth while at the same time, produce more broilers to ensure national food security.

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

#### 2. Towards the Environment

##### 2.1 Waste Management

Our Group has in place a responsible framework on hazardous and non-hazardous waste management across our operations in protecting the environment and minimising our environmental footprint as much as possible.

##### **Hazardous Waste**

We have strict policies on handling and disposal of hazardous waste in accordance with local laws and regulations, to ensure employees and workers are provided with safety guidelines with regard to handling hazardous waste and to ensure business responsibility in environmental protection is carried out.

## SUSTAINABILITY STATEMENT (CONT'D)

### SUSTAINABILITY EFFORTS (CONT'D)

#### 2. Towards the Environment (Cont'd)

##### 2.1 Waste Management (Cont'd)

###### **Hazardous Waste (Cont'd)**

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

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

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

Hazardous waste generated from other business segments, such as used injection needles and used medicine bottles from broiler, breeder and layer operations are also disposed of in accordance with local laws and regulations.

###### **Non-Hazardous Waste**

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

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

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

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

For the financial year under review, we did not receive any significant complaints regarding improper handling or disposal of waste generated by our operations (preceding financial year: zero significant complaints).

## SUSTAINABILITY STATEMENT (CONT'D)

### SUSTAINABILITY EFFORTS (CONT'D)

#### 3. Towards the Society

Our Group undertook additional efforts to provide employees a safe work environment during the Covid-19 pandemic. As the pandemic spread across the globe rapidly, it became urgent to establish a means of continuing work in a safe manner. Each operating market established its own Covid-19 operating procedures in line with the legislation and national government's recommendations. We also put in place mechanisms to enable our employees to effectively work from home (where possible) and reduce non-essential work-related travelling during various lockdowns.

##### 3.1 Occupational Safety and Health

Operationally, the work of employees and workers in the Feedmill and Livestock operations which may pose health and safety risks include the following:

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

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

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

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

To reduce the concentration of hazardous gases in the working environment, our CHS farms ensure that the facilities are well-ventilated and hazardous gas concentration are monitored to ensure a safety-level of exposure is maintained.

We provide appropriate personal protective equipment ("PPE") to all employees and workers exposed to high-risk work hazards. For example, gloves are provided to employees working with sharp tools and handling chicken bones to prevent cuts and infections arising from cuts. Gloves and masks are also provided to employees and workers operating in farms and farmhouses and those handling live birds and raw meat, such as in broiler chickens, slaughter houses and FPP operations, to protect workers from zoonotic diseases such as salmonellosis.

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



## SUSTAINABILITY STATEMENT (CONT'D)

### SUSTAINABILITY EFFORTS (CONT'D)

#### 3. Towards the Society (Cont'd)

##### 3.1 Occupational Safety and Health (Cont'd)

- occupational safety and health management systems;
- first aid;
- food handling training;
- use of PPE;
- fire and firefighting scenarios;
- working with machines, e.g. greasing, belt transmissions, etc.;
- hazardous materials and hazardous waste in workplace;
- forklift operations; and
- Covid-19 workplace safety measures.

For the financial year under review, there were three fatalities involving our Group's employees (preceding financial year: zero occupational fatality).

In Vietnam, an employee met with traffic accident while on his way to work and suffered fatal injuries. In Indonesia, an employee was involved in a traffic accident while delivering products to customers. He succumbed to injuries suffered in a hospital. Another employee was electrocuted at a farm when insulation for an old wiring became loose and it electrified a metal pole.

The abovementioned incidents were reported to the insurance companies and/or social security services, and the medical, burial and other incidental costs, as well social security compensation for the next-of-kin were arranged as appropriate.

##### 3.2 Employee and Talent Development

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

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

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

## SUSTAINABILITY STATEMENT (CONT'D)

### SUSTAINABILITY EFFORTS (CONT'D)

#### 3. Towards the Society (Cont'd)

##### 3.2 Employee and Talent Development (Cont'd)

In FYE 31 December 2021, we provided trainings on the following subjects to our employees and workers:

|  |  |
|--|--|
| <b>Management trainings</b>  | <ul style="list-style-type: none"> <li>• Leadership training (for advancement to management position)</li> <li>• Management training on workload analysis</li> <li>• Listing Requirements, corporate disclosures and cyber security awareness</li> <li>• Introduction to integrated reporting</li> </ul>   |
| <b>Management systems, international standards, certifications and practices</b> | <ul style="list-style-type: none"> <li>• Effective ISO audit</li> <li>• ISO 9001:2015 and 2018 Quality Management System</li> <li>• ISO 22000 Food Safety Management System</li> <li>• Risk management</li> <li>• Halal certification</li> <li>• Good Manufacturing Practice</li> </ul>  |
| <b>Business operations, processes and general practices</b>                      | <ul style="list-style-type: none"> <li>• Slaughtering skills</li> <li>• Forklift operating</li> <li>• Generic manufacturing skills</li> <li>• Inventory management, planning and control</li> <li>• Planning and budgeting</li> <li>• Taxation and accounting</li> <li>• Human resources skill</li> <li>• Food safety</li> <li>• Work etiquette</li> <li>• Work hygiene</li> </ul> |
| <b>Employee personal development skills and knowledge</b>                        | <ul style="list-style-type: none"> <li>• Computer skills</li> <li>• Interpersonal communication</li> <li>• Teamwork training</li> </ul>  |

