

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)
(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1.1 Basis of preparation**

The financial statements of the Group for the financial year ended 31 December 2015, 31 December 2016 and 31 December 2017 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the interim financial statements of the Group for the ten months period ended 31 October 2018 have been prepared in accordance with MFRS 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting".

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2.

The Group has also considered the new accounting pronouncements in the preparation of the financial statements.

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

The Group has applied the following amendments for the first time for the financial period beginning on 1 January 2018:

- Amendments to MFRS 140 'Classification on 'Change in Use' - Assets transferred to, or from, Investment Properties'.
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'.

The adoption of these amendments did not have any impact on the current period or any prior periods and is not likely to affect future periods.

2.1.3 Standards early adopted by the Group

The Group has adopted MFRS for the first time in the financial year beginning 1 January 2017 with a date of transition on 1 January 2015. Accordingly, the Group has consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2015 and throughout the reported periods. The Group has also elected to early adopt the following amendments in financial year beginning 1 January 2017 with date of transition on 1 January 2015 and consistently applied throughout the reported periods.

- MFRS 9 'Financial Instruments' replaces MFRS 139 'Financial Instruments: Recognition and Measurement'.
- MFRS 15 'Revenue from contracts with customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.4 Standards and amendments that have been issued but not yet effective and not early adopted**

A number of new standards and amendments to standards and interpretations are effective for financial year beginning 1 January 2019.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group will apply the new standards from its mandatory adoption date of 1 January 2019, being the date of initial application ("DIA"). The Group intends to apply the simplified retrospective approach. Under this approach, the Group is not required to restate the comparatives and the MFRS 16 adjustments will be reflected in the opening retained earnings at DIA. At DIA, the Group will recognise and measure the lease liability at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at DIA. The Group will recognise and measure the right-to-use asset, on a lease-by-lease basis, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised immediately before DIA.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time using the effective interest method with interest expense recognised in the income statement.

The estimated financial effect to the Group on the adoption of MFRS 16 at DIA are as follows:

- Total assets and total liabilities of the Group are expected to increase by approximately RM91 million respectively due to the recognition of right-of-use asset and lease liabilities relating to leases other than short-term leases and leases of low-value;
- Everything else held constant, the rental expense is expected to decrease by approximately RM14 million while the amortisation of right-of use asset and interest expense are expected to increase by approximately RM16 million, the net difference of approximately RM2 million for the FYE 31 December 2019 will not have material impact on the basic and diluted earnings per share of the Group;
- Everything else held constant, EBITDA of the Group is expected to improve by approximately RM14 million as the rental expense was charged against EBITDA line under MFRS 117, while the amortisation charge and interest expense will be excluded from the EBITDA line under MFRS 16.

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- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective from 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective from 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

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- Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
 - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
 - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
 - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- Amendments to MFRS 119 'Plan amendment, curtailment or settlement' (effective from 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

The adoption of these new accounting standards or amendments to standards and interpretations do not have material effect on the financial statements for the current financial year/period and any prior period covered by this report.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.5 Basis of consolidation**

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

(a) Subsidiaries

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

Business combinations under acquisition method

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.1.6).

Acquisition-related costs are expensed as incurred.

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

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

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

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial statements reflect both entities' full year's results. The comparative information is restated to reflect the combined results of both entities.

Transactions between Group companies

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

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

Non-controlling interests

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

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

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2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.5 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Loss of control

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

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

(b) Associates

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.5 Basis of consolidation (continued)****(b) Associates (continued)**

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

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

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

2.1.6 Goodwill

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates. See accounting policy Note 2.1.10 on impairment of non-financial assets.

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

2.1.7 Investments

Short term investments in marketable securities are classified as financial assets at fair value through profit or loss and measured at fair value on the date a transaction is entered into and are subsequently re-measured at fair value with changes in fair value recognised in profit or loss. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the statement of financial position date. On disposal of an investment, the difference between net disposal proceeds and its fair value is recognised in profit or loss.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.8 Property, plant and equipment**

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.1.20 on borrowings and borrowing costs).

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

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

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease (refer to accounting policy Note 2.1.14(a) on finance leases) is amortised in equal instalments over the period of the respective leases. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost, to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	47 to 98 years
Buildings	2% - 12.5%
Land improvement	2% - 5%
Plant and machinery	5% - 20%
Motor vehicles, furniture, fittings, equipment and renovation	5% - 50%

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. (see accounting policy Note 2.1.10 on impairment of non-financial assets).

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.9 Investment properties**

Investment properties, comprising principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset. Costs of the investment property are net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the investment property.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to their residual values over their estimated useful lives of 8 to 50 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

If an item of owner-occupied property becomes an investment property because its use has changed, the carrying amount of the property does not change.

2.1.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

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

- Fair value through profit or loss (FVPL); or
- Amortised cost
- Fair value through other comprehensive income (FVOCI)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Fair value through profit or loss (FVPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

(ii) Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(iii) Fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss, and
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.
- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.11 Financial assets (continued)

(b) Measurement (continued)

Equity instruments (continued)

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 2.40(a) details how the Group determines whether there has been a significant increase in credit risk.

The Group applies an expected credit loss ('ECL') impairment model on financial assets carried at amortised cost.

For trade receivables that do not contain significant financing components, the Group applies the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. For other receivables and amounts due from fellow subsidiaries and related parties, the Group applies ECL impairment model based on changes in credit quality since initial recognition.

(d) Derecognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.12 Financial liabilities**

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following category after initial recognition for the purpose of subsequent measurement:

(i) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in statements of comprehensive income when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statements of comprehensive income.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.13 Offsetting financial instruments**

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

2.1.14 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Accounting by lessee**(i) Finance leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

13. ACCOUNTANTS' REPORT (Cont'd)**LEONG HUP INTERNATIONAL BERHAD**

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.14 Leases (continued)****(b) Accounting by lessor****(i) Finance leases**

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

(ii) Operating leases

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.1.15 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value, with the amount of goods and services tax (GST) included. The net amount of GST recoverable from the government is presented as other receivables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 2.1.11(c) on impairment of financial assets.

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.16 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates, discounts and the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2.1.17 Cash and cash equivalents

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

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

2.1.18 Share capital**(a) Classification**

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.18 Share capital (continued)****(d) Earnings per share****Basic earnings per share**

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

2.1.19 Trade payables

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

Trade payables are recognised initially at fair value, with the amount of goods and services tax (GST) included. The net amount of GST payable to the government is presented as 'Other payables and accrued expenses' in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

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

13. ACCOUNTANTS' REPORT (Cont'd)**LEONG HUP INTERNATIONAL BERHAD**

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.20 Borrowings and borrowing costs****(i) Borrowings**

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

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

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

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

(ii) Borrowing costs

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.21 Current and deferred income tax**

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

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

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

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

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.22 Employee benefits****(a) Short term employee benefits**

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

(b) Post-employment pension benefits

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

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

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

(i) Defined contribution plans

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.22 Employee benefits (continued)****(b) Post-employment pension benefits (continued)****(ii) Defined benefit plans**

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

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.23 Provisions**

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

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

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

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

2.1.24 Revenue recognition**(i) Revenue from contracts with customers**

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

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

Sales of livestock and other poultry related products

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.24 Revenue recognition (continued)****(i) Revenue from contracts with customers (continued)**Sales of poultry feed

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

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

(ii) Revenue from other sources

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

- Operating lease income is recognised on the straight-line basis over the lease terms. (Note 2.1.14(b)(ii))
- Interest income is recognised using the effective interest method.
- Dividend income is recognised when the Group's right to receive payment is established.

2.1.25 Foreign currencies**(i) Functional and presentation currency**

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

(ii) Transactions and balances

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.25 Foreign currencies (continued)****(ii) Transactions and balances (continued)**

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

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

(iii) Group companies

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.1.25 Foreign currencies (continued)

(iii) Group companies (continued)

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

2.1.26 Biological assets

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

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

Breeders

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

Commercial layers

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.26 Biological assets (continued)**Broilers

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

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

Hatching eggs

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

2.1.27 Derivative financial instruments

The Group use foreign currency forward contract to manage the risk associated with the sale and purchase transactions of the foreign currency exposure generated.

Foreign currency forward contracts are initially recognised at fair value at the date the contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Foreign currency forward contracts with a positive fair value is recognised as financial assets and a negative fair value is recognised as financial liabilities.

Details of foreign currency forward contracts entered into by the Group are disclosed in Note 2.22 to the financial statements.

2.1.28 Land use rights

Land use rights are prepayments for leases where a significant portion of the risks and rewards of ownership are not expected to pass to the lessee and therefore are operating leases. Land use rights are carried at cost or surrogate carrying amount and are amortised on a straight line basis over the lease terms.

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

13. ACCOUNTANTS' REPORT (Cont'd)**LEONG HUP INTERNATIONAL BERHAD**

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1.29 Segment reporting**

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

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

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Biological assets

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

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

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

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

The Group recorded a fair value for its biological assets of RM357,325,000 as at 31 October 2018 (31.12.2015: RM277,229,000, 31.12.2016: RM311,019,000, 31.12.2017: RM313,270,000). The key assumptions used in the discounted cash flow model and the sensitivity analysis are disclosed in Note 2.16 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****(ii) Impairment of goodwill**

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

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 2.12 to the financial statements.

(iii) Post-employment benefit obligation

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

Actual results that differ from the Group assumptions are treated in accordance with the policies as mentioned in Note 2.1.22 to the consolidated financial statements. While the Group actual experience or significant changes in the Group assumptions may materially affect its estimated liability for employee benefits and employee benefits expense. The carrying amount of the Group post-employment benefit obligation is disclosed in Note 2.29 to the consolidated financial statements.

(iv) Income taxes

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

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

(v) Deferred taxes

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. (See Note 2.15)

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 REVENUE

The Group derives the following types of revenue:

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Revenue from sales of goods	4,685,919	5,241,659	5,487,339	4,678,665	4,558,038
Revenue from other sources:					
- Lease income	13,473	14,306	11,888	10,760	9,070
- Others	15,174	1,425	2,137	870	967
Total revenue	4,714,566	5,257,390	5,501,364	4,690,295	4,568,075

Disaggregation of revenue from sales of goods:

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Livestock and other poultry related products	2,992,566	3,298,457	3,349,534	2,849,653	2,749,823
Feedmill	1,693,353	1,943,202	2,137,805	1,829,012	1,808,215
	4,685,919	5,241,659	5,487,339	4,678,665	4,558,038

Revenue from contracts with customers are recognised at a point in time.

2.4 EMPLOYEE BENEFIT COSTS INCLUDING DIRECTORS' REMUNERATION

(a) Employee benefit costs including Directors' remuneration

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Salaries, wages and bonuses	386,981	440,011	472,533	404,706	403,102
Defined contribution plans	20,684	23,662	24,517	21,210	20,736
Defined benefit plan	4,514	5,807	7,126	5,525	5,661
	412,179	469,480	504,176	431,441	429,499

(b) The breakdown of the Directors' remuneration of the Group is disclosed in Note 2.34 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 PROFIT FROM OPERATIONS

(a) Analysis of profit from operations using classification based on function of the Group:

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited	Audited	Audited	Audited	Unaudited
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	4,714,566	5,257,390	5,501,364	4,690,295	4,568,075
Cost of sales	(3,939,565)	(4,203,934)	(4,588,808)	(3,861,544)	(3,820,805)
Gross profit	775,001	1,053,456	912,556	828,751	747,270
Other operating income	47,731	27,282	29,953	29,754	28,326
Selling and distribution expenses	(153,791)	(206,008)	(240,999)	(183,227)	(183,299)
Administrative and other operating expenses	(357,636)	(424,839)	(317,527)	(296,509)	(285,414)
Profit from operations	<u>311,305</u>	<u>449,891</u>	<u>383,983</u>	<u>378,769</u>	<u>306,883</u>

Cost of sales relates to the cost of biological assets and inventories sold. The cost of biological assets includes the cost of livestock purchase plus all attributable costs in growing the livestock to saleable condition. The cost of trading inventories comprises the original purchase price plus incidental cost in bringing these inventories to their present location and condition. For manufactured inventories, cost comprises raw materials, direct labour, an appropriate portion of fixed and variable production overheads based on normal operating capacity and other incidental costs.

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited	Audited	Audited	Audited	Unaudited
	RM'000	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:					
- PricewaterhouseCoopers					
PLT, Malaysia	-	788	1,107	925	923
- Member firms of PricewaterhouseCoopers International Limited	-	737	1,552	1,245	1,293
- Others	1,492	582	48	273	40
Foreign exchange loss/(gain):					
- realised	6,312	5,100	3,061	(3,041)	1,743
- unrealised	4,081	4,304	350	(635)	(389)
Fair value loss/(gain) on derivative financial instruments	2,584	(2,673)	1,137	(1,683)	(611)
Rental expense on:					
- land	5,207	7,695	7,638	3,944	6,583
- premises	9,830	8,743	6,527	7,978	6,233
- equipment	664	1,871	840	866	673
- motor vehicles	1,128	1,678	255	239	229

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 PROFIT FROM OPERATIONS (CONTINUED)

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

	<u>Financial years ended</u>			<u>10 months financial period ended</u>	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Write-off of:					
- property, plant and equipment	2,140	5,223	1,997	1,698	1,348
- investment properties	-	754	2	-	2
Impairment loss on property, plant and equipment	-	3,055	1,483	-	-
Impairment loss/(reversal of impairment loss) on:					
- trade receivables	2,354	13,575	1,824	479	(983)
- other receivables	3,364	(92)	(1,682)	-	(1,587)
Provision/(reversal of provision) for claims	-	43,456	(7,617)	-	-
Expense recognised in respect of defined benefit plan	4,514	5,807	7,126	5,525	5,661
Farmers' incentive	41,990	42,688	38,664	32,637	33,575
Packing materials	16,631	17,342	19,089	15,306	18,923
Travelling expenses	9,692	10,076	9,852	8,813	8,049
Promotional and marketing expenses	7,941	10,384	6,748	5,519	6,700
Interest income	(4,849)	(3,434)	(6,501)	(7,097)	(4,697)
Rental income	(1,756)	(1,211)	(2,211)	(1,662)	(1,758)
Dividend income	(173)	(57)	-	-	-
(Gain)/loss on disposal of:					
- property, plant and equipment	(935)	232	(93)	(719)	915
- land use rights	-	-	490	(200)	-
- other investment	(129)	137	-	-	-
- subsidiary	-	-	-	(78)	-
Bad debts written off	147	328	5	88	5
Bad debts recovered	-	-	-	(185)	-
Write off of Value Added Tax receivable	-	-	-	9,789	-
Proposed listing expenses	-	-	-	22,876	-

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6 FINANCE COSTS

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Interest expense on:					
Bankers' acceptances	15,705	15,648	16,447	13,739	12,537
Bank overdrafts	1,771	21,116	3,079	1,863	2,872
Term loans	64,611	49,125	42,221	42,108	33,105
Finance lease liabilities	1,170	2,018	2,636	2,374	2,158
Revolving credits	2,745	4,345	17,000	16,908	15,505
Trust receipts	9,186	10,779	10,801	10,906	10,211
	<u>95,188</u>	<u>103,031</u>	<u>92,184</u>	<u>87,898</u>	<u>76,388</u>

2.7 TAXATION

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Current tax recognised in profit or loss:					
- Malaysian income tax	30,519	32,681	37,622	17,893	32,409
- Foreign tax	23,155	45,478	35,737	40,953	33,431
- (Over)/under provision in prior years	(2,968)	1,752	494	(3,283)	-
	<u>50,706</u>	<u>79,911</u>	<u>73,853</u>	<u>55,563</u>	<u>65,840</u>
Deferred taxation recognised in profit or loss (Note 2.15):					
- Origination and reversal of temporary differences	(138)	(2,827)	(28,994)	15,932	(33,887)
Real property gain tax	-	176	-	-	-
Tax expense	<u>50,568</u>	<u>77,260</u>	<u>44,859</u>	<u>71,495</u>	<u>31,953</u>
Deferred taxation recognised in OCI (Note 2.15):					
- Remeasurement of post-employment benefit obligation	(279)	(96)	(625)	247	(547)

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.7 TAXATION (CONTINUED)

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

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000	31.10.2017 Unaudited RM'000
Profit before tax	216,599	347,306	292,267	291,283	230,814
Tax at Malaysian statutory tax rate of 24% (2015: 25%, 2016: 24% & 2017: 24%)	54,150	83,353	70,144	69,908	55,395
Tax effects of:					
- expenses not deductible for tax purposes	15,922	27,018	18,432	19,261	15,671
- income not subject to tax	(12,178)	(17,573)	(10,648)	(436)	(5,909)
- share of result of associates	(121)	(107)	(112)	(98)	(77)
- differential in tax rates of foreign subsidiaries	(2,689)	(14,856)	(7,811)	(12,801)	(7,004)
- utilisation of tax incentive	(189)	(221)	(1,069)	(1,279)	(515)
- utilisation of deductible temporary differences not recognised previously	(7,447)	(6,198)	(5,874)	(343)	(5,523)
- deductible temporary differences not recognised in current year	6,088	3,916	1,779	566	639
- tax assets revaluation*	-	-	(20,476)	-	(20,724)
- income subject to different tax rate	-	176	-	-	-
(Over)/under provision of income tax in prior years	(2,968)	1,752	494	(3,283)	-
Tax expense	50,568	77,260	44,859	71,495	31,953

* As part of the Indonesia's Government's tax incentive, companies incorporated in Indonesia were allowed a one-time revaluation of their property, plant and equipment and claim the revaluation surplus as an additional qualifying expenditure, subject to meeting certain conditions and approval by the Director General of Tax ("DGT"). Certain subsidiaries in Indonesia obtained approval from the DGT on 25 January 2017 to claim an additional Rp321,325,794,000 (equivalent to RM102,610,000) of qualifying expenditure. Accordingly, it has resulted in a higher deductible temporary difference arising from the difference between the tax qualifying expenditure and carrying amount of the property, plant and equipment where deferred tax assets has been recognised.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.7 TAXATION (CONTINUED)

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000
Unutilised tax losses				
- expiring not more than five years	3,787	3,521	13,966	12,781
- no expiry period	54,317	41,696	31,450	32,386
Unabsorbed capital allowances with no expiry period	27,696	31,279	12,367	12,367
Unutilised reinvestment allowance with no expiry period	6,429	5,304	12,902	7,570
	<u>92,229</u>	<u>81,800</u>	<u>70,685</u>	<u>65,104</u>

Under the Malaysia Finance Bill 2018 which was passed on 10 December 2018, the Group's unutilised tax losses with no expiry period amounting to RM32,386,000 as at 31 October 2018 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

Tax recoverable

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000
Non-current	17,739	20,868	28,271	17,051
Current	26,802	36,022	16,928	25,562
	<u>44,541</u>	<u>56,890</u>	<u>45,199</u>	<u>42,613</u>

Non-current tax recoverable includes claim for tax refund with relevant tax authorities which is estimated to take more than 12-month to resolve.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.8 EARNINGS PER SHARE ("EPS")

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

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

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

	<u>Financial years ended</u>			<u>10 months financial period ended</u>	
	<u>31.12.2015</u> Audited	<u>31.12.2016</u> Audited	<u>31.12.2017</u> Audited	<u>31.10.2018</u> Audited	<u>31.10.2017</u> Unaudited
Profit attributable to the owners of the company (RM'000)	<u>109,805</u>	<u>182,475</u>	<u>192,573</u>	<u>174,278</u>	<u>159,730</u>
Number of ordinary shares on 11 January 2019 ('000) (i)	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,400,000</u>
Basic and diluted EPS (sen) (ii)	<u>3.23</u>	<u>5.37</u>	<u>5.66</u>	<u>5.13</u>	<u>4.70</u>

- (i) As the Company has undertaken bonus issue and share split exercise on 11 January 2019, the basic and diluted earnings per share have been adjusted to reflect the new number of ordinary shares of 3,400,000,000. Note 2.45(a) details the bonus issue and share split which were approved in the Extraordinary General Meeting on 11 January 2019.
- (ii) In accordance with MFRS 133 'Earnings per Share', the calculation of basic and diluted earnings per shares for all periods presented have been adjusted retrospectively as the number of ordinary shares has increases as a result of bonus issue or share split as disclosed in Note 2.8(i).

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under finance lease liabilities RM'000	Motor vehicles, furniture, fittings, equipment and renovation RM'000	Motor vehicles under finance lease liabilities, furniture, fittings, equipment and renovation RM'000	Construction in progress RM'000	Total RM'000
<u>Net book value</u>										
At 1 January 2015	237,854	22,263	709,365	4,514	302,044	18,119	105,208	15,437	85,866	1,500,670
Additions	6,377	-	64,204	3,145	79,001	1,643	44,417	8,502	126,254	333,543
Effect of acquisition of subsidiaries	3,539	-	24,749	-	1,351	-	-	-	-	29,639
Disposals	-	-	(486)	-	(58)	-	(325)	(181)	(534)	(1,584)
Write-off	-	-	(766)	-	(770)	-	(490)	(93)	(21)	(2,140)
Foreign exchange differences	231	-	62,004	-	25,011	488	5,741	753	4,942	99,170
Transfer from investment properties (Note 2.10)	-	-	-	-	-	-	-	-	(296)	(296)
Reclassifications	-	-	100,182	3,332	10,757	(1,706)	4,939	(355)	(117,149)	-
Depreciation charge for the year	-	(400)	(51,761)	(238)	(55,186)	(2,937)	(29,120)	(4,796)	-	(144,438)
At 31 December 2015	248,001	21,863	907,491	10,753	362,150	15,607	130,370	19,267	99,062	1,814,564

At 31 December 2015:

Cost	248,001	26,183	1,264,174	11,570	784,002	27,615	345,065	31,404	99,062	2,837,076
Accumulated depreciation	-	(4,320)	(356,576)	(817)	(421,852)	(12,008)	(214,695)	(12,137)	-	(1,022,405)
Accumulated impairment loss	-	-	(107)	-	-	-	-	-	-	(107)
Net book value	248,001	21,863	907,491	10,753	362,150	15,607	130,370	19,267	99,062	1,814,564



13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under finance lease liabilities RM'000	Motor vehicles, furniture, fittings, equipment and renovation RM'000	Motor vehicles under finance lease liabilities, furniture, fittings, equipment and renovation RM'000	Construction in progress RM'000	Total RM'000
Net book value										
At 1 January 2016	248,001	21,863	907,491	10,753	362,150	15,607	130,370	19,267	99,062	1,814,564
Additions	3,652	146	65,916	2,023	81,641	6,251	47,291	9,392	58,486	274,798
Disposals	-	-	(1,143)	-	-	-	(2,822)	(212)	(1,103)	(5,280)
Write-off	-	-	(2,660)	-	(76)	-	(2,487)	-	-	(5,223)
Foreign exchange differences	-	-	26,285	13	12,812	85	2,319	238	3,426	45,178
Transfer from investment properties (Note 2.10)	-	-	847	-	-	-	-	-	-	847
Reclassifications	-	-	69,417	1,242	38,882	(7,797)	10,697	(626)	(111,815)	-
Depreciation charge for the year	-	(416)	(60,458)	(301)	(67,808)	(1,602)	(32,982)	(5,326)	-	(168,893)
Impairment charge for the year	-	-	(2,906)	-	-	-	(110)	-	(39)	(3,055)
At 31 December 2016	251,653	21,593	1,002,789	13,730	427,601	12,544	152,276	22,733	48,017	1,952,936
At 31 December 2016:										
Cost	251,653	26,328	1,428,395	14,848	932,483	16,616	368,753	35,325	48,056	3,122,457
Accumulated depreciation	-	(4,735)	(422,700)	(1,118)	(504,882)	(4,972)	(216,367)	(12,592)	-	(1,166,466)
Accumulated impairment loss	-	-	(2,906)	-	-	-	(110)	-	(39)	(3,055)
Net book value	251,653	21,593	1,002,789	13,730	427,601	12,544	152,276	22,733	48,017	1,952,936

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under finance lease liabilities RM'000	Motor vehicles, furniture, fittings, equipment and renovation RM'000	Motor vehicles under finance lease liabilities, furniture, fittings, equipment and renovation RM'000	Construction in progress RM'000	Total RM'000
Net book value										
At 1 January 2017	251,653	21,593	1,002,789	13,730	427,601	12,544	22,733	48,017	1,952,936	
Additions	17,005	2,200	88,947	1,109	75,679	11,609	14,236	94,702	362,108	
Effect on addition of subsidiary	3,300	-	627	-	190	-	-	-	4,917	
Effect on disposal of subsidiary	(781)	(3,349)	(513)	-	(2,089)	(6,078)	(1,109)	-	(20,160)	
Disposals	-	-	(2,845)	(5)	(493)	-	(47)	-	(5,121)	
Write-off	-	-	(558)	-	(75)	-	(384)	(75)	(1,997)	
Foreign exchange differences	-	-	(54,719)	-	(22,487)	(77)	(239)	(3,268)	(85,602)	
Transfer from investment properties (Note 2.10)	-	-	29,095	-	-	-	-	-	29,095	
Reclassifications	-	-	29,390	775	4,761	417	(4,649)	(39,694)	-	
Depreciation charge for the year	-	(434)	(64,079)	(335)	(77,187)	(2,292)	(4,694)	-	(188,892)	
Impairment charge for the year	-	-	(12)	(5)	-	-	-	-	(1,483)	
At 31 December 2017	271,177	20,010	1,028,122	15,269	405,900	16,123	25,847	99,128	2,045,801	

At 31 December 2017:

Cost	271,177	25,042	1,487,898	16,728	946,422	21,072	38,904	99,166	3,295,302	
Accumulated depreciation	-	(5,032)	(456,858)	(1,454)	(540,522)	(4,949)	(13,057)	-	(1,244,965)	
Accumulated impairment loss	-	-	(2,918)	(5)	-	-	-	(38)	(4,536)	
Net book value	271,177	20,010	1,028,122	15,269	405,900	16,123	25,847	99,128	2,045,801	



13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Land improvement RM'000	Plant and machinery RM'000	Plant and machinery under finance lease liabilities RM'000	Motor vehicles, fittings, equipment and renovation RM'000	Motor vehicles under finance lease liabilities, furniture, fittings, equipment and renovation RM'000	Construction in progress RM'000	Total RM'000
Net book value										
At 1 January 2018	271,177	20,010	1,028,122	15,269	405,900	16,123	164,225	25,847	99,128	2,045,801
Additions	5,443	7,900	44,392	812	62,257	-	58,115	5,132	110,803	294,854
Effect on disposal of subsidiary	-	-	(18,401)	-	(8,960)	-	(8,582)	-	-	(35,943)
Disposals	-	-	(846)	-	(168)	-	(1,255)	-	-	(2,269)
Write-off	-	-	(1,290)	(5)	(112)	-	(291)	-	-	(1,698)
Foreign exchange differences	-	-	(24,287)	-	(10,742)	(12)	(2,021)	(64)	(1,362)	(38,488)
Reclassifications	-	-	50,173	48	25,193	-	(15,562)	(2,449)	(57,403)	-
Depreciation charge for the period	-	(262)	(52,006)	(676)	(65,430)	(563)	(34,293)	(3,672)	-	(156,902)
At 31 October 2018	276,620	27,648	1,025,857	15,448	407,938	15,548	160,336	24,794	151,166	2,105,355
At 31 October 2018:										
Cost	276,620	32,942	1,512,489	17,577	975,255	21,058	389,330	38,267	151,205	3,414,743
Accumulated depreciation	-	(5,294)	(484,547)	(2,124)	(567,317)	(5,510)	(227,419)	(13,473)	-	(1,305,684)
Accumulated impairment loss	-	-	(2,085)	(5)	-	-	(1,575)	-	(39)	(3,704)
Net book value	276,620	27,648	1,025,857	15,448	407,938	15,548	160,336	24,794	151,166	2,105,355

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

(a) As of 31 October 2018, certain property, plant and equipment of the Group with a net carrying value of RM668,933,000 (31.12.2015: RM792,461,000; 31.12.2016: RM894,244,000; 31.12.2017: RM863,573,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

(b) Additions of property, plant and equipment

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Cash payments	304,472	251,477	336,140	266,152
Unpaid balances included under other payables	6,500	14,178	14,301	25,158
Cash paid in respect of acquisition in previous financial year	(2,501)	(6,500)	(14,178)	(14,301)
Financed by finance lease liabilities	25,072	15,643	25,845	17,845
Addition of property, plant and equipment	<u>333,543</u>	<u>274,798</u>	<u>362,108</u>	<u>294,854</u>

(c) Impairment loss charged to 'other expenses' during the financial periods/years amounting to RM Nil (31.12.2015: Nil, 31.12.2016: RM3,055,000, 31.12.2017: RM1,483,000 and 31 October 2017: RM Nil) were relating to the write-down of farm buildings and equipment of certain subsidiaries that have ceased operations during the year. They were written down to its net recoverable amount which approximates scrap value.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.10 INVESTMENT PROPERTIES

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
<u>Cost</u>				
At 1 January	62,501	69,912	69,138	31,047
Additions	2,392	168	51	-
Write-off	-	(754)	(2)	-
Reclassification from/(to) property, plant and equipment (Note 2.9)	296	(921)	(38,279)	-
Foreign exchange differences	4,723	733	139	-
At 31 December/31 October	<u>69,912</u>	<u>69,138</u>	<u>31,047</u>	<u>31,047</u>
<u>Less: Accumulated depreciation</u>				
At 1 January	11,732	14,504	17,386	8,490
Charge for the financial year/period	2,038	2,746	255	211
Reclassification to property, plant and equipment (Note 2.9)	-	(74)	(9,184)	-
Foreign exchange differences	734	210	33	-
At 31 December/31 October	<u>14,504</u>	<u>17,386</u>	<u>8,490</u>	<u>8,701</u>
<u>Net carrying amount</u>				
At 31 December/31 October	<u>55,408</u>	<u>51,752</u>	<u>22,557</u>	<u>22,346</u>
Fair values	<u>87,369</u>	<u>87,666</u>	<u>41,639</u>	<u>41,639</u>

As of 31 October 2018, certain investment properties of the Group with a net carrying value of RM9,695,000 (31.12.2015: RM47,307,000; 31.12.2016: RM38,063,000; 31.12.2017: RM9,827,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

The property rental income earned by the Group from investment properties, certain of which are leased out under operating leases, amounted to RM849,000 (31.12.2015: RM1,494,000; 31.12.2016: RM228,000; 31.12.2017: RM745,000 and 31 October 2017: RM567,000). Direct operating expenses arising on the investment properties of the Group amounted to RM74,000 (31.12.2015: RM1,694,000; 31.12.2016: RM21,000; 31.12.2017: RM139,000 and 31 October 2017: RM74,000).

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.11 LAND USE RIGHTS

	<u>31.12.2015</u> Audited RM'ooo	<u>31.12.2016</u> Audited RM'ooo	<u>As at</u> <u>31.12.2017</u> Audited RM'ooo	<u>As at</u> <u>31.10.2018</u> Audited RM'ooo
<u>Cost</u>				
At 1 January	77,016	124,420	160,850	173,299
Additions	38,263	28,935	31,939	25,398
Disposal	-	-	(3,382)	(275)
Foreign exchange differences	9,141	7,495	(16,108)	(9,714)
At 31 December/31 October	<u>124,420</u>	<u>160,850</u>	<u>173,299</u>	<u>188,708</u>
<u>Less: Accumulated amortisation</u>				
At 1 January	3,655	4,532	28,235	31,589
Charge for the financial year/period*	816	22,178	7,124	5,527
Disposal	-	-	(965)	(118)
Foreign exchange differences	61	1,525	(2,805)	(1,984)
At 31 December/31 October	<u>4,532</u>	<u>28,235</u>	<u>31,589</u>	<u>35,014</u>
<u>Unamortised land use rights on leasehold land</u>				
At 31 December/31 October	<u>119,888</u>	<u>132,615</u>	<u>141,710</u>	<u>153,694</u>

As of 31 October 2018, the Group's unexpired lease periods of the land use rights ranges from 4 to 52 years (31.12.2015: 7 to 55 years; 31.12.2016: 6 to 54 years; 31.12.2017: 5 to 53 years).

* The financial year ended 31 December 2016 reported a higher amortisation charge as a result of a catch-up amortisation arising from a review of the estimated useful lives of the Group's land use rights.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS

<u>Audited Group</u>	<u>Goodwill on consolidation</u> RM'000	<u>Business customer</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January 2015	100,550	12,030	112,580
Acquisition of subsidiaries	434	-	434
Additions	-	2,283	2,283
Translation differences	7,528	1,938	9,466
At 31 December 2015/1 January 2016	108,512	16,251	124,763
Additions	-	1,079	1,079
Translation differences	1,164	364	1,528
At 31 December 2016/1 January 2017	109,676	17,694	127,370
Additions	2,123	-	2,123
Translation differences	(1,359)	(407)	(1,766)
At 31 December 2017/1 January 2018	110,440	17,287	127,727
Effect of disposal of a subsidiary	(7,241)	(6,847)	(14,088)
Translation differences	(303)	(182)	(485)
At 31 October 2018	102,896	10,258	113,154
<u>Less: Accumulated amortisation</u>			
At 1 January 2015	-	5,934	5,934
Charge for the financial year	-	2,538	2,538
Translation differences	-	1,048	1,048
At 31 December 2015/1 January 2016	-	9,520	9,520
Charge for the financial year	-	3,084	3,084
Translation differences	-	299	299
At 31 December 2016/1 January 2017	-	12,903	12,903
Charge for the financial year	-	2,855	2,855
Translation differences	-	(373)	(373)
At 31 December 2017/1 January 2018	-	15,385	15,385
Charge for the financial year	-	346	346
Effect of disposal of a subsidiary	-	(5,330)	(5,330)
Translation differences	-	(143)	(143)
At 31 October 2018	-	10,258	10,258
<u>Less: Accumulated impairment losses</u>			
At 1 January 2015/31 December 2015	-	-	-
31 December 2016/31 December 2017/	-	-	-
31 October 2018	5,867	-	5,867

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS (CONTINUED)

	<u>Goodwill on consolidation</u> RM'000	<u>Business customer</u> RM'000	<u>Total</u> RM'000
<u>Net carrying amount</u>			
At 31 December 2015	102,645	6,731	109,376
At 31 December 2016	103,809	4,791	108,600
At 31 December 2017	104,573	1,902	106,475
At 31 October 2018	97,029	-	97,029

Goodwill on consolidation

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
<u>Malaysia</u>				
Manufacturing of animal feeds	4,021	4,021	4,021	4,021
Trading of animal health products	3,115	3,115	3,115	3,115
Poultry farming and breeding	33,208	33,208	35,330	35,330
<u>Singapore</u>				
Production and marketing of consumer food products	62,301	63,465	62,107	54,563
	<u>102,645</u>	<u>103,809</u>	<u>104,573</u>	<u>97,029</u>

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 INTANGIBLE ASSETS (CONTINUED)

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	%	%	%	%
<u>Manufacturing of animal feeds</u>				
Revenue growth rate	6.6	6.6	3.9	3.9
EBITDA margin	5.1	5.1	4.5	4.5
Discount rate	9.0	9.0	9.0	9.0
Terminal growth rate	1.0	1.0	1.0	1.0
<u>Trading of animal health products</u>				
Revenue growth rate	4.0	4.0	4.0	4.0
EBITDA margin	26.1	26.1	26.5	26.5
Discount rate	9.0	9.0	9.0	9.0
Terminal growth rate	1.0	1.0	1.0	1.0
<u>Poultry farming and breeding</u>				
Revenue growth rate	5.0	5.0	5.0	5.0
EBITDA margin	7.1	7.1	6.5	6.5
Discount rate	9.0	9.0	9.0	9.0
Terminal growth rate	1.0	1.0	1.0	1.0
<u>Production and marketing of consumer food products</u>				
Revenue growth rate	2.0 - 5.0	2.0 - 5.0	2.0 - 5.0	2.0 - 5.0
EBITDA margin	9.5	9.5	9.5	9.5
Discount rate	11.4	11.0	11.0	11.0
Terminal growth rate	1.0	2.0	2.0	2.0

Based on the assessment performed, there is no impairment of goodwill attributable to the respective CGUs. There are no reasonably possible changes in any of the key assumptions used that would cause the carrying amounts of the respective CGUs to materially exceed the recoverable amounts.

Business customer relationship

Business customer relationship acquired in business combination are amortised over 5 years throughout the reported periods.