# SUSTAINABILITY STATEMENT (CONT'D)

## SUSTAINABILITY EFFORTS (CONT'D)

### 3. Towards the Society (Cont'd)

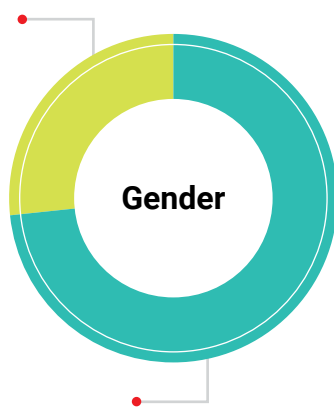
#### 3.3 Workforce Diversity

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

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

|                             | Malaysia     |             | Indonesia    |             | Vietnam      |             | Singapore  |             | Philippines |             | Group Total   |              |
|-----------------------------|--------------|-------------|--------------|-------------|--------------|-------------|------------|-------------|-------------|-------------|---------------|--------------|
| Gender                      |              | %           |              | %           |              | %           |            | %           |             | %           |               | %            |
| Men                         | 3,659        | 68.5%       | 3,017        | 83.8%       | 1,276        | 66.8%       | 595        | 67.6%       | 359         | 90.7%       | <b>8,906</b>  | <b>73.4%</b> |
| Women                       | 1,686        | 31.5%       | 582          | 16.2%       | 634          | 33.2%       | 285        | 32.4%       | 37          | 9.3%        | <b>3,224</b>  | <b>26.6%</b> |
| <b>Nationality</b>          |              |             |              |             |              |             |            |             |             |             |               |              |
| Local                       | 3,800        | 71.1%       | 3,584        | 99.6%       | 1,858        | 97.3%       | 412        | 46.8%       | 383         | 96.7%       | <b>10,037</b> | <b>82.7%</b> |
| Foreign                     | 1,545        | 28.9%       | 15           | 0.4%        | 52           | 2.7%        | 468        | 53.2%       | 13          | 3.3%        | <b>2,093</b>  | <b>17.3%</b> |
| <b>Age Group</b>            |              |             |              |             |              |             |            |             |             |             |               |              |
| Below 30 years old          | 2,574        | 48.1%       | 1,269        | 35.3%       | 751          | 39.3%       | 151        | 17.1%       | 187         | 47.2%       | <b>4,932</b>  | <b>40.7%</b> |
| Between 30 and 50 years old | 2,356        | 44.1%       | 2,107        | 58.5%       | 1,049        | 54.9%       | 439        | 49.9%       | 194         | 49.0%       | <b>6,145</b>  | <b>50.7%</b> |
| Above 50 years old          | 415          | 7.8%        | 223          | 6.2%        | 110          | 5.8%        | 290        | 33.0%       | 15          | 3.8%        | <b>1,053</b>  | <b>8.6%</b>  |
| <b>Total Employees</b>      | <b>5,345</b> | <b>100%</b> | <b>3,599</b> | <b>100%</b> | <b>1,910</b> | <b>100%</b> | <b>880</b> | <b>100%</b> | <b>396</b>  | <b>100%</b> | <b>12,130</b> | <b>100%</b>  |

Women, 26.6%



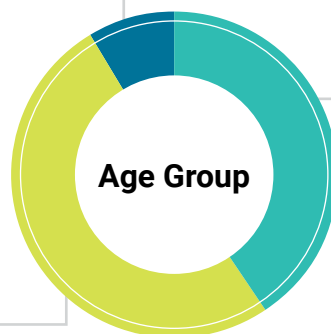
Men, 73.4%

Foreign, 17.3%



Local, 82.7%

Above 50 years old, 8.6%



Below 30 years old, 40.7%

Between 30 and 50 years old, 50.7%

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Leong Hup International Berhad (“LHI” or the “Company”) is committed to ensuring that good corporate governance is practised throughout the Company and its subsidiaries (the “Group”) with the ultimate objective of achieving good financial performance in order to fuel long-term sustainable growth and thereby, enhancing shareholders’ value. The Board firmly believes that dynamic corporate governance framework is crucial to provide a solid foundation and structure for effective and responsible decision-making of the Group. The Board has in place sound policies, business practices and internal controls to help safeguard its assets and shareholders’ interests. The Board is continuously working towards the principles and practices set out in the Malaysian Code on Corporate Governance (“MCCG”) pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Board is pleased to present to its shareholders and stakeholders an overview on the application of the principles under MCCG and the extent to which the Company has applied the best practices of the MCCG except where it is stated otherwise throughout the financial year ended (“FYE”) 31 December 2021.

The detailed application for each best practice as set out in the MCCG during the FYE 31 December 2021 is disclosed in the Corporate Governance Report (“CG Report”) which is available on the Company’s corporate website: <https://www.leonghupinternational.com/> as well as the website of Bursa Securities.

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

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1. BOARD RESPONSIBILITIES

#### Roles and Responsibilities of the Board

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

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

The principal duties and responsibilities assumed by the Board include:

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

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



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 1. BOARD RESPONSIBILITIES (CONT'D)

##### Roles and Responsibilities of the Board (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board took into consideration of ESG aspects while formulating the Group strategic plan. The Group COO, supported by a committee was tasked to spearhead the integration of ESG in the Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 1. BOARD RESPONSIBILITIES (CONT'D)

##### Separation of Position of Chairman and Group CEO

The positions of the Chairman and Group CEO are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of the Company to ensure a balance of power and authority between the Chairman and Group CEO. Mr Lau Chia Nguang is the Chairman of the Board ("Chairman") while the Group CEO position is held by Tan Sri Lau Tuang Nguang. The Chairman is not a member of any Board Committees since listing.

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

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

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

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

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

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

##### Qualified and Competent Company Secretaries

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

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 1. BOARD RESPONSIBILITIES (CONT'D)

##### Access to Information and Advice

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

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

##### Board Charter

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

The Board Charter shall be reviewed by the Board periodically to ensure that it remains consistent with the Board's objectives and current laws and practices. The Board Charter is available on the Company's website at <https://www.leonghupinternational.com/>.

##### Code of Ethics

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

##### Whistleblowing Policy

Whistleblowing Policy was established in 2019 and is administered by the ARC. The Group's employees and other stakeholders, including customers and suppliers, are encouraged to voice their grievances and raise their concerns of any unlawful, unethical situation or suspected misconduct directly to the ARC, on a dedicated channel of reporting as set out in the Whistleblowing Policy. The Company's Whistleblowing Policy is available on the Company's website at <https://www.leonghupinternational.com/>.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 1. BOARD RESPONSIBILITIES (CONT'D)

##### **Anti-Bribery and Corruption Policy**

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

#### 2. BOARD COMPOSITION

The Board currently consists of eleven (11) members comprising one (1) Non-Independent Executive Chairman, five (5) Non-Independent Executive Directors, one (1) Senior Independent Non-Executive Director and four (4) Independent Non-Executive Directors. None of them are active politician. The Board considers that its current size is commensurate with the present scope and scale of the Group's business operations. The composition of the Board also fulfils the requirement of Paragraph 15.02(1) of the Listing Requirements. Currently, the Company has yet to adopt the recommendation under the MCCG to have a majority of independent directors on the board. In this regard, the Company endeavours to apply this best practice as soon as practicable.

The profile of each Director is presented on page 19 to page 29 of this Annual Report. The Directors, with diverse background and specialisations, collectively brings a wide range of experience and expertise in their relevant fields such as poultry farming, business administration, corporate planning, development, finance, taxation, legal and marketing which are vital for the effective oversight of management's execution of the Group's strategies and policies.