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS

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

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2015</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	49.00	42.91
Summarised statements of comprehensive income:				
Revenue	412,758	26,009	1,043,843	1,395,737
Profit/(Loss) for the financial year	43,748	3,002	59,907	(36,069)
Total comprehensive income/(loss)	44,331	3,155	101,868	(6,902)
Attributable to NCI:				
Profit/(Loss) for the financial year	32,334	2,219	37,856	(15,692)
Total comprehensive income/(loss)	32,765	2,332	58,961	(2,807)
Dividends paid to NCI	3,645	2,450	3,353	-

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.13 NON-CONTROLLING INTERESTS (CONTINUED)**

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2015</u>				
Summarised statements of financial position:				
Non-current assets	247,849	2,865	399,757	601,969
Current assets	155,596	26,193	365,763	564,374
Non-current liabilities	(44,678)	(55)	(87,161)	(325,552)
Current liabilities	(132,213)	(4,909)	(298,411)	(437,373)
Net assets	<u>226,554</u>	<u>24,094</u>	<u>379,948</u>	<u>403,418</u>
Attributable to:				
- owners of the Company	59,108	12,288	159,077	230,311
- non-controlling interests	167,446	11,806	220,871	173,107
	<u>226,554</u>	<u>24,094</u>	<u>379,948</u>	<u>403,418</u>
Summarised statements of cash flows:				
Cash flows from operating activities	36,758	3,723	84,111	52,871
Cash flows from investing activities	(55,245)	1,718	(30,617)	(121,062)
Cash flows from financing activities	13,863	(5,006)	(42,382)	230,864
Net movement in cash and cash equivalents	(4,624)	435	11,112	162,673
Effects of exchange rate changes on cash and cash equivalents	(4,313)	59	17,949	10,865
Cash and cash equivalents at 1 January	39,177	10,407	69,576	(30,933)
Cash and cash equivalents at 31 December	<u>30,240</u>	<u>10,901</u>	<u>98,637</u>	<u>142,605</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2016</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	49.00	42.73
Summarised statements of comprehensive income:				
Revenue	433,712	26,724	1,140,056	1,631,087
Profit for the financial year	20,423	4,753	54,595	52,948
Total comprehensive income	20,770	4,416	63,608	88,044
Attributable to NCI:				
Profit for the financial year	15,095	2,329	34,347	31,451
Total comprehensive income	15,351	2,164	38,647	47,380
Dividends paid to NCI	5,539	2,450	4,714	-
Summarised statements of financial position:				
Non-current assets	288,476	4,047	368,444	667,845
Current assets	164,863	24,027	410,299	538,751
Non-current liabilities	(72,548)	(32)	(35,033)	(249,375)
Current liabilities	(140,961)	(4,548)	(293,106)	(424,888)
Net assets	239,830	23,494	450,604	532,333
Attributable to:				
- owners of the Company	62,572	11,982	193,077	313,693
- non-controlling interests	177,258	11,512	257,527	218,640
	239,830	23,494	450,604	532,333

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'ooo	<u>FEV</u> RM'ooo	<u>Lee Say</u> RM'ooo	<u>PT Malindo</u> RM'ooo
<u>Audited</u>				
<u>31.12.2016</u>				
Summarised statements of cash flows:				
Cash flows from operating activities	37,325	5,235	91,120	128,594
Cash flows from investing activities	(49,611)	(1,747)	(8,273)	(87,338)
Cash flows from financing activities	15,754	(5,004)	(58,989)	(190,393)
Net movement in cash and cash equivalents	3,468	(1,516)	23,858	(149,137)
Effects of exchange rate changes on cash and cash equivalents	555	27	(9,741)	(896)
Cash and cash equivalents at 1 January	30,240	10,901	98,637	142,605
Cash and cash equivalents at 31 December	<u>34,263</u>	<u>9,412</u>	<u>112,754</u>	<u>(7,428)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
Audited				
31.12.2017				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	49.00*	42.73
Summarised statements of comprehensive income:				
Revenue	422,588	30,566	1,190,475	1,737,619
Profit for the financial year	3,460	5,053	96,918	7,017
Total comprehensive income/(loss)	3,020	6,469	84,745	(53,188)
Attributable to NCI:				
Profit/(Loss) for the financial year	2,557	2,476	56,859	(5,920)
Total comprehensive income/(loss)	2,232	3,170	56,859	(30,706)
Dividends paid to NCI	-	2,450	158,210	10,833
Summarised statements of financial position:				
Non-current assets	310,141	4,605	352,634	643,781
Current assets	167,078	23,918	453,575	497,374
Non-current liabilities	(68,750)	-	(457,053)	(207,409)
Current liabilities	(165,619)	(4,108)	(268,423)	(519,256)
Net assets	242,850	24,415	80,733	414,490
Attributable to:				
- owners of the Company	63,360	12,452	(5,973)	237,379
- non-controlling interests	179,490	11,963	86,706	177,111
	242,850	24,415	80,733	414,490

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.12.2017</u>				
Summarised statements of cash flows:				
Cash flows from operating activities	6,157	3,657	97,221	84,900
Cash flows from investing activities	(28,232)	(392)	(413,505)	(107, 109)
Cash flows from financing activities	7,092	(5,004)	376,120	54,834
Net movement in cash and cash equivalents	(14,983)	(1,739)	59,836	32,625
Effects of exchange rate changes on cash and cash equivalents	88	(10)	(4,055)	(1,021)
Cash and cash equivalents at 1 January	34,263	9,412	112,754	(7,428)
Cash and cash equivalents at 31 December	19,368	7,663	168,535	24,176

- * On 8 December 2017, a wholly owned subsidiary, Leong Hup Singapore Pte. Ltd. ("LHS"), entered into a sale and purchase agreement to acquire 578,445 ordinary shares in Lee Say, representing 49% of the equity interest. As a result, Lee Say became a wholly owned subsidiary of LHS. Accordingly, the profit and total comprehensive income attributable to NCI for the financial year in relation to Lee Say is shared up to 8 December 2017 and the NCI of Lee Say has reduced by RM144,517,000. The remaining NCI as at 31 December 2017 is in relation to other sub-group within Lee Say where certain subsidiaries are not wholly owned.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.13 NON-CONTROLLING INTERESTS (CONTINUED)**

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u>				
<u>31.10.2018</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	71.57	49.00	0.00 [^]	41.97
Summarised statements of comprehensive income:				
Revenue	389,001	31,380	321,652	1,540,185
Profit for the financial period	18,003	4,858	13,906	69,773
Total comprehensive income	18,003	4,858	13,906	31,465
Attributable to NCI:				
Profit for the financial period	8,837	2,380	7,791	29,363
Total comprehensive income	8,837	2,380	7,791	13,169
Dividends paid to NCI	694	2,450	29,825	4,209
Summarised statements of financial position:				
Non-current assets	329,614	5,014	39,623	618,036
Current assets	169,648	24,715	138,646	495,621
Non-current liabilities	(66,754)	(52)	(32,155)	(288,213)
Current liabilities	(173,155)	(5,405)	(4,083)	(383,743)
Net assets	259,353	24,272	142,031	441,701
Attributable to:				
- owners of the Company	73,583	12,379	77,488	256,319
- non-controlling interests	185,770	11,893	64,543	185,382
	259,353	24,272	142,031	441,701

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Audited</u> <u>31.10.2018</u>				
Summarised statements of cash flows:				
Cash flows from operating activities	52,097	2,821	27,259	77,817
Cash flows from investing activities	(28,786)	(53)	29,421	(47,440)
Cash flows from financing activities	(21,413)	(5,056)	(31,775)	(17,925)
Net movement in cash and cash equivalents	1,898	(2,288)	24,905	12,452
Effects of exchange rate changes on cash and cash equivalents	85	-	242	(1,427)
Cash and cash equivalents at 1 January	19,368	7,663	30,469	24,176
Cash and cash equivalents at 31 October	<u>21,351</u>	<u>5,375</u>	<u>55,616</u>	<u>35,201</u>

- ^ The NCI disclosed in the financial period ended 31 October 2018 relates to certain subsidiaries of Lee Say Group Pte Ltd which are not wholly owned. The disclosure is in respect of Hup Heng Poultry Industries Pte. Ltd. (NCI effective interest of 32.82%) and Kendo Trading Pte. Ltd. (NCI effective interest of 49.00%).

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13 NON-CONTROLLING INTERESTS (CONTINUED)

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

	<u>Teo Seng</u> RM'000	<u>FEV</u> RM'000	<u>Lee Say</u> RM'000	<u>PT Malindo</u> RM'000
<u>Unaudited</u>				
<u>31.10.2017</u>				
Effective interest of ordinary shares and voting shares held by NCI (%)	73.91	49.00	49.00	42.73
Summarised statements of comprehensive income:				
Revenue	343,954	25,221	984,991	1,445,166
Profit/(loss) for the financial period	(9,170)	4,782	81,056	18,734
Total comprehensive income/(loss)	(9,191)	4,782	81,310	(18,298)
Attributable to NCI:				
Profit/(loss) for the financial period	(6,778)	2,343	45,859	(847)
Total comprehensive income/(loss)	(6,793)	2,343	45,917	(15,860)
Dividends paid to NCI	-	2,450	2,241	4,209
Summarised statements of cash flows:				
Cash flows from operating activities	(14,022)	3,522	121,891	55,192
Cash flows from investing activities	(16,579)	(494)	(21,689)	(80,744)
Cash flows from financing activities	17,784	(5,022)	(70,139)	48,329
Net movement in cash and cash equivalents	(12,817)	(1,994)	30,063	22,777
Effects of exchange rate changes on cash and cash equivalents	(91)	-	1,303	3,227
Cash and cash equivalents at 1 January	34,263	9,412	112,754	(7,428)
Cash and cash equivalents at 31 October	21,355	7,418	144,120	18,576

2.14 INVESTMENT IN ASSOCIATES

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
At cost:				
Unquoted shares	1,350	1,350	1,350	1,350
Share of post-acquisition results	225	271	283	191
	1,575	1,621	1,633	1,541

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

Nature of investment in associates for 31.12.2015, 31.12.2016, 31.12.2017 and 31.10.2018:

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

* Not audited by PricewaterhouseCoopers PLT, Malaysia

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

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

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

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

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

	<u>Associates</u>			
	<u>As at</u>			<u>As at</u>
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Summarised statements of financial position:				
Total non-current assets	4,544	4,109	3,661	3,701
Total current assets	5,690	5,042	6,953	4,869
Total current liabilities	(2,360)	(1,048)	(2,450)	(865)
Net assets	<u>7,874</u>	<u>8,103</u>	<u>8,164</u>	<u>7,705</u>

	<u>Associates</u>				
	<u>Financial years ended</u>			<u>financial period ended</u>	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited	Audited	Audited	Audited	Unaudited
	RM'000	RM'000	RM'000	RM'000	RM'000
Summarised statements of comprehensive income:					
Revenue	11,155	2,173	6,834	5,978	5,273
Profit for the financial year/period	2,411	2,229	2,392	2,061	1,595
Total comprehensive income	<u>2,411</u>	<u>2,229</u>	<u>2,392</u>	<u>2,061</u>	<u>1,595</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 INVESTMENT IN ASSOCIATES (CONTINUED)

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

	Financial years ended			Associates 10 months financial period ended	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Unaudited RM'000
Group's share of profit for the financial year/period	482	446	468	412	319
Group's share of total comprehensive income	482	446	468	412	319
Dividend received	600	400	456	504	456

	Associates			
	As at		As at	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	RM'000	RM'000	RM'000	RM'000
Reconciliation of net assets to carrying amount:				
Group's share of net assets	1,575	1,621	1,633	1,541
Carrying amount of the Group's interests in the associate	1,575	1,621	1,633	1,541

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.15 DEFERRED TAX ASSETS/(LIABILITIES)**

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
Deferred tax assets	37,810	43,188	64,457	54,497
Deferred tax liabilities	(87,732)	(87,989)	(83,754)	(91,297)
At 31 December/31 October	<u>(49,922)</u>	<u>(44,801)</u>	<u>(19,297)</u>	<u>(36,800)</u>

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
At 1 January	(46,157)	(49,922)	(44,801)	(19,297)
Credited/(charged) to profit or loss (Note 2.7)				
- Property, plant and equipment	(5,313)	4,752	28,147	(12,852)
- Employee benefit obligation	854	1,162	1,316	978
- Unutilised tax losses	7,712	(2,738)	(2,468)	(206)
- Unutilised reinvestment allowance	(274)	(479)	-	-
- Trade and other receivables	31	1,643	1,364	(149)
- Trade and other payables	(261)	305	(441)	-
- Biological assets	(2,611)	(1,818)	1,076	(3,703)
Translation difference	138	2,827	28,994	(15,932)
Credited/(charged) to other comprehensive income	(559)	2,198	(5,740)	(4,269)
Effect of :-				
acquisition of subsidiaries	(3,623)	-	-	-
disposal of subsidiaries	-	-	1,625	2,945
At 31 December/31 October	<u>(49,922)</u>	<u>(44,801)</u>	<u>(19,297)</u>	<u>(36,800)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	31.12.2016		As at 31.10.2018	
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:				
Deferred tax assets (before offsetting):				
- Property, plant and equipment	7,696	9,185	33,486	37,580
- Employee benefit obligation	5,288	6,999	8,075	8,165
- Unutilised tax losses	26,387	24,916	20,403	18,928
- Unutilised reinvestment allowance	479	-	-	-
- Trade and other receivables	199	1,944	3,111	3,356
- Trade and other payables	137	441	-	-
- Biological assets	5,974	7,402	7,313	5,829
	46,160	50,887	72,388	73,858
Offsetting	(8,350)	(7,699)	(7,931)	(19,361)
Deferred tax assets (after offsetting)	37,810	43,188	64,457	54,497
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	(86,412)	(83,074)	(79,668)	(95,087)
- Biological assets	(3,530)	(6,474)	(5,877)	(9,431)
	(89,942)	(89,548)	(85,545)	(104,518)
Offsetting	8,350	7,699	7,931	19,361
Deferred tax liabilities (after offsetting)	(81,592)	(81,849)	(77,614)	(85,157)
Subject to real property gain tax:				
Deferred tax liabilities				
- Property, plant and equipment	(6,140)	(6,140)	(6,140)	(6,140)
	(87,732)	(87,989)	(83,754)	(91,297)

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 BIOLOGICAL ASSETS

	As at			As at
	31.12.2015	31.12.2016	31.12.2017	31.10.2018
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
<u>At fair value less cost to sell:</u>				
Grandparent stocks (breeder)	21,323	21,668	24,255	26,645
Parent stocks (breeder)	113,526	140,185	139,051	160,039
Layer stocks	80,759	84,010	64,140	69,535
Broiler stocks	32,444	33,219	50,501	63,604
Hatching eggs	27,427	30,119	33,140	35,840
Others	1,750	1,818	2,183	1,662
	<u>277,229</u>	<u>311,019</u>	<u>313,270</u>	<u>357,325</u>

The movement of biological assets can be analysed as follows:

	As at			As at
	31.12.2015	31.12.2016	31.12.2017	31.10.2018
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
<u>Breeders (grandparent and parent stock)</u>				
At 1 January	125,480	134,849	161,853	163,306
Additions	50,730	58,399	64,258	75,892
Change in fair value	41,610	59,708	52,035	68,112
Livestock losses	(17,894)	(24,933)	(22,343)	(33,864)
Depopulation	(74,139)	(71,552)	(82,794)	(81,742)
Foreign currency translation	9,062	5,382	(9,703)	(5,020)
	<u>134,849</u>	<u>161,853</u>	<u>163,306</u>	<u>186,684</u>
<u>Layers</u>				
At 1 January	62,937	80,759	84,010	64,140
Additions	12,082	14,117	12,015	10,394
Change in fair value	47,956	49,830	37,523	34,073
Livestock losses	(5,795)	(13,583)	(10,310)	(6,008)
Depopulation	(40,491)	(48,259)	(56,493)	(32,935)
Foreign currency translation	4,070	1,146	(2,605)	(129)
	<u>80,759</u>	<u>84,010</u>	<u>64,140</u>	<u>69,535</u>
<u>Broilers</u>				
At 1 January	32,261	32,444	33,219	50,501
Additions	108,059	124,274	145,603	144,775
Change in fair value	198,827	220,457	272,696	269,641
Livestock losses	(15,162)	(18,128)	(22,995)	(21,471)
Sales of live birds	(294,094)	(326,495)	(375,559)	(379,770)
Foreign currency translation	2,553	667	(2,463)	(72)
	<u>32,444</u>	<u>33,219</u>	<u>50,501</u>	<u>63,604</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 BIOLOGICAL ASSETS (CONTINUED)

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

	31.12.2016		As at	
	Audited RM'ooo	Audited RM'ooo	31.12.2017 Audited RM'ooo	31.10.2018 Audited RM'ooo
Hatching eggs				
At 1 January	24,178	27,427	30,119	33,140
Additions	355,580	370,364	430,163	390,357
Culled eggs	(72,367)	(71,885)	(92,059)	(103,817)
Hatched and sold as DOC	(281,676)	(296,690)	(333,310)	(282,883)
Foreign currency translation	1,712	903	(1,773)	(957)
	<u>27,427</u>	<u>30,119</u>	<u>33,140</u>	<u>35,840</u>
Others	<u>1,750</u>	<u>1,818</u>	<u>2,183</u>	<u>1,662</u>
	<u>277,229</u>	<u>311,019</u>	<u>313,270</u>	<u>357,325</u>

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

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

The Group has classified its biological assets measured at fair value within Level 3 of the fair value hierarchy. (See Note 2.41(b) The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation model.

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.16 BIOLOGICAL ASSETS (CONTINUED)**

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation model. (continued)

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

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

	31.12.2015		As at	
	Audited RM	31.12.2016 Audited RM	31.12.2017 Audited RM	As at 31.10.2018 Audited RM
Breeders & hatching eggs				
Projected selling price of				
- DOC (parent stock)	8.11 – 8.82	8.17 – 10.67	9.79 – 11.11	11.51 – 12.40
- DOC (broiler)	1.00 – 3.04	0.96 – 3.19	0.91 – 3.51	1.01 – 3.38
Feed cost per kg for				
- grandparent stocks	1.74 – 1.78	1.70 – 1.95	1.66 – 2.00	1.68 – 1.87
- parent stocks	1.58 – 2.11	1.53 – 2.17	1.62 – 1.92	1.51 – 1.81
Layers				
Projected selling prices per table egg	0.29 – 0.35	0.28 – 0.37	0.27 – 0.33	0.26 – 0.32
Feed cost per kg	1.23 – 1.63	1.27 – 1.71	1.27 – 1.54	1.28 – 1.46

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 BIOLOGICAL ASSETS (CONTINUED)

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

	As at			As at
	31.12.2015 Audited RM	31.12.2016 Audited RM	31.12.2017 Audited RM	31.10.2018 Audited RM
Broilers				
Projected selling prices for broilers per kg	3.91 – 5.31	4.01 – 5.42	4.03 – 4.91	4.42 – 5.41
Feed cost per kg	1.64 – 2.08	1.59 – 2.15	1.64 – 1.85	1.55 – 1.83

Sensitivity analysis

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

	Effect on fair value of biological assets			
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000
Projected selling prices of DOC/table eggs/broilers				
- increased by 5 %	28,644	28,730	29,894	29,256
- decreased by 5%	(28,644)	(28,730)	(29,894)	(29,256)
Number of DOC/table eggs being produced				
- increased by 5 %	23,362	23,270	22,610	21,399
- decreased by 5%	(23,362)	(23,270)	(22,610)	(21,399)
Feed cost per kg				
- increased by 10 %	(31,211)	(29,242)	(28,571)	(29,359)
- decreased by 10%	31,211	29,242	28,571	29,359

As at 31 October 2018, certain biological assets of the Group amounting to RM94,420,000 (31.12.2015: RM70,809,000; 31.12.2016: RM92,933,000; 31.12.2017: RM80,044,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.17 INVENTORIES

			As at	As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Carrying amount:				
Processed chickens	118,349	127,749	110,616	118,612
Poultry feeds	29,867	31,101	33,312	31,988
Consumable supplies	12,424	23,961	26,718	19,458
Raw material	297,401	334,719	309,268	383,246
Work-in-progress	1,978	1,383	1,417	882
Others	20,957	28,138	35,502	35,781
	<u>480,976</u>	<u>547,051</u>	<u>516,833</u>	<u>589,967</u>

As at 31 October 2018, certain inventories of the Group amounting to RM221,700,000 (31.12.2015: RM171,211,000; 31.12.2016: RM207,647,000; 31.12.2017: RM210,868,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

2.18 TRADE RECEIVABLES

			As at	As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Trade receivables	403,323	420,900	422,305	378,906
Amounts due from related parties	89,386	128,204	151,282	212,633
	<u>492,709</u>	<u>549,104</u>	<u>573,587</u>	<u>591,539</u>
Less: Provision for impairment loss on trade receivables	(8,946)	(22,809)	(9,597)	(8,962)
	<u>483,763</u>	<u>526,295</u>	<u>563,990</u>	<u>582,577</u>

The credit terms of trade receivables and trade amounts due from related parties are ranging from 1 to 150 days (31.12.2015: 1 to 150 days; 31.12.2016: 1 to 150 days and 31.12.2017: 1 to 150 days).

Amounts due from related parties comprise receivables from companies controlled by Lau family amounting to RM212,633,000 (31.12.2015: RM89,153,000, 31.12.2016: RM126,534,000 and 31.12.2017: RM147,192,000) and Nam family amounting to RM Nil (31.12.2015: RM233,000, 31.12.2016: RM1,670,000 and 31.12.2017: RM4,090,000).

As at 31 October 2018, certain trade receivables of the Group amounting to RM100,946,000 (31.12.2015: RM137,315,000; 31.12.2016: RM139,343,000; 31.12.2017: RM131,404,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.18 TRADE RECEIVABLES (CONTINUED)

Amounts recognised in profit or loss

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Impairment losses:					
- individual receivables written off directly	147	328	5	88	5
- movement in provision for impairment	2,354	13,575	1,824	479	(983)

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000
At 1 January	6,340	8,946	22,809	9,597
Impairment loss recognised	2,354	13,575	1,824	479
Impairment loss written off	(264)	(332)	(13,829)	(208)
Translation differences	516	620	(1,207)	(906)
At 31 December/31 October	<u>8,946</u>	<u>22,809</u>	<u>9,597</u>	<u>8,962</u>

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
(Incorporated in Malaysia)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.19 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	31.12.2015		31.12.2016		31.12.2017		31.10.2018	
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other receivables	29,897	32,796	32,603	23,893				
GST/VAT receivable	16,342	24,219	26,281	25,563				
Deposits	18,208	16,552	12,675	18,437				
Prepaid expenses	48,509	75,074	47,819	81,430				
Amounts due from related parties	32,977	5,846	16,648	17,394				
	145,933	154,487	136,026	166,717				
Less: Impairment losses	(9,586)	(5,633)	(3,941)	(3,931)				
	136,347	148,854	132,085	162,786				

As at 31 October 2018, certain other receivables and advances of the Group amounting to RM39,217,000 (31.12.2015: RM42,760,000; 31.12.2016: RM68,298,000; 31.12.2017: RM43,781,000) were charged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 2.28 to the financial statements.

Amounts due from related parties (companies controlled by Lau family) arise from transactions such as management fees and rental income earned as disclosed in Note 2.34. In addition to the above outstanding balances, other significant transactions that occurred in the financial years ended 31 December 2015, 31 December 2017 and financial period ended 31 October 2018 comprise:

31 December 2015:

- (i) Advances of USD4,700,000 (equivalent to RM20,179,000) were granted to Joint Honest International Enterprise Limited, a related party. The advances was unsecured, bore interest rate ranging from 3.89% - 4.36% per annum and repayable on demand. These advances had been fully repaid in financial year ended 31 December 2016.
- (ii) Advances of USD850,000 (equivalent to RM3,649,000) were granted to Teratai Agriculture Vietnam Limited, a related party. The advances was unsecured, bore interest rate ranging from 3.89% - 4.36% per annum and repayable on demand. These advances had been fully repaid in financial year ended 31 December 2016.

31 December 2017

- (i) Advances of USD3,300,000 (equivalent to RM13,357,000) were granted to Joint Honest International Enterprise Limited, a related party. The advances was unsecured, bore interest rate ranging from 4.70% - 5.39% per annum and repayable on demand. These advances had been fully repaid in financial period ended 31 October 2018.

13. ACCOUNTANTS' REPORT (Cont'd)**LEONG HUP INTERNATIONAL BERHAD**

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.19 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)****31 October 2018:**

- (i) Additional advances of USD3,400,000 (equivalent to RM13,639,000) were granted to Joint Honest International Enterprise Limited, a related party during the financial period and has been fully repaid as at 31 October 2018. The advances were unsecured and bore interest rate ranging from 4.60 to 4.70% per annum and repayable on demand.
- (ii) Dividend receivable from Jordon International Food Processing Pte. Ltd., a former subsidiary amounting to SGD5,500,000 (equivalent to RM16,296,000) is included in other receivables.

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
At 1 January	11,035	9,586	5,633	3,941
Impairment loss/(reversal of impairment loss) recognised	3,364	(92)	(1,682)	-
Impairment loss written off	(5,810)	(3,963)	-	-
Translation differences	997	102	(10)	(10)
At 31 December/31 October	<u>9,586</u>	<u>5,633</u>	<u>3,941</u>	<u>3,931</u>

2.20 AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company, Emerging Glory Sdn. Bhd. which arose from non-trade transactions is unsecured, denominated in Ringgit Malaysia, interest bearing at a fixed rate of 5.30% per annum (31.12.2017: nil; 31.12.2016: nil and 31.12.2015: nil) and repayable on demand.

2.21 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are non-trade related, interest free and have credit terms of 120 days throughout the reported periods.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.22 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)**

	31.12.2015		31.12.2016		31.12.2017		31.10.2018	
	Contract/ Notional Amount Audited RM'000	Derivative Assets/ (Liabilities) Audited RM'000	Contract/ Notional Amount Audited RM'000	Derivative Assets/ (Liabilities) Audited RM'000	Contract/ Notional Amount Audited RM'000	Derivative Assets/ (Liabilities) Audited RM'000	Contract/ Notional Amount Audited RM'000	Derivative Assets/ (Liabilities) Audited RM'000
<u>Derivative financial assets</u>								
Forward foreign exchange contracts	22,140	401	230	1	-	68,750	631	
<u>Derivative financial liabilities</u>								
Forward foreign exchange contracts	46,900	(3,073)	-	-	31,933	41,874	(84)	

(i) The Group does not apply hedge accounting. The forward foreign exchange contracts are used to hedge the Group's receivables denominated in SGD and purchases in USD for which firm commitments existed at the end of the reporting period. The settlement dates on forward foreign exchange contracts range from 1 month to 3 months (31.12.2015: 1 week to 4 months; 31.12.2016: 1 month to 3 months; 31.12.2017: 1 month to 3 months).

(ii) The Group has recognised a gain of RM1,683,000 (31.12.2015: loss of RM2,584,000; 31.12.2016: gain of RM2,673,000 and 31.12.2017: loss of RM1,137,000) arising from fair value changes of derivatives during the financial period/year as disclosed in Note 2.5 to the financial statements. The fair value changes were attributed to changes in the foreign exchange spot and forward rates. The method and assumptions applied in the determining fair values of derivatives are disclosed in Note 2.41 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.23 CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	163,243	60,413	95,415	52,969
Cash on hand and at banks	302,805	352,565	406,996	472,755
Total cash and bank balances	466,048	412,978	502,411	525,724
Less: Bank overdrafts (Note 2.28)	(39,072)	(67,152)	(63,547)	(39,915)
Less: Fixed deposits pledged as collateral	(4,731)	(12,637)	(11,440)	(15,360)
Cash and cash equivalents	<u>422,245</u>	<u>333,189</u>	<u>427,424</u>	<u>470,449</u>

Certain fixed deposits with licensed bank of the Group with maturity period of 12 months and at a total carrying amount of RM15,360,000 (31.12.2015: RM4,731,000; 31.12.2016: RM12,637,000 and 31.12.2017: RM11,440,000) are pledged with licensed banks as collaterals for certain loans and guarantees issued by the said banks. The remaining fixed deposits have maturity periods ranging from 30 to 90 (31.12.2015: 7 to 90; 31.12.2016: 7 to 90 and 31.12.2017: 30 to 90) days.

The average effective interest rate of the fixed deposits with licensed banks is 0.1% to 5.4% (31.12.2015: 0.1% to 4.91%; 31.12.2016: 0.1% to 5.96%; and 31.12.2017: 0.1% to 7.5%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.24 SHARE CAPITAL

	31.12.2015 (audited)		31.12.2016 (audited)		31.12.2017 (audited)		31.10.2018 (audited)	
	Number of ordinary shares of RM1 each	Amount RM'000	Number of ordinary shares of RM1 each	Amount RM'000	Number of ordinary shares	Amount RM'000	Number of ordinary shares	Amount RM'000
Authorised:								
- At beginning of financial year	500,000	500,000	500,000	500,000	500,000	500,000	-	-
- Abolishment of the concept of authorised share capital on 31 January 2017	-	-	-	-	(500,000)	(500,000)	-	-
At end of financial year/period	500,000	500,000	500,000	500,000	-	-	-	-
Issued and fully paid:								
- At beginning of financial year	955	955	955	955	955	955	955	1,230,132
- Transfer from share premium	-	-	-	-	-	1,229,177	-	-
At end of financial year/period	955	955	955	955	955	1,230,132	955	1,230,132

The Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM1,229,176,622 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of shares in issue or the relative entitlements of any of the members as a result of this transition. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium of RM1,229,176,622 for purposes as set out in Section 618(3) of the Act.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.25 MERGER RESERVE

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

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

2.26 RESERVES

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at 31.12.2017</u>	<u>As at 31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Foreign currency translation reserve	64,612	101,871	21,166	(5,034)
Retained earnings	476,515	641,405	593,134	709,073
	<u>541,127</u>	<u>743,276</u>	<u>614,300</u>	<u>704,039</u>

Foreign currency translation reserve

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.27 FINANCE LEASE LIABILITIES

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000
Minimum lease payments:				
- Not later than 1 year	16,353	19,194	22,714	24,183
- Later than 1 year and not later than 5 years	20,763	26,341	30,896	27,185
	<u>37,116</u>	<u>45,535</u>	<u>53,610</u>	<u>51,368</u>
Less: Future finance charges	(2,989)	(3,542)	(3,963)	(3,926)
Present value of finance lease liabilities	<u>34,127</u>	<u>41,993</u>	<u>49,647</u>	<u>47,442</u>
Present value of finance lease liabilities:				
- Not later than 1 year	14,778	17,370	20,466	21,928
- Later than 1 year and not later than 5 years	19,349	24,623	29,181	25,514
	<u>34,127</u>	<u>41,993</u>	<u>49,647</u>	<u>47,442</u>
Classified as:				
- Current	14,778	17,370	20,466	21,928
- Non-current	19,349	24,623	29,181	25,514
	<u>34,127</u>	<u>41,993</u>	<u>49,647</u>	<u>47,442</u>

At the date of reporting, the finance lease liabilities carry effective interest rate of 2.83% (31.12.2015: 2.69%; 31.12.2016: 3.38%; 31.12.2017: 2.88%) per annum. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The carrying amounts and fair values of the finance lease liabilities of the Group are as follows:

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000
Carrying amount	34,127	41,993	49,647	47,442
Fair value	<u>34,414</u>	<u>42,094</u>	<u>49,765</u>	<u>48,555</u>

The fair value of finance lease liabilities is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile and within level 2 of the fair value hierarchy.

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.28 BANK BORROWINGS

	As at		As at	
	31.12.2015	31.12.2016	31.12.2017	31.10.2018
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Secured:				
Current				
Bankers' acceptances	144,912	119,754	130,954	16,620
Bank overdrafts	32,532	62,195	53,315	39,078
Term loans (a)	162,464	186,893	163,984	175,390
Revolving credits	283,279	211,153	311,890	114,500
Trust receipts	186,591	154,098	36,873	55,508
	<u>809,778</u>	<u>734,093</u>	<u>697,016</u>	<u>401,096</u>
Non-current				
Term loans (a)	403,044	282,064	633,127	734,596
	<u>1,212,822</u>	<u>1,016,157</u>	<u>1,330,143</u>	<u>1,135,692</u>
Unsecured:				
Current				
Bankers' acceptances	165,752	195,600	239,363	362,322
Bank overdrafts	6,540	4,957	10,232	837
Term loans (b)	30,339	35,891	39,673	66,893
Revolving credits	55,069	72,933	165,014	226,410
Trust receipts	109,575	127,935	247,317	263,033
	<u>367,275</u>	<u>437,316</u>	<u>701,599</u>	<u>919,495</u>
Non-current				
Term loans (b)	96,863	136,957	112,127	174,638
	<u>464,138</u>	<u>574,273</u>	<u>813,726</u>	<u>1,094,133</u>
Total borrowings:				
Bankers' acceptances	310,664	315,354	370,317	378,942
Bank overdrafts (Note 2.23)	39,072	67,152	63,547	39,915
Term loans	692,710	641,805	948,911	1,151,517
Revolving credits	338,348	284,086	476,904	340,910
Trust receipts	296,166	282,033	284,190	318,541
	<u>1,676,960</u>	<u>1,590,430</u>	<u>2,143,869</u>	<u>2,229,825</u>
Less: Amount due within 12 months	(1,177,053)	(1,171,409)	(1,398,615)	(1,320,591)
Non-current portion	<u>499,907</u>	<u>419,021</u>	<u>745,254</u>	<u>909,234</u>
The currency profile of borrowings is as follows:				
Ringgit Malaysia	618,804	639,588	751,843	884,745
Singapore Dollar	162,029	128,637	539,559	521,930
US Dollar	55,642	74,949	82,659	18,410
Indonesia Rupiah	604,250	518,111	518,976	480,194
Vietnamese Dong	236,235	229,145	244,337	319,300
Philippines Peso	-	-	6,495	5,246
	<u>1,676,960</u>	<u>1,590,430</u>	<u>2,143,869</u>	<u>2,229,825</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.28 BANK BORROWINGS (CONTINUED)**

The term loans of the Group include:

(a) Secured

- i. A floating-rate term loan amounting to SGD95.0 million (equivalent to RM287.0 million) was drawn down by a wholly-owned subsidiary incorporated in Singapore in December 2017 and the loan will be matured in December 2022. The outstanding balance at the end of the financial period/year is SGD85.0 million (equivalent to RM256.8 million) (31.12.2017: SGD95.0 million (equivalent to RM287.8 million)). The loan bears interest rate at 1.5% per annum above the applicable Singapore Interbank Offered Rate ("SIBOR") and repayable in 5 years from the first drawn down date.
- ii. A floating-rate term loan amounting to SGD50.0 million (equivalent to RM151.0 million) was drawn down by a wholly-owned subsidiary incorporated in Singapore in December 2017 and the loan will be matured in December 2022. The outstanding balance at the end of the financial period/year is SGD48.0 million (equivalent to RM145.0 million) (31.12.2017: SGD50 million (equivalent to RM151.5 million)). The loan bears interest rate at 1.5% per annum above the applicable SIBOR and repayable in 5 years from the first drawn down date.
- iii. A floating-rate term loan amounting to SGD1.2 million and SGD5.7 million (cumulatively RM20.8 million) were drawn down in financial year ended 31 December 2017 and financial period ended 31 October 2018 respectively by an indirect subsidiary incorporated in Singapore. The outstanding balance at the end of the financial period/year is SGD6.9 million (equivalent to RM20.8 million) (31.12.2017: SGD1.2 million (equivalent to RM3.5 million)). The loan bears interest rate at 1.6% per annum above the applicable SIBOR. The first repayment commencing 12 months from the first drawn down date and repayable in 60 monthly instalment.
- iv. A floating-rate term loan amounting to IDR100.0 billion and IDR136.0 billion (cumulatively RM68.2 million) was drawn down in financial year ended 31 December 2017 and financial period ended 31 October 2018 respectively by a subsidiary incorporated in Indonesia. The loan will be matured in January 2023. The outstanding balance at the end of the financial period/year is IDR208.6 billion (equivalent to RM57.4 million) (31.12.2017: IDR100.0 billion (equivalent to RM29.8 million)). The loan bears interest rate at 3.38% per annum above the Jakarta Interbank Offered Rate ("JIBOR") and repayable in 60 monthly instalment of IDR4.1 billion for the first 12 instalment and IDR4.1 billion for the next 48 instalment and fully repayable by January 2023.
- v. Floating-rate term loans amounting to IDR693.7 billion (equivalent to RM190.8 million) was drawn down by an indirect subsidiary incorporated in Indonesia. The loan was drawn down in 2 tranches on January 2014 and June 2015, will be settled through monthly instalment and fully repayable by June 2021. The outstanding balance at the end of each financial period/year is IDR245.2 billion (equivalent to RM67.4 million) (31.12.2015: IDR602.4 billion (equivalent to RM187.7 million), 31.12.2016: IDR550.2 billion (equivalent to RM183.2 million) and 31.12.2017: IDR401.5 billion (equivalent to RM119.7 million)). The term loan bears effective interest rate at 9.47% (31.12.2015: 11.00%; 31.12.2016: 9.26%; 31.12.2017: 8.15%) per annum.
- vi. A floating-rate term loan amounting to IDR200.0 billion (equivalent to RM55.0 million) was drawn down by an indirect subsidiary incorporated in Indonesia and the loan will be matured in September 2020. The outstanding balance at end of the financial period/year is IDR95.4 billion (equivalent to RM26.2 million) (31.12.2015: IDR159.4 billion (equivalent to RM49.7 million), 31.12.2016: IDR186.7 billion (equivalent to RM62.2 million), 31.12.2017: IDR136.9 billion (equivalent to RM40.8 million)). The term loan bears effective interest rate at 9.50% (31.12.2015: 11.25%; 31.12.2016: 9.75%; 31.12.2017: 9.75%) per annum and repayable in 48 monthly instalment commencing 1 year from 25 September 2015.

13. ACCOUNTANTS' REPORT (Cont'd)**LEONG HUP INTERNATIONAL BERHAD**

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.28 BANK BORROWINGS (CONTINUED)**

The term loans of the Group include: (continued)

(a) Secured (continued)

vii. A floating-rate term loan amounting to IDR745.0 billion (equivalent to RM204.9 million) was drawn down in September 2018 by a subsidiary incorporated in Indonesia. The outstanding balance at the end of the financial period is IDR732.6 billion (equivalent to RM201.5 million). The loan bears interest rate at 2.75% per annum above the Jakarta Interbank Offered Rate ("JIBOR") and repayable in 60 monthly instalment of IDR 12.4 billion and fully repayable by September 2023.

(b) Unsecured

i. Commodity Murabahah Term Financing ("CMTF-i") of RM120.0 million was first drawn down in September 2015 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial period/year is RM48.0 million (31.12.2015: RM99.7 million; 31.12.2016: RM90.0 million; 31.12.2017: RM66.0 million). The profit rate of this financing facility is 1.25% per annum above the bank's Cost of Funds ("COF") and repayable in 20 quarterly instalment commencing 3 months from the first drawn date.

ii. A floating-rate term loan amounting to RM20.0 million and RM70.0 million were drawn down in financial year ended 31 December 2017 and financial period ended 31 October 2018 respectively by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial period/year is RM90.0 million (31.12.2017: RM20.0 million). The loan bears interest rate at 1% per annum above the bank's COF and repayable in 3 annual instalment, being RM18.0 million for the first and second instalment and RM54.0 million for the last instalment commencing 13 months from the first drawn date.

iii. A floating-rate term loan amounting to RM32.0 million was drawn down in February 2018 by a wholly-owned subsidiary incorporated in Malaysia. The outstanding balance at the end of the financial period is RM32.0 million. The loan bears interest rate at 1% per annum above the bank's COF and repayable in 20 quarterly instalment of RM1.6 million each and commencing 15 months from the first drawn date.

The remaining term loans at the end of the financial period/year amounting to RM206.4 million (31.12.2015: RM355.6 million; 31.12.2016: RM306.4 million; 31.12.2017: RM229.8 million) have repayment terms ranging from 3 years to 10 years from respective first drawdown date and will be fully repayable by February 2026.

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.28 BANK BORROWINGS (CONTINUED)**

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

	As at			As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Later than one year but not later than two years	214,447	231,829	206,980	259,928
Later than two years but not later than five years	270,354	158,194	525,731	641,824
Later than five years	15,106	28,998	12,543	7,482
	<u>499,907</u>	<u>419,021</u>	<u>745,254</u>	<u>909,234</u>

Secured bank borrowings are secured by legal charges over shares of certain subsidiaries, property, plant and equipment (Note 2.9), investment properties (Note 2.10), land use rights (Note 2.11), biological assets (Note 2.16), inventories (Note 2.17), trade receivables (Note 2.18) and other receivables (Note 2.19) of the Group.

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

The effective interest rates at end of the reporting date are as follows:

	As at			As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	%	%	%	%
Bankers' acceptances	4.7	4.4	4.2	4.5
Bank overdrafts	9.3	9.0	5.0	4.5
Term loans	7.9	7.0	4.8	5.8
Revolving credits	9.3	6.2	6.2	5.8
Trust receipts	4.8	3.9	4.1	5.1

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.29 POST-EMPLOYMENT BENEFITS OBLIGATION**

The Group operates various post-employment schemes, including both defined contributions plan (Note 2.4) and defined benefit plan. The Group's post-employment benefits obligation primarily arise from PT Malindo Feedmill Tbk and its subsidiaries in Indonesia. The Group provides defined post-employment benefits to their employees in accordance with Indonesian Labour Law No. 13/2003. No funding has been made to this defined benefit plan.

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

	<u>31.12.2015</u> Audited	<u>31.12.2016</u> Audited	<u>As at</u> <u>31.12.2017</u> Audited	<u>As at</u> <u>31.10.2018</u> Audited
Retirement age	55 years	55 years	55 years	55 years
Discount rate (per annum)	9.18%	8.58%	7.25%	9.14%
Annual salary increase	8.8%	8.5%	9.0%	9.0%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Indonesia.

Movements in the present value of the post-employment benefit obligation are as follows:

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>As at</u> <u>31.12.2017</u> Audited RM'000	<u>As at</u> <u>31.10.2018</u> Audited RM'000
At 1 January	16,869	24,147	31,975	36,943
Current service cost	3,075	3,705	4,620	4,597
Interest cost	1,439	2,102	2,506	928
Benefit paid	(706)	(619)	(1,043)	(1,166)
Translation differences	2,210	2,159	(4,032)	(2,962)
Remeasurement of post-employment benefit obligation charged/(reversed) to other comprehensive income	1,260	481	2,917	(1,009)
At 31 December/31 October	<u>24,147</u>	<u>31,975</u>	<u>36,943</u>	<u>37,331</u>

13. ACCOUNTANTS' REPORT (Cont'd)**LEONG HUP INTERNATIONAL BERHAD**(Incorporated in Malaysia)
(Company No. 1098663 - D)**2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.29 POST-EMPLOYMENT BENEFITS OBLIGATION (CONTINUED)**

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
Current service cost	3,075	3,705	4,620	4,597	3,905
Interest cost	1,439	2,102	2,506	928	1,756
Expenses recognised in profit or loss	<u>4,514</u>	<u>5,807</u>	<u>7,126</u>	<u>5,525</u>	<u>5,661</u>
Remeasurements:					
Actuarial loss/(gain) arising from changes in financial assumptions	1,924	(140)	3,353	(2,643)	1,753
Actuarial (gain)/loss arising from experience adjustment	(664)	621	(436)	1,634	883
Remeasurements loss of post-employment benefit obligation recognised in other comprehensive income	<u>1,260</u>	<u>481</u>	<u>2,917</u>	<u>(1,009)</u>	<u>2,636</u>

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

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
<u>Effect on current service cost</u>					
- 1% on discount rate	3,626	3,996	3,879	2,861	3,142
+ 1% on discount rate	(2,983)	(3,570)	(3,086)	(2,464)	(2,691)

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.30 TRADE PAYABLES**

	As at			As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Trade payable	253,694	246,462	230,505	241,238
Amounts due to related parties (trade)	30,445	11,148	11,716	12,490
	<u>284,139</u>	<u>257,610</u>	<u>242,221</u>	<u>253,728</u>

Credit terms of the Group's trade payables ranging from cash on delivery to 120 days throughout the reported periods.

Amounts due to related parties comprise payables from companies controlled by Lau family amounting to RM11,536,073 (31.12.2015: RM30,016,000, 31.12.2016: RM10,564,000 and 31.12.2017: RM10,762,000) and Nam Family amounting to RM953,847 (31.12.2015: RM429,000, 31.12.2016: RM584,000 and 31.12.2017: RM954,000).

2.31 OTHER PAYABLES AND ACCRUED EXPENSES

	As at			As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Other payables	77,050	65,854	95,589	94,981
GST/VAT payable	740	5,167	4,246	3,535
Accrued expenses	96,955	116,453	113,349	128,796
Provision for claims	-	43,456	35,839	34,868
Amounts due to related parties (non-trade)	43,519	34,167	7,665	7,907
	<u>218,264</u>	<u>265,097</u>	<u>256,688</u>	<u>270,087</u>

Accrued expenses

As at 31 October 2018, accrued expenses include the proposed listing expenses amounting to RM18,788,000 for the proposed initial public offering of the Company on the Main Market of Bursa Malaysia Securities Berhad.

Provision for claims

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

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

Written representations in defence of the Affected Companies were submitted to the CCCS on 8 February 2018, and oral representations were presented to the CCCS on 15 March 2018, and the CCCS was considering the further written representations and oral representations submitted. On 12 September 2018, the CCCS have issued an infringement decision on the Affected Companies and imposed an aggregate financial penalty of SGD11,399,041 (RM34,434,223) on the Affected Companies. On 12 November 2018, the Affected Companies lodged their Notice of Appeal with the Competition Appeal Board, and are currently in the process of preparing for an appeal hearing before the Competition Appeal Board. The imposed financial penalty was fully provided for as at 31 October 2018.

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.31 OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)**Amounts due to related parties

Amounts due to related parties (companies controlled by Lau family) arise from transactions such as transportation charges, purchases of sundries and rental expenses as disclosed in Note 2.34.

2.32 AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are trade in nature, unsecured, interest-free and have credit terms of 120 days throughout the reported period.

2.33 DIVIDEND PAID/PAYABLE

	Financial years ended			10 months financial period ended	
	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	<u>31.12.2017</u> Audited RM'000	<u>31.10.2018</u> Audited RM'000	<u>31.10.2017</u> Unaudited RM'000
In respect of the financial year ended 31 December 2014:					
- Final single-tier dividend of RM30.00 per share on 955,370 ordinary shares, paid on 28 July 2015	28,661	-	-	-	-
In respect of the financial year ended 31 December 2015:					
- Final single-tier dividend of RM18.00 per share on 955,370 ordinary shares, paid on 18 July 2016	-	17,200	-	-	-
In respect of the financial year ended 31 December 2016:					
- Final single-tier dividend of RM40.19 per share on 955,370 ordinary shares, paid on 13 July 2017	-	-	38,400	-	38,400
In respect of the financial year ended 31 December 2017:					
- Final single-tier dividend of RM60.73 per share on 955,370 ordinary shares.	-	-	-	58,000	-
	<u>28,661</u>	<u>17,200</u>	<u>38,400</u>	<u>58,000</u>	<u>38,400</u>

- (i) The dividend declared by the Company on 24 August 2018 in respect of the financial year ended 31 December 2017 amounting to RM58,000,000 was partially paid as of 31 October 2018. The remaining balance of RM46,448,000 is classified as 'Dividend payable' in the consolidated statements of financial position as at 31 October 2018. The dividend payable was subsequently paid in November and December 2018.
- (ii) Included in 'Dividend payable' in the consolidated statements of financial position as at 31 October 2018 is the interim dividend payable to non-controlling interest of PT Malindo Feedmill Tbk, an indirect subsidiary, amounting to RM3,515,000. The dividend has been paid on 9 November 2018.

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.34 SIGNIFICANT RELATED PARTY DISCLOSURES

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

Related parties and relationship

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

<u>Name of company</u>	<u>Relationship</u>
Emerging Glory Sdn Bhd ("EGSB")	Ultimate holding company
<u>Subsidiaries of EGSB:</u>	
Leong Hup Holdings Sdn Bhd	Fellow subsidiary
Emivest Sdn Bhd	Fellow subsidiary
The Baker's Cottage Sdn Bhd	Fellow subsidiary
<u>Companies controlled by Lau family:</u>	
Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd)	Lau family *
Astaka Shopping Centre (Muar) Sdn Bhd	Lau family *
KPF Farming Sdn Bhd	Lau family *
Poly-Yarn Industries Sdn Bhd	Lau family *
Poly-Yarn Marketing Sdn Bhd	Lau family *
Joint Honest International Enterprise Limited	Lau family *
Pengangkutan Mekar Sdn Bhd	Lau family *
Teratai Agriculture Sdn Bhd	Lau family *
Teratai Agriculture Vietnam Limited	Lau family *
PT Sehat Cerah Indonesia	Lau family *
PT Telur Indonesia	Lau family *
PT Feedmill Indonesia	Lau family *
Phil Malay Poultry Breeders, Inc (Phi)	Lau family *
Perfect Breeding and Aquatic, Inc	Lau family *
WTI Nutritional Products Sdn Bhd	Lau family *
Jordon International Food Processing Pte Ltd	Lau family *
<u>Companies controlled by Nam family:</u>	
Mujur Cekap Sdn Bhd	Nam family ^
Blue Home Marketing Sdn Bhd	Nam family ^

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	Financial years ended			10 months financial period ended	
	31.12.2015 Audited RM'ooo	31.12.2016 Audited RM'ooo	31.12.2017 Audited RM'ooo	31.10.2018 Audited RM'ooo	31.10.2017 Unaudited RM'ooo
Ultimate holding company:					
Sales of subsidiary - The Baker's Cottage Sdn Bhd	-	-	20,331	-	20,331
Interest income	-	-	-	915	-
Fellow subsidiaries:					
Rental expense charged	(1,270)	(1,271)	(1,602)	(1,377)	(1,308)
Companies controlled by Lau family:					
Sales of goods	205,267	260,304	309,709	294,676	263,276
Purchases of goods	(95,005)	(126,807)	(137,398)	(174,152)	(117,038)
Transportation charges paid/payable	(14,192)	(9,360)	(13,431)	(10,821)	(9,879)
Purchases of sundries paid/payable	(1,000)	(1,057)	(620)	(2,035)	(383)
Acquisition of non-controlling interest – ES Food International Pte Ltd	-	-	(104,353)	-	-
Disposal of subsidiary – Jordon International Food Processing Pte Ltd	-	-	-	30,370	-
Advances granted	-	-	13,357	13,639	13,357
Repayment of advances	-	(23,901)	-	(26,878)	-
Interest income	889	386	544	347	440
Companies controlled by Nam family:					
Transportation charges paid/payable	(5,236)	(5,247)	(8,072)	(7,022)	(6,580)
Transaction with non-controlling interests:					
Disposal of subsidiary – Jordon International Food Processing Pte Ltd	-	-	-	29,184	-

Significant related party balances

The significant outstanding balances with ultimate holding company and fellow subsidiaries are shown in Note 2.20 and Note 2.21 respectively. The significant outstanding balances with companies controlled by Lau family and Nam family are shown in Note 2.18, Note 2.19, Note 2.30 and Note 2.31 respectively.

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party financial guarantee contracts

Financial guarantee contracts provided to certain related parties which have not been reflected in the statements of financial position of the Group is as follows:

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Financial guarantee contracts provided by certain subsidiary to banks on banking facilities granted to fellow subsidiary	-	-	38,500	38,500

The financial guarantee contracts disclosed are in relation to the banking facilities granted to former subsidiaries (including undrawn facilities) before these subsidiaries were disposed to a related party and the ultimate holding company. On 1 November 2018 and 19 November 2018, these financial guarantee contracts amounting to RM10,000,000 and RM28,500,000 have been discharged by the respective banks.

Key management personnel compensation

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

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

	<u>Financial years ended</u>			<u>10 months</u> <u>financial period ended</u>	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited	Audited	Audited	Audited	Unaudited
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Directors of the Company:</u>					
Fees (i)	31	3,695	4,455	806	1,158
Salaries, bonuses and other benefits	17,867	32,799	14,612	12,964	10,741
Defined contribution benefits	2,063	2,911	1,143	1,527	908
	19,961	39,405	20,210	15,297	12,807
<u>Management Team:</u>					
Fees paid to Directors of subsidiaries	-	-	2,379	-	1,963
Salaries, bonuses and other benefits	5,821	5,918	9,008	4,163	5,152
Defined contribution benefits	384	652	806	247	583
Total key management personnel compensation	26,166	45,975	32,403	19,707	20,505

- (i) The Directors' fees disclosed above were paid by the subsidiaries of the Company. No Directors' fees had been paid by the Company and any Directors' fees to be paid by the Company will be approved by the shareholders at a general meeting.

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS

31.12.2015Acquisition of subsidiaries

- (a) On 14 January 2015, on behalf of the Board of Directors of an indirect subsidiary, Teo Seng Capital Berhad ("TSC"), Maybank Investment Bank Berhad announced that the Board had on 14 January 2015, resolved to fix the exercise price of the warrants at RM1.35 per warrant, representing a premium of approximately 9.76% to the theoretical ex-bonus price of the TSC shares of approximately RM1.23, calculated based on the five (5) day volume weighted average market price of the TSC shares up to and including 13 January 2015 (being the market day immediately preceding the price-fixing date of RM1.84 per share).

TSC had on even date executed the deed poll constituting up to 50,000,000 warrants to be issued pursuant to the Bonus Issue of Warrants.

The Bonus Issue of Shares and Bonus Issue of Warrants have been completed following the listing and quotation of the Bonus Issue and Warrants on the Main Market of Bursa Malaysia Securities Berhad on 9 February 2015.

- (b) On 24 April 2015, an indirect subsidiary, Premium Egg Products Pte. Ltd. ("PEPPL"), which in turn is a wholly owned subsidiary of TSC entered into a conditional sale and purchase agreement with Oceantrade Food Pte. Ltd., a company incorporated and registered in Singapore, Loi Teck Heng, Low Sook Cheng and Lee Yee Gee (collectively known as "Vendors") to acquire 1,400,000 ordinary shares in BH Fresh Food Pte. Ltd. ("BHFF"), representing 100% of the equity interest in BHFF from the Vendors for a total cash consideration of SGD9.80 million (equivalent to RM26.4 million). As a result, BHFF became a wholly owned subsidiary of TSC during the year.

The fair value of the asset and liabilities acquired are as follows:

	<u>At the date of acquisition</u> RM'000
Property, plant and equipment	24,825
Cash and bank balances	11
Trade and other receivables	5,258
Trade and other payables	(11)
Deferred tax liabilities	(3,623)
Fair value of net identifiable assets acquired	<u>26,460</u>
Total purchase consideration, to be settled by cash	26,460
Less : Cash and cash equivalents of subsidiary acquired	(11)
Net cash outflow for acquisition of subsidiary	<u><u>26,449</u></u>

The acquired subsidiary had contributed profit after tax of RM190,000 to the Group.

Had BHFF been consolidated from 1 January 2015, the consolidated comprehensive income would show pro forma revenue of RM13,927,000 and profit after tax of RM1,818,000.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2015 (continued)

Acquisition of subsidiaries (continued)

- (c) On 26 May 2015, an indirect subsidiary, Teo Seng Farming Sdn. Bhd. which in turn is a wholly owned subsidiary of TSC acquired an additional 40% equity interest in Forever Best Supply Sdn. Bhd. ("Forever") for a total cash consideration of RM551,000. As a result, Forever became a wholly owned subsidiary of TSC.

The acquisition has no material financial impact to the Group.

- (d) On 10 August 2015, an indirect subsidiary, Lee Say Breeding Farm Sdn Bhd, which in turn is a wholly owned subsidiary of Lee Say Group Pte Ltd ("LSG") acquired 1,500,000 ordinary shares of RM1.00 each, representing 100% of the issued and paid up capital of My-Kando Food Industries Sdn Bhd ("MKI") for a total cash consideration of RM1,651,000 (equivalent to SGD543,000). As a result, MKI became a wholly owned subsidiary of LSG.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	<u>Group</u> RM'000
Property, plant and equipment	4,814
Biological assets	19
Cash and bank balances	96
Trade and other receivables	124
Other payables	(3,864)
	<hr/>
Net identifiable assets acquired	1,189
Add : Goodwill on acquisition	462
	<hr/>
Total purchase consideration, to be settled by cash	1,651
Less : Cash and cash equivalents of subsidiary acquired	(96)
	<hr/>
Net cash outflow for acquisition of subsidiary	<u>1,555</u>

The subsidiary has contributed loss after tax of RM32,000 to the Group since the date of acquisition.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2015 (continued)

Acquisition of subsidiaries (continued)

- (e) From 26 August 2015 to 30 November 2015, a direct subsidiary, Dragon Amity Pte. Ltd. ("DAPL") had further subscribed to 10,671,600 ordinary shares in PT Malindo Feedmill Tbk ("PTMF") from the open market for a total cash consideration of Rp2,472,684,000 (equivalent to RM769,000).

On 23 October 2015, PTMF has obtained approval letter from Otoritas Jasa Keuangan ("OJK"), the Financial Service Authority of Indonesia to increase its issued and fully paid ordinary shares to 2,238,750,000 by issuing additional 447,750,000 new ordinary shares with par value of Rp20 per share and exercise price of Rp1,200 per share (equivalent to RM0.37 per share) of which DAPL subscribed to 354,104,842 new shares for a total cash consideration of Rp424,925,810,000 (equivalent to RM132,364,000). The remaining 93,395,158 new shares amounting to RM35,005,000 was subscribed by the non-controlling interest in proportion to their shareholding.

31.12.2016

Addition of investments in subsidiaries

- (a) During the financial year, a direct subsidiary, Dragon Amity Pte. Ltd. ("DAPL") had further subscribed to 3,956,700 ordinary shares in PT Malindo Feedmill Tbk ("PTMF") from the open market for a total cash consideration of Rp5,517,340,000 (equivalent to RM1,837,000), resulting in the Group's equity interest in PTMF increasing from 57.09% to 57.27%.

31.12.2017

Addition of investments in subsidiaries

- (a) On 1 June 2017, an indirect subsidiary, Leong Hup Feedmill Sdn. Bhd., acquired the remaining 6,209,829 ordinary shares in a subsidiary, Ideal Multifeed (Malaysia) Sdn. Bhd., representing 40.32% of the issued and paid up capital in Ideal Multifeed (Malaysia) Sdn. Bhd. for a total cash consideration of RM12,109,000. Immediately prior to the purchase, the carrying amount of the existing 40.32% non-controlling interest in Ideal Multifeed (Malaysia) Sdn. Bhd. was RM10,728,000. The Group recognised a decrease in non-controlling interests of RM10,728,000 and a decrease in equity attributable to owners of the company of RM1,381,000.

The effect on the equity attributable to the owners is summarised as follows:

	<u>Group</u> RM'000
Carrying amount of non-controlling interests acquired	10,728
Consideration paid to non-controlling interests	(12,109)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	<u>1,381</u>

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13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2017 (continued)

Addition of investments in subsidiaries (continued)

- (b) On 1 July 2017, an indirect subsidiary, Leong Hup Agrobusiness Sdn. Bhd., acquired the remaining 319,725 ordinary shares in a subsidiary, Exclusive Treasure Sdn. Bhd., representing 49% of the issued and paid up capital in Exclusive Treasure Sdn. Bhd. for a total cash consideration of RM320,000. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest in Exclusive Treasure Sdn. Bhd. was a deficit of RM841,000. The Group recognised an increase in non-controlling interests of RM841,000 and a decrease in equity attributable to owners of the company of RM1,161,000.

The effect on the equity attributable to the owners is summarised as follows:

	<u>Group</u> RM'000
Carrying amount of non-controlling interests acquired	(841)
Consideration paid to non-controlling interests	(320)
	<hr/>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(1,161)
	<hr/> <hr/>

- (c) On 21 November 2017, an indirect subsidiary, ES Food International Pte. Ltd. capitalised the outstanding shareholders' loans amounting to SGD34,376,000 (equivalent to RM101,932,000) into additional paid up capital of 34,375,933 new ordinary shares. As a result, the new shares amounting to SGD8,604,000 (equivalent to RM26,063,000) was allocated to the non-controlling interest in proportion to their shareholding via the capitalisation of the same amount owing to a related party (Note 2.31).
- (d) On 21 November 2017, a direct subsidiary, Leong Hup Singapore Pte. Ltd. acquired 25% of the issued and paid up capital in ES Food International Pte. Ltd. for a total cash consideration of SGD32,000,000 (equivalent to RM104,353,000). Immediately prior to the purchase, the carrying amount of the existing 25% non-controlling interest in ES Food International Pte. Ltd. was SGD16,667,000 (equivalent to RM51,229,000). The Group recognised a decrease in non-controlling interests of RM51,229,000 and a decrease in equity attributable to owners of the company of RM53,124,000.

The effect on the equity attributable to the owners is summarised as follows:

	<u>Group</u> RM'000
Carrying amount of non-controlling interests acquired	51,229
Consideration paid to non-controlling interests	(104,353)
	<hr/>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(53,124)
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13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.35 ACQUISITIONS (CONTINUED)

31.12.2017 (continued)

Addition of investments in subsidiaries (continued)

- (e) On 18 August 2017, a direct subsidiary, Leong Hup Singapore Pte. Ltd. ("LHS"), entered into a conditional sale and purchase agreement with Beng Leong Investment Pte. Ltd., Ng Eng Wah, Toh Ying Seng and Heng Cheng Seng (collectively known as "Vendors") to acquire the remaining 578,445 ordinary shares in a subsidiary, Lee Say Group Pte. Ltd. ("LSG"), representing 49% of the equity interest in LSG from the Vendors for a total cash consideration of SGD112,700,000 (equivalent to RM341,402,000). The acquisition was completed on 8 December 2017. Immediately prior to the completion of acquisition, the carrying amount of the existing 49% non-controlling interest in LSG was RM196,885,000. The Group recognised a decrease in non-controlling interests of RM196,885,000 and a decrease in equity attributable to owners of the company of RM144,517,000.

The effect on the equity attributable to the owners is summarised as follows:

	<u>Group</u> RM'000
Carrying amount of non-controlling interests acquired	196,885
Consideration paid to non-controlling interests	<u>(341,402)</u>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	<u>(144,517)</u>

Acquisition of subsidiaries

- (a) On 16 June 2017, an indirect subsidiary, New Soon Teng Poultry Sdn. Bhd. (formerly known as Morningfield Sdn. Bhd.), entered into a sale and purchase agreement with Soon Teng Poultry Sdn. Bhd. and Tan Bet Beng (collectively known as "Vendors") to acquire the business and certain assets of Soon Teng Poultry Sdn. Bhd. for a total purchase consideration of RM7,794,000.

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

	<u>At the date of</u> <u>acquisition</u> RM'000
Property, plant and equipment	4,917
Inventories	<u>754</u>
Fair value of net identifiable assets acquired	5,671
Add: Goodwill on consolidation	<u>2,123</u>
Total purchase consideration	7,794
Less : Equity settled consideration, representing 30% of issued paid-up capital of New Soon Teng Poultry Sdn Bhd	<u>(2,400)</u>
Net cash outflow for acquisition	<u>5,394</u>

The acquired subsidiary has contributed revenue of RM17,423,000 and loss after tax of RM809,000 to the Group since the date of acquisition.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.35 ACQUISITIONS (CONTINUED)**31.12.2017 (continued)Acquisition of subsidiaries (continued)

- (b) On 15 July 2017, a direct subsidiary, Leong Hup (Malaysia) Sdn. Bhd. has entered into a sale and purchase agreement with Leong Hup Holdings Sdn. Bhd. to acquire 2 ordinary shares of RM1.00 each, representing 100% of the issued and paid up capital of New Soon Teng Poultry Sdn Bhd (formerly known as Morningfield Sdn. Bhd.) for a total cash consideration of RM2.00. The acquisition has no material financial impact to the Group.

31.10.2018Addition of investments in subsidiaries

- (a) On 5 March 2018, a direct subsidiary, Leong Hup (Malaysia) Sdn. Bhd., acquired an additional 7,000,000 ordinary shares in Teo Seng Capital Berhad, representing 2.335% of the issued and paid up capital in Teo Seng Capital Berhad for a total cash consideration of RM7,000,000. Immediately prior to the purchase, the carrying amount of the existing 2.335% of non-controlling interest in Teo Seng Capital Berhad was RM5,937,000. The Group recognised a decrease in non-controlling interests of RM5,937,000 and a decrease in equity attributable to owners of the company of RM1,063,000.

The effect on the equity attributable to the owners is summarised as follows:

	<u>Group</u> RM'000
Carrying amount of non-controlling interests acquired	5,937
Consideration paid to non-controlling interests	(7,000)
	<hr/>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(1,063)
	<hr/> <hr/>

- (b) During the financial period, a direct subsidiary, Leong Hup Singapore Pte Ltd ("LHS") had cumulatively acquired 16,967,200 ordinary shares in PT Malindo Feedmill Tbk ("PTMF") from the open market for a total cash consideration of Rp13,074,480,000 (equivalent to RM3,576,000), resulting in the Group's equity interest in PTMF increasing from 57.27% to 58.03%.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.36 DISPOSALS

31.12.2017Disposal of subsidiaries

- (a) On 1 October 2017, a direct subsidiary, Leong Hup (Malaysia) Sdn. Bhd., disposed of its 43,432,000 ordinary shares, representing 100% of the issued and paid up capital of its wholly owned subsidiary, The Baker's Cottage Sdn Bhd ("TBC"), for a total cash consideration of RM20,331,000 to Emerging Glory Sdn Bhd.

The carrying amount of the asset and liabilities disposed are as follow:

	<u>At the date of disposal</u> RM'000
Property, plant and equipment	20,160
Inventories	3,719
Trade and other receivables	16,551
Cash and bank balances	2,373
Tax recoverable	808
Trade and other payables	(10,588)
Bank borrowings	(11,067)
Deferred tax liabilities	(1,625)
Net assets disposed	<u>20,331</u>
Cash consideration receivable from Emerging Glory Sdn. Bhd.	<u>20,331</u>
Gain on disposal of subsidiary	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.36 DISPOSALS (CONTINUED)

31.10.2018

Disposal of subsidiaries

- (a) On 30 June 2018, an indirect subsidiary, Kendo Trading Pte. Ltd., entered into a sale and purchase agreement with Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd) and Lee Chai Soon to dispose of its 2,000,000 ordinary shares, representing 100% of the issued and paid up capital of its wholly owned subsidiary, Jordon International Food Processing Pte. Ltd. for a total cash consideration of SGD 20,100,000 (equivalent to RM59,554,000).

The carrying amount of the asset and liabilities disposed are as follow:

	<u>At the date of disposal</u> RM'000
Property, plant and equipment	35,943
Inventories	6,841
Goodwill on acquisition	7,241
Intangible assets	1,517
Cash and bank balances	24,599
Trade and other receivables	26,377
Trade and other payables	(14,038)
Bank borrowings	(2,963)
Tax payables	(2,122)
Deferred tax liabilities	(2,945)
Net assets disposed	<u>80,450</u>
Less: Foreign currency translation reserve realised upon disposal of subsidiary	(4,678)
Gain on disposal of a subsidiary	78
	<u><u>75,850</u></u>
<u>Proceeds from disposal</u>	
Cash consideration received from Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd)	30,370
Consideration received from Lee Chai Soon by way of offsetting dividend receivable from Kendo Trading Pte. Ltd.	29,184
Dividend receivable from Jordon International Food Processing Pte. Ltd. classified under 'amounts due from related parties' – Note 2.19 (ii)	16,296
	<u><u>75,850</u></u>

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.37 CAPITAL COMMITMENTS

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

	As at		As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>
	Audited	Audited	Audited
	RM'000	RM'000	RM'000
Acquisition of property, plant and equipment:			
- approved by Directors and contracted	29,089	25,852	17,897
- approved by Directors but not contracted	5,431	-	-
	<u>34,520</u>	<u>25,852</u>	<u>17,897</u>
			<u>31.10.2018</u>
			Audited
			RM'000
			92,871
			399,978
			<u>492,849</u>

The capital commitments as at 31 October 2018 include the estimated costs to be incurred in securing the certificate of completion and compliance on certain farms of the Group.

2.38 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	As at		As at
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>
	Audited	Audited	Audited
	RM'000	RM'000	RM'000
In relation to lease of equipment and premises:			
- Not later than one year	8,374	8,952	9,091
- Later than one year and not later than five years	20,317	34,592	27,607
- Later than five years	93,203	139,191	90,246
	<u>121,894</u>	<u>182,735</u>	<u>126,944</u>
			<u>97,821</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.39 CATEGORIES OF FINANCIAL INSTRUMENTS

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

- (a) Fair value through profit or loss ("FVPL")
(b) Amortised cost ("AC")
(c) Other financial liabilities measured at amortised cost ("OFL")

	<u>FVPL</u> RM'000	<u>AC</u> RM'000	<u>OFL</u> RM'000	<u>Total</u> RM'000
<u>Audited</u>				
<u>31.12.2015</u>				
<u>Financial assets</u>				
Trade receivables	-	483,763	-	483,763
Other receivables and deposits	-	71,496	-	71,496
Amount due from ultimate holding company	-	7,298	-	7,298
Amounts due from fellow subsidiaries	-	27	-	27
Derivative financial assets	401	-	-	401
Cash and bank balances	-	466,048	-	466,048
	<u>401</u>	<u>1,028,632</u>	<u>-</u>	<u>1,029,033</u>
<u>Financial liabilities</u>				
Trade payables	-	-	284,139	284,139
Other payables and accrued expenses	-	-	217,524	217,524
Amounts due to fellow subsidiaries	-	-	3,726	3,726
Bank borrowings	-	-	1,676,960	1,676,960
Finance lease liabilities	-	-	34,127	34,127
Derivative financial liabilities	3,073	-	-	3,073
	<u>3,073</u>	<u>-</u>	<u>2,216,476</u>	<u>2,219,549</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.39 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	<u>FVPL</u> RM'ooo	<u>AC</u> RM'ooo	<u>OFL</u> RM'ooo	<u>Total</u> RM'ooo
<u>Audited</u>				
<u>31.12.2016</u>				
<u>Financial assets</u>				
Trade receivables	-	526,295	-	526,295
Other receivables and deposits	-	49,561	-	49,561
Amount due from ultimate holding company	-	7,297	-	7,297
Amounts due from fellow subsidiaries	-	19	-	19
Derivative financial assets	1	-	-	1
Cash and bank balances	-	412,978	-	412,978
	<u>1</u>	<u>996,150</u>	<u>-</u>	<u>996,151</u>
<u>Financial liabilities</u>				
Trade payables	-	-	257,610	257,610
Other payables and accrued expenses	-	-	259,930	259,930
Amounts due to fellow subsidiaries	-	-	3,311	3,311
Bank borrowings	-	-	1,590,430	1,590,430
Finance lease liabilities	-	-	41,993	41,993
	<u>-</u>	<u>-</u>	<u>2,153,274</u>	<u>2,153,274</u>
<u>Audited</u>				
<u>31.12.2017</u>				
<u>Financial assets</u>				
Trade receivables	-	563,990	-	563,990
Other receivables and deposits	-	57,985	-	57,985
Amount due from ultimate holding company	-	20,331	-	20,331
Amounts due from fellow subsidiaries	-	725	-	725
Cash and bank balances	-	502,411	-	502,411
	<u>-</u>	<u>1,145,442</u>	<u>-</u>	<u>1,145,442</u>
<u>Financial liabilities</u>				
Trade payables	-	-	242,221	242,221
Other payables and accrued expenses	-	-	252,442	252,442
Amounts due to fellow subsidiaries	-	-	3,870	3,870
Bank borrowings	-	-	2,143,869	2,143,869
Finance lease liabilities	-	-	49,647	49,647
Derivative financial liabilities	1,136	-	-	1,136
	<u>1,136</u>	<u>-</u>	<u>2,692,049</u>	<u>2,693,185</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.39 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	<u>FVPL</u> RM'ooo	<u>AC</u> RM'ooo	<u>OFL</u> RM'ooo	<u>Total</u> RM'ooo
<u>Audited</u>				
<u>31.10.2018</u>				
<u>Financial assets</u>				
Trade receivables	-	582,577	-	582,577
Other receivables and deposits	-	55,793	-	55,793
Amount due from ultimate holding company	-	21,247	-	21,247
Amounts due from fellow subsidiaries	-	1,485	-	1,485
Derivative financial assets	631	-	-	631
Cash and bank balances	-	525,724	-	525,724
	<u>631</u>	<u>1,186,826</u>	<u>-</u>	<u>1,187,457</u>
<u>Financial liabilities</u>				
Trade payables	-	-	253,728	253,728
Other payables and accrued expenses	-	-	266,552	266,552
Amounts due to fellow subsidiaries	-	-	3,377	3,377
Bank borrowings	-	-	2,229,825	2,229,825
Finance lease liabilities	-	-	47,442	47,442
Derivative financial liabilities	84	-	-	84
Dividend payables	-	-	49,963	49,963
	<u>84</u>	<u>-</u>	<u>2,850,887</u>	<u>2,850,971</u>

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

(a) Credit risk

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

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

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

(i) Trade receivables

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

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

(i) Trade receivables (continued)

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

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Following are the areas where the Group are exposed to credit risk: (continued)

(i) Trade receivables (continued)

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

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

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

The Group's ECL rate at the end of the reporting period is 0.012% (31.12.2015: 0.053%; 31.12.2016: 0.264%, and 31.12.2017: 0.033%).

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



13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(a) Credit risk (continued)

Following are the areas where the Group are exposed to credit risk: (continued)

(ii) Other debt instruments financial assets at amortised costs

Other debt instruments financial assets at amortised cost include other receivables, non-trade amount due from ultimate holding company, non-trade amounts due from related parties and non-trade amounts due from fellow subsidiaries.

The loss allowance provision for other financial assets at amortised cost as at 31 December 2017, 31 December 2016 and 31 December 2015 reconciles to the opening loss allowance disclosed in Note 2.19.

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

(iii) Financial guarantee contracts

At the date of reporting, the maximum exposure to credit risk is represented by the banking facilities (including undrawn facilities) of former subsidiary disposed in financial year 2017 amounting to RM38,500,000 (31.12.2015: RM Nil, 31.12.2016: RM Nil and 31.12.2017: RM38,500,000). The Group's exposure on financial guarantee contract have been included in liquidity risk assessment (Note 2.40(b)).

The Group provides unsecured corporate guarantees to licensed banks in respect of banking facilities granted to the former subsidiaries. The Group monitors on an ongoing basis the results of these entities and repayments made by them. As at the end of the reporting period, there was no indication that any entities would default on repayment. The financial guarantees have not been recognised as the fair value is not material.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(b) Liquidity risk**

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

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

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

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

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

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

	Within 1 year Audited RM'000	1 to 2 years Audited RM'000	2 to 5 years Audited RM'000	More than 5 years Audited RM'000	Total Audited RM'000
31.12.2015					
Trade payables	284,139	-	-	-	284,139
Other payables and accrued expenses	217,524	-	-	-	217,524
Amounts due to fellow subsidiaries	3,726	-	-	-	3,726
Finance lease liabilities	16,353	10,935	9,828	-	37,116
Term loans	211,391	231,694	292,537	14,554	750,176
Other bank borrowings	984,250	-	-	-	984,250
Derivative financial liabilities	3,073	-	-	-	3,073
	1,720,456	242,629	302,365	14,554	2,280,004
31.12.2016					
Trade payables	257,610	-	-	-	257,610
Other payables and accrued expenses	259,930	-	-	-	259,930
Amounts due to fellow subsidiaries	3,311	-	-	-	3,311
Finance lease liabilities	19,194	12,818	13,523	-	45,535
Term loans	251,665	241,640	205,067	-	698,372
Other bank borrowings	948,625	-	-	-	948,625
	1,740,335	254,458	218,590	-	2,213,383

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

The following are areas of the Group exposure to liquidity risk (continued)

	Within 1 year		1 to 2 years		2 to 5 years		More than 5 years		Total	
	Audited		Audited		Audited		Audited		Audited	
	RM'000		RM'000		RM'000		RM'000		RM'000	
<u>31.12.2017</u>										
Trade payables	242,221	-	-	-	-	-	-	-	242,221	-
Other payables and accrued expenses	252,442	-	-	-	-	-	-	-	252,442	-
Amounts due to fellow subsidiaries	3,870	-	-	-	-	-	-	-	3,870	-
Finance lease liabilities	22,714	18,069	18,069	12,827	12,827	53,610	-	-	53,610	-
Term loans	246,357	237,192	237,192	565,970	565,970	1,049,519	-	-	1,049,519	-
Other bank borrowings	1,194,958	-	-	-	-	-	-	-	1,194,958	-
Derivative financial liabilities	1,136	-	-	-	-	-	-	-	1,136	-
	<u>1,963,698</u>	<u>255,261</u>	<u>255,261</u>	<u>578,797</u>	<u>578,797</u>	<u>2,797,756</u>	<u>-</u>	<u>-</u>	<u>2,797,756</u>	<u>-</u>
Financial guarantee contract*	38,500	-	-	-	-	-	-	-	38,500	-

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

The following are areas of the Group exposure to liquidity risk (continued)

	Within 1 year		1 to 2 years		2 to 5 years		More than 5 years		Total Audited RM'000
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000		
31.10.2018									
Trade payables	253,728	-	-	-	-	-	-	-	253,728
Other payables and accrued expenses	266,552	-	-	-	-	-	-	-	266,552
Amounts due to fellow subsidiaries	3,377	-	-	-	-	-	-	-	3,377
Finance lease liabilities	24,183	15,361	-	11,824	-	-	-	-	51,368
Term loans	309,217	295,163	-	705,207	-	-	-	-	1,309,587
Other bank borrowings	1,078,308	-	-	-	-	-	-	-	1,078,308
Derivative financial liabilities	84	-	-	-	-	-	-	-	84
Dividend payable	49,963	-	-	-	-	-	-	-	49,963
	<u>1,985,412</u>	<u>310,524</u>	<u>310,524</u>	<u>717,031</u>	<u>717,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,012,967</u>
Financial guarantee contract*	38,500	-	-	-	-	-	-	-	38,500

* The Group provides unsecured corporate guarantees to licensed banks in respect of banking facilities granted to a fellow subsidiary and a related party. The amount disclosed above includes undrawn banking facilities. On 1 November 2018 and 19 November 2018, these financial guarantee contracts amounting to RM10,000,000 and RM28,500,000 have been discharged by the respective banks.