##### **Independence of the Board**

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

As the Company will be entering into its third year as a listed company, none of the Independent Directors had served the Company for a cumulative term of 9 years. Notwithstanding that, the Board acknowledges the recommendation of the MCCG that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the tenure of nine (9) years, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. If the Board continues to retain the Independent Director after nine (9) years, the Board would provide justification and seek shareholders' approval through a two-tier voting process as recommended by the MCCG.

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

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



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 2. BOARD COMPOSITION (CONT'D)

##### Board Gender Diversity Policies

The Board has always placed diversity as an agenda in strengthening the performance of its Board and Board Committees. The Board has adopted a Diversity Policy to ensure that the Board has the diversity of perspectives, experience and skills necessary for effective oversight of the Group. Diversity includes, but not limited to gender, age and ethnicity. Currently, the Board comprises three (3) women directors out of the eleven (11) Board members, which represents 27% of the Board's composition. The women representation on Board has dropped from 31% to 27% following the retirement of Puan Mahani Binti Amat after the conclusion of the AGM held on 25 June 2021. However, the Board strives to achieve at least 30% women representation on the Board. The Board Diversity is available on the Company's website at <https://www.leonghupinternational.com/>.

##### Nomination Committee ("NC")

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

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

|  | Position |
|--|----------|
| Tay Tong Poh                                   | Chairman |
| Chu Nyet Kim (appointed on 24 August 2021)     | Member   |
| Mahani Binti Amat (ceased on 25 June 2021)     | Member   |
| Benny Lim Jew Fong (ceased on 15 October 2021) | Member   |

##### Selection and Assessment of Directors

The appointment of Directors is undertaken by the Board as a whole upon the recommendation by the NC. In identifying candidates for the Board, recommendations from existing Board members, KSM and/ or major shareholders will be taken into consideration to gain access to a wider pool of potential candidates. The NC will seek professional advice and/or conduct search by utilising a variety of independent source to identify suitably qualified candidates if required.

The NC considers the following factors in evaluating suitable candidates:-

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 2. BOARD COMPOSITION (CONT'D)

##### Selection and Assessment of Directors (cont'd)

The NC shall meet at least once a year or as and when circumstances dictate. The NC has carried out the following activities during the financial year 2021:

- a. Reviewed and evaluated the effectiveness of the Board, the Board Committees and contribution of each individual Director including KSM;
- b. Reviewed the required mix of skills, experience, core competencies and other qualities of the Board;
- c. Assessed the independence of the Independent Directors based on the criteria set out in the Listing Requirements;
- d. Reviewed and recommended to the Board the re-election of Directors;
- e. Reviewed the trainings attended by the Directors and determined their training needs;
- f. Reviewed the disclosures in the Nomination Committee Statement in the Annual Report;
- g. Reviewed the Terms of Reference of the NC;
- h. Reviewed and recommended the appointment of Ms. Chu Nyet Kim as a member of NC;
- i. Reviewed and revised the existing performance assessment forms for Directors, Board Committees and Key Senior Management and introduced Fit and Proper Self-Declaration form for the Directors and Key Senior Management; and
- j. Reviewed the composition of the Board and Board Committees.

##### Re-election of Directors

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

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

The Directors whom are due for retirement and seek re-election at the forthcoming AGM are Tan Sri Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Datin Paduka Rashidah Binti Ramli, Low Han Kee and Tay Tong Poh. The retiring Directors have given their consent for re-election at the forthcoming AGM.

##### Key Senior Management

The Key Senior Management ("KSM") of the Group are as follows:

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 3. REMUNERATION

##### Remuneration Committee ("RC")

The RC comprises exclusively Independent Non-Executive Directors. The RC is primarily responsible for the establishment, review and recommendation of the remuneration packages of Executive Directors, Non-Executive Directors and KSM in a formal and transparent manner. The RC have policies, guidelines and criteria for remuneration package for Directors and KSM to ensure that they are fairly and appropriately remunerated. The remuneration policy aims to attract, retain and motivate Directors and KSM to drive long-term objectives. The Terms of Reference of the RC is available on the Company's website at <https://www.leonghupinternational.com/>.

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

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

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

The RC will review and assess the remuneration packages, reward structure and benefits applicable to the Executive Directors and KSM on an annual basis and makes recommendations to the Board. The Board as a whole will determine the remuneration of the Executive Directors and KSM with each individual Director abstaining from the deliberation and decision of their own remuneration. The RC may obtain independent advice in establishing the level of remuneration for the Executive Directors and KSM.

The remuneration paid/payable to the Board for the FYE 31 December 2021 is tabulated as follows:-

##### a) Company

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 3. REMUNERATION (CONT'D)

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

##### a) Company (cont'd)

| Director   | RM'000   |                     |          |                 |                                 |            |
|--|----------|---------------------|----------|-----------------|---------------------------------|------------|
|  | Salaries | Fees <sup>(1)</sup> | Bonus    | Benefit-in-kind | Other Emoluments <sup>(1)</sup> | Total      |
| <b>Non-Executive Director</b>                              |          |                     |          |                 |                                 |            |
| Low Han Kee  | –        | 170                 | –        | –               | 30                              | 200        |
| Datin Paduka Rashidah Binti Ramli                          | –        | 120                 | –        | –               | 16                              | 136        |
| Chu Nyet Kim   | –        | 137                 | –        | –               | 28                              | 165        |
| Goh Wen Ling   | –        | 160                 | –        | –               | 30                              | 190        |
| Tay Tong Poh   | –        | 130                 | –        | –               | 20                              | 150        |
| Mahani Binti Amat<br><i>(Retired on 25 June 2021)</i>      | –        | 60                  | –        | –               | 10                              | 70         |
| Benny Lim Jew Fong<br><i>(Resigned on 15 October 2021)</i> | –        | –                   | –        | –               | –                               | –          |
| <b>Sub-Total</b>   | <b>–</b> | <b>777</b>          | <b>–</b> | <b>–</b>        | <b>134</b>                      | <b>911</b> |