13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(c) Foreign currency risk**

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

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

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the MYR, SGD, USD, and IDR exchange rates against respective functional currencies, with all other variable held constant.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposureGroup

31.12.2015

	<u>MYR</u> Audited RM'000	<u>SGD</u> Audited RM'000	<u>USD</u> Audited RM'000	<u>IDR</u> Audited RM'000	<u>OTHERS</u> Audited RM'000	<u>TOTAL</u> Audited RM'000
<u>Financial assets</u>						
Trade receivables	5,695	13,981	6,649	-	845	27,170
Other receivables	1,580	278	24,175	3	-	26,036
Cash and bank balances	8,689	11,503	72,835	2,458	103	95,588
	<u>15,964</u>	<u>25,762</u>	<u>103,659</u>	<u>2,461</u>	<u>948</u>	<u>148,794</u>
<u>Financial liabilities</u>						
Trade payables	(5,598)	(2,293)	(37,362)	-	(1,766)	(47,019)
Other payables	(5,605)	-	(1,402)	(571)	(16)	(7,594)
Bank borrowings	(19,271)	-	(55,642)	-	-	(74,913)
Finance lease liabilities	(664)	(263)	-	-	-	(927)
	<u>(31,138)</u>	<u>(2,556)</u>	<u>(94,406)</u>	<u>(571)</u>	<u>(1,782)</u>	<u>(130,453)</u>
Net currency exposure	<u>(15,174)</u>	<u>23,206</u>	<u>9,253</u>	<u>1,890</u>	<u>(834)</u>	<u>18,341</u>

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)Group

31.12.2016

Financial assets

Trade receivables	8,101	9,336	3,419	-	-	20,856
Other receivables	1,350	860	372	3	-	2,585
Cash and bank balances	16,878	10,979	23,236	431	761	52,285
	<u>26,329</u>	<u>21,175</u>	<u>27,027</u>	<u>434</u>	<u>761</u>	<u>75,726</u>

Financial liabilities

Trade payables	(2,023)	(1,129)	(38,783)	-	(1,702)	(43,637)
Other payables	(10,366)	(1,282)	(78)	(610)	-	(12,336)
Bank borrowings	(10,421)	(14,224)	(74,949)	-	-	(99,594)
Finance lease liabilities	(439)	(329)	-	-	-	(768)
	<u>(23,249)</u>	<u>(16,964)</u>	<u>(113,810)</u>	<u>(610)</u>	<u>(1,702)</u>	<u>(156,335)</u>
Net currency exposure	<u>3,080</u>	<u>4,211</u>	<u>(86,783)</u>	<u>(176)</u>	<u>(941)</u>	<u>(80,609)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)Group

31.12.2017

Financial assets
Trade receivables
Other receivables
Cash and bank balances

	MYR Audited RM'000	SGD Audited RM'000	USD Audited RM'000	IDR Audited RM'000	OTHERS Audited RM'000	TOTAL Audited RM'000
	4,191	11,031	8,166	-	94	23,482
	1,566	957	16,730	3	-	19,256
	12,928	4,795	63,040	404	-	81,167
	18,685	16,783	87,936	407	94	123,905

Financial liabilities

Trade payables
Other payables
Bank borrowings
Finance lease liabilities

	(702)	(1,110)	(41,215)	-	(1,126)	(44,153)
	(4,415)	(1,166)	(479)	-	(107)	(6,167)
	(2,419)	(12,505)	(82,659)	-	-	(97,583)
	(260)	(144)	-	-	-	(404)
	(7,796)	(14,925)	(124,353)	-	(1,233)	(148,307)
Net currency exposure	10,889	1,858	(36,417)	407	(1,139)	(24,402)

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Foreign currency exposure (continued)Group

31.10.2018

Financial assets

Trade receivables	2,024	12,328	5,181	-	-	19,533
Other receivables	3,508	919	8,246	284	-	12,957
Cash and bank balances	28,411	10,485	113,495	387	86	152,864
	33,943	23,732	126,922	671	86	185,354

Financial liabilities

Trade payables	(2,291)	(687)	(16,669)	-	(1,087)	(20,734)
Other payables	(25,819)	(1,922)	(4,510)	(504)	-	(32,755)
Bank borrowings	(556)	(11,310)	(18,410)	-	-	(30,276)
Finance lease liabilities	(75)	(30)	-	-	-	(105)
	(28,741)	(13,949)	(39,589)	(504)	(1,087)	(83,870)
Net currency exposure	5,202	9,783	87,333	167	(1,001)	101,484

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13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax and equity to 5% (31.12.2015: 5%, 31.12.2016: 5%, 31.12.2017: 5%) strengthening/weakening of each currency respectively in MYR, SGD, USD and IDR against the respective functional currencies of the entities within the Group, with all other variables held constant.

Profit for the year/period increases/(decreases):

	Financial years ended			10 months financial period ended
	31.12.2015 Audited RM'000	31.12.2016 Audited RM'000	31.12.2017 Audited RM'000	31.10.2018 Audited RM'000
MYR				
- Strengthened 5%	(577)	117	414	198
- Weakened 5%	577	(117)	(414)	(198)
SGD				
- Strengthened 5%	882	160	71	372
- Weakened 5%	(882)	(160)	(71)	(372)
USD				
- Strengthened 5%	352	(3,298)	(1,384)	3,319
- Weakened 5%	(352)	3,298	1,384	(3,319)
IDR				
- Strengthened 5%	72	(7)	15	6
- Weakened 5%	(72)	7	(15)	(6)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk

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

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

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group target a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The Group does not account for fixed rate financial assets and liabilities through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit and loss.

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

	<u>31.12.2015</u> Audited RM'000	<u>31.12.2016</u> Audited RM'000	As at <u>31.12.2017</u> Audited RM'000	As at <u>31.10.2018</u> Audited RM'000
<u>Fixed rate instruments:</u>				
<u>Financial assets</u>				
Fixed deposits with licensed bank	163,243	60,413	95,415	52,969
<u>Financial liabilities</u>				
Finance lease liabilities	34,127	41,993	49,647	47,442
<u>Floating rate instruments:</u>				
<u>Financial liabilities</u>				
Bank overdrafts	39,072	67,152	63,547	39,915
Term loans	692,710	641,805	948,911	1,151,517
Bankers' acceptances	310,664	315,354	370,317	378,942
Revolving credits	338,348	284,086	476,904	340,910
Trust receipts	296,166	282,033	284,190	318,541
	<u>1,676,960</u>	<u>1,590,430</u>	<u>2,143,869</u>	<u>2,229,825</u>

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

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

	<u>Profit/(loss) for the year</u>		<u>Equity</u>	
	<u>+50 bp</u> RM'000	<u>-50 bp</u> RM'000	<u>+50 bp</u> RM'000	<u>-50 bp</u> RM'000
<u>Group</u>				
31 December 2015	<u>(6,289)</u>	<u>6,289</u>	<u>(6,289)</u>	<u>6,289</u>
31 December 2016	<u>(6,044)</u>	<u>6,044</u>	<u>(6,044)</u>	<u>6,044</u>
31 December 2017	<u>(8,147)</u>	<u>8,147</u>	<u>(8,147)</u>	<u>8,147</u>
31 October 2018	<u>(8,473)</u>	<u>8,473</u>	<u>(8,473)</u>	<u>8,473</u>

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.41 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

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

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

<u>Current asset/liability</u>	<u>Note</u>
Trade receivables	2.18
Other receivables, deposits and prepaid expenses	2.19
Amount due from ultimate holding company	2.20
Amounts due from fellow subsidiaries	2.21
Cash and bank balances	2.23
Trade payables	2.30
Other payables and accrued expenses	2.31
Amounts due to fellow subsidiaries	2.32
Finance lease liabilities	2.27
Borrowings	2.28
Post-employment benefits obligation	2.29

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

The fair values of long term payables, which primarily comprise finance lease liabilities, are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(b) Fair value measurement

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of financial instrument carried at fair value Level 1 Audited RM'000	Carrying amount Audited RM'000
31.12.2015		
<u>Financial assets:</u>		
Derivative financial assets	401	401
<u>Financial liabilities:</u>		
Derivative financial liabilities	3,073	3,073
31.12.2016		
<u>Financial assets:</u>		
Derivative financial assets	1	1
31.12.2017		
<u>Financial liabilities:</u>		
Derivative financial liabilities	1,136	1,136
31.10.2018		
<u>Financial assets:</u>		
Derivative financial assets	631	631
<u>Financial liabilities:</u>		
Derivative financial liabilities	84	84

Specific valuation techniques used to value financial instruments include:

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (continued)

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

	Fair value of assets not carried at fair value <u>Level 3</u> Audited RM'000	Carrying amount Audited RM'000
<u>31.12.2015</u>		
<u>Assets:</u>		
Investment properties (Note 2.10)	87,369	55,408
<u>31.12.2016</u>		
<u>Assets:</u>		
Investment properties (Note 2.10)	87,666	51,752
<u>31.12.2017</u>		
<u>Assets:</u>		
Investment properties (Note 2.10)	41,639	22,557
<u>31.10.2018</u>		
<u>Assets:</u>		
Investment properties (Note 2.10)	41,639	22,346

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

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

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

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

Other than Biological assets (Note 2.16), the Group does not have assets and liabilities measured at fair value at the reporting date.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.42 CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholder value.

The Group manage their capital structure and make adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000
Total borrowings	1,711,087	1,632,423	2,193,516	2,277,267
Cash and cash equivalents (Note 2.23)	(422,245)	(333,189)	(427,424)	(470,449)
Net debts	<u>1,288,842</u>	<u>1,299,234</u>	<u>1,766,092</u>	<u>1,806,818</u>
Total equity	<u>1,694,571</u>	<u>1,990,385</u>	<u>1,642,022</u>	<u>1,714,258</u>
Net debt-to-equity ratio (times)	<u>0.76</u>	<u>0.65</u>	<u>1.08</u>	<u>1.05</u>

There were no changes in the Group's approach to capital management during the financial year/period. Other than the covenants on borrowings as disclosed in Note 2.28, the Group is not subject to any other externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.43 OPERATING SEGMENTS**

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

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

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter- segment elimination RM'000	Group RM'000
<u>Audited</u>				
<u>31.12.2015</u>				
Revenue				
- external revenue	2,992,566	1,693,353	-	4,685,919
- inter-segment revenue	-	1,189,145	(1,189,145)	-
Revenue from sales of goods	2,992,566	2,882,498	(1,189,145)	4,685,919
Revenue from other sources				28,647
Total revenue				<u>4,714,566</u>
EBITDA				
Depreciation and amortisation	212,070	147,357	101,708	461,135
	(117,847)	(31,776)	(207)	(149,830)
	94,223	115,581	101,501	311,305
Share of results in associates				482
Finance costs				(95,188)
Profit before taxation				216,599
Tax expense				(50,568)
Profit for the financial year				<u>166,031</u>
Assets				
Segment assets	5,281,249	2,463,952	(3,809,899)	3,935,302
Unallocated assets:				
Investment properties				55,408
Tax recoverable				44,541
Total assets				<u>4,035,251</u>
Liabilities				
Segment liabilities	1,607,456	559,453	(1,545,828)	621,081
Unallocated liabilities:				
Borrowings and finance lease liabilities				1,711,087
Tax payable				8,512
Total liabilities				<u>2,340,680</u>
Other disclosure				
Capital expenditure*	257,454	120,841	(4,097)	374,198
Non-cash item (other than depreciation and amortisation)	134,180	2,023	55	136,258

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter- segment elimination RM'000	Group RM'000
<u>Audited</u>				
<u>31.12.2016</u>				
Revenue				
- external revenue	3,298,457	1,943,202	-	5,241,659
- inter-segment revenue	-	1,242,956	(1,242,956)	-
Revenue from sales of goods	3,298,457	3,186,158	(1,242,956)	5,241,659
Revenue from other sources				15,731
Total revenue				<u>5,257,390</u>
EBITDA	475,077	284,566	(112,851)	646,792
Depreciation and amortisation	(136,326)	(40,546)	(20,029)	(196,901)
	338,751	244,020	(132,880)	449,891
Share of results in associates				446
Finance costs				(103,031)
Profit before taxation				347,306
Tax expense				(77,260)
Profit for the financial year				<u>270,046</u>
Assets				
Segment assets	5,767,827	2,836,466	(4,411,819)	4,192,474
Unallocated assets:				
Investment properties				51,752
Tax recoverable				56,890
Total assets				<u>4,301,116</u>
Liabilities				
Segment liabilities	1,639,834	695,167	(1,689,019)	645,982
Unallocated liabilities:				
Borrowings and finance lease liabilities				1,632,423
Tax payable				32,326
Total liabilities				<u>2,310,731</u>
Other disclosure				
Capital expenditure*	255,638	48,016	247	303,901
Non-cash item (other than depreciation and amortisation)	(32,862)	4,662	48,482	20,282

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Livestock & poultry related <u>products</u> RM'000	<u>Feedmill</u> RM'000	Inter- segment <u>elimination</u> RM'000	<u>Group</u> RM'000
<u>Audited</u>				
<u>31.12.2017</u>				
Revenue				
- external revenue	3,349,534	2,137,805	-	5,487,339
- inter-segment revenue	-	1,306,325	(1,306,325)	-
Revenue from sales of goods	3,349,534	3,444,130	(1,306,325)	5,487,339
Revenue from other sources				14,025
Total revenue				<u>5,501,364</u>
EBITDA	382,291	234,465	(33,647)	583,109
Depreciation and amortisation	(145,959)	(44,618)	(8,549)	(199,126)
	236,332	189,847	(42,196)	383,983
Share of results in associates				468
Finance costs				(92,184)
Profit before taxation				292,267
Tax expense				(44,859)
Profit for the financial year				<u>247,408</u>
Assets				
Segment assets	5,526,357	2,874,595	(3,991,231)	4,409,721
Unallocated assets:				
Investment properties				22,557
Tax recoverable				45,199
Total assets				<u>4,477,477</u>
Liabilities				
Segment liabilities	1,890,607	1,386,098	(2,652,093)	624,612
Unallocated liabilities:				
Borrowings and finance lease liabilities				2,193,516
Tax payable				17,327
Total liabilities				<u>2,835,455</u>
Other disclosure				
Capital expenditure*	331,052	63,206	(160)	394,098
Non-cash item (other than depreciation and amortisation)	16,202	1,736	3,949	21,887

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

<u>Audited</u> <u>31.10.2018</u>	Livestock & poultry related <u>products</u> RM'000	<u>Feedmill</u> RM'000	Inter- segment <u>elimination</u> RM'000	<u>Group</u> RM'000
Revenue				
- external revenue	2,849,653	1,829,012	-	4,678,665
- inter-segment revenue	-	871,517	(871,517)	-
Revenue from sales of goods	2,849,653	2,700,529	(871,517)	4,678,665
Revenue from other sources				11,630
Total revenue				<u>4,690,295</u>
EBITDA	358,627	211,406	(28,278)	541,755
Depreciation and amortisation	(125,300)	(38,047)	361	(162,986)
	233,327	173,359	(27,917)	378,769
Share of results in associates				412
Finance costs				(87,898)
Profit before taxation				291,283
Tax expense				(71,495)
Profit for the financial period				<u>219,788</u>
Assets				
Segment assets	4,526,063	3,086,408	(2,958,613)	4,653,858
Unallocated assets:				
Investment properties				22,346
Tax recoverable				42,613
Total assets				<u>4,718,817</u>
Liabilities				
Segment liabilities	1,622,383	901,668	(1,818,184)	705,867
Unallocated liabilities:				
Borrowings and finance lease liabilities				2,277,267
Tax payable				21,425
Total liabilities				<u>3,004,559</u>
Other disclosure				
Capital expenditure*	248,544	71,923	(215)	320,252
Non-cash item (other than depreciation and amortisation)	26,263	(3,111)	(24,044)	(892)

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

	Livestock & poultry related products RM'000	Feedmill RM'000	Inter- segment elimination RM'000	Group RM'000
<u>Unaudited</u>				
<u>31.10.2017</u>				
Revenue				
- external revenue	2,749,823	1,808,215	-	4,558,038
- inter-segment revenue	-	911,260	(911,260)	-
Revenue from sales of goods	2,749,823	2,719,475	(911,260)	4,558,038
Revenue from other sources				10,037
Total revenue				<u>4,568,075</u>
EBITDA				
Depreciation and amortisation	285,392	209,907	(20,311)	474,988
	(128,884)	(39,537)	316	(168,105)
	156,508	170,370	(19,995)	306,883
Share of results in associates				319
Finance costs				(76,388)
Profit before taxation				230,814
Tax expense				(31,953)
Profit for the financial period				<u>198,861</u>
Other disclosure				
Capital expenditure*	271,848	26,442	(113)	298,177
Non-cash item (other than depreciation and amortisation)	14,709	(3,799)	(266)	10,644

* Includes capital expenditure in respect of property, plant and equipment, and land use rights.

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Geographical Information**Revenue**

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

	<u>Financial years ended</u>			<u>10 months financial period ended</u>	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Unaudited RM'000
Malaysia	1,503,643	1,558,125	1,580,947	1,354,852	1,325,235
Singapore	928,573	1,031,485	1,088,641	824,776	902,643
Indonesia	1,395,737	1,630,765	1,737,619	1,540,185	1,445,166
Vietnam	857,966	1,017,504	1,055,915	913,745	868,494
Philippines	-	3,780	24,217	45,107	16,500
Total revenue	4,685,919	5,241,659	5,487,339	4,678,665	4,558,038

EBITDA

	<u>Financial years ended</u>			<u>10 months financial period ended</u>	
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.10.2018</u>	<u>31.10.2017</u>
	Audited RM'000	Audited RM'000	Audited RM'000	Audited RM'000	Unaudited RM'000
Malaysia	216,312	232,538	230,208	159,798	177,582
Singapore	115,127	110,053	156,481	106,009	132,195
Indonesia	59,250	208,785	105,780	185,971	97,223
Vietnam	70,477	96,842	88,104	84,581	67,006
Philippines	(31)	(1,426)	2,536	5,396	982
Total EBITDA	461,135	646,792	583,109	541,755	474,988

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.43 OPERATING SEGMENTS (CONTINUED)

Geographical Information (continued)**Non-current assets**

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

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Malaysia	902,034	968,685	1,081,116	1,198,427
Singapore	402,558	387,393	371,583	310,428
Indonesia	567,553	629,394	583,050	549,128
Vietnam	228,640	251,413	257,233	290,493
Philippines	26	10,639	25,194	31,489
	<u>2,100,811</u>	<u>2,247,524</u>	<u>2,318,176</u>	<u>2,379,965</u>

Borrowings and finance lease liabilities

	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>As at</u> <u>31.12.2017</u>	<u>As at</u> <u>31.10.2018</u>
	Audited	Audited	Audited	Audited
	RM'000	RM'000	RM'000	RM'000
Malaysia	626,710	674,647	802,975	938,258
Singapore	188,250	135,571	538,076	515,860
Indonesia	608,183	549,430	549,255	480,194
Vietnam	287,944	272,775	296,716	337,710
Philippines	-	-	6,494	5,245
	<u>1,711,087</u>	<u>1,632,423</u>	<u>2,193,516</u>	<u>2,277,267</u>

Major customers

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

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES

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

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Direct subsidiaries</u>					
Leong Hup (Malaysia) Sdn. Bhd.*	100.00	100.00	100.00	100.00	Investment holding
United Global Resources Limited**	100.00	100.00	100.00	100.00	Investment holding and trading of materials
Leong Hup Singapore Pte.Ltd.## (Incorporated in Singapore)	-	-	100.00	100.00	Investment holding
Lee Say Group Pte. Ltd.# (Incorporated in Singapore)	51.00	51.00	100.00 (Indirect subsidiary)	100.00 (Indirect Subsidiary)	Slaughtering, processing and sale of fresh and frozen poultry and investment holding
Dragon Amity Pte. Ltd.# (Incorporated in Singapore)	100.00	100.00	100.00	100.00	Investment holding
Leong Hup Corporate Services Sdn. Bhd.*	100.00	100.00	100.00	100.00	Management services provider
Leong Hup (Philippines), Inc# (Incorporated in Philippines)	100.00	100.00	100.00	100.00	To engage in the raising, breeding, cross breeding, fattening and pasturing of poultry and similar stocks
<u>Indirect subsidiaries</u>					
Leong Hup Poultry Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Breeding of layer and broiler
Leong Hup Broiler Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Renting of its broiler farms and rearing broiler chicken for sales and investment holding

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Leong Hup (G.P.S.) Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Broiler grandparent stock farming and investment holding
Leong Hup Agrobusiness Sdn. Bhd.*	100.00	100.00	100.00	100.00	Trading of broiler chickens, day old chicks, poultry feeds, medicine and renting of farm buildings and investment holding
The Baker's Cottage Sdn. Bhd.^	100.00	100.00	-	-	Manufacturing, trading and distribution of food products and investment holding
Ayam A1 Food Corporation Sdn. Bhd.*	100.00	100.00	100.00	100.00	Processing and marketing of chicken and related products and investment holding
Leong Hup Feedmill Malaysia Sdn. Bhd. (Formerly known as Ayam A1 Chicken Shop Sdn. Bhd.)*	100.00	100.00	100.00	100.00	Manufacturing and marketing of animal feeds. (Commenced operation on 1 May 2018).
Ladang Ternakan Maju Sdn. Bhd.*	100.00	100.00	100.00	100.00	Contract farming, poultry farming and investment holding
Advantage Valuations Sdn. Bhd.**	51.00	51.00	51.00	51.00	Investment holding
F. E. Venture Sdn. Bhd.^	51.00	51.00	51.00	51.00	Trading of animal feeds and veterinary products and investment holding

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Leong Hup Poultry Farm (Sabah) Sdn. Bhd.*	100.00	100.00	100.00	100.00	Poultry farming and related products
Leong Hup Ruminant Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Investment holding
Leong Hup Feedmill Sdn. Bhd.*	100.00	100.00	100.00	100.00	Manufacturing and marketing of animal feeds.
Sri Medan Duck Farm Sdn. Bhd.*	100.00	100.00	100.00	100.00	Duck breeder, sale of poultry, eggs and others related products
Beaming Agrotrade Sdn. Bhd.*	100.00	100.00	100.00	100.00	Trading of materials, warehousing operation and production of animal feed ingredients
The Baker's Cottage Restaurant Sdn. Bhd. ^	100.00	100.00	100.00	100.00	Operating a restaurant dealing with food and beverage
Ayam A1 Food Processing Sdn. Bhd.*	100.00	100.00	100.00	100.00	Processing chicken foodstuff such as meatball, nuggets, sausages, frankfurters and burgers

13. ACCOUNTANTS' REPORT (Cont'd)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Goldkist Breeding Farms Sdn. Bhd.*	100.00	100.00	100.00	100.00	Rearing of broiler chicken for sales
J.B. Kim Farm Sdn. Bhd.*	51.00	51.00	51.00	51.00	Rearing of broiler chicken for sales
Mighty Farms Sdn. Bhd.*	51.00	51.00	51.00	51.00	Rearing of broiler chicken for sales
Exclusive Treasures Sdn. Bhd.*	51.00	51.00	100.00	100.00	Rearing of broiler chicken for sales
Sweet Vista Sdn. Bhd.*	100.00	100.00	100.00	100.00	Rearing of broiler chicken for sales
Mantap Untung Sdn.Bhd.*	51.00	51.00	51.00	51.00	Rearing of broiler chicken for sales
Ternakan Emas Sdn. Bhd.*	100.00	100.00	100.00	100.00	Dormant
Golden Egg Sdn. Bhd.*	100.00	100.00	100.00	100.00	Dormant
Rising Momentum Sdn. Bhd.*	51.00	51.00	51.00	51.00	Rearing of broiler chicken for sales
BC Confectionery Sdn. Bhd.^	100.00	100.00	-	-	Bakery and retailing of confectionery food products
Farm Excel Distribution Sdn. Bhd.^	51.00	51.00	51.00	51.00	Trading of health and beauty products
Laboratorios Reveex (Asia) Sdn. Bhd.^	26.01	26.01	26.01	26.01	Trading of veterinary products
Leong Hup Aquaculture Sdn. Bhd.*	100.00	100.00	100.00	100.00	Operator of fish rearing
Teo Seng Capital Berhad** a	26.09	26.09	26.09	28.43	Investment holding and provision of management services
Teo Seng Farming Sdn. Bhd.**	26.09	26.09	26.09	28.43	Poultry farming and investment holding
Teo Seng Paper Products Sdn. Bhd.**	26.09	26.09	26.09	28.43	Manufacturing and marketing of egg trays

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Teo Seng Feedmill Sdn. Bhd.**	26.09	26.09	26.09	28.43	Manufacturing and marketing of animal feeds
Ritma Prestasi Sdn. Bhd.**	26.09	26.09	26.09	28.43	Distribution of pet food, medicine and other animal health related products
Success Century Sdn. Bhd.**	26.09	26.09	26.09	28.43	Poultry farming
Laskar Fertiliser Sdn. Bhd.**	26.09	26.09	26.09	28.43	Waste management service, dealing in fertiliser, conduct research on the fertiliser and agricultural business process and to carry on the business of processing of value added products and farm produce
B-Tech Aquaculture Sdn. Bhd.**	26.09	26.09	26.09	28.43	Dormant
Great Egg Industries Sdn. Bhd. (Formerly known as Forever Best Supply Sdn. Bhd.)**	26.09	26.09	26.09	28.43	Dormant
Liberal Energy Sdn. Bhd.**	26.09	26.09	26.09	28.43	General trading and generation of energy by establishment of biogas plants - Dormant
Pioneer Prosperity Sdn. Bhd.**	26.09	26.09	26.09	28.43	Dormant
Premium Egg Products Pte. Ltd.## (Incorporated in Singapore)	26.09	26.09	26.09	28.43	Wholesaler importers, exporters of eggs products
BH Fresh Food Pte. Ltd.## (Incorporated in Singapore)	26.09	26.09	26.09	28.43	To carry on business of provide cold room services and other investment holding including renting of factory space to derive rental income

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Ritma Premier Pte. Ltd.## (Incorporated in Singapore)	-	26.09	26.09	28.43	Distribution of pet food, medicine and other animal health related products
Leong Hup Agriculture (Desaru) Sdn. Bhd.*	60.00	60.00	60.00	60.00	Plantation – cultivation of fruits
Ideal Multifeed (Malaysia) Sdn. Bhd.*	59.68	59.68	100.00	100.00	Manufacturing and marketing of animal feeds
Jaco Nutrimix Sdn. Bhd.*	100.00	100.00	100.00	100.00	Manufacturing and marketing of feed additive premix and other related business
Prima Anjung Sdn. Bhd.*	100.00	100.00	100.00	100.00	Poultry farming, sale of poultry and related products and aquaculture
Kayangan Runding Sdn. Bhd.*	100.00	100.00	100.00	100.00	Property investment holding
New Soon Teng Poultry Sdn. Bhd.** (Formerly known as Morningfield Sdn. Bhd.)	-	-	70.00	70.00	Rearing of colourbird
Emivest Vietnam Co., Limited^ (Incorporated in Vietnam)	100.00	100.00	-	-	Operating poultry hatcheries and breeder farms. (Merged into Emivest Feedmill Vietnam Co., Limited on 4 January 2017)
Emivest Feedmill (TG) Vietnam Limited Liability Company## (Incorporated in Vietnam)	100.00	100.00	100.00	100.00	Producing animal and poultry feed
Leong Hup Feedmill Vietnam Limited Liability Company## (Incorporated in Vietnam)	100.00	100.00	100.00	100.00	Producing animal and poultry feed
Leong Hup (Cambodia) Limited^ (Incorporated in Cambodia)	100.00	100.00	100.00	100.00	Trading of animals feed

13. ACCOUNTANTS' REPORT (Cont'd)

LEONG HUP INTERNATIONAL BERHAD

(Incorporated in Malaysia)

(Company No. 1098663 - D)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Emivest Feedmill Vietnam Co., Limited## (Incorporated in Vietnam)	100.00	100.00	100.00	100.00	Operating poultry hatcheries and breeder farms and producing animal and poultry feed
Tasty Meat Products Pte. Ltd.^ (Incorporated in Singapore)	40.80	40.80	80.00	80.00	Manufacturer, importers, exporters, stores and packers of processed meats
Kendo Trading Pte. Ltd.# (Incorporated in Singapore)	26.01	26.01	51.00	51.00	Slaughtering, processing and sale of fresh and frozen poultry products
Yong Hup Choon Poultry Supplier Pte. Ltd.^ (Incorporated in Singapore)	26.01	26.01	51.00	-	Dormant (The company has been struck off from the register on 4 September 2018)
Lee Say Food Holdings Pte. Ltd. ^ (Incorporated in Singapore)	51.00	51.00	100.00	100.00	Investment holding
PT Ayam Prima Esa& (Incorporated in Indonesia)	51.00	51.00	100.00	100.00	Dormant – in liquidation process
Heng Kai Hock Farm Sdn. Bhd.*	51.00	51.00	100.00	100.00	Poultry farming and related products
Lee Say Breeding Farm Sdn. Bhd.*	51.00	51.00	100.00	100.00	Poultry farming and related products
Kendo Coldstore Pte. Ltd.^ (Incorporated in Singapore)	26.01	26.01	51.00	-	Dormant (The company has been struck off from the register on 4 September 2018)
Wang Xiang Shun Food Industry Pte. Ltd.^ (Incorporated in Singapore)	13.27	13.27	26.01	26.01	Production, processing and preserving of meat and meat products
Hup Heng Poultry Industries Pte. Ltd.# (Incorporated in Singapore)	34.26	34.26	67.18	67.18	Slaughtering of poultry, wholesale, processing and preserving of meat and meat product

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
Jordon International Food Processing Pte. Ltd.# (Incorporated in Singapore)	26.01	26.01	51.00	-	Manufacturer, wholesaler, retailer and dealer in all kind of meat products
ES Food International Pte. Ltd.# (Incorporated in Singapore)	36.57	36.57	100.00	100.00	Investment holding
Leong Hup Food Pte. Ltd. (Formerly known as KSB Distribution Pte. Ltd.)# (Incorporated in Singapore)	36.57	36.57	100.00	100.00	General importers and distributor of chickens and other meat products
Safa Gourmet Food Pte. Ltd.# (Incorporated in Singapore)	36.57	36.57	100.00	100.00	Halal meat processing, manufacturing, wholesale and retail
Soonly Food Processing Industries Pte. Ltd.# (Incorporated in Singapore)	36.57	36.57	100.00	100.00	Slaughtering, processing and sale of fresh and frozen poultry
Prestige Fortune Sdn. Bhd.*	28.05	28.05	55.00	55.00	Poultry farming operations and the provision of consultancy services relating to poultry farming operations
Prestige Fortune (S) Pte. Ltd.# (Incorporated in Singapore)	28.05	28.05	55.00	55.00	Wholesale and distribution of poultry
Leong Hup Distribution Pte Ltd (Formerly known as Tai Wee Company (Private) Limited) # (Incorporated in Singapore)	36.57	36.57	100.00	100.00	General trading of frozen food products and provision of warehousing activities
My-Kando Food Industries Sdn. Bhd.*	51.00	51.00	100.00	100.00	Poultry farming, rental of chicken coops and related activities

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.44 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of the Company	Effective percentage of ownership				Principal activities
	31.12.2015 %	31.12.2016 %	31.12.2017 %	31.10.2018 %	
<u>Indirect subsidiaries</u> (continued)					
PT Malindo Feedmill Tbk## β (Incorporated in Indonesia)	57.09	57.27	57.27	58.03	Investment holding, poultry feed industry and Day Old Chicks (DOC) farming
PT Bibit Indonesia## (Incorporated in Indonesia)	56.52	57.19	57.19	57.96	Broiler grandparent stock farming
PT Prima Fajar## (Incorporated in Indonesia)	57.03	57.21	57.25	58.01	Trading and service and broiler chicken farm
PT Leong Ayamsatu Primadona## (Incorporated in Indonesia)	56.91	57.09	57.24	58.00	Day old chicks (DOC) and broiler chicken farm
PT Malindo Food Delight## (Incorporated in Indonesia)	57.02	57.26	57.26	58.02	Processing and preserving of meat
PT Quality Indonesia## (Incorporated in Indonesia)	39.56	40.07	40.07	40.48	Duck farming
PT Mitra Bebek Persada& (Incorporated in Indonesia)	-	-	56.70	57.45	Duck farming

* Audited by PricewaterhouseCoopers PLT, Malaysia with effect from financial year ended 31 December 2016

** Audited by PricewaterhouseCoopers PLT, Malaysia with effect from financial year ended 31 December 2017

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia with effect from financial year ended 31 December 2016

Audited by member firms of PricewaterhouseCoopers International Limited which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia with effect from financial year ended 31 December 2017

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

& Unaudited – exempted from statutory audit

α Listed on Main Market of Bursa Malaysia Securities Berhad

β Listed on Indonesia Stock Exchange

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.45 EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

- (a) On 11 January 2019, an Extraordinary General Meeting was held by the Company and the following bonus issue and share split exercise were approved in the meeting.

Bonus Issue

A bonus issue on a pro-rata basis to the Company's shareholders, calculated based on their respective shareholdings in the Company has been undertaken to allow the Company to fully utilise the former share premium of the Company under Section 618(3)(c) of the Companies Act 2016 ("Act") in accordance with Practice Note 1/2017 issued by the Companies Commission of Malaysia for the clarification on the utilisation of credit standing in the share premium accounts and capital redemption reserves under subsections 618(3) and 618(4) of the Act. The bonus shares was wholly capitalised at RM1.00 per bonus share. Based on the share premium of the Company of RM1,229,176,622 as at 31 October 2018, 1,229,176,622 bonus shares was issued.

The bonus issue is renounceable. As such, entitled shareholders to the bonus issue may accept or renounce their respective entitlements to the bonus shares in full or in part. Based on its shareholdings in the Company as at the 31 October 2018, Emerging Glory Sdn Bhd ("EGSB") was entitled to 946,465,999 bonus shares. However, EGSB has renounced 249,933,374 bonus shares proportionately to its shareholders, being the founding family of the Company, which resulted in the founding family members holding the Company shares directly.

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

Share Split

Upon completion of the bonus issue, the Company undertook a subdivision of its issued share capital.

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

With the completion of the bonus issue and share split, the earnings per share calculations of the Company for the financial years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the 10-month financial periods ended 31 October 2018 and 31 October 2017 are based on the new number of shares of 3,400,000,000.

13. ACCOUNTANTS' REPORT (Cont'd)

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.45 EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

- (b) On 6 December 2018 and 9 April 2019, the Securities Commission of Malaysia ("SC") has conditionally approved the Company's Listing on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

Employee Share Option Scheme ("ESOS")

In conjunction with the Listing, the Company proposes to establish the ESOS which involves the granting of ESOS Options ("the Options") to the eligible Directors and employees of the Group as set out in the By-Laws governing the ESOS.

The Options shall be granted to eligible Directors and employees of the Group and shall have the following key features:

- (i) The Options are for one option for one new share. The issuance of new shares for the Options shall not exceed in aggregate 5.00% of the total number issued shares of the Company (excluding treasury shares, if any) at any one time during the duration of ESOS.
- (ii) The first allocation of Options granted to eligible Directors and employees of the Group upon the Listing of the Company shall be at a maximum of 1.00% of the enlarged share capital of the Company, i.e. 36,500,000 Shares.
- (iii) The Options shall vest over 4 tranches of 25% a year, commencing from 1 July 2019. The share based payment expense in relation to the Options is to be recognised over the vesting period of the Options.
- (iv) The ESOS shall have a duration of 5 years from the effective date. The effective date shall be the date of approval from Bursa Securities for the listing of and quotation for the new Shares to be issued under the ESOS.
- (v) The ESOS is renewable for a period of up to 5 years or such shorter period immediately from the expiry of the first 5 years provided that the ESOS shall not exceed in aggregate 10 years from the effective date.

The ESOS shall be administered by the ESOS committee appointed by the Board of Directors of the Company and governed by the By-Laws.

2.46 APPROVAL OF CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information have been approved for issue in accordance with a resolution of the Board of Directors on 10 April 2019.

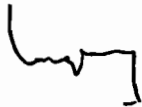
13. ACCOUNTANTS' REPORT (Cont'd)

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

STATEMENT BY DIRECTORS

We, Dato' Lau Eng Guang and Tan Sri Lau Tuang Nguang, two of the Directors of Leong Hup International Berhad (the "Company"), state that, in the opinion of the Directors, the consolidated financial information set out on pages 1 to 150 are drawn up so as to give a true and fair view of the financial position of the Company and its subsidiaries (the "Group") as at 31 December 2015, 31 December 2016 and 31 December 2017 and of the financial performance and cash flows of the Group for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines ("Prospectus Guidelines") issued by the Securities Commission Malaysia ("SC") and are drawn up so as to give a true and fair view of the financial position of the Group as of 31 October 2018 and of the financial performance and cash flows of the Group for the ten months financial period ended 31 October 2018 in accordance with MFRS 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting" and the Prospectus Guidelines issued by the SC.

Signed on behalf of the Board of Directors in accordance with their resolution dated 10 April 2019.



DATO' LAU ENG GUANG
DIRECTOR



TAN SRI LAU TUANG NGUANG
DIRECTOR

14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than six months after the date of the issue of this Prospectus.
- (ii) As at the LPD, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) Save as disclosed in Sections 4.2 and 6.1.5 of this Prospectus, respectively, our Company has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the two years immediately preceding the date of this Prospectus.
- (iv) As at the date of this Prospectus, save for the Issue Shares reserved for subscription by our Eligible Persons as disclosed in Section 4.2.2 of this Prospectus and the ESOS as disclosed in Section 4.2.5 of this Prospectus, there is currently no other scheme involving our employees and Directors in the share capital of our Company or any of our subsidiaries.
- (v) Save for the ESOS and Teo Seng's warrants as disclosed in Sections 4.2.5 and 6.3 of this Prospectus respectively, we have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our subsidiaries under option.
- (vi) Save for Teo Seng's warrants as disclosed in Section 6.3 of this Prospectus, as at date of this Prospectus, neither we nor our subsidiaries have any outstanding warrants, options, convertible securities or uncalled capital.
- (vii) Save as disclosed in Section 2.2 of this Prospectus, and save as provided for under our Constitution as reproduced in Section 14.2 below and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable law. The words, terms and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meaning
Act	means the Companies Act, 2016 and every statutory modification or re-enactment thereof for the time being in force.
Company	means LEONG HUP INTERNATIONAL BERHAD (Company No. 1098663-D) or by whatever name from time to time.
Depository	means Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) and its successors-in-title.
Directors	means the directors of the Company or their alternates present at a duly convened meeting of directors at which a quorum is present (as the context requires).
Exchange	means Bursa Malaysia Securities Berhad (Company No. 635998-W) and its successors-in-title.

14. ADDITIONAL INFORMATION (Cont'd)

Words	Meaning
Member	means, unless otherwise expressed to the contrary, a person who is registered as the holder of shares in the capital of the Company including a Depositor who shall be treated as if he were a Member pursuant to Section 35 of the Central Depositories Act but excludes the Depository in its capacity as a bare trustee member.
Record of Depositors	means a record provided by the Depository to the Company under Chapter 24.0 of the Rules of the Depository.
Related Corporation	means a corporation who: – (a) is the holding company of another corporation; (b) is a subsidiary of another corporation; or (c) is a subsidiary of the holding company of another corporation.
Rules of Depository or Rules	means the Rules of the Depository and any appendices thereto including any amendment that may be made from time to time.
Securities	has the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007.
the Register	means the Register of Members to be kept pursuant to the Act, and unless otherwise expressed to the contrary, includes the Record of Depositors.

(i) Transfer of Shares**Clause 19 - Renunciation**

“The Directors may at any time after the allotment of any share but before any person has been entered in the Register as the holder recognise a renunciation of such share by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation on such terms and conditions as the Directors may determine.”

Clause 39 - Transfer of Securities

“The transfer of any listed securities or class of listed securities of the Company shall be made by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 98, 105, 106 and 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall not be required to register or effect any transfer of the listed securities.”

Clause 45 - Closure of register

“Subject to the Rules, the Register may be closed for such periods as the Directors may from time to time determine provided that such register shall not be closed for more than thirty (30) days in any year. The Company shall before it closes such register:

- (1) give notice of such intended book closure (in the case of the Register) in accordance with Section 55 of the Act; and
- (2) give notice of such intended closure to the Exchange for such period as prescribed by the Exchange or any relevant governing laws and/or guidelines before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.

14. ADDITIONAL INFORMATION (Cont'd)

The Company shall give notice in accordance with the Rules to enable the Depository to prepare the appropriate Record of Depositors.”

Clause 47 - No liability of Directors etc.

“Subject to the Act, every entry in the Register, purporting to have been made on the basis of an instrument of transfer or other document in good faith by the Company, shall be conclusively deemed to have been duly and properly made including (without limitation) where:

- (1) the instrument of transfer or other document is obtained or created fraudulently or is otherwise void, voidable or otherwise unenforceable; or
- (2) the Company or any of its Directors or officers may have notice that such instrument of transfer was signed, executed and/or delivered by the transferor or other authorised person in blank as to the name of the transferee or the particulars of the shares transferred or otherwise made defectively,

and any person who becomes the registered holder of any shares by reason of any such entry shall be entitled to be recognised as the registered holder of such shares, and the Company, its Directors and/or other officers shall not be liable to any person by reason of any such entry being made.”

Clause 48 -No liability of the Company and Directors

“Neither the Company nor any of its Directors shall be liable for any transfer of shares effected by the Depository.”

(ii) Remuneration of Directors**Clause 109- Directors' Remuneration**

“Subject to this Constitution, the fees and benefits of the Directors shall from time to time be determined annually by the Company in general meeting provided always:

- (1) Directors' fees and benefits payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;
- (2) salaries payable to Directors holding any executive office pursuant to a contract of service need not be determined by the Company in general meeting but such salaries may not include a commission on or a percentage of turnover;
- (3) all remuneration payable to Directors shall be deemed to accrue from day to day;
- (4) fees and benefits payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (5) any fee and benefit paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.”

Clause 110- Expenses

“The Directors may be paid all travelling, hotel and other reasonable expenses, properly and reasonably incurred by them in the execution of their duties including any such expenses incurred in connection with attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company in the course of the performance of their duties as Directors.”

14. ADDITIONAL INFORMATION (Cont'd)**(iii) Voting and borrowing powers of Directors****Clause 124 - General borrowing powers**

“Except as provided by Clause 125, the Directors may exercise all the powers of the Company to borrow money of any sum or sums from any person, bank, firm or company and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof and to issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company, its subsidiaries or any other party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its Subsidiaries.”

Clause 125 - Restrictions on borrowings

“The Directors shall not borrow any money or mortgage or charge any of the Company’s or its Subsidiaries’ undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.”

Clause 151 - Disqualification from voting

“Except as otherwise provided by this Constitution, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has, directly or indirectly, a personal interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one or more of the following paragraphs:

- (1) in a case where the contract or proposed contract relates to any loan to the company that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or
- (2) in a case where the contract or proposed contract has been or will be made with or for the benefit of or on behalf of a Related Corporation - that he is a director of that corporation.

For avoidance of doubt, a Director shall be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.”

(iv) Changes in capital and variation of class rights**Clause 8 - Variation of class rights**

“If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Section 90 of the Act and whether or not the Company is being wound up) be varied or abrogated in accordance with Section 91 of the Act.”

14. ADDITIONAL INFORMATION (Cont'd)**Clause 12 - Issue of Securities**

“Subject to the Act and this Constitution, the Directors may offer, issue, allot (with or without conferring a right of renunciation) shares of the Company (whether forming part of the original or any increased capital), grant options over, grant any right or rights to subscribe for such shares or any right or rights to convert any Security into such shares, or otherwise deal with or dispose of them to such persons at such times and on such terms and conditions as they may determine.”

Clause 13 - Restrictions on issue

“Clause 12 shall be subject to the following provisions:

- (1) the Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;
- (2) no Director shall participate in a Share Issuance Scheme unless the Members in general meeting have approved the specific allotment to such Director; and
- (3) the rights attached to shares of a class other than ordinary shares shall be expressed in the resolution creating them.”

14.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of the Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository (“**Depositor**”) by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of the Shares shall be deemed to be a shareholder of our Company and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Subject to the above, there is no limitation on the right to our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

14. ADDITIONAL INFORMATION (Cont'd)**14.4 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION**

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single tier dividend are not taxable. Further, the Government of Malaysia does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

As at the LPD, there are no governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and the remittance of profits of our foreign subsidiaries to Malaysia. However, such repatriation of capital and the remittance of profits may be subject to withholding taxes (if any).

14.5 MATERIAL CONTRACTS

Save as disclosed below as well as in the TM Licence Agreement disclosed in Section 7.22 of this Prospectus, our Group has not entered into any material contracts, which is not in our ordinary course within the period covered by the historical financial information as disclosed in this Prospectus and up to the date of this Prospectus:

14.5.1 Sale and Purchase Agreement dated 24 April 2015 in respect of the acquisition of 100.00% equity interest in BH Fresh Food

On 24 April 2015, Premium Egg, our subsidiary through Teo Seng, entered into a conditional sale and purchase agreement with Oceantrade Food Pte Ltd., a company incorporated and registered in Singapore, Loi Teck Heng, Low Sook Cheng and Lee Yee Gee (collectively known as "Vendors") to acquire 1,400,000 ordinary shares in BH Fresh Food, representing 100.00% of the equity interest in BH Fresh Food from the Vendors for a total cash consideration of SGD9,800,000 (equivalent to RM26,400,000 as per our audited consolidated financial statements for the FYE 31 December 2015). The sale and purchase was completed on 26 May 2015. As a result, BH Fresh Food became a wholly owned subsidiary of Teo Seng during the year.

14.5.2 Sale and Purchase Agreement dated 7 November 2017 in respect of the disposal of our 100.00% equity interest in Baker's Cottage

On 7 November 2017, LH Malaysia, entered into a sale and purchase agreement with Emerging Glory for the disposal of 43,432,000 ordinary shares held by LH Malaysia in its wholly owned subsidiary, Baker's Cottage, which represents 100.00% of the issued share capital of Baker's Cottage, for a total cash consideration of RM20,330,751. The sale and purchase of the shares was completed on 7 November 2017.

14.5.3 Sale and Purchase Agreement dated 18 August 2017 in respect of the acquisition of 49.00% equity interest in Lee Say

On 18 August 2017, LHSg, entered into a sale and purchase agreement with Beng Leong Investment Pte Ltd, Ng Eng Wah, Toh Ying Seng and Heng Cheng Seng (collectively known as "Vendors") to acquire the remaining 578,445 ordinary shares in our subsidiary, Lee Say, which represents 49.00% of the equity interest in Lee Say from the Vendors for a total cash consideration of SGD62,700,000 and a dividend payout of SGD50,000,000 by Lee Say to the Vendors (equivalent to RM341,402,000 as per our audited consolidated financial statements for the FYE 31 December 2017). The sale and purchase was completed on 8 December 2017.

14. ADDITIONAL INFORMATION (Cont'd)**14.5.4 Sale and Purchase Agreement dated 21 November 2017 in respect of the acquisition of 25.00% equity interest in ES Food**

On 21 November 2017, LHSg entered into a sale and purchase agreement with Muar Regent, a company incorporated and registered in Singapore, for the acquisition of 12,353,697 ordinary shares held by Muar Regent in ES Food, representing 25.00% of the equity interest in ES Food for a total cash consideration of SGD32,000,000 (equivalent to RM104,353,000 as per our audited consolidated financial statements for the FYE 31 December 2017). The sale and purchase was completed on 21 November 2017.

14.5.5 Sale and Purchase Agreement dated 30 June 2018 in respect of the disposal of our 51.00% equity interest in Jordon

On 30 June 2018, Kendo Trading entered into a sale and purchase agreement with Muar Regent, a company incorporated and registered in Singapore, for the disposal of 1,020,000 ordinary shares held by Kendo Trading in its wholly own subsidiary, Jordon, representing 51.00% of the equity interest in Jordon for a total cash consideration of SGD10,250,000 (equivalent to RM30,369,577 as per our interim audited consolidated financial statements for the FPE 31 October 2018). The sale and purchase was completed on 30 June 2018.

14.5.6 Sale and Purchase Agreement dated 30 June 2018 in respect of the disposal of our 49.00% equity interest in Jordon

On 30 June 2018, Kendo Trading entered into a sale and purchase agreement with Lee Chai Soon for the disposal of 980,000 ordinary shares held by Kendo Trading in its wholly own subsidiary, Jordon, representing 49.00% of the equity interest in Jordon International for a total cash consideration of SGD9,850,000 (equivalent to RM29,184,423 as per our interim audited consolidated financial statements for the FPE 31 October 2018). The sale and purchase was completed on 30 June 2018.

14.5.7 Master Cornerstone Placement Agreement dated 22 April 2019

Master Cornerstone Placement Agreement dated 22 April 2019 entered into among our Company, the Selling Shareholders, the Joint Global Coordinators and the Cornerstone Investors, under which the Cornerstone Investors agree to acquire an aggregate of 419,676,500 IPO Shares, representing approximately 11.50% of the enlarged issued share capital of our Company, pursuant to the Institutional Offering at the Institutional Price on the terms subject to the conditions set out in the Master Cornerstone Placement Agreement and the relevant individual cornerstone placement agreements.

14.5.8 Retail Underwriting Agreement dated 12 April 2019

Retail Underwriting Agreement dated 12 April 2019 entered into between our Company, the Selling Shareholders, the Managing Underwriter and the Joint Underwriters to severally and not jointly (nor jointly and severally) underwrite 98,000,000 Issue Shares under the Retail Offering at an underwriting commission calculated at the rate of 1.5% (exclusive of applicable tax) of the Retail Price, respectively, multiplied by the number of Issue Shares underwritten.

14.5.9 Lock-up letter dated 11 April 2019 in relation to our IPO and Listing

Lock-up letter dated 11 April 2019 issued by our Company to the Joint Global Coordinators and the Joint Bookrunners in relation to the lock-up arrangement for our IPO and Listing (including the Over-allotment Option which may be exercised), details of which are set out Section 4.8.3 of this Prospectus.

14. ADDITIONAL INFORMATION (Cont'd)**14.6 MATERIAL LITIGATION**

Other than as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Directors confirm that there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position:

14.6.1 Competition and Consumer Commission of Singapore's Investigations

On 8 March 2016 the CCCS issued a proposed infringement decision against 13 fresh chicken distributors in Singapore, including Lee Say and the other Affected Companies for engaging in anti-competitive agreements to coordinate the amount and timing of price increases, and agreeing not to compete for each other's customers in the market for the supply of fresh chicken products in Singapore. Subsequently, following further investigations conducted by the CCCS and in light of new evidence, the CCCS issued a supplementary proposed infringement decision on 21 December 2017 in respect of the Affected Companies.

Further written and oral representations in defence of the Affected Companies were presented to the CCCS on 8 February 2018 and 15 March 2018 respectively. The CCCS had on 12 September 2018 issued an infringement decision on the Affected Companies and imposed the aggregate financial penalty of SGD11,399,041 on the Affected Companies. The CCCS had also directed the Affected Companies to provide a written undertaking that they will refrain from using The Poultry Merchants' Association, Singapore, of which they are members, or any other industry association as a platform or front, for anti-competitive activities. In this respect, provisions for the financial penalty have been made by the Affected Companies in our audited financial statements for the FYE 31 December 2017. On 12 November 2018 the Affected Companies lodged their Notice of Appeal with the Competition Appeal Board, and as at the LPD, the Affected Companies are in the process of preparing for an appeal hearing before the Competition Appeal Board.

14.7 CONSENTS

The written consents of the Principal Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter, Joint Underwriters, Legal Advisers, Share Registrar and Issuing House as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditor and Reporting Accountants for the inclusion of its name, Accountants' Report and the Reporting Accountants' letter on the Pro Forma Consolidated Statements of Financial Position as at 31 October 2018 and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Frost & Sullivan for the inclusion of its name, IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14. ADDITIONAL INFORMATION (Cont'd)**14.8 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at our registered office during office hours for a period of six months from the date of this Prospectus:

- (i) our Constitution;
- (ii) contracts which our Group is dependent on and our material contracts as referred to in Sections 7.22 and 14.5 of this Prospectus, respectively;
- (iii) our audited consolidated financial statements for the past 3 FYEs 31 December 2015, 31 December 2016 and 31 December 2017;
- (iv) audited financial statements of each of our subsidiaries for the past 3 FYEs 31 December 2015, 31 December 2016 and 31 December 2017 (save for the audited financial statements of our subsidiaries as disclosed in Section 2.1 of this Prospectus);
- (v) our audited interim financial statements for the FPE 31 October 2018;
- (vi) Reporting Accountants' letter on the Pro Forma Consolidated Statements of Financial Position as included in Section 12.4 of this Prospectus;
- (vii) Accountants' Report as included in Section 13 of this Prospectus;
- (viii) IMR Report as included in Section 8 of this Prospectus;
- (ix) letters of consent as referred to in Section 14.7 of this Prospectus; and
- (x) By-Laws as included in Annexure C of this Prospectus.

14.9 RESPONSIBILITY STATEMENTS

Our Directors, the Promoters and the Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Maybank IB, being the Principal Adviser, Joint Global Coordinator, Joint Bookrunner for the Institutional Offering and Managing Underwriter and Joint Underwriters for the Retail Offering in relation to our IPO, acknowledge that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

15. PROCEDURES FOR APPLICATION

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10:00 a.m., 25 April 2019

CLOSING OF THE APPLICATION PERIOD: 5:00 p.m., 3 May 2019

In the event there is any change to the dates stated above, we will advertise the notice of changes in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.

Late applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application for our IPO Shares under the Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the application will succeed.

<u>Types of Application and category of investors</u>	<u>Application method</u>
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

15. PROCEDURES FOR APPLICATION *(Cont'd)*

15.2.2 Application for our IPO Shares under the Institutional Offering

Malaysian institutional and selected investors and foreign institutional and selected investors being allocated our IPO Shares under the Institutional Offering (other than Bumiputera investors approved by the MITI) will be contacted directly by the respective Joint Global Coordinators and Joint Bookrunners and will follow the instructions as communicated by the respective Joint Global Coordinators and Joint Bookrunners.

Bumiputera investors approved by the MITI who have been allocated our IPO Shares will be contacted directly by the MITI and should follow the instructions as communicated through the MITI.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM 1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

15.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;
- (ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

15. PROCEDURES FOR APPLICATION *(Cont'd)*

(iii) you must submit applications by using only one of the following methods:

- (a) White Application Form;
- (b) Electronic Share Application; or
- (c) Internet Share Application.

15.3.3 Application by the Eligible Persons

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

15.4 PROCEDURES FOR APPLICATION BY WAY OF AN APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM1.10 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 681** and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

- (ii) or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their Customer Service Centre, Ground Floor, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5:00 p.m. on 3 May 2019 or such other time and date as our Directors and the Joint Underwriters may, in their absolute discretion, mutually decide as the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15. PROCEDURES FOR APPLICATION *(Cont'd)*

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Applications.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Applications.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15. PROCEDURES FOR APPLICATION *(Cont'd)*

15.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription for the Institutional Offering and the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website (www.tiih.com.my) within one business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's enlarged issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon our Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned in full (without interest of any share or revenue or benefit arising therefrom).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or the Eligible Persons, subject to the clawback and reallocation as set out in Section 4.2.3 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Joint Underwriters based on the terms of the Retail Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your application, your application monies (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Form

- (i) The application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information on Bursa Depository, the balance of application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your application is rejected because you did not provide a CDS account number, your application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to these applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

15. PROCEDURES FOR APPLICATION *(Cont'd)*

- (iv) The Issuing House reserves the right to bank into its bank account all application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash divided/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful applications within two Market Days after the balloting date. The full amount of the application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within two Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to these applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten Market Days from the date of the final ballot. For applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful applications within two Market Days after the final balloting date. The Participating Financial Institution will credit the application monies or any part thereof (without interest) within two Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, prior to our Listing. This is your only acknowledgement of acceptance of your application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held joint with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15. PROCEDURES FOR APPLICATION (Cont'd)**15.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the queries
Application Form	The Issuing House Enquiry Services Telephone at telephone no. +603 2783 9299
Electronic Share Application	Participating Financial Institutions
Internet Share Application	(i) Internet Participating Financial Institution (ii) Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one Market Day** after the balloting date.

You may also check the status of your application at the above website, **five Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS

DETAILS OF OUR MAJOR LICENCES, PERMITS AND APPROVALS

We have various licences and permits for our operations in Malaysia and other jurisdictions where we operate. Details of our major licences, permits and approvals for our operations as at the LPD together with the salient conditions imposed are as follows:

MALAYSIA

PART 1: POULTRY FARMING LICENCES

Save as highlighted below, we hold valid poultry farming licences issued by the respective state's DVS pursuant to the relevant state's poultry farming enactments to the relevant subsidiary, for the following farms:

(1)	<u>Broiler Farms</u>	<u>Approving Authority</u>	<u>Description of Licence/ Permit/ Approval</u>	<u>Validity Period</u>	<u>Salient Conditions</u>	<u>Status of Compliance</u>
No.	<u>Licensee</u>					
1.	LH Agrobusiness	DVS, Selangor	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Tanjung Malim • Rasa • Dengkil 1 <p>all in the state of Selangor.</p>	Up to 31 December 2019	<ol style="list-style-type: none"> 1. Licensee to control river pollution. 2. Licensee to control odour pollution. 3. Licensee to control breeding of flies/pests. 4. Licensee to control waste pollution. 5. Licence is for poultry farming activities only. 6. Licence is not transferable. 	Complied
2.	LH Agrobusiness	DVS, Negeri Sembilan	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Pajam • Lenggeng • Rantau 1 • Linggi 1 <p>all in the state of Negeri Sembilan</p>	Up to 31 December 2019	<ol style="list-style-type: none"> 1. Licensee is requested to use effective microorganisms or comparable chemicals to avoid nuisance in terms of smell and flies. 2. Licensee to ensure chicken faeces will not become a nuisance in terms of smell and flies to neighbouring population. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
3.	LH Agrobusiness	DVS, Melaka	Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Lendu • Taboh Naning both in the state of Melaka	Up to 31 December 2019	<ol style="list-style-type: none"> 3. No founded complaints received throughout the period of farm operation. If a founded complaint is received, the licence may be withdrawn. 4. Licence is not transferable. 5. The farm must be converted to a closed coop system by 2021 (for Pajam, Linggi 1 and Linggi 2 & 3 only). Licence is not transferable.	Complied
4.	LH Agrobusiness/ LH Broiler Farm	DVS, Perak	<ol style="list-style-type: none"> 1. Licence for poultry farming for LH Agrobusiness at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Tapah 1 • Tapah 2 • Tapah 3⁽¹⁾ • Tapah 4 • Tapah 5 • Sungkai 1 • Sungkai 2 2. Licence for poultry farming for LH Broiler Farm at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Sg Siput • Bidor all in the state of Perak 	<ol style="list-style-type: none"> 1. Up to 31 December 2019 except for Tapah 3⁽¹⁾ 2. Up to 30 June 2019 	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence is also subject to the following conditions: <ul style="list-style-type: none"> • To comply with the provisions of the Poultry Farming Enactment 2005 (Enakmen Perladangan Unggas 2005 and Regulations on Monitoring of Poultry Farming Licence 2010 (Peraturan-Peraturan Perladangan Unggas (Lesen) 2010) • To guard against odour pollution and flies to avoid social disturbance and complaints from neighbouring parties 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
5.	LH Agrobusiness	DVS, Pahang	<p>1. Licence for poultry farming at the specified location for the following farm:-</p> <ul style="list-style-type: none"> • Kuantan 1 <p>2. Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Kuantan 2 • Kuantan 3 • Kuantan 4 <p>all in the state of Pahang</p>	Up to 1 December 2018 ⁽²⁾ Up to 1 February 2019 ⁽³⁾	<ul style="list-style-type: none"> • To undertake good animal husbandry practice • To manage waste/sewage/faeces and carcass in a good manner • To use effective microorganisms to guard against the breeding of flies and odour • To monitor infrastructure by making good damaged coop structures <p>Licence must be displayed at the premises</p> <p>1. Not to discharge poultry waste or poultry waste sewage into the river, stream, drain, inland waters, irrigation channels, or any place that is not gazetted as a waste disposal location.</p> <p>2. Not to discharge any bad or unsavoury odour, dust or dust from the poultry farm that may cause nuisance or health hazards to civilians or cause damage to public property.</p> <p>3. To avoid the breeding of flies, insects and pests.</p>	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
6.	LH Agrobusiness/ Ex Treasures/ Heng Kai Hock/ JB Kim/ My-Kando	DVS, Johor	Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • Kluang 1 & Kluang 3 • Kluang 2 • Layang-Layang 1 • JB 3⁽⁴⁾ • Kota Tinggi⁽⁵⁾ • JB Kim 2 • JB Kim 3 • JB Kim 4 • JB Kim 5 • JB Kim 6 • JB Kim 7 	Up to 31 December 2018 ⁽⁸⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 3. To comply with Sections 16, 17 & 18 and to use effective microorganism technology (for Nusajaya only). 	Complied
			all in the state of Johor		<ol style="list-style-type: none"> 4. Not to use any prohibited poisons or not following the regulations for such use as stipulated in the Poisons Act 1952 and Food Act 1983 or any rules or regulations thereunder. 5. Not to provide false declaration and information in connection with the licence application or the Poultry Enactment. 6. Not to obstruct or prevent any licensing officer or authorised officer in carrying out his duties. 7. Licence is not transferable. 	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
7.	Sri Medan Duck Farm	DVS, Johor	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Sri Medan Duck Farm 1 • Sri Medan Duck Farm 2 • Sri Medan Duck Farm 3 • YP1 • YP2 • YP3 • YP4 • YP5 • YP6 • Macap Farm 3 • Yong Peng Farm <p>all in the state of Johor</p>	Up to 31 December 2018 ⁽⁹⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 	Complied

Notes:

- (1) For Tapah 3, we had previously submitted an application for voluntary suspension of licence, as we were in the process of converting our existing farm to a closed coop system. The conversion of the farm to a CHS has since been completed. We had on 20 December 2018, submitted our application for a new poultry farming licence. The licence is to-date, pending renewal by the DVS.
- (2) The Kuantan 1 farm had been issued a valid DVS licence up to 1 December 2018. Application to renew the licence has been made by the company on 11 September 2018, and is pending renewal.
- (3) The Kuantan 2, 3 and 4 farms had been issued with a valid DVS licences up to 1 February 2019. Application to renew the licences have been made by the company on 19 November 2018 and are pending renewal.
- (4) Held by Aw Kin Soo for and on behalf of LH Agrobusiness.
- (5) Held by Lau Joo Han for and on behalf of LH Agrobusiness.
- (6) Held by Chong Jun Fah for and on behalf of LH Agrobusiness.
- (7) Held by Tan Koon Seng for an on behalf of Heng Kai Hock.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

(8) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:

- a) 30 August 2018 for Farm K1 and Farm K2;
- b) 24 September 2018 for JB 3, JB Kim 2, JB Kim 3, JB Kim 5, JB Kim 6, JB Kim 7, Kota Tinggi and Nusajaya;
- c) 13 October 2018 for Yong Peng Farm;
- d) 12 December 2018 for Kluang 1 & 3, Kluang 2, Layang-layang 1, Layang-layang 1A, Layang-layang 2E, Layang-layang 3D, Layang-layang 4B, Layang-layang 5F, Layang-layang 6C, Layang-layang 7G and Farm 1793 & 1794; and
- e) 31 December 2018 for JB Kim 4.

The issuance of the renewed licences is pending.

(9) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on 10 September 2018 and are pending renewal.

Further to the above disclosure, we have also received a written confirmation of DVS Kelantan dated 28 August 2018, DVS Kelantan informed that licence to operate breeder farm and hatchery in the state of Kelantan is yet to be in force. As such, our Kelantan breeder farm and hatchery do not currently require a licence for its operation.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(2) Breeder Farms & Hatcheries**

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	LH Poultry Farm	DVS, Johor	<p>1. Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Bakri 1 • Pagoh 1 • Bakri 2 • Pagoh 3 • Bakri 3 • Parit Sulong • Bekoh • Sagil • Bukit Pasir • Sengkang 1 • Grisek 1 • Sengkang 2 • Grisek 2 • Simpang Lima • Jementah 1 • Tangkak • Jementah 2 	Up to 31 December 2018 ⁽¹⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 3. To comply with Sections 16, 17 & 18 and to use effective microorganism technology (for Jementah 1, Jementah 2 and Parit Sulong only) 	Complied
2.	LH Poultry Farm	DVS, Perak	<p>2. Licence to operate a hatchery farm at specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Bakri 1 & 2 • Serom (Hatchery A & B) • Pagoh (Hatchery C) • Tangkak (Hatchery E) • Tangkak (Hatchery D) <p>all in the state of Johor⁽³⁾</p> <p>Licence for poultry farming at the specified location for the following farm:-</p> <ul style="list-style-type: none"> • Kampar <p>in the state of Perak⁽⁴⁾</p>	Up to 31 December 2018 ⁽²⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence is also subject to the following conditions: 	Complied
3.	LH Poultry Farm	DVS, Perak	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Chenderiang • Kuala Bikam • Teluk Intan 	Up to 31 December 2018 ⁽⁵⁾		Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
			all in the state of Perak		<ul style="list-style-type: none"> To comply with the provisions of the Poultry Farming Enactment 2005 (Enakmen Perladangan Unggas 2005 and Regulations on Monitoring of Poultry Farming Licence 2010 (Peraturan-Peraturan Unggas (Lesen) 2010) To guard against odour pollution and flies to avoid social disturbance and complaints from neighbouring parties To undertake good animal husbandry practice To manage waste/ sewage/ faeces and carcass in a good manner To use effective microorganisms to guard against the breeding of flies and odour To monitor infrastructure by making good damaged coop structures. 	
4.	Heng Kai Hock	DVS, Johor	<ol style="list-style-type: none"> Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> Kota Tinggi Farm 1 Kota Tinggi Farm 2 Kota Tinggi Farm 3 	Up to 31 December 2018 ⁽⁶⁾	<ol style="list-style-type: none"> Licence is not transferable. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
5.	Prestige Fortune	DVS, Johor	<p>2. Licence to operate a hatchery farm at the specified location for the following farm:-</p> <ul style="list-style-type: none"> • Kota Tinggi Hatchery <p>all in the state of Johor</p> <p>1. Licence for poultry farming at the specified locations for the following farm:-</p> <ul style="list-style-type: none"> • Layang-Layang Breeder Farm 	Up to 31 December 2018 ⁽⁷⁾	<p>1. Licence is not transferable.</p> <p>2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000.</p>	Complied
6.	Sri Medan Duck Farm	DVS, Johor	<p>2. Licence to operate a hatchery farm at the specified location for the following farm:-</p> <ul style="list-style-type: none"> • Layang-Layang Hatchery <p>both in the state of Johor</p> <p>1. Licence for poultry farming at the specified location for the following farm:-</p> <ul style="list-style-type: none"> • Sri Medan Duck Farm 4 <p>2. Licence to operate a hatchery farm at the specified location for the following farm:-</p> <ul style="list-style-type: none"> • Duck Hatchery <p>both in the state of Johor</p>	Up to 31 December 2018 ⁽⁸⁾	<p>1. Licence is not transferable.</p> <p>2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000.</p>	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
7.	Leong Hup GPS	DVS, Johor	<p>Licence for poultry farming at the specified locations for each of the following farm:-</p> <ul style="list-style-type: none"> • Desaru Farm 1⁽⁹⁾ • Desaru Farm 2⁽⁹⁾ • Desaru Farm 3⁽⁹⁾ • Desaru Farm 4⁽⁹⁾ • Desaru Farm 5⁽⁹⁾ • Desaru Farm 6⁽⁹⁾ <p>all in the state of Johor</p>	Up to 31 December 2018 ⁽¹⁰⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 	Complied
8.	LH Agrobusiness	DVS, Melaka	<p>Licence to operate a hatchery farm at the specified location for the following farm:-</p> <ul style="list-style-type: none"> • Merlimau Hatchery <p>in the state of Melaka</p>	Up to 31 December 2018 ⁽¹¹⁾	Licence is not transferable.	Complied
Notes:						
(1)	Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:					
	<ol style="list-style-type: none"> a) 10 September 2018 for Pant Sulong; b) 24 September 2018 for Jementah 1 and Jementah 2; c) 25 September 2018 for Bekoh, Grisek 1, Grisek 2, Sagil, Sengkang 1, Sengkang 2, Simpang 5 and Tangkak; and d) 26 September 2018 for Bakri 1, Bakri 2, Bakri 3, Bukit Pasir, Pagoh 1 and Pagoh 3. <p>The issuance of the renewed licences is pending.</p>					
(2)	Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:					
	<ol style="list-style-type: none"> a) 25 September 2018 for Bakri 1 & 2 (Hatchery A&B) and Pagoh (Hatchery E); and b) 26 September 2018 for Serom (Hatchery C) and Tangkak (Hatchery D). <p>The issuance of the renewed licences is pending.</p>					
(3)	One of our Breeder Farms in Johor, i.e. Pagoh 2, has had its poultry farming licence revoked due to close proximity to residential areas. We are in the process of appealing the revocation, failing which we will re-locate our farm operations elsewhere.					

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

- (4) *Aside from our Breeder Farm in Perak, i.e. Kampar, we also operate a hatchery farm in the state of Perak, i.e. Bidor Hatchery. Further to a written confirmation of DVS Perak dated 10 July 2018, DVS Perak informed that licence to operate hatcheries in the state of Perak is yet to be in force. As such, our Bidor Hatchery does not currently require a licence for its operation.*
- (5) *Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:*
 - a) *3 September 2018 for Kuala Bikam and Teluk Intan; and*
 - b) *12 September 2018 for Chenderiang.**The issuance of the renewed licences is pending.*
- (6) *Valid DVS licences were previously issued for these farms and hatchery up to 31 December 2018. Applications to renew the licences have been made by the company on 30 September 2018. The issuance of the renewed licences is pending.*
- (7) *Valid DVS licences were previously issued for the farm and hatchery up to 31 December 2018. Applications to renew the licences have been made by the company on 29 August 2018. The issuance of the renewed licences is pending.*
- (8) *Valid DVS licences were previously issued for the farm and hatchery up to 31 December 2018. Applications to renew the licences have been made by the company on 26 September 2018. The issuance of the renewed licences is pending.*
- (9) *Held by Tan Sri Lau Tuang Nguang for and on behalf of Leong Hup GPS.*
- (10) *Valid DVS licences were previously issued for the hatchery up to 31 December 2018. Applications to renew the licences have been made by the company on 28 September 2018. The issuance of the renewed licences is pending.*
- (11) *A valid DVS licence was previously issued for the hatchery up to 31 December 2018. The application to renew the licence has been made by the company on 18 September 2018. The issuance of the renewed licence is pending.*

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(3) Layer Farms**

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	Teo Seng Farming	DVS, Johor	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Brooding 1 • Brooding 2 • Pullet 1 • Pullet 2 • Pullet 3 • Pullet 5 • Pullet 6 <p>all in the state of Johor⁽²⁾</p>	Up to 31 December 2018 ⁽¹⁾	<p>1. Licence is not transferable.</p> <p>2. To comply with the relevant requirements of the Poultry Farming Enactment 2005 (Enakmen Perlindungan Unggas 2005 and Regulations on Monitoring of Poultry Farming Licence 2010 (Peraturan-Peraturan Pengawalan Perlindungan Unggas (Lesen) 2010) and to use effective microorganism technology.</p>	Complied
2.	Success Century	DVS, Johor	<p>Licence for poultry farming at the specified locations for each of the following farms:-</p> <ul style="list-style-type: none"> • Layer 1A • Layer 1B • Layer 8A • Layer 8B <p>all in the state of Johor</p>	Up to 31 December 2018 ⁽³⁾	<p>1. Licence is not transferable.</p> <p>2. To comply with the relevant requirements of the Poultry Farming Enactment 2005 (Enakmen Perlindungan Unggas 2005 and Regulations on Monitoring of Poultry Farming Licence 2010 (Peraturan-Peraturan Pengawalan Perlindungan Unggas (Lesen) 2010) and to use effective microorganism technology.</p>	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**Notes:**

- (1) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on 25 July 2018. The issuance of the renewed licences is pending.
- (2) Aside from the licences for the operation of our Layer Farms listed above, we have made two applications to DVS, Batu Pahat, for our newest addition of Layer Farms each dated 19 November 2015 and 27 January 2017 respectively, for the licence to operate two Layer Farms in Yong Peng, Johor, i.e. Layer 14 and New Pullet 4. The licences are to-date, pending issuance by the DVS, Batu Pahat as the farms are required to first convert their land use conditions to poultry farming, the applications for which we have submitted on 6 May 2018 and 18 August 2016 respectively at the relevant Land Office, and the approvals of which are also currently pending.
- (3) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on 25 July 2018. The issuance of the renewed licences is pending.