##### b) Group

| Director                    | RM'000        |            |              |                 |                  |               |
|-----------------------------|---------------|------------|--------------|-----------------|------------------|---------------|
|                             | Salaries      | Fees       | Bonus        | Benefit-in-kind | Other Emoluments | Total         |
| <b>Executive Chairman</b>   |               |            |              |                 |                  |               |
| Lau Chia Nguang             | 3,321         | –          | 1,000        | 21              | 421              | 4,763         |
| <b>Executive Director</b>   |               |            |              |                 |                  |               |
| Tan Sri Dato' Lau Eng Guang | 2,243         | –          | 900          | 21              | 573              | 3,737         |
| Tan Sri Lau Tuang Nguang    | 1,987         | 611        | 950          | 25              | 381              | 3,954         |
| Datuk Lau Joo Hong          | 3,507         | –          | 900          | –               | 438              | 4,845         |
| Lau Joo Han                 | 1,998         | 151        | 450          | 82              | 779              | 3,460         |
| Lau Joo Keat                | 2,043         | –          | 892          | –               | 189              | 3,124         |
| <b>Sub-Total</b>            | <b>15,099</b> | <b>762</b> | <b>5,092</b> | <b>149</b>      | <b>2,781</b>     | <b>23,883</b> |



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 3. REMUNERATION (CONT'D)

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

##### b) Group (cont'd)

| Director   | RM'000   |                     |       |                 |                                 |            |
|--|----------|---------------------|-------|-----------------|---------------------------------|------------|
|  | Salaries | Fees <sup>(1)</sup> | Bonus | Benefit-in-kind | Other Emoluments <sup>(1)</sup> | Total      |
| <b>Non-Executive Director</b>                              |          |                     |       |                 |                                 |            |
| Low Han Kee  | –        | 170                 | –     | –               | 30                              | 200        |
| Datin Paduka Rashidah Binti Ramli                          | –        | 120                 | –     | –               | 16                              | 136        |
| Chu Nyet Kim   | –        | 137                 | –     | –               | 28                              | 165        |
| Goh Wen Ling   | –        | 160                 | –     | –               | 30                              | 190        |
| Tay Tong Poh   | –        | 130                 | –     | –               | 20                              | 150        |
| Mahani Binti Amat<br><i>(Retired on 25 June 2021)</i>      | –        | 60                  | –     | –               | 10                              | 70         |
| Benny Lim Jew Fong<br><i>(Resigned on 15 October 2021)</i> | –        | –                   | –     | –               | –                               | –          |
| <b>Sub-Total</b>   | –        | <b>777</b>          | –     | –               | <b>134</b>                      | <b>911</b> |

Note:

<sup>(1)</sup> Approved by shareholders at the 7th AGM of the Company.

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

#### Foster Commitment of Directors

##### Time Commitment

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 3. REMUNERATION (CONT'D)

##### Time Commitment (cont'd)

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

The Board and Board Committee members' meeting attendances for the FYE 31 December 2021 are as follows:-

| Directors   | Board Meeting | ARC Meeting | NC Meeting | RC Meeting |
|---|---------------|-------------|------------|------------|
| Lau Chia Nguang                                     | 5/5           | –           | –          | –          |
| Tan Sri Dato' Lau Eng Guang                         | 5/5           | –           | –          | –          |
| Tan Sri Lau Tuang Nguang                            | 5/5           | –           | –          | –          |
| Datuk Lau Joo Hong                                  | 5/5           | –           | –          | –          |
| Lau Joo Han   | 5/5           | –           | –          | –          |
| Lau Joo Keat  | 5/5           | –           | –          | –          |
| Low Han Kee   | 5/5           | 6/6         | –          | 2/2        |
| Datin Paduka Rashidah Binti Ramli                   | 5/5           | –           | –          | 2/2        |
| Chu Nyet Kim  | 5/5           | 6/6         | 1/1        | –          |
| Goh Wen Ling  | 5/5           | 6/6         | –          | 2/2        |
| Tay Tong Poh  | 5/5           | –           | 4/4        | –          |
| Mahani Binti Amat<br>(Retired on 25 June 2021)      | 2/3           | –           | 2/2        | –          |
| Benny Lim Jew Fong<br>(Resigned on 15 October 2021) | 4/4           | –           | 3/3        | –          |

##### Training and Development of Directors

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

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

|   |                             | List of training programmes/Seminars attended/participated             | Date           |
|---|-----------------------------|--|----------------|
| 1 | Lau Chia Nguang             | Cyber Threat (How to fight phishing, ransomware and other top attacks) | 24 August 2021 |
| 2 | Tan Sri Dato' Lau Eng Guang | Cyber Threat (How to fight phishing, ransomware and other top attacks) | 24 August 2021 |
| 3 | Tan Sri Lau Tuang Nguang    | Cyber Threat (How to fight phishing, ransomware and other top attacks) | 24 August 2021 |
| 4 | Datuk Lau Joo Hong          | Cyber Threat (How to fight phishing, ransomware and other top attacks) | 24 August 2021 |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 3. REMUNERATION (CONT'D)

##### Training and Development of Directors (cont'd)

|   |                                   | List of training programmes/Seminars attended/participated   | Date               |
|---|-----------------------------------|--|--------------------|
| 5 | Lau Joo Han                       | Cyber Threat (How to fight phishing, ransomware and other top attacks)   | 24 August 2021     |
| 6 | Lau Joo Keat                      | Cyber Threat (How to fight phishing, ransomware and other top attacks)   | 24 August 2021     |
| 7 | Low Han Kee                       | Disruption Governance  | 01 April 2021      |
|   |                                   | Implementating Amendment in the Malaysia Code of Corporate Governance  | 14 June 2021       |
|   |                                   | Cyber Threat (How to fight phishing, ransomware and other top attacks)   | 24 August 2021     |
|   |                                   | Leadership Sharing on The ESG: A Fire-Side Chat With Dato' Zuraidah Atan   | 02 September 2021  |
|   |                                   | Sustainability Training  | 28 October 2021    |
| 8 | Datin Paduka Rashidah Binti Ramli | Cyber Threat (How to fight phishing, ransomware and other top attacks)   | 24 August 2021     |
| 9 | Chu Nyet Kim                      | Understanding the Investment Outlook for 2021  | 21 January 2021    |
|   |                                   | MFRS Considerations of the Covid-19 Pandemic and Economic Recession  | 08 February 2021   |
|   |                                   | Impact of Green Bonds to NDCs under the Paris Agreement.   | 03 March 2021      |
|   |                                   | Audit Committee Conference 2021  | 15 & 16 March 2021 |
|   |                                   | 7th ACCA Asia Pacific Thought Leadership Forum : Watch out for grey rhino in the Year of the metal Ox                  | 16 March 2021      |
|   |                                   | Tax Insights with KPMG Malaysia  | 24 March 2021      |
|   |                                   | Introduction to Phishing   | 29 April 2021      |
|   |                                   | Unlocking Future Opportunities: Trends and key learnings in navigating the new reality in TMT, Health & Energy sectors | 04 May 2021        |
|   |                                   | Board and Audit Committee Priorities 2021  | 07 May 2021        |
|   |                                   | Topical issues facing SMEs   | 27 May 2021        |
|   |                                   | Implementing Amendments in the Malaysian Code on Corporate Governance  | 14 June 2021       |
|   |                                   | Launching of Economic Monitor June 2021 Edition - "Weathering the Surge", hosted by World Bank Malaysia                | 23 June 2021       |
|   |                                   | Rethinking Risks as Businesses Strive for Recovery   | 23 June 2021       |
|   |                                   | Code of Ethical Conduct; Anti Bribery & Corruption Training (PZ Cussons inhouse e-learning)                            | 17 July 2021       |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### 3. REMUNERATION (CONT'D)