(4) Coloured Bird Farms

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	New Soon Teng/ Prestige Fortune/ Prestige Fortune/ Prestige Fortune/ Prestige Fortune	DVS, Johor	Licence for poultry farming at the specified locations for each of the following farms:- <ul style="list-style-type: none"> • F38 • CHJ075 • CHJ331 all located in the state of Johor ⁽²⁾	Up to 31 December 2018 ⁽¹⁾	<ol style="list-style-type: none"> 1. Licence is not transferable. 2. Licence must be displayed at the premises, penalty for breach is a fine not exceeding RM1,000. 	Completed

Notes:

- (1) Valid DVS licences were previously issued for these farms up to 31 December 2018. Applications to renew the licences have been made by the company on:
a) 27 August 2018 for F38; and
b) 28 August 2018 for CHJ075, CHJ331, CHJ332/Farm B and Farm E.
The issuance of the renewed licences is pending.
- (2) One of our coloured bird farms, i.e. F45 has not been issued a poultry farming licence, as the farm is required to first convert its land use conditions to poultry farming. We have submitted on 20 August 2018 an application to Pontian Land Office for the conversion of the land use conditions. An application for licence will be made to the DVS thereafter.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**PART 2: BUSINESS AND OTHER OPERATIONAL LICENCES**

The following are the major business and other operational licences issued to and held by our subsidiaries:

(1) Business Licences

The following are the business licences issued by the respective local councils to our subsidiaries, for our business premises:

No.	Licensee	Approving Authority	Premises	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
1.	A1FC	Majlis Bandaraya Shah Alam	No. AL 286, Jln Welfare, Kg Baru Sg. Buloh, Seksyen U19 40160 Shah Alam, Selangor.	Business Licence (Chicken Processing Industry) (Temporary) ⁽¹⁾	Up to 31 December 2019	Complied
2.	Leong Hup Feedmill	Majlis Bandaraya Melaka Bersejarah	Lot 13, (9569) Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.	Business licence	Up to 31 December 2019	Complied
3.	FE Venture	Majlis Perbandaran Subang Jaya	Lot 3 & 5 Jalan PJS 11/8, Bandar Sunway 46150 Petaling Jaya, Selangor.	Business Licence - Warehouse (wholesale/storage)	Up to 31 December 2019	Complied
4.	Heng Kai Hock	Majlis Perbandaran Johor Bahru Tengah	37 Jalan Besi, Taman Sri Putri 81300 Skudai, Johor.	Business Licence – Farming Contractor	Up to 31 December 2019	Complied
5.	Ideal Multifeed	Majlis Bandaraya Melaka Bersejarah	PT 248, Kawasan Perindustrian Tangga Batu, Mukim Tg Batu 76400 Melaka.	Business licence for premises used to manufacture and store animal feed	Up to 31 December 2019	Complied
6.	Jaco Nutrimix	Majlis Bandaraya Melaka Bersejarah	Lot 13, (9569) Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.	Business licence for premises used to process animal feed	Up to 31 December 2019	Complied
7.	LH Feedmill Malaysia	Majlis Bandaraya Melaka Bersejarah	1. Lot 13A Kawasan Perindustrian Bkt Rambai 75250 Melaka. 2. 9578 Kawasan Perindustrian Tangga Batu, Tangga Batu 76400 Melaka.	Business licence for premises used to store diesel petroleum and kerosene. Business licence for premises used to manufacture and store animal feed	Up to 31 December 2019 Up to 23 November 2019	Complied Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Premises	Description of Licence/ Approval	Permit/	Validity Period	Status of Compliance
8.	LH Agrobusiness	Majlis Perbandaran Petaling Jaya	3. Lot 13A & Lot 5012 Jalan PBR1, Fasa 1, Kawasan Perindustrian Bukit Rambai 75250 Melaka. No. 28 Jalan Sungai Pinang 5/4 Pulau Indah Industrial Park, Fasa 2, 42920, Pelabuhan Klang, Selangor.	Business licence for premises used to manufacture and store animal feed Business licence for premises used to manufacture and process animal feed		Up to 31 December 2019 Up to 31 December 2019	Complied Complied
		Majlis Bandaraya Petaling Jaya	A-1-11 Dataran Cascades, No. 13A Jln PJU 5/1, Kota Damansara, PJU 5 47810 Petaling Jaya.	Trade, Business and Industrial Licence (Management Office)		Up to 31 December 2019	Complied
		Majlis Perbandaran Kuantan	B-76 Tingkat 1, Jalan Biz Park Utama, Tanah Putih 25100 Kuantan, Pahang.	Business Licence (Management Office)		Up to 31 December 2019	Complied
		Majlis Bandaraya Ipoh	1. 190A-192A Jalan Sultan Azlan Shah, Taman Anda 31400 Ipoh. 2. 190-192 Jalan Sultan Azlan Shah, Taman Anda 31400 Ipoh.	Business Licence (Management Office) Business Licence (Management Office)		Up to 3 October 2019 Up to 3 October 2019	Complied Complied
		Majlis Perbandaran Muar	1. Lot 4209 Jalan Bakariah 84000 Muar, Johor Darul Takzim. 2. No. 7, Tingkat 1, Taman Treh II, Jalan Bukit Treh 84000 Muar, Johor Darul Takzim. 3. No. 11, Tingkat 1, Taman Treh II, Jalan Bukit Treh 84000 Muar, Johor Darul Takzim.	Business Licence (Management/Services Office) Business Licence (Management/Services Office) Business Licence (Management/Services Office)		Up to 31 December 2019 Up to 31 December 2019 Up to 31 December 2019	Complied Complied Complied
		Majlis Perbandaran Jasin	4. No. 9, Tingkat 1, Taman Treh II, Jalan Bukit Treh 84000 Muar, Johor Darul Takzim. Kawasan Perindustrian Merlimau, 77300 Merlimau, Melaka.	Business Licence (Management/Services Office) Business Licence (office)		Up to 31 December 2019 Up to 17 March 2029	Complied Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Premises	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
9.	LH Poultry Farm	Majlis Daerah Tapah	PT 3150 Taman Perindustrian Ringan, Jalan Sungkai 35500 Bidor, Perak.	Business Licence (Chicken Hatchery)	Up to 29 January 2020	Complied
10.	Ladang Ternakan	Majlis Daerah Machang	Lot 695, Kampung Bechah Kemuning, 18500 Machang, Kelantan.	Trade, Business and Industrial Licence (Management Office – Poultry Farming and Egg Hatchery)	Up to 31 December 2019	Complied
11.	My-Kando	Majlis Perbandaran Johor Bahru Tengah	371A Jalan Besi, Taman Sri Putri 81300 Skudai, Johor	Business Licence (Management Office – Poultry Farming)	Up to 31 December 2019	Complied
12.	Teo Seng Farming	Majlis Daerah Yong Peng	1. Lot 7850 Mukim Tg. Sembrong, Batu 1 Jalan Muar 83700 Yong Peng, Johor Darul Takzim. 2. Lot PTD25740 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor.	Business Licence (Multiple Industries)	Up to 31 December 2019	Complied
13.	Teo Seng Feedmill	Majlis Daerah Yong Peng	Lot PTD 25741 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor.	Business Licence (Chicken Eggs)	Up to 31 December 2019	Complied
14.	Teo Seng Paper	Majlis Daerah Yong Peng	Lot PTD 25739 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor.	Business Licence (Chicken Feed Processing)	Up to 31 December 2019	Complied
15.	Success Century	Majlis Daerah Yong Peng	1. No. 8A Jalan Sutera, Taman Sutera 83700 Yong Peng, Johor Darul Takzim. 2. PTD 29431 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor Darul Takzim.	Business Licence (Chicken Processing)	Up to 31 December 2019	Complied
16.	Laskar Fertiliser	Majlis Daerah Yong Peng	Lot PTD 25740 Batu 4, Jalan Ayer Hitam, 83700 Yong Peng, Johor.	Business Licence (Office Agency)	Up to 31 December 2019	Complied

Note:

- (1) The business licence issued to A1FC is a temporary licence, as the factory on the premises is built without approved building plans. Majlis Bandaraya Shah Alam has the right to suspend or cancel this temporary licence at any time without reason or compensation. These premises are currently used as a warehouse only, and is not material to our business operations.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(2) Manufacturing Licences**

The following are the manufacturing licences issued by the MITI pursuant to the Industrial Co-ordinations Act, 1975 to our subsidiaries for our manufacturing activities:

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	Ideal Multifeed	MITI	Licence to manufacture the following product at the following premise: Animal Feeds Kawasan Perusahaan Tanjong Kling, Mukim Tangga Batu, Melaka.	2 March 1981 onwards	None	Complied
2.	Jaco Nutrimix	MITI	Licence to manufacture the following product at the following premise: Feed Additive Premix Lot 13 (9569), Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.	7 August 2014 onwards	1. Sale of any shares in this company must be notified to MITI and MIDA. 2. Licensee shall train Malaysian citizens so that the transfer of technology and expertise may be channelled to all designation levels.	Complied
3.	Leong Hup Feedmill	MITI	Licence to manufacture the following product at the following premises: Animal Feeds 1. Lot 13A Kawasan Perindustrian Bkt Rambai 75250 Melaka.	12 November 1991 onwards	1. Sale of any shares in this company must be notified to MITI and MIDA. 2. Licensee shall train Malaysian citizens so that the transfer of technology and expertise may be channelled to all designation levels. 3. Licensee shall implement its project as approved in accordance with the laws and regulations of Malaysia	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
2.			Lot 102526 & 102514 Jalan Sungai Pinang 5/1, Fasa 2, Kawasan Industri Pulau Indah, Mukim Klang, Daerah Klang, Selangor Darul Ehsan.	14 October 1998 onwards	None	Complied
4.	LH Agrobusiness	MITI	Licence to manufacture the following product at the following premise: Processed Poultry Products 49 Jalan BRP 8/2 Kawasan Perindustrian Bukit Rahman Putra 47000 Sungai Buloh, Selangor.	8 May 2007 onwards	1. Sale of any shares in this company must be notified to MITI and MIDA. 2. Licensee shall train Malaysian citizens so that the transfer of technology and expertise may be channelled to all designation levels. 3. Licensee shall implement its project as approved in accordance with the laws and regulations of Malaysia	Complied
5.	Teo Seng Paper	MITI	Licence to manufacture the following product at the following premise: Egg Trays Lot PTD 25739 Batu 4 Jalan Ayer Hitam 83700 Yong Peng, Johor.	8 May 2007 onwards	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(3) License to sell chicken (wholesale)**

Our subsidiaries, i.e. A1FC and LH Agrobusiness are also licensed by the Controller of Supplies, Ministry of Domestic Trade, Co-operatives and Consumerism, to sell chicken, on a wholesale basis, pursuant to the Control of Supplies Act, 1961 (Control of Supplies (Chicken) Regulations 1996, at the following premises:

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	A1FC	Controller of Supplies, Ministry of Domestic Trade, Co-operatives and Consumerism	<p>1. Licence to sell chicken, on a wholesale basis, on the following premise: No. 190A, Jln Sultan Azlan Shah, Utara (Jln Tasek), Taman Anda, 31400 Ipoh, Perak.</p> <p>2. Licence to sell chicken, on a wholesale basis, on the following premise: Lot 4209 Jalan Bakariah, Bukit Treh 84000 Muar, Johor</p> <p>3. Licence to sell chicken, on a wholesale basis, on the following premise: No. 7, Tingkat 1, Taman Treh II, Jalan Bukit Treh, 84000 Muar, Johor.</p> <p>4. Licence to sell chicken, on a wholesale basis, on the following premise: No. 11-2 (1st Floor), Jalan PUJ 5/18, Dataran Sunway Kota Damansara 47810 Petaling Jaya, Selangor.</p>	Up to 28 September 2019	<p>1. Licence is not transferable.</p> <p>2. Licence is valid for 3 years only at the stipulated premises.</p> <p>3. Licensee shall refer and obtain the approval of the Ministry before increasing chicken prices at any stage.</p>	Complied
				Up to 30 October 2020		Complied
				Up to 30 October 2020		Complied
				Up to 7 August 2019		Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
2.	LH Agrobusiness	Controller of Supplies, Ministry of Domestic Trade, Co-operatives and Consumerism	<p>1. Licence to sell chicken, on a wholesale basis, on the following premise: No. 43 & 45 Jalan Besi, Taman Sri Putri 81300 Skudai, Johor</p> <p>2. Licence to sell chicken, on a wholesale basis, on the following premise: Lot 3.01, 3rd Floor, Wisma Westcourt, 126 Jalan Kelang Lama 58000 Kuala Lumpur.</p> <p>3. Licence to conduct the following activities on the following premise: Wholesale dealing: Lot 3.01, 3rd Floor, Wisma Westcourt, 126 Jalan Kelang Lama 58000 Kuala Lumpur. Storage: No. 190A-192A, Jalan Sultan Azlan Shah, Taman Anda 31400 Ipoh, Perak.</p>	Up to 18 August 2019	<p>1. Licence is not transferable.</p> <p>2. Licence is valid only at the stipulated premises.</p> <p>3. Licensee shall refer and obtain the approval of the Ministry before increasing chicken prices at any stage.</p>	Complied
				Up to 4 April 2020		Complied
				Up to 19 April 2021		Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**(4) Halal Certifications**

Our chicken products manufactured/distributed/managed by the Company has complied with Islamic Law and Malaysian Halal Standard and approved by JAKIM's Halal Certification Panel, in relation to the following products:

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
1.	LH Agrobusiness	JAKIM	1. Breeder Chicken (Female) 1/2 Bone 2. Breeder Chicken (Female) Bishop Nose 3. Breeder Chicken (Female) Bone 4. Breeder Chicken (Female) Boneless Breast / Breeder BB 5. Breeder Chicken (Female) Boneless Leg/Breeder BL 6. Breeder Chicken (Female) Fat 7. Breeder Chicken (Female) Feet 8. Breeder Chicken (Female) Fillet 9. Breeder Chicken (Female) Skin 10. Breeder Chicken (Female) Skinless Boneless Breast / Breeder SBB 11. Breeder Chicken (Female) Skinless Boneless Leg/Breeder SBL 12. Breeder Chicken (Female) Whole Leg 13. Breeder Chicken (Female) Wing 14. Breeder Chicken (Male) 15. Chicken (Broiler) 1/2 Bone 16. Chicken (Broiler) 2-Joint Wing / 2-J Wing 17. Chicken (Broiler) BBQ Wing - Debone Cut 18. Chicken (Broiler) Bishop Nose 19. Chicken (Broiler) Bone 20. Chicken (Broiler) Boneless Breast / BB 21. Chicken (Broiler) Boneless Leg / BL 22. Chicken (Broiler) Fat 23. Chicken (Broiler) Feet 24. Chicken (Broiler) Gizzard 25. Chicken (Broiler) Keel 26. Chicken (Broiler) Liver 27. Chicken (Broiler) Neck 28. Chicken (Broiler) Rib 29. Chicken (Broiler) Skin 30. Chicken (Broiler) Skinless Boneless Breast /SBB 31. Chicken (Broiler) Boneless Leg /SBL 32. Chicken (Broiler) Thigh 33. Chicken (Broiler) Whole Breast 34. Chicken (Broiler) Whole Leg 35. Chicken (Broiler) Wing - Machine Cut	Up to 15 February 2020	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
2.	LH Agrobusiness	JAKIM	<p>36. Chicken Chop 37. Chicken Crispy Cut 38. Chicken Drummet 39. Chicken Drumstick 40. Chicken Tulip 41. Layer Chicken (Male) 42. Marinated Roast Chicken Black Pepper 43. Marinated Roast Chicken Honey 44. Marinated Roast Chicken Whole Leg Black Pepper 45. Marinated Roast Chicken Whole Leg Honey 46. Whole Chicken (Broiler)</p> <p>Halal Standard certification in relation to the following products:</p> <ol style="list-style-type: none"> 1. A1 Chicken Frankfurter 2. A1 Chicken Nugget 3. Beef Burger 4. Black Pepper Ingredient 5. Breaded Chicken Drummetts 6. Breakfast Sausage 7. Burger Patties 8. Chicken Burger 9. Chicken Fillets 10. Chicken Frankfurter 11. Chicken Frankfurter with Black Pepper 12. Chicken Frankfurter with Cheese 13. Chicken Karaage 14. Chicken Meat Loaf 15. Chicken Meatball 16. Chicken Nugget 17. Chicken Patties 18. Chicken Roll 19. Chicken Tulip Wings 20. Chicken Wings 21. Cocktail Cheese 22. Cocktail Original 23. Cocktail Sausage 24. Crispy Chicken Fingers 25. Crispy Fried Chicken 26. Honey Drummetts 	Up to 15 April 2020	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
3.	LH Agrobusiness	JAKIM	27. Honey Fried Chicken 28. Honey Ingredient 29. Honey Sauce 30. Jumbo Black Pepper 31. Jumbo Cheese Frank 32. Jumbo Premium Frank 33. Mini Chicken Sausage 34. Original Fried Chicken 35. Popcorn Chicken Bites 36. SBB Black Pepper Chicken 37. SBB Marinated Honey 38. SBB Smoked Chicken 39. Spicy Ingredient	Up to 15 February 2020	Complied
			Halal Standard certification in relation to the following products:		
			1. BB Sampling - Boneless Breast Sampling 2. BL Sampling - Boneless Leg Sampling 3. Carcass Meat Breeder Female 4. Chicken Crispy Cut 5. Chicken Drummet 6. Chicken Popcorn/Karaage 7. Chicken Wing 8. Meat Breeder Female 9. Meat Breeder Male 10. Skinless Boneless Breast Breeder Female		

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

In addition, our slaughterhouse in Johor is also certified as Halal by JAKIM as follows:

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Status of Compliance
1.	LH Agrobusiness	JAKIM	Halal Standard certification for slaughterhouse located at the following premise for the following products: Premises: Lot 4209, Jalan Bakariah, Bukit Treh 84000 Muar, Johor. Product List: <ul style="list-style-type: none"> • Whole chicken • Offal • Skin • Bone <ul style="list-style-type: none"> • Parts • Carcass • Fat 	Up to 15 February 2019	Fee for Halal Standard certification renewal has been made on 15 January 2019, pending issuance of certification

INDONESIA

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
PART 1: Business licences and other operational licences						
1.	Bibit Indonesia	Head Unit of One-Stop Integrated Service (Pelaksana Pelayanan Terpadu Satu Pintu ("PTSP")) of South Jakarta	Licence No. 09.03.1.01.34564 Certificate of Company Registration	Up to 7 November 2021	Proof of company registration Licence is valid for 5 years Renewal must be done maximum 3 months before the ending date Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000	Complied
2.	Bibit Indonesia	Head of PTSP of South Jakarta	Licence No. 28/27.1BU.1/31.7 4.06.1004/071.56 2/e/2016 Company Domicile Certificate	Up to 5 August 2021	This document shows the domicile of the company.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
3.	Leong Ayamsatu	Head Unit of Cooperation, Micro, Small, and Medium Enterprise and Trading of South Jakarta	Licence No. 09.03.1.01.23026 Certificate of Company Registration	Up to 15 July 2021	<ol style="list-style-type: none"> 1. Proof of company registration 2. Licence is valid for 5 years 3. Renewal must be done maximum 3 months before the ending date 4. Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000 	Complied
4.	Leong Ayamsatu	Head of Sub-District of Gandaria Selatan	Licence No. 81/37.1BU.1/31.7 4.06.1004/071.56 2/e/2016 Company Domicile Certificate	Up to 26 October 2021	This document shows the domicile of the company	Complied
5.	Mitra Bebek	Head of PTSP of Subang	Licence No. 10.10.1.01.01180 Certificate of Company Registration	Up to 22 December 2022	<ol style="list-style-type: none"> 1. Proof of company registration 2. Licence is valid for 5 years 3. Renewal must be done maximum 3 months before the ending date 4. Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000 	Complied
6.	Mitra Bebek	Head of PTSP Gandaria Selatan	Licence No. 51/27.1BU/31.74. 06.1004/071.562/ E/2017 Company Domicile Certificate	Up to 20 November 2022	This document shows the domicile of the company	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
7.	Malindo Feedmill	Head Unit of Cooperation, Micro, Small, and Medium Enterprise and Trading of South Jakarta	Licence No. 09.03.1.10.26178 Certificate of Company Registration	Up to 5 January 2023	<ol style="list-style-type: none"> 1. Proof of company registration 2. Licence is valid for 5 years 3. Renewal must be done maximum 3 months before the ending date 4. Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000 	Complied
8.	Malindo Feedmill	Head of Sub-District of Gandaria Selatan	Licence No. 24/27.1BU.1/31.7 4.06.1004/071.56 2/e/2016 Company Domicile Certificate	Up to 2 August 2021	This document shows the domicile of the company	Complied
9.	Malindo Food Delight	Head of PTSP of South Jakarta	Licence No. 09.03.1.10.69912 Certificate of Company Registration	Up to 10 May 2021	<ol style="list-style-type: none"> 1. Proof of company registration 2. Licence is valid for 5 years 3. Renewal must be done maximum 3 months before the ending date 4. Unregistered company will cause the company to be imposed with a maximum 3 months imprisonment or a fine in the maximum amount of IDR3,000,000 	Complied
10.	Malindo Food Delight	Head of PTSP of Gandaria Selatan Cipete Utara	Licence No. 75/27.1BU.1/31.7 4.07.1010/- 071.562/e/2017 Company Domicile Certificate	Up to 21 March 2022	This document shows the domicile of the company	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
PART 2: Import Licence						
1.	Bibit Indonesia	Directorate General of Customs and Excise	Licence No. 05.003738 Customs and Excise Registration (<i>Nomor Identitas Kepabeanan</i> - ("NIK"))	Valid as long as Bibit Indonesia conducts its business and shall be re-registered once within 5 years	<ol style="list-style-type: none"> Obligatory licence for customs activity Any Company without NIK will only be allowed to conduct any customs activity once and before continuing its customs activity, it needs to register the NIK Conducting customs activity (export/import) without NIK will result to a maximum 8 years imprisonment or a fine in the maximum amount of IDR500,000,000 	Complied
2.	Bibit Indonesia	Head of BKPM (<i>Badan Koordinasi Penanaman Modal</i> ("BKPM")) on behalf of Minister of Trade	Licence No. 090501476-B Importer Identification Number for Producer (<i>Angka Pengenal Importir Produsen</i> ("API-P"))	Valid as long as Bibit Indonesia conducts its business and shall be re-registered once within 5 years Commencing from 16 January 2015	<ol style="list-style-type: none"> Specific licence for importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the importer is not allowed to sell the imported goods Valid as long as the importer conducts its business Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
3.	Leong Ayamsatu	Directorate General of Customs and Excise	Licence No. 01.004514 NIK	Valid as long as Leong Ayamsatu conducts its business and shall be re-registered once within 5 years Commencing from 22 January 2016	<ol style="list-style-type: none"> Obligatory licence for customs activity Any Company without NIK will only be allowed to conduct any customs activity once and before continuing its customs activity, it needs to register the NIK Conducting customs activity (export/import) without NIK will result to a maximum 8 years imprisonment or a fine in the maximum amount of IDR500,000,000 	Complied
4.	Leong Ayamsatu	BKPM on behalf of Minister of Trade	Licence No. 090503228-B API-P	Valid as long as Leong Ayamsatu conducts its business and shall be re-registered once within 5 years Commencing from 20 February 2015	<ol style="list-style-type: none"> Specific licence for Importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the Importer is not allowed to sell the imported goods Valid as long as the Importer conducts its business Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
5.	Mitra Bebek	Director of License Service on behalf of Head of BKPM on behalf of Minister of Trade	Licence No. 090514137-B API-P	Valid as long as Mitra Bebek conducts its business and shall be re-registered once within 5 years	<ol style="list-style-type: none"> Specific licence for Importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the Importer is not allowed to sell the imported goods Valid as long as the importer conducts its business Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied
6.	Malindo Feedmill	Directorate General of Custom and Excise	Licence No. 05.000834 NIK	Valid as long as Malindo Feedmill conducts its business and shall be re-registered once within 5 years Commencing from 21 February 2014	<ol style="list-style-type: none"> Obligatory licence for customs activity Any Company without NIK will only be allowed to conduct any customs activity once and before continuing its customs activity, it needs to register the NIK Conducting customs activity (export/import) without NIK will result to a maximum 8 years imprisonment or a fine in the maximum amount of IDR500,000,000 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
7.	Malindo Feedmill	BKPM on behalf of Minister of Trade	Licence No. 090501558-B API-P	Valid as long as Malindo Feedmill conducts its business and shall be re-registered once within 5 years	<ol style="list-style-type: none"> Specific licence for importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the importer is not allowed to sell the imported goods Valid as long as the importer conducts its business Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied
8.	Malindo Food Delight	Director Customs Information and Excise	Licence No. 05.029223 NIK	<p>Valid as long as Malindo Food Delight conducts its business and shall be re-registered once within 5 years</p> <p>Commencing from 28 October 2014</p>	<ol style="list-style-type: none"> Obligatory licence for customs activity Any Company without NIK will only be allowed to conduct any customs activity once and before continue its customs activity, it needs to register the NIK Conducting customs activity (export/import) without NIK will result to a maximum 8 years imprisonment or a fine in the maximum amount of IDR500,000,000 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
9.	Malindo Food Delight	BKPM on behalf of Minister of Trade	Licence No. 090502022-B API-P	Valid as long as Malindo Food Delight conducts its business and shall be re-registered once within a 5 years	<ol style="list-style-type: none"> Specific licence for Importer who will use the imported goods for its own interest such as capital goods or any production activity, this means that the Importer is not allowed to sell the imported goods Valid as long as the Importer conducts its business Grants the obligation to report the import realization every 3 months to the General Director of International Trade, Ministry of Trade 	Complied
Part 3: Investment Licence						
1.	Bibit Indonesia	Head of BKPM on behalf of Main Secretary on behalf of Minister of Agriculture	Licence No. 446/IT/ PETERNAKAN/20 05	Up to December 2033	<ol style="list-style-type: none"> This licence allows Bibit Indonesia to conduct business activity in Breeding of broiler chicken and hatchery of laying hens at Regency of Subang, West Java The company obligates to submit semester report 	Complied
2.	Bibit Indonesia	Head of BKPM on behalf of Deputy of Investment Service Division on behalf of Minister of Agriculture	Licence No. 8/7/PERTANIAN/ 2009	Valid as long as Bibit Indonesia conducts its business activity	<ol style="list-style-type: none"> This licence allows Bibit Indonesia to expand its business activity in Breeding of broiler chicken and hatchery of laying hens at Regency of Majalengka, West Java The company obligates to submit semester report 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
3.	Bibit Indonesia	Head of BKPM on behalf of Deputy of Investment Service Division on behalf Minister of Agriculture	Licence No. 66/1/IU/II/PMA/ PERTANIAN/2012	Valid as long as Bibit Indonesia conducts its business activity	<ol style="list-style-type: none"> This is a licence for Bibit Indonesia to conduct its business activity in Breeding and hatchery with Indonesian Standard Industrial Classification ("KLBII") 01461 at Desa Mekarjaya, Kecamatan Kertajati, Regency of Majalengka, West Java Province The company obligates to submit semester report 	Complied
4.	Bibit Indonesia	Deputy of Investment Service on behalf of Head of BKPM on behalf of Minister of Agriculture	Licence No. 287/1/IU- PL/PMA/2016	Valid as long as Bibit Indonesia conducts its business activity	<ol style="list-style-type: none"> This licence allows Bibit Indonesia to conduct Breeding and Raising of GPS at business location Desa Kodasari, Regency of Majalengka, West Java The company obligates to submit semester report 	Complied
5.	Bibit Indonesia	Head of BKPM	Licence No. 1386/1/PI/ PMA/2018	Up to 24 April 2021	<p>This licence allows Bibit Indonesia to conduct its business in chicken stock breeding at its business location in Majalengka and the company obligates to submit the semester report</p>	Complied
6.	Leong Ayamsatu	Head of BKPM	Licence No 669/II/PMA/ 1995	30 years from the commercial operation of Leong Ayamsatu on December 1999	This notification is a proof that Leong Ayamsatu is allowed to conducts its business as a foreign investment company	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
7.	Leong Ayamsatu	Head of BKPM	Licence No. 450/T/PETERNAK AN/1999 Permanent Livestock Licence	Up to December 2029	This licence allows Leong Ayamsatu to conduct business in breeding and broiler chicken livestock and the company has to submit the obligatory semester report	Complied
8.	Leong Ayamsatu	Head of BKPM	Licence No. 261/1/IU-PL/PMA/2016 Livestock Expansion of Foreign Investment	Valid as long as Leong Ayamsatu conducts its business activity	This licence allows Leong Ayamsatu to expand its business in Breeding and Broiler Chicken Livestock with additional business location at Kuta Jurung, Kecamatan Senembah Tanjung Muda Hilir, Regency of Deli Serdang, North Sumatera Province and the Company has to submit the obligatory semester report	Complied
9.	Leong Ayamsatu	Head of BKPM	Licence No. 490/1/IP-PL/PMA/2017 Expansion of In-Principal Foreign Investment	Valid for 3 years Commencing from 26 October 2017	This licence valid as a temporary permission for Leong Ayamsatu in conducting its business at Desa Margasari, Kec. Dawuan, Subang, West Java and the Company has to submit the obligatory semester report	Complied
10.	Mitra Bebek	Deputy of Investment Service on behalf of Head of BKPM	Licence No. 2262/1/IP/PMA/2017 Investment Principle Licence	Valid as long as Mitra Bebek conducts its business activity	This licence allows Mitra Bebek to start its business as a foreign investment company in Duck and Manila Duck Breeding and obligates the Company to submit report once in every 3 months	Complied
11.	Mitra Bebek	PTSP of Regency of Subang	Licence No. 524/09/DPMP/TSP /2018 dated 7 May 2018 Livestock Business Licence	Valid as long as Mitra Bebek conducts its business activities	This licence allows Mitra Bebek to conduct business and Mitra Bebek has to re-register prior to 6 May 2021	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
12.	Mitra Bebek	Deputy of Investment Application of BKPM	Licence No. 495/1/PI/PMA/2018 dated 14 February 2018 Investment Registration	Valid until 14 February 2021	This licence allows Mitra Bebek to expand new business fields in slaughtering house and poultry meat packaging in its new business location in Sawangan, Depok. Mitra Bebek has to obtain a business licence to start conducting its new business before the expiry of this licence.	Complied
13.	Malindo Feedmill	Head of BKPM	Licence No. 10/PPMA/1997 Notification Letter on Approval from the President	30 years from the commercial operation of Malindo Feedmill in July 2001	This notification is a proof that Malindo Feedmill is allowed to conduct its business as a foreign investment company	Complied
14.	Malindo Feedmill	Head of BKPM	Licence No. 472/T/INDUSTRI/2001 Head of BKPM Decree on Industrial Business Licence	Valid for 30 years up to July 2031	This licence allows Malindo Feedmill to conduct business and the Company has to submit the obligatory semester report	Complied
15.	Malindo Feedmill	Head of BKPM	Licence No. 130/T/PERDAGA NGAN/2002 Head of BKPM's Letter on Permanent Business Expansion Permit	Valid for 30 years up to July 2031	This licence allows Malindo Feedmill to conduct business as the Main Distributor and the Company has to submit the obligatory semester report	Complied
16.	Malindo Feedmill	Head of BKPM	Licence No. 71/1/U/II/PMA/IN DUSTRI/2012 Expansion Business Licence	Valid as long as Malindo Feedmill conducts its business activity	This licence allows PTMF to conduct the business in Food Industry of Livestock at Jl. Raya Modern Industri, Kawasan Industri modern Cikande, Desa Barengkok, Banten.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
17.	Malindo Feedmill	Head of BKPM	Licence No. 135/1/IU/II/PMMA/P ERTANIAN/2012 Expansion Business Licence	Valid as long as Malindo Feedmill conducts its business activity	This licence allows Malindo Feedmill to conduct hatchery KBLI : 01461 at Desa Kayu Habang, Kecamatan Bati, Regency of Tanah Laut, Regency of Balangan, South Kalimantan	Complied
18.	Malindo Feedmill	Deputy of Investment Service on behalf of Minister of Industrial	Licence No. 819/1/IU/PMMA/ 2015 Industrial Foreign Investment Licence	Valid as long as Malindo Feedmill conducts its business activity	This licence authorizes Malindo Feedmill to conduct its business in Animal's Food Industry (Feedmill)	Complied
19.	Malindo Feedmill	Head of BKPM	Licence No. 199/1/IU- PL/PMMA/2015 Expansion Licence of foreign investment livestock business	Valid as long as Malindo Feedmill conducts its business activity	This licence authorizes Malindo Feedmill to expand its business in breeding of broiler chicken and hatchery	Complied
20.	Malindo Feedmill	Head of BKPM	Licence No. 11/1/IU- PL/PMMA/2016 Licence of Foreign Investment Livestock Business	Valid as long as Malindo Feedmill conducts its business activity	This licence authorizes Malindo Feedmill to conduct its business in breeding of broiler chicken and hatchery	Complied
21.	Malindo Feedmill	Head of BKPM	Licence No. 1465/1/IU/PMMA/ 2016 Decree Head of BKPM Industrial Business Licence	Valid as long as Malindo Feedmill conducts its business activity	This licence authorises Malindo Feedmill to conduct its business in industry of feed	Complied
22.	Malindo Feedmill	Director of Application Service	Licence No. 493/1/P/II/PMMA/ 2018 Foreign Investment Registration	Valid until 14 February 2021	This licence authorises Malindo Feedmill to expand in new business locations in breeding of broiler chicken and hatchery	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient Conditions	Status of Compliance
23.	Malindo Feedmill	Director of Application Service	Licence No. 510/1/P/PPMA/ 2018	Valid until 14 February 2021	This licence authorizes Malindo Feedmill to expand in new business locations in breeding of broiler chicken and hatchery	Complied
24.	Malindo Food Delight	Head of BKPM on behalf of Minister of Industry	Licence No. 476/1/II/PPMA/ INDUSTRI/2013	Valid as long as Malindo Food Delight conducts its business activity	This licence allows Malindo Food Delight to conduct its business in meat, fish and poultry food processing and obligates the Company to submit semester report	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

VIETNAM

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	Leong Hup Feedmill Vietnam	Hai Duong Industrial Zones Authority	<p>Certificate of Investment No. 042043000202 ("CI")</p> <p>Certificate of Investment Registration No. 5435488634 ("CIR")</p> <p>Certificate of Investment Registration No. 5435488634 ("CIR 1")</p> <p>Certificate of Investment Registration No. 5435488634 ("CIR 2")</p>	41 years up to 2 June 2055	None	Complied
			for the establishment of the Company			
			to replace the CI and to increase the contributed capital and to change the progress of the project as set out in the initial certificate			
			to amend the CIR to increase the contributed capital and increase the capacity of the project			
			to amend the CIR 1 to adjust the progress of the Project and increase the invested capital			
2.	Emivest Feedmill (TG)	Tien Giang Industrial Zones Authority	<p>Certificate of Investment No. 532043000041 ("CI")</p> <p>Certificate of Investment No. 532043000041 ("CI 1")</p> <p>Certificate of Investment No. 532043000041 ("CI 2")</p>	44 years up to 28 November 2056 for project at Lot AV-1,2,3,4, Tan Huong Industrial Zone, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Vietnam, and	None	Complied
			for the establishment of the Company and the investment project			
			for change in the information of the legal representative and change in the progress of the project in the CI			
			to increase investment capital and change in the progress of the project set out in the CI 1			

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
			Certificate of Investment Registration No. 6568462812 ("CIR 3")	for increase size project; the increase land area in use and location of the project; increase investment capital and contribution capital; adjustment to the project implementation progress; and additional duration of the project in the CI 2	40 years up to 28 November 2056 for project at Lot AV-7, Tan Huang Industrial Zone, Tan Huang Commune, Chau Thanh District, Tien Giang Province, Vietnam.	
			Certificate of Investment Registration No. 6568462812 ("CIR 4")	for change in the information of the investor and change in the project implementation progress set out in the CIR 3		
			Certificate of Investment Registration No. 6568462812 ("CIR 5")	for adjustment to the investment capital from expanded investment project at Lot AV-7 to existing investment project at Lot AV-1,2,3,4; and adjustment to the project implementation progress at existing project		
			Certificate of Investment Registration No. 6568462812 ("CIR 6")	for adjusting the project implementation progress set out in the CIR 5		
			Certificate of Investment Registration No. 6568462812 ("CIR 7")	for adjusting the information of the legal representative; increase the investment capital for the project; and increase the investment capital for the current project at lot AV-1,2,3,4 set out in the amended CIR 6		

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance	
3.	Emivest Feedmill Vietnam	Binh Duong Industrial Zones Authority	<p>Certificate of Investment No. 462045000677 ("Original CI")</p> <p>Certificate of Investment No. 462045000677 ("Amended CI 1")</p> <p>Certificate of Investment No. 462045000677 ("Amended CI 2")</p> <p>Certificate of Investment No. 462045000677 ("Amended CI 3")</p> <p>Certificate of Investment Registration No. 2170575268 ("Amended CIR 4")</p> <p>Certificate of Investment Registration No. 2170575268 ("Amended CIR 5")</p>	<p>48 years up to 30 June 2057</p>	<p>for the establishment of the Company and the investment project</p> <p>for additional business line; increase investment capital; and adjust target and scale of the project in the Original CI</p> <p>for merging Emivest Aquaculture VietNam Company Limited merged into Emivest Feedmill VietNam Company Limited. And so, increase investment capital; increase charter capital; increase scale of the project; change location of project in the Amended CI 1</p> <p>For amendment of the administrative boundaries in the Amended CI 2</p> <p>for additional code HS2308 into the list goods to exercise right to import and export; increase investment capital; increase contribution capital; and adjust target and scale of the project in the Amended CI 3</p> <p>for adjust contribution capital in the Amended CIR 4</p>	<p>None</p>	<p>Complied</p>

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
4.	Branch of Emivest Feedmill Vietnam – Emivest Animal Medicine and Vitamin Plant	Binh Duong Industrial Zones Authority	Certificate of Investment Registration No. 8737487285 ("EFVL – Medicine Branch") Certificate of Investment Registration No. 8737487285 (First amendment) Certificate of Investment Registration No. 8737487285 (Second amendment)	41 years up to 30 June 2057	None	Complied
			For implementing investment project: Factory of EFVL - Animal Medicine and Vitamin Plant			
			For adjusting contribution capital of Factory of EFVL - Animal Medicine and Vitamin Plant			
			For changing name of investment project and delaying project implementation progress of Factory of EFVL - Animal Medicine and Vitamin Plant			
5.	Emivest Feedmill Vietnam – Dong Nai Branch	Dong Nai Industrial Zones Authority	Certificate of Investment Registration No. 2107056045 ("EFVL Factory in Dong Nai")	41 years up to 14 May 2058	None	Complied
			For implementing investment project of EFVL – Dong Nai Branch			
6.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 01	Dong Nai Sub-Department of Livestock production and Veterinary	Veterinary permit	5 years up to 16 June 2022	None	Complied
			In recognition of the free status in regard to the following diseases: H5N1, Newcastle			

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
7.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 06	Dong Nai Sub-Department of Livestock production and Veterinary	Veterinary permit In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up to 15 March 2022	None	Complied
8.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 04	Dong Nai Sub-Department of Livestock production and Veterinary	Veterinary permit In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up to 16 June 2022	None	Complied
9.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 07	Dong Nai Sub-Department of Livestock production and Veterinary	Veterinary permit In recognition of the free status in regard to the following diseases: Avian influenza, Newcastle	5 years up to 9 November 2021	None	Complied
10.	Emivest Feedmill Vietnam– Binh Duong Livestock Branch – Breeder Farm 08	Binh Duong Department of Animal Health and Aquaculture	Veterinary permit In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up 10 March 2022	None	Complied
11.	Emivest Feedmill Vietnam – Binh Duong Livestock Branch – Pullet Farm 01	Binh Phuoc Sub-Department of Livestock production and Veterinary	Veterinary permit In recognition of the free status in regard to the following diseases: H5N1, Newcastle	5 years up to 3 August 2022	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
12.	Emivest Feedmill Vietnam – Binh Duong Livestock Branch – Pullet Farm 02	Binh Duong Department of Animal Health and Aquaculture	Veterinary permit In recognition of the free status in regard to the following diseases: H5N1	5 years up to 4 August 2022	None	Complied
13.	Emivest Feedmill Vietnam – Dong Nai Livestock Branch – Breeder Farm 07 ⁽¹⁾	People's Committee of Dinh Quan District, Dong Nai Province	Livestock Licence Registration of Business Line (chicken breeding)	-	None	Complied

Note:

(1) Emivest Feedmill Vietnam (Dong Nai Livestock Branch) Breeder Farm 04, Breeder Farm 07 and Breeder Farm 08 and Emivest Feedmill Vietnam (Binh Duong Livestock Branch) Pullet Farm 01 and Pullet Farm 02 are exempted from having to obtain livestock licence as the farms were built prior to 31 December 2014