##### Training and Development of Directors (cont'd)

|    |                       | List of training programmes/Seminars attended/participated  | Date              |
|----|-----------------------|---|-------------------|
| 9  | Chu Nyet Kim (cont'd) | IASB ED/2021/3 Disclosure Requirements in IFRS Standard - A Pilot Approach : Organised by Malaysian Accounting Standard Board | 26 July 2021      |
|    |                       | Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness  | 29 & 30 July 2021 |
|    |                       | Singapore Governance Transparency Forum 2021 - organised by Centre for Governance & Sustainability                            | 04 August 2021    |
|    |                       | Digitalisation for business growth & sustainability   | 20 August 2021    |
|    |                       | Cyber Threat (How to fight phishing, ransomware and other top attacks)  | 24 August 2021    |
|    |                       | GMT Tax Services - Transfer Pricing   | 17 September 2021 |
|    |                       | Latest updates on Global Minimum Tax – Through the lens of Malaysia   | 28 October 2021   |
|    |                       | Post Budget 2022  | 11 November 2021  |
|    |                       | Law on Harmonization Taxation Regulation  | 16 November 2021  |
|    |                       | Tax & Legal update 2021   | 16 November 2021  |
|    |                       | Southeast Asia's Turning Point (climate change issues etc)  | 17 November 2021  |
|    |                       | Audit Oversight Board Conversation with Audit Committee   | 29 November 2021  |
|    |                       | Update on Individual income taxation  | 14 December 2021  |
| 10 | Goh Wen Ling          | Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness  | 29 & 30 July 2021 |
|    |                       | Cyber Threat (How to fight phishing, ransomware and other top attacks)  | 24 August 2021    |
| 11 | Tay Tong Poh          | Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness  | 29 & 30 July 2021 |
|    |                       | Cyber Threat (How to fight phishing, ransomware and other top attacks)  | 24 August 2021    |

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



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### 1. AUDIT AND RISK COMMITTEE ("ARC")

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

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

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

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

#### Assessment of External Auditors

The ARC considered the adequacy of experience and resources of the audit firm and the professional staff assigned to the audit, independence of PricewaterhouseCoopers PLT ("PwC") and the level of non-audit services rendered to the Group and the Company for the FYE 31 December 2021.

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

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

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

#### 2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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

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

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

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

Further details relating to the review on internal control system are set out in the Statement on Risk Management and Internal Control on page 74 to page 80 of the Annual Report.

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

#### 1. COMMUNICATION WITH STAKEHOLDERS

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

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

#### 2. CONDUCT OF GENERAL MEETINGS

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

In view of Covid-19 pandemic, the 7th AGM was convened on 25 June 2021 and was conducted fully virtual via the Remote Participation and Voting (RPV) facilities. The Company had notified the shareholders on the conduct of the 7th AGM via the announcement to Bursa Securities and the Company's corporate website. The complete minutes of the 7th AGM is published on the Company's corporate website within 30 days after the 7th AGM.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**

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

#### **2. CONDUCT OF GENERAL MEETINGS (CONT'D)**

The Company will be conducting its 8th AGM fully virtual via RPV application, allowing attendance by shareholders and proxy holders via remote participation and voting in absentia.

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

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

#### **KEY FOCUS AREA IN RELATION TO CORPORATE GOVERNANCE PRACTICES**

The Group will continue to strive on implementing the policies and procedures to promote better governance culture and ethical behaviour within the Group and to prevent occurrence of corrupt practices.

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

This CG Overview Statement was approved by the Board on 19 April 2022.

## ADDITIONAL COMPLIANCE INFORMATION

### UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Leong Hup International Berhad (“LHI” or the “Company”) was listed on the Main Market of Bursa Malaysia Securities Berhad on 16 May 2019 (“Listing”). In conjunction with the Listing, the Company undertook a public issue of 250,000,000 new ordinary shares at an issue price of RM1.10 per share, raising gross proceeds of RM275 million (“IPO Proceeds”).

Due to changes in the market caused by the Covid-19 pandemic, the Board of Directors (“Board”) had approved to suspend certain planned farm expansions and defer others. Thus, the unutilised proceeds raised from the Initial Public Offering (“IPO”) which were earlier earmarked for the said farm expansions had been reallocated as working capital for the Group.

In view of the above, the Board had on 20 May 2021 resolved to vary and extend the timeframe for the unutilised IPO Proceeds during the financial year as set out below:

| Purpose                                      | Original proposed utilisation (RM '000) | Revised proposed utilisation (RM '000) | Original timeframe for utilisation from the date of Listing | Revised timeframe for utilisation from the date of Listing |
|--|---|--|---|--|
| Capital expenditure                          | 207,733                                 | 142,733                                | within 24 months  | within 42 months   |
| Working capital                              | 32,959                                  | 97,959                                 | within 6 months   | within 30 months   |
| Defray fees and expenses for IPO and Listing | 34,308                                  | 34,308                                 | within 3 months   | within 3 months  |
| <b>Total</b>                                 | <b>275,000</b>                          | <b>275,000</b>                         |   |  |

The IPO Proceeds had been fully utilised as at 31 December 2021. The utilisation of proceeds as disclosed above should be read in conjunction with the Company’s Prospectus dated 25 April 2019.

### AUDIT AND NON-AUDIT FEES

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

|  | Group 2021 (RM '000) | Company 2021 (RM'000) |
|--|----------------------|-----------------------|
| Statutory audit fees paid/payable to                           |                      |                       |
| - PricewaterhouseCoopers PLT                                   | 1,358                | 90                    |
| - Member firms of PricewaterhouseCoopers International Limited | 1,892                | -                     |
| Non-audit fees paid/payable to:-                               |                      |                       |
| - PricewaterhouseCoopers PLT                                   | 55                   | -                     |
| - Member firms of PricewaterhouseCoopers International Limited | 459                  | -                     |

## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

### EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

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

|                                     | During FYE<br>31 December 2021 | Since commencement<br>of ESOS |
|-------------------------------------|--------------------------------|-------------------------------|
| Total number of options granted     | –                              | 35,092,000                    |
| Total number of options exercised   | –                              | –                             |
| Total number of options forfeited   | (1,255,000)                    | (1,938,000)                   |
| Total number of options expired     | –                              | –                             |
| Total number of options outstanding | 33,154,000                     | 33,154,000                    |

| Options Granted to Directors and Chief Executive | During FYE<br>31 December 2021 | Since commencement<br>of ESOS |
|--|--------------------------------|-------------------------------|
| Aggregate options granted                        | –                              | 8,490,000                     |
| Aggregate options exercised                      | –                              | –                             |
| Aggregate options outstanding                    | 8,490,000                      | 8,490,000                     |

| Options Granted to Directors and Key Senior Management | During FYE<br>31 December 2021 | Since commencement<br>of ESOS |
|--|--------------------------------|-------------------------------|
| Aggregate maximum allocation in percentage             | –                              | 50.00%                        |
| Actual percentage granted                              | –                              | 36.07%                        |

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

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors, Chief Executive Officer or major shareholders, either still subsisting at the end of the FYE 31 December 2021 or entered into since the end of the previous year.

### SIGNIFICANT RELATED PARTY TRANSACTIONS

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



## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

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

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

The status of compliance with regard to the affected buildings in Malaysia as at 31 March 2022 are as follows:

| (A) Farms and hatcheries which current express condition imposed on the land titles allowing for poultry farming where the status of KM/Temporary Planning Permission (Kebenaran Merancang Terhad) ("KMT")/CCC/Temporary Building Permit ("TBP") applications are as follows:- | No. of farms and hatcheries |
|--|-----------------------------|
| - KM applications approved and currently in the process of obtaining the CCC   | 42                          |
| - KMT applications approved and currently in the process of obtaining the TBP  | 6                           |
| - Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils   | 31                          |
| - KMT applications submitted or to be submitted and subsequently to obtain the TBP   | 3                           |
| - TBP obtained   | 5                           |
| <b>Sub-total</b>   | <b>87</b>                   |
| <b>(B) Farms and hatcheries that are not able to change their express condition imposed on land titles to allow for poultry farming</b>  | <b>11</b>                   |
| <b>(C) Farms and hatcheries where applications for change in express condition are still pending approval where the status of KM/KMT/CCC/TBP applications are as follows:-</b>   |                             |
| - KM applications approved and currently in the process of obtaining the CCC   | 22                          |
| - Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils   | 15                          |
| - KMT applications submitted or to be submitted and subsequently to obtain the TBP   | 2                           |
| - TBP obtained   | -                           |
| <b>Sub-total</b>   | <b>39</b>                   |
| <b>Total</b>   | <b>137</b>                  |

The status of the SLF application for the affected buildings in Indonesia as at 31 March 2022 are as follows:

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

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers, issued by the Task Force on Internal Control, with the support and endorsement of Bursa Securities as well as the Malaysian Code on Corporate Governance 2021, the Board of Directors ("Board") is pleased to present the Statement on Risk Management and Internal Control for the financial year ended ("FYE") 31 December 2021, which outlines the nature and scope of risk management and internal control of Leong Hup International Berhad and its subsidiaries (the "Group").

## BOARD'S RESPONSIBILITIES

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

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

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

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

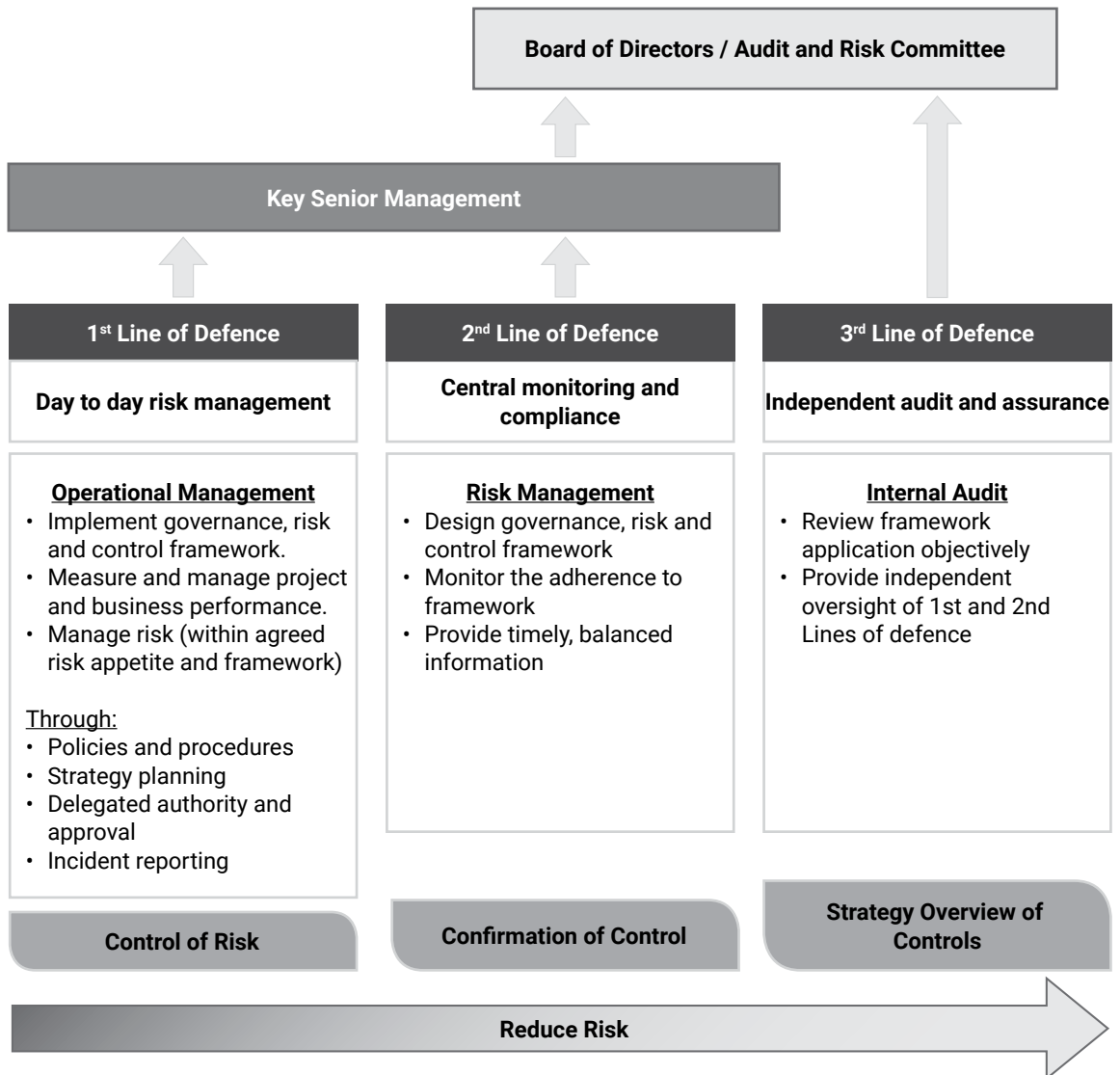
## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