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**SINGAPORE**

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
1.	Leong Hup Food	AVA	Licence No. PM02K0033 Licence to Operate a Food Establishment – to use the premises at 6 Senoko Way Singapore 758029 for the purpose of meat (beef, chicken & mutton) cutting & western small goods processing	Up to 31 October 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied
2.	Leong Hup Food	AVA	Licence No. IM05K1156 Licence for import, export and transhipment of meat products and fish products	Up to 31 October 2019	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import, export or transhipment of each consignment of meat products and fish products. 2. Import, export or transhipment of meat products and fish products is subject to the provisions stated in Wholesome Meat and Fish (Import, Export or Transhipment) Rules. 3. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import or transhipment of any meat products and fish products from any country, territory or place. 4. All consignment of meat products and fish products are required to be stored in a coldroom licensed or warehouse registered with AVA. 5. When any of the particulars of the company have been changed, Licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
3.	Leong Hup Food	AVA	Licence No. ID12J0012 Licence to import poultry (broiler chickens)	Up to 31 August 2019	<p>6. Licensee must maintain a GIRO account with AVA for the payment of annual licence fee and permit fees.</p> <p>7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions.</p> <p>8. This licence may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Wholesome Meat and Fish Act or any rules under the Act.</p>	Complied
					<p>1. This licence is for import of chicken broilers for consumption only.</p> <p>2. Each consignment of import shall comply with the requirements laid down in AVA's Veterinary Conditions for The Importation of Domestic Birds.</p> <p>3. The import of chicken broilers may be subject to such conditions and procedures as imposed by the Director-General, Agri-Food and Veterinary Services from time to time.</p> <p>4. Each consignment of chicken broilers must be derived from a single AVA-accredited export farm. Importation from any accredited farm may be suspended without prior notice.</p>	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
4.	Leong Hup Food	MUIS	Licence No. PRN18060007727 Product Scheme Licence – for certification of products identified in licence as Halal to Muslims according to Islamic Law	Up to 31 May 2019	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied
5.					The licensed importer or his authorised agent must declare his importation of chicken broilers for each consignment via TradeNet for approval by AVA.	
6.					On arrival at the port of entry, the consignment of chicken broilers, Cargo Clearance Permit (CCP), Veterinary Health Certificate (VHC) and any other documents specified by AVA shall be presented for inspection. Chicken broilers may be sampled for laboratory tests. CCP and VHC shall be submitted to AVA. If the consignment of chicken broilers is found to be healthy and accompanying documents are in order, the consignment shall be taken directly to an AVA-approved poultry slaughterhouse.	
7.					This licence may be suspended or revoked without prior notice if any of the above conditions are not complied with or at the discretion of the Director-General, Agri-Food and Veterinary Services.	
8.					This licence is non-transferable and valid for 12 months.	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
5.	Leong Hup Food	MUIS	Licence No. PRN18050007673 Product Scheme Licence – for certification of products identified in licence as Halal to Muslims according to Islamic Law	Up to 31 May 2019	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied
6.	Soonly Food	AVA	Licence No. SP92M0007 Licence to Operate a Slaughterhouse – to use the premises at 4 Senoko Way Singapore 758028 for the purpose of chicken slaughtering	Up to 31 December 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry.	Complied
7.	Soonly Food	MUIS	Licence No. PAN18050000104 Poultry Abattoir - Scheme Licence for conduct of Halal-slaughtering of fresh poultry according to Islamic Law	Up to 31 May 2019	Certificate is strictly non-transferable and applicable only to freshly-slaughtered whole poultry tagged with MUIS-approved labels.	Complied
8.	LS Poultry	AVA	Licence No. ID12J0013 Licence to import poultry (Broiler Chicken)	Up to 31 August 2019	<ol style="list-style-type: none"> 1. This licence is for import of chicken broilers for consumption only. 2. Each consignment of import shall comply with the requirements laid down in AVA's Veterinary Conditions for The Importation of Domestic Birds. 3. The import of chicken broilers may be subject to such conditions and procedures as imposed by the Director-General, Agri-Food and Veterinary Services from time to time. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
4.					Each consignment of chicken broilers must be derived from a single AVA-accredited export farm. Importation from any accredited farm may be suspended without prior notice.	
5.					The licensed importer or his authorised agent must declare his importation of chicken broilers for each consignment via TradeNet for approval by AVA.	
6.					On arrival at the port of entry, the consignment of chicken broilers, Cargo Clearance Permit (CCP), Veterinary Health Certificate (VHC) and any other documents specified by AVA shall be presented for inspection. Chicken broilers may be sampled for laboratory tests. CCP and VHC shall be submitted to AVA. If the consignment of chicken broilers is found to be healthy and accompanying documents are in order, the consignment shall be taken directly to an AVA-approved poultry slaughterhouse.	
7.					This licence may be suspended or revoked without prior notice if any of the above conditions are not complied with or at the discretion of the Director-General, Agri-Food and Veterinary Services.	
8.					This licence is non-transferable and valid for 12 months	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
9.	LS Poultry	AVA	Registration No. IP18A0445	Up to 31 January 2020	<p>1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import of each consignment of processed food and food appliances.</p> <p>2. The import of processed food and food appliances is subject to comply fully with the Sale of Food Act and the Food Regulations.</p> <p>3. All food products are to obtain from the regulated sources.</p> <p>4. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import of any food products or food appliances from any country, territory or place, any farm or processing establishment.</p> <p>5. All consignment of food products are required to be stored in a coldroom licensed or warehouse registered with AVA.</p> <p>6. When any of the particulars of the company have been changed, licensee shall inform the Agri-Food and Veterinary Authority within 14 days.</p> <p>7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions.</p>	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
10.	LS Poultry	AVA	Licence No. SP04M0001	Up to 31 December 2019	8. This Registration to import processed food and food appliances may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Sale of Food Act and the Food Regulations. Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry.	Complied
11.	LS Poultry	MUIS	Halal Certificate Registration No. PRN18030000103	Up to 31 March 2019 ⁽¹⁾	Certificate is strictly non-transferable and applicable only to freshly-slaughtered whole poultry tagged with MUIS-approved labels.	Complied
12.	LS Poultry	MUIS	Halal Certificate Registration No. PRN18030007545	Up to 31 March 2019 ⁽¹⁾	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied
13.	Saudi Food Manufacturing Enterprises	MUIS	Halal Certificate Registration No. PRN18030007561	Up to 31 March 2019 ⁽¹⁾	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
14.	Tasty Meat	AVA	Licence No. PM08L0017 Licence to Operate a Food Establishment - to use the premises at 13 Tuas Bay Walk Singapore 637759 for the purpose of western meat products processing	Up to 30 November 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied
15.	Tasty Meat	SFA	Licence No. IM09D0148 Licence for import, export and transhipment of meat products and fish products	Up to 30 April 2020	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import, export or transhipment of each consignment of meat products and fish products. 2. Import, export or transhipment of meat products and fish products is subject to the provisions stated in Wholesome Meat and Fish (Import, Export or Transhipment) Rules. 3. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import or transhipment of any meat products and fish products from any country, territory or place. 4. All consignment of meat products and fish products are required to be stored in a coldroom licensed or warehouse registered with AVA. 5. When any of the particulars of the company have been changed, Licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
16.	Tasty Meat	AVA	Licence No. IP03M2305 Registration to import processed food products and food appliances	Up to 31 December 2019	<ol style="list-style-type: none"> 6. Licensee must maintain a GIRO account with AVA for the payment of annual licence fee and permit fees. 7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 8. This licence may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Wholesome Meat and Fish Act or any rules under the Act. 	Complied
			<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import of each consignment of processed food and food appliances. 2. The import of processed food and food appliances is subject to comply fully with the Sale of Food Act and the Food Regulations. 3. All food products are to obtain from the regulated sources. 			

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
					<p>4. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import of any food products or food appliances from any country, territory or place, any farm or processing establishment.</p> <p>5. All consignment of food products are required to be stored in a coldroom licensed or warehouse registered with AVA.</p> <p>6. When any of the particulars of the company have been changed, licensee shall inform the Agri-Food and Veterinary Authority within 14 days.</p> <p>7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions.</p> <p>8. This Registration to import processed food and food appliances may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Sale of Food Act and the Food Regulations.</p>	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
17.	Leong Hup Distribution	AVA	Licence No. IM05M1466 Licence for Import, Export and Transhipment of Meat Products and Fish Products	Up to 31 December 2019	<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import, export or transhipment of each consignment of meat products and fish products. 2. Import, export or transhipment of meat products and fish products is subject to the provisions stated in Wholesome Meat and Fish (Import, Export or Transhipment) Rules. 3. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import or transhipment of any meat products and fish products from any country, territory or place. 4. All consignment of meat products and fish products are required to be stored in a coldroom licensed or warehouse registered with AVA. 5. When any of the particulars of the company have been changed, Licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 6. Licensee must maintain a GIRO account with AVA for the payment of annual licence fee and permit fees. 7. -The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
18.	Leong Hup Distribution	Energy Market Authority ("EMA")	Licence No. E/36018 Electrical Installation – to use or operate an electrical installation at 31 Fishery Port Road Singapore 619741	From 9 March 2019 up to 8 March 2020	<p>8. This licence may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Wholesome Meat and Fish Act or any rules under the Act.</p> <p>1. Every high voltage apparatus in the installation shall be maintained according to the manufacturer's recommendation. Licensee shall keep record of all the maintenance work conducted and shall be able to submit the maintenance report to the EMA as and when required.</p> <p>2. Requirement for Independent Audit</p> <p>3. The EMA will monitor Licensee's electrical installation for a further period of 12 months after the completion of the works (the "Period").</p> <p>4. In the event that a voltage dip occurs within the Period, the EMA may require Licensee to re-conduct the works</p>	Complied
19.	Leong Hup Distribution	AVA	Licence No. CM96C0018 Licence to Operate a Food Establishment – to use the premises at 31 Fishery Port Road Singapore 619741 for the purpose of coldstore	Up to 31 March 2020	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
20.	Leong Hup Distribution	Singapore Civil Defence Force	Reference Number: FCP/I/1330/05 Submission ID: SUB2017040390	From 11 August 2018 up to 10 August 2019	None	Complied
21.	Prestige Fortune (S)	AVA	Licence No. ID12J0021	Up to 31 August 2019	<ol style="list-style-type: none"> 1. This licence is for import of chicken broilers for consumption only. 2. Each consignment of import shall comply with the requirements laid down in AVA's Veterinary Conditions for The Importation of Domestic Birds. 3. The import of chicken broilers may be subject to such conditions and procedures as imposed by the Director-General, Agri-Food and Veterinary Services from time to time. 4. Each consignment of chicken broilers must be derived from a single AVA-accredited export farm. Importation from any accredited farm may be suspended without prior notice. 5. The licensed importer or his authorised agent must declare his importation of chicken broilers for each consignment via TradeNet for approval by AVA. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
6.					On arrival at the port of entry, the consignment of chicken broilers, Cargo Clearance Permit (CCP), Veterinary Health Certificate (VHC) and any other documents specified by AVA shall be presented for inspection. Chicken broilers may be sampled for laboratory tests. CCP and VHC shall be submitted to AVA. If the consignment of chicken broilers is found to be healthy and accompanying documents are in order, the consignment shall be taken directly to an AVA-approved poultry slaughterhouse.	
7.					This licence may be suspended or revoked without prior notice if any of the above conditions are not complied with or at the discretion of the Director-General, Agri-Food and Veterinary Services.	
8.					This licence is non-transferable and valid for 12 months.	
22.	Kendo Trading	AVA	Licence to operate a food establishment	Up to 31 October 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied
			No. Licence CM00K0004			

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
23.	Kendo Trading	AVA	Licence ID12J0003 No. Licence to import poultry (broiler ducks)	Up to 31 August 2019	<ol style="list-style-type: none"> This licence is for import of duck broilers for consumption only. Each consignment of import shall comply with the requirements laid down in AVA's Veterinary Conditions for The Importation of Domestic Birds. The import of duck broilers may be subject to such conditions and procedures as imposed by the Director-General, Agri-Food and Veterinary Services from time to time. Each consignment of duck broilers must be derived from a single AVA-accredited export farm. Importation from any accredited farm may be suspended without prior notice. The licenced importer or his authorised agent must declare his importation of duck broilers for each consignment via TradeNet for approval by AVA. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
24.	Kendo Trading	AVA	Licence No. SP92M0006 Licence to operate a slaughterhouse	Up to 31 December 2019	<p>6. On arrival at the port of entry, the consignment of duck broilers, Cargo Clearance Permit (CCP), Veterinary Health Certificate (VHC) and any other documents specified by AVA shall be presented for inspection. Chicken broilers may be sampled for laboratory tests. CCP and VHC shall be submitted to AVA. If the consignment of chicken broilers is found to be healthy and accompanying documents are in order, the consignment shall be taken directly to an AVA-approved poultry slaughterhouse.</p> <p>7. This licence may be suspended or revoked without prior notice if any of the above conditions are not complied with or at the discretion of the Director-General, Agri-Food and Veterinary Services.</p> <p>8. This licence is non-transferable and valid for 12 months.</p>	Complied
25.	Hup Heng Poultry	MUIS	Certificate No. PAX18110000108 Halal Certificate for the conducting of Halal-slaughtering of fresh poultry according to Islamic Law – Poultry Abattoir Scheme	Up to 30 November 2019	Certificate is strictly non-transferable and applicable only to freshly-slaughtered whole poultry tagged with MUIS-approved labels.	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
26.	Hup Heng Poultry	MUIS	Certificate No. PRN18110008193 Halal Certificate that certain products supplied by the Company are Halal to Muslims according to the Islamic Law	Up to 30 November 2019	Certificate is strictly non-transferable and shall not be displayed outside the Company's premises.	Complied
27.	Hup Heng Poultry	MUIS	Licence PM11K0022 No. Licence to operate a food establishment	Up to 31 October 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied
28.	Hup Heng Poultry	AVA	Licence IM15G0391 No. Licence for import, export and transhipment of meat products and fish products	Up to 31 July 2019	<ol style="list-style-type: none"> Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import, export or transhipment of each consignment of meat products and fish products. Import, export or transhipment of meat products and fish products is subject to the provisions stated in Wholesome Meat and Fish (Import, Export or Transhipment) Rules. The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import or transhipment of any meat products and fish products from any country, territory or place. All consignment of meat products and fish products are required to be stored in a coldroom licensed or warehouse registered with AVA. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
29.	Hup Heng Poultry	AVA	Registration No. IP13C0681	Up to 31 March 2020	<ol style="list-style-type: none"> 5. When any of the particulars of the company have been changed, Licensee shall inform the Agri-Food and Veterinary Authority within 14 days. 6. Licensee must maintain a GIRO account with AVA for the payment of annual licence fee and permit fees. 7. The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions. 8. This licence may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Wholesome Meat and Fish Act or any rules under the Act. 	Complied
			Registration to import processed food products and food appliances		<ol style="list-style-type: none"> 1. Licensee must obtain a permit from the Director-General, Agri-Food and Veterinary Services for the import of each consignment of processed food and food appliances. 2. The import of processed food and food appliances is subject to comply fully with the Sale of Food Act and the Food Regulations. 3. All food products are to obtain from the regulated sources. 	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/ Approval	Validity Period	Salient Conditions	Status of Compliance
4.					<p>The Director-General, Agri-Food and Veterinary Services may restrict or prohibit the import of any food products or food appliances from any country, territory or place, any farm or processing establishment.</p> <p>All consignment of food products are required to be stored in a coldroom licensed or warehouse registered with AVA.</p> <p>When any of the particulars of the company have been changed, licensee shall inform the Agri-Food and Veterinary Authority within 14 days.</p> <p>The Director-General, Agri-Food and Veterinary Services may at any time vary or revoke of the existing conditions or impose new conditions.</p> <p>This Registration to import processed food and food appliances may be suspended or revoked if the above conditions are not complied with or an offence is committed under the Sale of Food Act and the Food Regulations.</p>	Complied
30.	Hup Heng Poultry	AVA	Licence No. SP92M0005 to operate a slaughterhouse	Up to 31 December 2019	Subject to the conditions as stated in the relevant legislations as set out in the disclosures on governing laws and regulations relating to the Singapore industry	Complied

Note:

(1) The Halal Certificate expired on 31 March 2019. Application for renewal of the Halal Certificate has been received by MUIS on 27 March 2019 and is pending approval.

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

PHILIPPINES

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance
1.	LHPHi	Bureau of Internal Revenue ("BIR")	BIR-ICC No. 2016-09-0077	Up to 9 September 2019	None	Complied
2.	LHPHi	Bureau of Customs ("BOC")	BOC Certificate of Registration dated 31 October 2018	Up to 31 October 2019	None	Complied
3.	LHPHi	Quezon City	Business Permit No. 15-010471	Up to 31 December 2019	The permits must be posted conspicuously at the place where the business is being conducted and shall be presented and/or surrendered to concerned authorities upon demand.	Complied
4.	LHPHi	Municipality of Cabiao, Nueva Ecija	Business Permit No. 4272	Up to 31 December 2019	The permit is not valid without an Official Receipt, Barangay Clearance, Sanitary Permit and Zoning Clearance. The foregoing requirements has been complied by LHPHi.	Complied
5.	LHPHi	Municipality of Cabiao, Nueva Ecija	Business Permit No. 4273	Up to 31 December 2019	The permit is not valid without an Official Receipt, Barangay Clearance, Sanitary Permit and Zoning Clearance. The foregoing requirements has been complied by LHPHi.	Complied
6.	LHPHi	Bureau of Animal Industry ("BAI")	Certificate of Accreditation No. 1711201	Up to 21 November 2019	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance
7.	LHPHi	BAI	Certificate No. PYF-0337 dated 8 October 2018 BAI Animal Welfare Registration Certificate for Poultry Farm (Breeder) (Cabiao Farms)	Up to 8 October 2021	None	Complied
8.	LHPHi	BAI	Certificate No. PYF – 0316 dated 26 September 2018 BAI Animal Welfare Registration Certificate for Poultry Farm (Hatchery) (Cabiao Farms)	Up to 26 September 2021	None	Complied
9.	LHPHi	BAI	BAI Registration No. 1811-1911-HC-45 BAI Certification of Hatchery that the Farms has met the minimum standard requirements stipulated in DA-BAI-Administrative Circular No. 7 (Cabiao Farms)	Up to 27 November 2019	None	Complied
10.	LHPHi	BAI	BAI Registration No. 1808-2008-PO-963 BAI Certificate of Accreditation for transportation of hatching eggs/day-old chicks/chicken having passed the tests for AI, ND and Salmonella for Cabiao Farm 1	Up to 31 August 2020	None	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance
11.	LHPHI	BAI	BAI Registration No. 1810-2010-PO-963 BAI Certificate of Accreditation for transportation of hatching eggs/pullets/culls having passed the tests for AI, ND and Salmonella for Cabiao Farm 2	Up to 31 October 2020	None	Complied
12.	LHPHI	Department of Environment and Natural Resources ("DENR")	ECC No. R3-0902-023-1220 Environmental Compliance Certificate for Cabiao Farm 1	Applicable as long as LHPHI is in operation	Condition No. 6 of ECC No. R3-0902-023-1220 states that the following must be complied with: 1. Secure a Permit to Operate Air Pollution Source Control Installations ("APSCI") 2. Secure Discharge Permit Water Pollution Facilities ("WPSCF") 3. Submit a quarterly Self-Monitoring Report 4. Register as Hazardous Waste Generator	Complied
13.	LHPHI	DENR	ECC No. ECC-OL-R03-2017-0117 Environmental Compliance Certificate for Cabiao Farm 2	Applicable as long as LHPHI is in operation	Condition No. 7 of ECC No. ECC-OL-R03-2017-0117, provides that the proponent must comply with the following: 1. Secure Permit to Operate APSCI 2. Submit quarterly Self-Monitoring Report 3. Register as Hazardous Waste Generator	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance
14.	LHPHi	DENR	ECC No. R03-11222018-4709 Environmental Compliance Certificate for Samal, Bataan Farm, which has not commenced operations as at the LPD	Applicable as long as LHPHi is in operation	<p>Condition No. 6 of ECC No. R03-11222018 dated 4 December 2018, provides that the proponent must comply with the following:</p> <ol style="list-style-type: none"> Secure Permit to Operate Air Pollution Source Control Installations (APSCI) and Discharge Permit Water Pollution Source/Control Facilities (WPSCF) Designate Pollution Control Officer (PCO) Submit quarterly Self-Monitoring Report (starting Q1 2019) Register as Hazardous Waste (HW) Generator 	In-progress – APSCI and WPSCF Permits and Certificate of Registration of PCO and HW Generator
15.	LHPHi	DENR	Permit No. FLA-18G-03NE-415 DENR Permit to Operate Air Pollution Source and Control Installations for Cabiao Farm 1	Up to 30 July 2023	<p>Permit Conditions:</p> <ol style="list-style-type: none"> Application for renewal must be filed at least 30 days before the expiry date. Emission from operations shall strictly conform with DAO No. 2000-81. Permit holder shall comply with DAO No. 22, series of 2013 on waste generator registration. Permit holder shall submit self-monitoring report on quarterly basis. Permit holder shall provide proof of compliance with the Ecological Solid Waste Management Act. 	Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee	Approving Authority	Description of Licence/ Permit/Approval	Validity Period	Salient conditions	Status of Compliance
16.	LHPHi	DENR	Permit No. FLA-18G-03NE-416	Up to 30 July 2023	<p>DENR Permit to Operate Air Pollution Source and Control Installations for Cabiao Farm 2</p> <p>6. Domestic wastewater/septage generated shall be hauled/transported and treated by government-licensed hauler/treater.</p> <p>Permit Conditions:</p> <ol style="list-style-type: none"> 1. Application for renewal must be filed at least 30 days before the expiry date. 2. Emission from operations shall strictly conform with DAO No. 2000-81. 3. Permit holder shall comply with DAO No. 22, series of 2013 on waste generator registration. 4. Permit holder shall submit self-monitoring report on quarterly basis. 5. Permit holder shall provide proof of compliance with the Ecological Solid Waste Management Act. 6. Domestic wastewater/septage generated shall be hauled/transported and treated by government-licensed hauler/treater. 	Complied

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT**B.1 MATERIAL PROPERTIES OWNED BY OUR GROUP**

Details of the material land and buildings/ land use rights owned by us are set out below:

Malaysia**A. Feedmill Business**

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
1.	Ideal Multifeed PN 17840, Lot 1728, in the Mukim of Tangga Batu, District of Melaka Tengah, State of Melaka 9578, Kawasan Perindustrian Tangga Batu, 76400 Melaka Leasehold for a period of 99 years, expiring on 2 July 2080	Feedmill plant known as Tangga Batu Feedmill comprising 1 storey office building with laboratory, warehouse, store, silos, guardhouse	28 August 1996	8,479/ 24,100	<u>Category of land use</u> Industry <u>Express condition</u> Factory use only <u>Conditions or restrictions</u> The land shall not be transferred or leased without the prior consent of the state authority and this restriction is exempted from the first buyer	The land is currently charged to United Overseas Bank (Malaysia) Bhd	7,266

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
2.	LH Feedmill Malaysia ⁽¹⁾ HSM 857 PT 496, in the Mukim of Bukit Rampai, District of Melaka Tengah, State of Melaka Lot 13A, Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka Leasehold for a period of 99 years, expiring on 9 June 2082	Feedmill plant known as Melaka Feedmill comprising office building of 3 storeys, warehouse, store, silos, guardhouse	14 September 1991 29 January 1996 11 March 2009	10,285/ 14,362	<u>Category of land use</u> Industry <u>Express condition</u> Nii <u>Conditions or restrictions</u> The land shall not be transferred, rented or leased	Part of the land is leased to Tenaga Nasional Berhad Charged to Hong Kong Bank Malaysia Berhad Charged to HSBC Bank Malaysia Berhad	5,938
3.	LH Feedmill Malaysia ⁽¹⁾ PM 330 Lot 5012, in the Mukim of Bukit Rampai, District of Melaka Tengah, State of Melaka Lot 5012, Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka Leasehold for a period of 99 years, expiring on 9 June 2082	Feedmill plant known as Melaka Aqua Feedmill comprising office building of 2 storeys with microlab, warehouse, store, guardhouse	4 September 2013	7,517/ 15,114	<u>Category of land use</u> Industry <u>Express condition</u> Industrial use only <u>Conditions or restrictions</u> The land shall not be transferred, rented or leased without the prior consent of the state authority and this restriction is exempted from the first buyer	The land is currently charged to Malayan Banking Berhad	9,282

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
4.	LH Feedmill Malaysia ⁽¹⁾ HSD 137037 PT 129946, in the Mukim of Klang, District of Klang, State of Selangor	Feedmill plant known as Westport Feedmill comprising office building of 3 storeys, warehouse, store, silos, guardhouse	15 December 2011	16,245/ 25,106	<u>Category of land use</u> Industry <u>Express condition</u> Nil	The land is currently charged to RHB	38,377
	Lot No.28, Jalan Sungai Pinang 5/4, Taman Perindustrian Pulau Indah, Fasa 2, 42920 Pelabuhan Klang, Selangor				<u>Conditions or restrictions</u> The land shall not be transferred or leased without the prior consent of the state authority		
5.	Leasehold for a period of 99 years, expiring on 24 February 2097 Teo Seng Feedmill HSM 16560, PTD 30302, in the Mukim of Tanjong Sembrong, District of Batu Pahat, State of Johor	Feedmill plant known as Teo Seng Feedmill office building, warehouse, store, silos, and guardhouse.	16 October 2006	11,548/ 23,237	<u>Category of land use</u> Industry <u>Express condition</u> Nil	Nil	13,064
	Lot PTD 25740, Batu 4, Jalan Air Hitam, 83700 Yong Peng, Johor, Malaysia Freehold				<u>Conditions or restrictions</u> • Medium industry (Industri Sederhana) area for the business of processing poultry feed and other related usage built in accordance with plan approved by relevant Local Authority		

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
					<ul style="list-style-type: none"> All impurities and contamination arising from this activity shall be channelled / disposed of at places determined by the relevant Authority All policies and conditions set forth and enforced from time to time by the relevant Authority shall be complied with. The land shall not be transferred in whatsoever manner unless the infrastructure for public amenities in the factory area has been constructed in accordance with plans approved by the relevant local authorities 		

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**B. Livestock Business**

As at the LPD, 116 of our farms and hatcheries in Malaysia are used for our Malaysia Livestock Business while 21 of our farms and hatcheries in Malaysia are used for our Singapore Livestock Business, the composition of which is as follows:

Livestock Business	GPS DOC farms	PS DOC farms	Broiler chicken farms	Layer DOC farms	Layer chicken farms	PS DOD and Broiler duck farms	Hatcheries	Total
Malaysia	6	19	44	3	25	11	8	116
Singapore ⁽¹⁾	-	4	15 ⁽²⁾	-	-	-	2	21
Total	6	23	59	3	25	11	10	137

Notes:

(1) All of our Singapore Livestock Business' farms and hatcheries are located in Malaysia.

(2) Excludes the 11 coloured birds' farms operated by us on lands and buildings which we do not own.

In Malaysia, all buildings used must have the requisite CCC for the occupation of buildings or part thereof in accordance with the relevant laws, regulations, rules and requirements. We have been operating our farms or facilities without obtaining the requisite CCC for the occupation of buildings or part thereof in accordance with the relevant laws, regulations, rules and requirements and in the past, we have not experienced any imposition of sanctions by the local councils to obtain certifications or permits in relation to the safety and fitness of buildings for occupation. We are addressing this by taking steps to procure the requisite certification and permits in accordance with the directions of the local councils.

The issuance of a CCC is preceded by the issuance of a KM and building plan approval. Where we are unable to obtain a CCC, we will apply for a KMT and a temporary building plan in order to obtain a TBP. The approvals for a KMT and a TBP are also to be procured in accordance with directions of the local councils. As at the LPD, we have obtained a total of four TBP, two of which are for our Desaru 1 and 2 Farms located in Johor and the other two located at Lendu and Taboh Naning in Melaka.

We are also required to comply with land use condition and where the express condition imposed on the land title does not explicitly permit poultry farming, we may also require the approval of the land authorities for change in express condition. As at the LPD, other than 54 farms that have yet to convert their existing express condition to allow poultry farming or hatchery as the case may be, our farms and hatcheries comply with the existing land use condition.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

The following is a summary of the status of compliance with land use pursuant to the express condition imposed on the land titles of our farms and hatcheries and the various pre-consultation applications for KM and applications for KM or KMT submitted, or to be submitted, to the relevant local authorities for the corresponding farms and hatcheries as at the LPD:

Status	No. of farms and hatcheries	% contribution to the housing capacity of LHI Group's Livestock Business in Malaysia	
		Farms	Hatcheries
(A) Farms and hatcheries which current express condition imposed on the land titles allowing for poultry farming where the status of KM/KMT/CCC/TBP applications are as follows:	83	66.3	86.9
	No. of farms and hatcheries		
- KM applications approved and currently in the process of obtaining the CCC	19		
- Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils	49 ⁽¹⁾		
- KMT applications submitted or to be submitted and subsequently to obtain the TBP	11		
- TBP obtained	4		
	Sub-total	83	
(B) Farms and hatcheries that are not able to change their express condition imposed on land titles to allow for poultry farming	11 ⁽²⁾	5.1	-

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Status	No. of farms and hatcheries	% contribution to the housing capacity of LHI Group's Livestock Business in Malaysia	
		Farms	Hatcheries
(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:	43 ⁽³⁾	28.6	13.1
	No. of farms and hatcheries		
- KM applications approved and currently in the process of obtaining the CCC	16		
- Pre-consultation of KM submitted or KM applications submitted but pending decision of local councils	24 ⁽¹⁾		
- KMT applications submitted or to be submitted and subsequently to obtain the TBP	3		
- TBP obtained	-		
	Sub-total	100	100
	Total (A + B + C)	137	100

Notes:

- (1) If any of the pre-consultation of KM is not successful or the KM application is rejected by local councils, we will proceed to submit KMT applications for these farms and subsequently apply for TBP.
- (2) As at the LPD, 11 farms, comprising nine broiler farms and two breeder farms, are not able to change the express condition imposed on their land titles to allow for poultry farming because these farms are located close to natural water sources or residential areas or the surrounding lands neighbouring these farms have been zoned for residential/ industrial use. Accordingly, we will not submit any KM/KMT and CCC/TBP applications for these farms.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

(3) The breakdown of the farms and hatcheries where applications for change in express condition are still pending is as follows:

	No. of farms and hatcheries	% contribution to the housing capacity of LHI Group's Livestock Business in Malaysia	
		Farms	Hatcheries
(i) Farms and hatcheries that are in conflict with areas for poultry farming i.e. located in (1) close proximity to natural water sources and/or (2) close proximity to residential areas and/or (3) surrounding lands neighbouring these farms have been zoned for residential/ industrial use; and	14	8.4	13.1
(ii) Farms and hatcheries located in areas not in conflict with poultry farming,	29	20.2	-
Total	43	28.6	13.1

These 43 farms and hatcheries have one or more of the following features, being factors that the authorities may take into consideration in reviewing our applications for change in express condition:

Feature of the 43 farms and hatcheries		(3)
(1)	(2)	
Proximity to natural water sources	Proximity to residential area (including school) and factory	Zoning
More than 500 meters ^(a)	More than 500 meters ^(b)	Residential/ industrial use
39	32	39
4	11	4
43	43	43

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**Notes:**

- (a) Based on feedback from the Department of Irrigation and Drainage, the authority will typically (but not in all instances) request a buffer distance of 500 meters between the farms and natural water sources.
- (b) Based on the guidelines for siting and zoning of industry and residential areas issued by the DOE, a buffer distance of 500 meters between the farms and industry and residential areas (or 300 meters for modern farms using enclosed barns which have gas extraction and odour control systems) is required.

See Section 5.1.1 of this Prospectus on the uncertainty we face in respect of our applications to obtain requisite approvals for change in express condition and/or occupation of buildings as well as the costs to be incurred by our Group to remedy the non-compliances.

We will disclose the status of the applications/pre-consultation of KM submitted to the relevant local authorities for all the 137 farms and hatcheries that we own and operate in our annual report.

Details of the material properties where we operate our Livestock Business are as set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
6.	Leong Hup GPS ⁽²⁾ 19 titles held under GRN 85300 Lot 2950 and 18 others, Mukim of Jementah, District of Segamat, State of Johor 2957- 2970-2980 Ladang, Lot 2950, Jalan Sengkang, Kg Baru Jementah 85200 Segamat, Johor Freehold	Broiler breeder farm known as Jementah 1 Farm comprising single storey chicken houses, single storey office building, storeroom, staff hostel and an electrical substation	Nil ^(3a)	37,949/ 380,580	<u>Category of land use</u> Nil <u>Express condition</u> Poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion <u>Conditions or restrictions</u> Nil	Nil	17,860

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
7.	Leong Hup GPS ⁽²⁾ 7 titles held under GRN 90137, Lot 2918 and 6 others, Mukim of Jementah, District of Segamat, State of Johor 2918-2939-2944 Ladang, Lot 2916, Jalan Sengkang, Kg Baru Jementah 85200 Segamat, Johor Freehold	Broiler breeder farm known as Jementah 2 Farm comprising a single storey chicken house, single storey office building, storeroom, staff hostels and an electrical substation	Nil ^(3b)	182,479/ 142,420	<u>Category of land use</u> Agriculture <u>Express condition</u> Poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion	Nil	11,179
8.	LH Poultry Farm ⁽²⁾ GRN 215771 Lot 6014, Mukim of Tangkak, District of Tangkak, State of Johor Bt 15, Jalan Muar, 84900, Tangkak, Johor Freehold	Broiler breeder hatchery known as Tangkak Hatchery D comprising a single storey hatchery building, a single storey office building, staff hostel and an electrical substation	Nil ⁽⁴⁾	5,426/ 38,268	<u>Category of land use</u> Agriculture <u>Express condition</u> This land shall be used for poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion	Nil	7,501
					<u>Conditions or restrictions</u> Nil		
					<u>Conditions or restrictions</u> Nil		

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
9.	LH Poultry Farm ⁽²⁾ 6 titles held under GM 357, Lot 2677 and 5 others, Mukim of Kulai, District of Kulajajaya/ Kulai, State of Johor Lot 2677, Lot 2680, Lot 2682, Lot 2683, Lot 3642, Lot 3643, Batu 21, Jalan Pontian, Mukim Kulai, Daerah Kulai Jaya, Johor Freehold	Broiler breeder farm known as Nusajaya 1 Farm comprising one office building, stores, staff hostel, guardhouse, spray house and chicken houses	Nil ⁽⁵⁾	76,890/ 121,127	<u>Category of land use</u> Agriculture <u>Express condition</u> This land shall be used for poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion	Nil	14,535
10.	LH Poultry Farm ⁽²⁾ 9 titles held under GM 467, Lot 80 and 8 others, Mukim of Sri Medan, District of Batu Pahat, State of Johor KS 52, Jalan Kangkar Senagar, Kg Bukit Simpa, Parit Sulong, 83500 Batu Pahat, Johor Freehold	Layer breeder Farm known as Parit Sulong Farm comprising a single storey chicken house, single storey office building, warehouse, staff hostel and guardhouse	Nil ⁽⁶⁾	36,057/ 162,988	<u>Category of land use</u> Agriculture <u>Express condition</u> This land shall be used for poultry farming Landowner shall at all times take precautionary steps according to the order required by the Land Administrator to keep the land from erosion	GM 467, Lot 80, GM 464, Lot 7451, GM 469, Lot 7452, GM 465, Lot 7454, GM 306, Lot 7456, GM 466, Lot 7457, GM 468, Lot 7459, HSM 2920, MLO 1290 Nil	12,694
					<u>Conditions or restrictions</u> Nil		
					<u>Conditions or restrictions</u> Nil		

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
						GM 470, Lot 7450 Leasing part of land under No. Pers 205/1988 Jil. 1 Fol 33 to Lembaga Letrik Negara, Tanah Melayu ⁽⁷⁾ for a period of 30 years from 1 June 1987 to 31 May 2017	

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

C. Non-farming Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 (RM'000)
11.	Beaming Agrotrade ⁽¹⁾ HSM 860, PT 495 in the Mukim of Bukit Rambai, District of Melaka Tengah, State of Melaka	Land comprising factory building, warehouses and electrical installation building	30 April 2009/ 16 December 2015	12,513.296/ 17,855	<u>Category of land use</u> Industrial Land <u>Express condition</u> Nil	Part of the land is leased to Tenaga Nasional Berhad	14,356
	Lot 13 (9569), Jalan PBR 1, Fasa 1, Kawasan Perindustrian Bukit Rambai, 75250 Melaka				<u>Conditions or restrictions</u> The land shall not be transferred or leased without the prior consent of the state authority. This restriction in interest is not applicable to the first purchaser		
12.	LH Feedmill Malaysia ⁽¹⁾ PN 10197, Lot 20004, in Mukim 13, District of Seberang Perai Tengah, State of Pulau Pinang	Land comprising warehouses	1 September 2015	57,189 sq ft/ 30,150	<u>Category of land use</u> Industry <u>Express condition</u> Nil	The land is currently charged to Bank Pertanian Malaysia Berhad	9,695
	PT 972 (Plot 177), Lorong Perindustrian Bukit Minyak 17, Kawasan Perindustrian Bukit Minyak, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang				<u>Conditions or restrictions</u> The land shall not be transferred, leased or charged without the prior consent of the state authority.		
	Leasehold for a period of 99 years, expiring on 9 June 2082						
	Leasehold for a period of 99 years, expiring on 5 December 2109						

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**Notes:**

- (1) The land is in the process of being transferred in favour of LH Feedmill Malaysia pursuant to the internal restructuring undertaken by our Company for the transfer of the Feedmill Business from certain subsidiaries within our Group to LH Feedmill Malaysia.
- (2) The land is in the process of being transferred in favour of LH Agrobusiness pursuant to the internal restructuring undertaken by our Company for the transfer of the Livestock Business from certain subsidiaries within our Group to LH Agrobusiness.
- (3a) Leong Hup GPS had on 12 July 2018 submitted the relevant application for KM. If KM cannot be obtained, Leong Hup GPS intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. The estimated cost to obtain the KMT and TBP is not significant. We will disclose the status of the application in our annual report.
- (3b) Leong Hup GPS had on 12 July 2018 submitted the relevant application for KM. On 29 October 2018, Majlis Perbandaran Segamat issued its KM approval subject to conditions. We have obtained the KM together with Borang C(1) on 27 January 2019. We are in the process to submit the building plan for approval with the aim of obtaining the CCC, within two years from the date of this Prospectus. The estimated cost to obtain the KM and CCC is not significant. We will disclose the status of the application in our annual report.
- (4) LH Poultry Farm had on 9 July 2018 submitted the relevant application for KM. On 8 November 2018, Majlis Daerah Tangkak issued its KM approval subject to conditions. Upon issuance of the KM, we will then submit the building plan for approval with the aim of obtaining the CCC, within two years from the date of this Prospectus. The estimated cost to obtain the KM and CCC is not significant. We will disclose the status of the application in our annual report.
- (5) LH Poultry Farm had on 16 July 2018 submitted the relevant application for KM. If KM cannot be obtained, LH Poultry Farm intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. The estimated cost to obtain the KMT and TBP is not significant. We will disclose the status of the application in our annual report.
- (6) LH Poultry Farm had on 20 August 2018 submitted the relevant application for KM. On 26 September 2018, Majlis Daerah Yong Peng issued its rejection of our KM application because of the farm's close proximity to residential area and river. LH Poultry Farm is currently however appealing the decision. If KM cannot be obtained, LH Poultry Farm intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. The estimated cost to obtain the KMT and TBP is not significant. We will disclose the status of the application in our annual report.
- (7) Lembaga Elektrik Negara, Tanah Melayu or the National Electricity Board is the predecessor of Tenaga Nasional Berhad.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**Indonesia**

In Indonesia, a building owner must obtain an IMB to construct a building and GR 36/2005 stipulates that a building owner must obtain a SLF to occupy and utilise a building. The SLF is issued by the regional government before a building can be used and serves as evidence that the building has been constructed in accordance with the permitted specification as provided in the building permit or IMB and complies with relevant building safety standards. GR 36/2005 was implemented in 2005.