**a) Risk Management**

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

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



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

#### a) Risk Management (cont'd)

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

- **Strategic Risk**

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

- **Operational Risk**

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

- **Financial Risk**

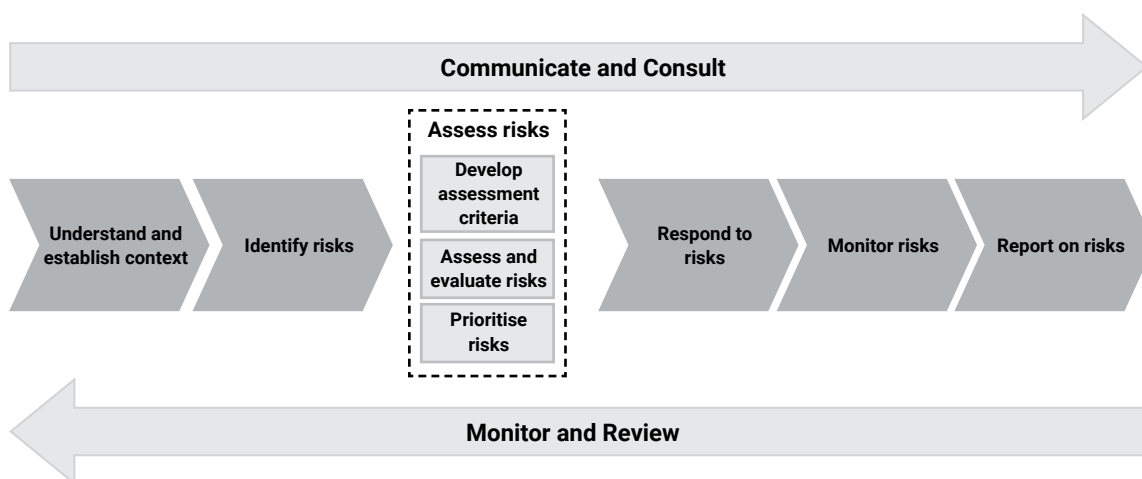
The Group is exposed to various financial risks arising from its operations and the use of financial instruments. Such risks include credit risk, liquidity risk, foreign currency exchange risk and interest rate risk. The Group's risk management objectives coupled with the required quantitative and qualitative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

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

#### a) Risk Management (cont'd)

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



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

#### b) Internal Control

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

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

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

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



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

#### b) Internal Control (cont'd)

##### Internal Audit ("IA") Function

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

The Group's internal audit services for FYE 31 December 2021 were outsourced to an independent external party, Deloitte Business Advisory Sdn Bhd ("Internal Auditors").

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

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

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

##### i. Fixed Asset Management

Reviewed the internal control and procedures pertaining to the following:

- Asset acquisition and capitalisation;
- Asset depreciation and disposal;
- Managing fixed asset register and/or master file; and
- Asset identification and tagging.

##### ii. Safety and Health Management

Reviewed the internal control and procedures pertaining to the following:

- Compliance monitoring and reporting;
- Hazard identification and assessment;
- Hazard prevention and control; and
- Education and training.

##### iii. Compliance Management

Reviewed the internal control and procedures pertaining to the following:

- Compliance with industry rules and regulations (eg: Bureau of Inland Revenue, Department of Labour and Employment, and Department of Agriculture);
- Compliance monitoring and reporting; and
- Follow up and improvement plans.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

#### b) Internal Control (cont'd)

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

##### iv. Sales Management

Reviewed the internal control and procedures pertaining to the following:

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

##### v. Recurrent Related Party Transactions ("RRPT")

Reviewed the internal control and procedures pertaining to the following:

- Recording and reporting of RRPT;
- Reasonableness of transactions (arm's length); and
- RRPT reporting and disclosure.

The total cost incurred for the IA function in respect of the FYE 31 December 2021 amounted to RM50,000. The scope and scale of IA work carried out during the year were hindered by Movement Control Orders ("MCO"), overseas travel restrictions and quarantine requirements imposed by the authorities in which the Group operates. The ARC has since taken the necessary actions to address these issues for the planned IA work to be completed accordingly.

### CONCLUSION

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

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

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

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

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

### **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

As required by Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed the Statement on Risk Management and Internal Control in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the FYE 31 December 2021.

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

This statement is issued in accordance with a resolution of the Board dated 19 April 2022.

# AUDIT AND RISK COMMITTEE'S REPORT

The Board of Leong Hup International Berhad is pleased to present the Audit and Risk Committee ("ARC") Report for the financial year ended ("FYE") 31 December 2021 in compliance with Paragraph 15.15 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

## THE ARC AT A GLANCE

|                            |           |
|----------------------------|-----------|
| No. of Members             | 3         |
| No. of Independent Members | 3         |
| No. of Meetings            | 6 in 2021 |
| Attendance Rate            | See below |

## MEMBERS

| No. | Name         | Status                                    | Designation | Meetings Attended |
|-----|--------------|---|-------------|-------------------|
| 1   | Low Han Kee  | Senior Independent Non-Executive Director | Chairman    | 6/6               |
| 2   | Chu Nyet Kim | Independent Non-Executive Director        | Member      | 6/6               |
| 3   | Goh Wen Ling | Independent Non-Executive Director        | Member      | 6/6               |

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

## COMPOSITION AND SKILLS

- All members are financially literate.
- All members are able to read, analyse, interpret and understand financial statements.
- Each member has skill sets which make the ARC effective as a team, lending it the ability to effectively discharge its duties and responsibilities.
- All members are appointed by the Board from amongst their number and consist of not less than 3 members.
- None of the members were former key audit partners of the Company's existing External Auditors.
- Ms. Chu Nyet Kim is a member of the Association of Chartered Certified Accountant ("ACCA") and a member of the Malaysian Institute of Accountants ("MIA").
- Mr. Low Han Kee is a member of the Malaysian Institute of Certified Public Accountants ("MICPA").
- The composition of ARC is in compliance with the Paragraph 15.09 of the Listing Requirements.

## TERMS OF REFERENCE

The Terms of Reference of the ARC which are in line with the provisions of the Listing Requirements, the Malaysian Code on Corporate Governance and other best practices are accessible for reference on the Company's website at <https://www.leonghupinternational.com/investor/corporate-governance>. The Terms of Reference was last reviewed by the ARC on 18 April 2022.

## AUDIT AND RISK COMMITTEE'S REPORT (CONT'D)

### SUMMARY OF WORKS OF THE ARC

During the financial year under review, the ARC carried out the following activities in discharging their duties and responsibilities as below:

#### 1. *Financial Reporting and Compliance*

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

| Date of Meeting  | Quarterly Results / Financial Statements Reviewed                                |
|------------------|--|
| 19 May 2021      | Unaudited first quarter results for the period ended 31 March 2021               |
| 23 August 2021   | Unaudited second quarter results for the period ended 30 June 2021               |
| 22 November 2021 | Unaudited third quarter results for the period ended 30 September 2021           |
| 21 February 2022 | Unaudited fourth quarter results for the period ended 31 December 2021           |
| 18 April 2022    | Draft audited financial statements for the financial year ended 31 December 2021 |

The ARC reviewed the Group's quarterly unaudited financial results for announcements to Bursa Securities before recommending the same for approval by the Board upon being satisfied that it had complied with the Financial Reporting Standard 134 – Interim Financial Reporting, Main Market Listing Requirements and other relevant regulatory requirements. The ARC had also reviewed the Audited Financial Statements of the Company and the Group for the FYE 31 December 2021 prior to submission to the Board for approval, upon the ARC being satisfied that, inter alia, the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the application of Malaysian Financial Reporting Standards ("MFRS") issued by Malaysian Accounting Standards Board ("MASB"). The Group Chief Financial Officer was present to explain the financial performance of the Group to the members of ARC.

#### 2. *Internal Audit*

The Company outsourced its internal audit and risk management function to an independent professional consulting firm for year 2021, namely, Deloitte Business Advisory Sdn Bhd ("Internal Auditors") to undertake regular and systematic reviews of the adequacy and effectiveness of internal control systems and risk management processes in the Company and its subsidiaries. The Internal Auditors report directly to the ARC. The Internal Auditors conducted the audit work as per the Audit Plan approved by the ARC. The ARC received and reviewed the internal audit findings and reports from the Internal Auditors on a quarterly basis except for first, second and fifth meetings during the year due to the movement control restrictions imposed by the governments to contain the spread of COVID-19.

The ARC had on 22 February 2021 reviewed the adequacy of the scope, competency and resources of the internal audit function and was satisfied with the Internal Auditors' performance.

The ARC had a private session with the Internal Auditors on 22 February 2021 without the presence of the Management to discuss internal control weaknesses and internal audit findings. The Internal Auditors informed the ARC that they did not encounter any issue throughout the course of its audits.

The ARC had on 22 November 2021 reviewed the outsourced internal audit and risk management functions and agreed on the appointment of new Internal Auditors in order for the Group to accomplish its objective to improve the effectiveness of risk management, internal control and governance processes. The ARC decided to outsource its internal audit and risk management services to KPMG Management & Risk Consulting Sdn Bhd for FYE 31 December 2022 and FYE 31 December 2023.

Please refer to the Statement on Risk Management and Internal Control in this Annual Report for the summary of works of the internal audit function during the FYE 31 December 2021.



## AUDIT AND RISK COMMITTEE'S REPORT (CONT'D)

### SUMMARY OF WORKS OF THE ARC (CONT'D)

#### 3. *External Audit*

The ARC had on 22 February 2021 reviewed and assessed the independence and effectiveness of the External Auditors of the Company and was satisfied with their performance. Thereafter, the ARC recommended to the Board on the re-appointment of the External Auditors for the FYE 31 December 2021 and subsequently to the shareholders for approval at the general meeting.

The shareholders had at the annual general meeting held on 25 June 2021 approved the re-appointment of PricewaterhouseCoopers PLT as the External Auditors of the Company for the ensuing year.

At the ARC meeting held on 23 August 2021, the ARC reviewed, discussed and approved the Audit Plan of the Group which includes the scope of work of the External Auditors for the FYE 31 December 2021 to ensure that the time allocated to audit the areas of high risks as highlighted in the Group's risk matrices are adequately dealt with and the level of resources and experience assigned to the examination were appropriate.

The ARC had also reviewed the fees of the External Auditors. The ARC met with the External Auditors without the presence of the Management on 21 February 2022 to discuss key issues within their responsibilities and to ensure there were no restrictions on their scope of audit for FYE 31 December 2021.

For the effective and efficient functioning of the ARC, the ARC held a discussion with the External Auditors and Management to review any audit issues and reservations arising from the statutory audit of the Group for the FYE 31 December 2021 including financial reporting issues, significant judgements made by the Management and potential key audit matters identified for the Group.

The ARC is responsible to monitor the performance, objectivity and independence of the External Auditors. In view thereof, the ARC had 18 April 2022 reviewed the External Auditors Assessment Policy.

#### 4. *Related Party Transactions*

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

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

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

#### 5. *Others*

- (a) The ARC had reviewed the proposed first and final interim single tier dividend for the FYE 31 December 2021, taking into consideration the cash flow requirements before recommending to the Board for approval.
- (b) The ARC had reviewed the non-audit services and fees incurred as of 31 December 2021.
- (c) The ARC had reviewed the Statement on Risk Management and Internal Control, Audit and Risk Committee's Report, Corporate Governance Overview Statement & Corporate Governance Report and recommended the same to the Board for inclusion in the Annual Report.
- (d) The ARC had reviewed the Circular to Shareholders in respect of the Recurrent Related Party Transactions of the Group to the Board for approval prior to recommending to the shareholders' for approval.

# DIRECTORS' RESPONSIBILITY STATEMENT

For the Annual Audited Financial Statements

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

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

In preparing the financial statements for the FYE 31 December 2021, the Directors have:

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

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