The OSS Regulation was enacted on 21 June 2018 and subsequently implemented in July 2018. The OSS Regulation is a web-based platform that integrates business licensing and enables the simultaneous issuance of permits, both at the central and regional government level. Companies are obliged to obtain a SLF and companies can only make applications for a SLF through an online submission system in accordance with the OSS Regulation after the relevant building has been completed and the relevant business licences obtained. Upon registration of these submissions in accordance with the OSS Regulation and completion of the examination of the buildings, the Regional Government will proceed to issue the relevant SLF.

As at the LPD, the Malindo Group has obtained IMB for all of its buildings and two of the Malindo Group's buildings have obtained a SLF. 74 of the Malindo Group's buildings have yet to obtain a SLF. To comply with the SLF requirement, as at the LPD, the Malindo Group has submitted SLF applications for 70 buildings, these being the material properties of the Malindo Group. Hutabarat Halim & Rekan, the Indonesian legal counsel to our Company, has confirmed that these 70 SLF applications are regarded by the relevant authorities as our rectification of any SLF non-compliance for the 70 buildings.

The submitted SLF applications are being processed by the respective regional governments. However, there are 49 SLF applications which cannot be processed by the relevant regional governments due to the following reasons, which were communicated either in writing or verbally to the Malindo Group:

- (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.

In this regard, so long as the SLF has not been obtained, we will disclose the status of the applications in our annual report.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

A. Feedmill Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
1.	Malindo Feedmill Certificate of HGB No. 561 dated 1 April 2010. Modern Cikande Industrial Estate phase III, Blok Q5, Jalan Raya Jakarta, Serang KM 68, Village of Barengkok, District of Kibin, Regency of Serang, Province of Banten/ 42186 Leasehold for the period expiring on 24 April 2028	Feedmill known as Cikande Feedmill comprising of feedmill tower, warehouse, office building, guard house, silos, generator installation	Nil ⁽¹⁾	43,396/ 50,400	Under Law No. 5 of 1960 on Agrarian Law, a right to build ("HGB") authorises the right owner to construct and own buildings over a plot of land and may be encumbered with a mortgage. The right to build may only be granted to an Indonesian citizen or Indonesian legal entity having domicile within Indonesia. Right to build may be granted for a maximum of 30 years and may be extended for a maximum of 20 years and can be renewed repeatedly. Extension of a right to build is certain to the extent no deviation towards utilisation of a right to build during leasehold period.	a. First Rank Certificate of Mortgage No. 1093/2014 dated 3 March 2014 as security to PT. Bank Central Asia Tbk; and b. Second Rank Certificate of Mortgage No. 4452/2018 dated 7 November 2018 as security to PT. Bank Central Asia Tbk.	IDR149,246,009 (equivalent to RM41,043)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
2.	Malindo Feedmill 8 land titles located in Jl. Pertamina KM 37, Village of Sumberrame, District of Wringinanom, Regency of Gresik, Province of Jawa Timur/ 61176	Feedmill known as Gresik Feedmill comprising warehouse, office building, guard house, silos, corn receiving and dryer machine	Nil ⁽²⁾	47,921/ 73,015	Please refer to item 1.	Certificate of HGB No. 1: First Rank Certificate of Mortgage No. 1484/2016 as security to PT. Bank CIMB Niaga Tbk.	IDR48,849,687 (equivalent to RM13,434)
	Leasehold ⁽³⁾						
3.	Malindo Feedmill 3 land titles located in Jl. Raya Semarang, KM. 40, Village of Harjowinangun, District of Godong, Regency of Grobogan, Province of Jawa Tengah/ 58162	Feedmill known as Grobogan Feedmill with feedmill tower, warehouse, office building, guard house, silos and generator installation	Nil ⁽¹⁾	52,214/ 72,796	Please refer to item 1.	Certificate of HGB No. 10: a. First Rank Certificate of Mortgage No. 783/2014 as security to PT. Bank Central Asia Tbk.; and b. Second Rank Certificate of Mortgage No. 1095/2015 as security to PT. Bank Central Asia Tbk.	IDR137,783,078 (equivalent to RM37,890)
	Leasehold ⁽⁴⁾						

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
4.	Malindo Feedmill 4 land titles located in Jl. KIMA 19, Kav. EE 5B, Kawasan Industri Makassar, Sub district of Bira, District of Tamalanrea, City of Makassar, Province of Sulawesi Selatan/ 90244	Feedmill known as Makassar Feedmill comprising feedmill tower, warehouse, office building, guard house, silos, generator installation, weigh bridge and dryer machine	Nij ⁽¹⁾	28,544.83/ 23,380	Please refer to item 1.	Certificates of HGB No. 20300, 20301, 20302, and 21934: First Rank and Second Rank Certificate of Mortgage as security to PT. Bank Central Asia, Tbk.	IDR122,347,039 (equivalent to RM33,645)
5.	Malindo Feedmill Certificate of HGB No. 37 dated 1 November 1995 (Leasehold for the period expiring on 30 October 2035). Jl. Raya Cakung Cilincing KM 3.5, Sub district of Cakung Barat, District of Cakung, City of East Jakarta, Province of DKI Jakarta/ 13910	Feedmill known as Cakung Feedmill comprising feedmill tower, warehouse, office building, guard house, silos, generator installation, weigh bridge and dryer machine	Nij ⁽¹⁾	13,673/ 5,328	Please refer to item 1.	First Rank Certificate of Mortgage No. 00209/2018 as security for PT. Bank UOB Indonesia	IDR26,564,922 (equivalent to RM7,305)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

B. Livestock Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq metres unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
6.	Malindo Feedmill 3 land titles located in RT.01/RW01, Village of Pulau Sari, District of Tambang Ulang, Regency of Tanah Laut, Province of Kalimantan Selatan/ 70854.	Broiler breeder farm known as 2 Banjarmasin Farm comprising of single storey chicken house, single storey office building, warehouse, staff hostel, spray house	Nil ⁽⁶⁾	10,297/ 156,689	a. Please refer to item 1. b. Under Law No. 5 of 1960 on Agrarian Law, a right to use ("HP") authorises the right owner to utilise a plot of land and may be encumbered with a mortgage. The right to use may only be granted to (i) an Indonesian citizen; (ii) foreigner having domicile in Indonesia; (iii) Indonesian legal entity having domicile within Indonesia; or (iv) representative of foreign legal entity having domicile in Indonesia. Right to use may be granted for a maximum of 25 years and may be extended for a maximum of 25 years and can be renewed repeatedly. Extension of a right to use is certain to the extent no deviation towards utilisation of a right to use during leasehold period.	Nil	IDR 36,422,167 (equivalent to RM10,016)
	Leasehold ⁽⁵⁾						

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq metres unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
7.	Malindo Feedmill Farm with basis of Statement Letter of Relinquishment of Rights on Land/Surat Pernyataan Pelepasan Hak Atas Tanah ("SPPH") and Deed of Relinquishment of Rights on Land ("APHAT") ⁽⁷⁾ SPPH No.: 594.3/001/2016 - 594.3/009/2016; 594.3/011/2016 - 595.3/050/2016; and	Broiler breeder farm known as Rembang 1 Farm comprising of single storey chicken house, single storey office building, warehouse, staff hostel, spray house	Nil ⁽⁸⁾	26,983/ 150,230	N/A	Nil	IDR 43,504,489 (equivalent to RM11,964)
	APHAT No. 502 dated 13 February 2017, passed before Dwi Satmoko, S.H., M.Kn., Notary in Rembang.						
	APHAT No. 55 dated 27 June 2016, passed before Emy Suryanti, SH., M.Kn Notary in Rembang.						
	APHAT No. 501 dated 13 February 2017, passed before Dwi Satmoko, SH., M.Kn., Notary in Rembang.						

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq metres unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
	APHAT No. 56 dated 27 June 2016, passed before Emy Suryanti, SH., M.Kn Notary in Rembang.						
	APHAT No. 1 dated 4 August 2017, passed before Emy Suryanti, SH., M.Kn, Notary in Rembang.						
	Jl. Desa Kasreman, Village of Kasreman, District of Rembang, Regency of Rembang, Province of Jawa Tengah/ 59219						

Notes:

- (1) Malindo Feedmill had on 13 August 2018 submitted the relevant applications for the SLF to the relevant authority. The issuance of the SLF for the buildings constructed on these lands is still pending as at the LPD, save for the following:
 - the Regional Government of Serang Regency at West Java Province in response to Malindo Feedmill's SLF application replied in their letter dated 23 August 2018 that it has no authorisation to issue SLF and all SLF applications shall be submitted to the OSS; and
 - the Regional Government of Grobogan Regency at Central Java Province in response to Malindo Feedmill's SLF application replied in their letter dated 31 September 2018 that it has yet to form the Team of Building Experts for Grobogan Regency to conduct technical reviews on buildings within the regency and as such it cannot process Malindo Feedmill's SLF application.
- (2) Malindo Feedmill's SLF application dated 13 August 2018 was submitted on 15 August 2018, to which the Regional Government of Tanah Laut replied in their letter dated 16 August 2018 that Malindo Feedmill's application cannot be processed because the Regional Government of Tanah Laut has yet to enact the Building Regional Regulation as a legal basis to issue SLFs in Tanah Laut Regency.
- (3) The leasehold terms for the following properties are as follows:

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Property identification	Term
• Certificate of HGB No. 1 dated 25 October 1994	Leasehold for the period expiring on 24 September 2024
• Certificate of HGB No. 4 dated 7 December 1994	Leasehold for the period expiring on 24 September 2025
• Certificate of HGB No. 5 dated 3 May 2011	
• Certificate of HGB No. 45 dated 25 January 2013	Leasehold for the period expiring on 26 March 2043
• Certificate of HGB No. 47 dated 2 February 2000	
• Certificate of HGB No. 48 dated 2 February 2000	Leasehold for the period expiring on 1 August 2043
• Certificate of HGB No. 49 dated 2 February 2000	Leasehold for the period expiring on 18 November 2043
• Certificate of HGB No. 50 dated 2 February 2000	
(4) The leasehold term for the property are as follows:	
Property identification	Terms
Certificate of HGB No. 10 dated 1 April 2013	Leasehold for the period expiring on 7 February 2043
Certificate of HGB No. 12 dated 2 February 2016	Leasehold for the period expiring on 29 January 2046
Certificate of HGB No. 13 dated 7 September 2016	Leasehold for the period expiring on 2 September 2046
(5) The leasehold terms for the property are as follows:	
Property identification	Term
Certificate of HP No. 5 dated 12 May 2015	Leasehold for the period expiring on 11 May 2040
Certificate of HGB No. 7 dated 7 December 2015	Leasehold for the period expiring on 3 December 2045
Certificate of HGB No. 8 dated 19 February 2016	Leasehold for the period expiring on 16 February 2046
(6) Malindo Feedmill had on 15 August 2018 submitted the relevant applications for the SLF to the relevant authority. The issuance of the SLF for the buildings constructed on these lands is still pending as at the LPD.	
(7) In Indonesia, registration of land ownership on titles is just a matter of evidence and data collection. As at the LPD, we have not been issued land titles for this property and as such, the leasehold period cannot be established. Indonesian laws also protect owners of lands where titles to such lands have not been issued. SPPHT and APHAT are alternative method of evidencing land ownership.	
(8) Malindo Feedmill had on 10 August 2018 submitted the relevant applications for the SLF to the relevant authority. The issuance of the SLF for the buildings constructed on these lands is still pending as at the LPD.	

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

Vietnam

A. Feedmill Business

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 ('000)
1.	Emivest Feedmill Vietnam Lot A-11A-CN, Bau Bang Industrial Park, Lai Uyen Commune, Binh Duong Province, Viet Nam	Feedmill comprising factory building, office building, warehouse and silos	N/A ⁽¹⁾	20,418.90/ 40,000	Industrial land	Nil	VND198,631,255 (equivalent to RM35,595)
2.	Emivest Feedmill Vietnam (Emivest Animal Medicine & Vitamin Plant) Lot A-11C-CN, Bau Bang Industrial Park, Lai Uyen Commune, Binh Duong Province, Viet Nam	Medicine comprising building, office building and warehouse	N/A ⁽¹⁾	5,741/ 16,597	Industrial land	Nil	VND80,941,456 (equivalent to RM14,505)
	Leasehold for a period of 41 years, expiring on 30 June 2057						
	Leasehold for a period of 47 years, expiring on 30 June 2057						
	Leasehold for a period of 41 years, expiring on 30 June 2057						

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest	Encumbrances on property	NBV as at 31 October 2018 ('000)
3.	Emivest Feedmill Vietnam (Dong Nai Branch) Lot BB2, 6 Street, Long Khanh Industrial Park, Binh Loc Commune, Long Khanh Town, Dong Nai Province, Vietnam Leasehold for a period of 41 years, expiring on 14 May 2058	Feedmill known as Dong Nai Feedmill comprising factory building, office building, warehouse and silos	N/A ⁽¹⁾	48,277.99/ 74,382	Industrial land	Nil	VND168,763,615 (equivalent to RM30,242)
4.	Leong Hup Feedmill Vietnam Lot CN 10, Tan Truong Industrial Park, Tan Truong Commune, Cam Giang District, Hai Duong Province, Viet Nam Leasehold for a period of 41 years, expiring on 2 June 2055	Feedmill comprising factory building, office building, warehouse and silos	N/A ⁽¹⁾	19,351/ 40,000	Industrial land	Nil	VND253,945,220 (equivalent to RM45,507)
5.	Emivest Feedmill (TG) Address: Lot No. AV-1, 2, 3, 4 Tan Huong IZ, Tan Huong Commune, Chau Thanh District, Tien Giang Province, Viet Nam Leasehold for a period of 44 years, expiring on 28 November, 2056	Feedmill comprising factory building, office building, warehouse and silos	N/A ⁽¹⁾	21,637/ 48,681	Industrial land	Land use right and building mortgaged to HSBC Bank (Vietnam) Ltd	VND249,032,909 (equivalent to RM44,627)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**B. Livestock Business**

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./ Postal address/ Tenure	Description of property/ Existing use	Date of issuance of CCC or equivalent	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Category of land use/ Express condition/ Restriction in interest Restriction in interest/	Encumbrances on property	NBV as at 31 October 2018 ('000)
6.	Emivest Feedmill Vietnam (Dong Nai Livestock Branch) Xuan Hung Commune, Xuan Loc District, Dong Nai Province	Breeder Farm 6 comprising single story chicken house, staff quarters, prayer room, generator installation	N/A ⁽¹⁾	28,096/ 165,743	Agricultural land	Land and building mortgaged to Bangkok Bank PCL – HCM City Branch	VND112,932,340 (equivalent to RM20,237)
	Leasehold for a period of 41 years, expiring on 12 November 2056						

Note:

(1) Properties in Vietnam are not required to have CCC (or its equivalent).

None of the properties disclosed above are in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties. No valuations have been conducted on any of the properties disclosed above.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**B.2 MATERIAL PROPERTIES LEASED/TENANTED BY OUR GROUP**

Details of the material properties leased/tenanted by us are set out below:

Malaysia

No.	Name of lessor/lessee or landlord/tenant or tenant or sub-tenant/ Lot. no./ Postal address	Description of property/ Existing use	Date of issuance of certificate of fitness for occupation/CCC	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Period of tenancy or lease	Annual rental
1.	Austin Marketing Sdn Bhd ("Austin Marketing") (formerly Sri Medan Layer Farm Sdn Bhd) (lessor)/LH Agrobusiness (lessee) HSD 27084, PTD4990, Mukim Rengam, Daerah Kluang, Negeri Johor	Broiler farm known as Kluang 1, 2 and 3 Farm comprising single storey and double storey chicken houses, single storey office building, warehouse, staff hostel and guardhouse	Nil ⁽¹⁾	472,710 sq ft/ 67 hectares	A lease for a period of fifteen years, from 1 April 2009 to 31 March 2024	Nil ⁽²⁾
2.	Leong Hup Corporation Sdn Bhd (landlord)/ LH Agrobusiness (tenant) GRN 68836, Lot 339 & GRN 68837, Lot 340, Mukim Rompin, Daerah Jempol, Negeri Sembilan	Broiler farm known as Bahau Farm comprising chicken house, single storey office building, warehouse, staff hostel and guardhouse	Nil ⁽³⁾	213,000 sq ft/ 6 hectares	A tenancy for a period of three years, from 1 August 2017 to 31 July 2020	RM21,000
3.	Perbadanan Setiausaha Kerajaan Johor (lessor)/Leong Hup GPS (lessee) HSD 32179, PTD 1721, Mukim Sedili Kechil, Daerah Kota Tinggi, Negeri Johor Freehold	GPS farm known as Desaru Farm 1-6 comprising single storey chicken houses, single storey office building, warehouse, staff hostel and guardhouse	Nil ⁽⁴⁾	54,829/ 23,169,564	Lease duration of 60 years commencing on 23 May 2011	RM300 to RM648 per acre

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**Notes:**

- (1) LH Agrobusiness had on 28 August 2018 submitted the relevant application for KM. If KM cannot be obtained, LH Agrobusiness intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. We will disclose the status of the application in our annual report. Any action taken by any relevant authorities for failure to obtain the CCC or TBP for properties leased/tenanted by our Group will not, however, have a material impact on the operations of our Group as the operations carried out on these properties can be relocated.
- (2) On 30 November 1994, Austin Marketing was granted a rent free lease by the State Government of Johor for the purpose of poultry farming for a period of 30 years. Austin Marketing in turn extended the rent free lease of the property for 15 years to LH Agrobusiness.
- (3) LH Agrobusiness had on 23 August 2018 submitted the relevant application for KM. If KM cannot be obtained, LH Agrobusiness intends to submit the relevant application for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. We will disclose the status of the application in our annual report. Any action taken by any relevant authorities for failure to obtain the CCC or TBP for properties leased/tenanted by our Group will not, however, have a material impact on the operations of our Group as the operations carried out on these properties can be relocated.
- (4) Leong Hup GPS had on 27 September 2018 submitted the relevant application to apply for KM for Desaru Farms 3, 4, 5 and 6. If KM cannot be obtained, Leong Hup GPS intends to submit the relevant application to apply for KMT. Upon issuance of the KM or alternatively, the KMT, by the relevant local authorities, we will then submit the building plan/ temporary building plan for approval with the aim of obtaining the CCC or alternatively, a TBP, within two years from the date of this Prospectus. We will disclose the status of the application in our annual report. Leong Hup GPS has submitted a renewal for the TBP for Desaru Farms 1 and 2 on 23 August 2018 and the TBP has been renewed on 8 October 2018 which is valid until year 2020. Any action taken by any relevant authorities for failure to obtain the CCC or TBP for properties leased/tenanted by our Group will not, however, have a material impact on the operations of our Group as the operations carried out on these properties can be relocated.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**Singapore**

No.	Name of lessor/lessee or landlord/tenant or tenant or sub-tenant/ Lot. no./ Postal address	Description of property/ Existing use	Date of issuance of certificate of fitness for occupation/CCC	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Period of tenancy or lease	Annual rental
1.	Jurong Town Corporation (landlord)/ Lee Say (tenant) Lot No. MK13-1692K 18 Senoko Way Singapore 758040	Poultry processing plant comprising a detached double storey building	20 January 1986	3,043/ 4,801	Lease duration of 30 years commencing on 1 June 2014	SGD110,809 (equivalent to RM330,399 ⁽¹⁾)
2.	JTC (landlord)/ Hup Heng Poultry (tenant) Lot. No. MK13-2091C 28 Senoko Crescent Singapore 758278	Poultry processing plant comprising a detached double storey building	16 March 1992	1,100/ 1,471	Lease duration of 30 years commencing from 1 August 1991 with a further term of 30 years from 1 August 2021	SGD33,944 (equivalent to RM101,211 ⁽¹⁾)
3.	JTC (landlord)/ Hup Heng Poultry (tenant) Lot. No. MK13-2092M 30 Senoko Crescent Singapore 758279	Poultry slaughtering plant comprising a detached double storey building	16 March 1992	1,102/ 1,472	Lease duration of 30 years commencing on 1 June 1991	SGD33,981 (equivalent to RM101,321 ⁽¹⁾)
4.	JTC (landlord)/ Leong Hup Food (tenant) Lot No. MK13-2596M 2 Senoko Way Singapore 758027	1. A triple storey detached building used as workers' dormitory; and 2. A single storey detached building used as a general warehouse	27 August 1997	5,654/ 7,203	Lease duration of 30 years commencing on 1 July 1993	SGD166,245 (equivalent to RM495,693 ⁽¹⁾)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of lessor/lessee or landlord/tenant or tenant or sub-tenant/ Lot. no./ Postal address	Description of property/ Existing use	Date of issuance of certificate of fitness for occupation/CCC	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Period of tenancy or lease	Annual rental
5.	JTC (landlord)/ Leong Hup Food (tenant) Lot No. MK13-1708W 4 Senoko Way Singapore 758028	Poultry processing plant comprising a double storey detached building	2 June 1994	1,712/ 4,320	Lease duration of 30 years commencing on 16 April 1992	SGD99,701 (equivalent to RM297,278 ⁽¹⁾)
6.	JTC (landlord)/ Leong Hup Food (tenant) Lot No. MK13-1709V 6 Senoko Way Singapore 758029	Poultry processing plant comprising a double storey detached building	2 June 1994	2,929/ 4,320	Lease duration of 30 years commencing on 16 April 1992	SGD99,701 (equivalent to RM297,278 ⁽¹⁾)
7.	JTC (landlord)/ Lee Say (tenant) Lot No. MK 13-1710M 8 Senoko Way Singapore 758030	Poultry and food processing plant comprising a single storey detached building with mezzanine office	2 June 1994	3,402/ 4,320	Lease duration of 3 years, 10 months and 26 days commencing on 20 December 2018 with a further term of 30 years from 16 November 2022	SGD106,680 (equivalent to RM318,664 ⁽¹⁾)
8.	JTC (landlord)/ Tasty Meat (tenant) Lot No. MK7-3006K No. 13 Tuas Bay Walk Singapore 637759	Food processing plant comprising a double storey detached building	5 June 2000	471/ 987	Lease duration of 30 years commencing on 24 November 2007	SGD12,807 (equivalent to RM38,187 ⁽¹⁾)
9.	JTC (landlord)/ Leong Hup Distribution Pte. Ltd. (tenant) Lot No. MK6-2183V 31 Fishery Port Road Singapore 619741	Cold room facilities comprising a one and a half storey detached building	6 May 1985	17,315/ 23,595	Lease duration of 12 years 11 months and 16 days ⁽²⁾ commencing on 16 January 2018	SGD578,323 (equivalent to RM1,724,386 ⁽¹⁾)

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)

No.	Name of lessor/lessee or landlord/tenant or sub-tenant/ Lot. no./ Postal address	Description of property/ Existing use	Date of issuance of certificate of fitness for occupation/CCC	Built-up area/ Land area (approximate) (sq m unless otherwise stated)	Period of tenancy or lease	Annual rental
10.	JTC (landlord)/ BH Fresh Food (tenant) Lot No. MK6-1609A 6 Chin Bee Crescent Singapore 619892	Cold room facilities comprising a detached building	24 February 1986	2,075/ 2,470	Lease duration of 39 years commencing from 1 April 2011	SGD60,535 (equivalent to RM180,497 ⁽¹⁾)
11.	JTC (landlord)/ Kendo Trading (tenant) Lot No. MK5-4758N 233 Pandan Loop Singapore 128421	One building comprising meat processing area, packaging area, cold rooms and office	11 January 1985	2,555/ 5,177	Lease duration of 30 years commencing from 22 June 2015	SGD130,830 (equivalent to RM390,096 ⁽¹⁾)

Notes:

- (1) The conversion rate is as at 31 October 2018.
- (2) Pursuant to an Agreement to Lease dated 15 June 2016 entered into between JTC and Leong Hup Distribution, Leong Hup Distribution was required to fulfil certain investment criteria, including a fixed sum investment and increase in plot ratio, as conditions to JTC granting an extension to the lease period. In consequence thereto, Leong Hup Distribution had constructed a cold room on the premises, and the extension of the lease period will be subject to determination by JTC upon its review of whether its investment criteria has been fulfilled. This is expected to be completed on or before 30 April 2019.

None of the properties disclosed above are in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties. No valuations have been conducted on any of the properties disclosed above.

ANNEXURE B: OUR MATERIAL PROPERTIES AND MATERIAL EQUIPMENT (Cont'd)**B.3 MATERIAL EQUIPMENT**

Details of the material plant and equipment used for our business operations are set out below:

No.	Description	NBV as at 31 October 2018
1.	Plant and equipment at Grobogan Feedmill, Indonesia comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers, silos and corn dryer	IDR40,324,971,051 (equivalent to RM11,089,367)
2.	Plant and equipment at Makassar Feedmill, Indonesia comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers, silos and corn dryer	IDR53,533,657,568 (equivalent to RM14,721,756)
3.	Plant and equipment at a feedmill known as Bau Bang Feedmill, Vietnam comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM10,347,169
4.	Plant and equipment at a feedmill known as Tien Giang Feedmill, Vietnam comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM17,000,952
5.	Plant and equipment at a feedmill known as Hai Duong Feedmill, Vietnam comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM14,474,174
6.	Plant and equipment at a feedmill known as Dong Nai Feedmill, Vietnam comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM23,429,169
7.	Plant and equipment at a feedmill known as Teo Seng Feedmill, Johor comprising machinery relating to input of raw materials, grinding, mixing, factory weighbridge, pelleting, crumbling and cooling system, computer system relating to control batching, boilers and silos	RM18,374,033
8.	Plant and equipment at a paper egg tray manufacturing factory at Johor, comprising paper egg tray machine and electrical installation	RM14,542,074
9.	Plant and equipment at a layer farm known as Layer 14 Farm, Johor comprising equipment relating to layer cages system, cooling pad, automated chicken manure belt and silo	RM10,423,978
		Equivalent to RM167,318,779

ANNEXURE C: BY-LAWS FOR THE ESOS**LEONG HUP INTERNATIONAL BERHAD (“LHI”)
EMPLOYEES’ SHARE OPTION SCHEME (“ESOS”)****1. NAME OF SCHEME**

This ESOS will be called the “LHI’s Employees’ Share Option Scheme”.

2. RATIONALE FOR THE SCHEME

The implementation of the ESOS primarily serves to align the interests of Eligible Persons to the performance of LHI Group. As such, the ESOS is established to achieve the objectives as set out below:

- (i) to provide an incentive to the Eligible Persons to participate more actively in the operations of LHI Group and encourage them to contribute positively to the future growth of LHI Group;
- (ii) to motivate, reward and retain the Eligible Persons who, upon exercising their Options, would have the opportunity to participate in the equity of the Company and thereby relate their contribution directly to the performance of LHI Group whilst at the same time, giving the Eligible Persons a greater sense of ownership; and
- (iii) to make the employees’ remuneration scheme of LHI Group more competitive to attract more skilled and experienced individuals to join LHI Group and contribute to its continued growth and profitability.

3. DEFINITIONS AND INTERPRETATIONS

3.1 In these By-Laws, except where the context otherwise requires, the following expression shall have the following meanings:

Act	: The Companies Act 2016, as amended from time to time including any re-enactment thereof;
Adviser	: Any person who is eligible to act as a principal adviser as defined in the Securities Commission Malaysia’s Principal Adviser Guidelines;
Authorised Nominee	: A person who is authorised to act as a nominee as specified in accordance with the schedule prescribed under Part VIII of the Rules of Bursa Depository;
Available Balance	: The unissued Shares of the Company which is available for offer of Options subject to the maximum limit as set out in By-Law 4.2 hereof and after deducting all Shares under Options which have been granted;
Board	: The Board of Directors of LHI;
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W);
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W);
By-Laws	: The rules, terms and conditions of the ESOS as set out herein, and shall include any amendments, variations or supplements made thereto from time to time;
CDS	: Central Depository System;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

CDS Account	:	The account established by Bursa Depository for a Depositor for the recording of deposits and withdrawal of securities and dealings in such securities by the Depositors;
Central Depositories Act	:	The Securities Industry (Central Depositories) Act 1991, as amended from time to time and any re-enactment thereof;
Court	:	The High Court of Malaya;
Date of Expiry	:	The last day of the duration of the ESOS or any extended period pursuant to By-Law 5.3 hereof;
Date of Offer	:	The date on which an Offer is made by the ESOS Committee to an Eligible Person from time to time during the Option Period to participate in the ESOS;
Depositor	:	A holder of a CDS Account;
Director(s)	:	A natural person who holds a directorship in LHI and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007;
Effective Date	:	The date the last of the approvals and/or conditions referred to in By-Law 5.1 hereof have been obtained and/or complied with;
Eligible Person(s)	:	An Executive Director and/or Employee who fulfils the conditions as set out in By-Law 7 hereof, for eligibility to participate in the ESOS;
Employee(s)	:	A natural person who is employed by and is on the payroll of any company in the LHI Group;
Entitlement Date	:	The date as at the close of business on which the names of the shareholders of LHI must appear on LHI's record of depositors in order to be entitled to participate in any dividends, rights, allotments or other forms of distribution;
ESOS or Scheme	:	The employees' share option scheme for the grant of Options to Eligible Persons to subscribe for new LHI Shares upon the terms as set out herein and such scheme shall be known as the LHI Employees' Share Option Scheme;
ESOS Committee	:	The committee appointed from time to time by the Board pursuant to By-Law 18 hereof to administer the ESOS;
Executive Director(s)	:	A natural person who holds a directorship in an executive capacity in LHI Group on the Date of Offer and is involved in the day-to-day management of any company within the LHI Group and excluding non-executive and alternate directors in the Company or any company within the LHI Group;
Exercise Period	:	The specific period or periods within an Option Period during which Options may be exercised by Grantees, as determined by the ESOS Committee subject to By-Law 5 hereof;
Exercise Price	:	The price at which the Grantee shall be entitled to subscribe for every new LHI Share by exercising his Option as determined in accordance with By-Law 10 hereof;
Grantee(s)	:	Any Eligible Person who has accepted the Offer by the Company in accordance with the provisions of By-Law 9 hereof;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

LHI or Company	: Leong Hup International Berhad (1098663-D);
LHI Group or Group	: LHI and its Subsidiaries;
LHI Share(s) or Share(s)	: Ordinary share(s) in LHI;
Listing Requirements	: The Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time;
Market Day(s)	: Any day from Mondays to Fridays (both days inclusive) which is not a public holiday, and on which Bursa Securities is open for trading of securities;
Maximum Allowable Allocation	: The maximum number of new Shares that can be offered and allotted to an Eligible Person to be determined by the ESOS Committee in accordance with the provisions of By-Law 8 hereof;
Maximum Limit	: The maximum number of new LHI Shares which may be issued and allotted pursuant to the ESOS, which shall not exceed five percent (5%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the ESOS;
Offer	: An offer made in writing by the ESOS Committee to an Eligible Person in the manner indicated in By-Law 6 hereof;
Option(s)	: The right of a Grantee to subscribe for new LHI Share(s) at the Exercise Price pursuant to the contract constituted by the selected Eligible Person's acceptance of an Offer in the manner indicated in By-Law 9 hereof;
Option Period	: A period commencing from the date an Offer is accepted in accordance with By-Law 9 hereof and expiring on the last day of the period referred to in By-Law 5 hereof or such other date which the ESOS Committee may in its discretion decide, subject always to any further extension of period or early termination in accordance with the provisions of By-Law 5 hereof, provided that no Option Period shall extend beyond the period referred to in By-Law 5 hereof;
RM and sen	: Ringgit Malaysia and sen, respectively;
Rules of Bursa Depository	: The rules of Bursa Depository, as issued pursuant to the Central Depositories Act;
Senior Management	: An Employee of LHI Group who falls within such grading as determined by the ESOS Committee at its sole and absolute discretion from time to time;
Subsidiaries	: Subsidiaries of LHI falling within the meaning of Section 4 of the Act (which for the avoidance of doubt shall exclude the Company's associate company(ies)), which are not dormant and shall include such subsidiaries which are existing as at the Effective Date and those which are incorporated or acquired at any time during the duration of the ESOS but exclude such subsidiaries which have been divested in the manner provided for in By-Law 26 hereof;
"Trust Deed"	: The trust deed(s) constituting the Trust to be executed between the Trustee and the Company;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

“Trust”	: The trust to be established to facilitate the implementation of the ESOS;
“Trustee”	: The trustee(s) who may be appointed by LHI for the administration of the Trust from time to time;
Vesting Conditions	: The conditions which are required to be fulfilled by an Eligible Person before the Option(s) is/are capable of being vested onto the Eligible Person, to be communicated in an Offer pursuant to By-Law 6.3 (vii);
VWAMP	: Volume weighted average market price.

In these By-Laws:

- (i) headings are for ease of reference only and do not affect the meaning of these By-Laws;
- (ii) any reference to a statutory provision or applicable law shall include any subordinate legislation made from time to time under the provision or law and any Listing Requirements, policies and/or guidelines of Bursa Securities and/or any other relevant regulatory authority (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or any other relevant regulatory authority);
- (iii) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the expiry of the ESOS and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly been replaced;
- (iv) words denoting the singular shall include the plural and references to any gender shall include all genders whether male, female or neuter;
- (v) any liberty or power which may be exercised or any determination which may be made hereunder by the ESOS Committee or the Board may be exercised at the ESOS Committee's or the Board's discretion; and
- (vi) if an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day **PROVIDED ALWAYS** if such date shall fall beyond the duration of the ESOS, then the stipulated day shall be taken to be the preceding Market Day.

4. MAXIMUM NUMBER OF NEW LHI SHARES AVAILABLE UNDER THE SCHEME

- 4.1 Each Option shall be exercisable into one (1) new LHI Share, in accordance with the provisions of these By-Laws.
- 4.2 The total number of new LHI Shares which may be made available under the ESOS shall not exceed in aggregate five percent (5%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any one time during the duration of the ESOS as provided in By-Law 5.3 hereof.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 4.3 Notwithstanding the provision of By-Law 4.2 hereof or any other provisions contained herein, in the event the maximum number of new LHI Shares comprised in the Options granted under the ESOS exceeds the aggregate of five percent (5%) of the number of issued shares (excluding treasury shares, if any) of LHI as a result of LHI purchasing its own Shares pursuant to Section 127 of the Act or LHI undertaking any other corporate proposal and thereby diminishing its number of issued shares, no further Options shall be offered until the total number of new LHI Shares to be issued under the ESOS falls below five percent (5%) of the Company's total number of issued shares (excluding treasury shares, if any). Any Options granted prior to the adjustment of the number of issued shares of LHI shall remain valid and exercisable in accordance with the provisions of these By-Laws.

5. DURATION, EXTENSION AND TERMINATION OF THE SCHEME

- 5.1 The ESOS shall come into force on the Effective Date, which shall be the date of full compliance on which the last of the following approvals and/or conditions have been obtained and/or complied with:
- (i) submission to Bursa Securities of the final copy of these By-Laws together with a letter of compliance pursuant to paragraph 6.42 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
 - (ii) approval or approval-in-principle, as the case may be, from Bursa Securities for the listing of and quotation for the new LHI Shares to be issued under the ESOS;
 - (iii) shareholders' approval for the ESOS at a general meeting;
 - (iv) approval of any other relevant authorities for the ESOS, if applicable; and
 - (v) fulfilment of all conditions attached to the above approvals, if any.
- 5.2 The Company shall through its Adviser submit no later than five (5) Market Days after the Effective Date, a confirmation letter to Bursa Securities of the full compliance of By-Law 5.1 hereof stating the Effective Date of the ESOS, together with a certified true copy of the relevant resolutions passed by the shareholders of the Company in the general meeting approving the ESOS.
- 5.3 The ESOS shall be in force for a period of five (5) years commencing from the Effective Date **PROVIDED ALWAYS THAT** on or before the expiry thereof, the Board shall have the sole and absolute discretion upon recommendation of the ESOS Committee, without the Company's shareholders' approval in a general meeting being required, to extend in writing the tenure of the ESOS for another five (5) years or such shorter period as it deems fit immediately from the expiry of the first five (5) years, **PROVIDED ALWAYS THAT** the ESOS shall not in aggregate exceed ten (10) years from the Effective Date or such longer period as may be allowed by the relevant authorities. Such renewed ESOS shall be implemented in accordance with the terms of these By-Laws set out herein, save for any amendments and/or changes to the relevant statutes and/or regulations currently in force. Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the ESOS provided that the Company shall serve appropriate notices to each Grantee and make any announcements to Bursa Securities (if required) within thirty (30) days prior to the expiry of the original ESOS.
- 5.4 Offers can only be made during the duration of the ESOS before the Date of Expiry, which date shall be at the end of the five (5) years from the Effective Date, or if the ESOS shall be extended, at the end of such extended term.
- 5.5 Notwithstanding anything to the contrary, all unexercised Options shall lapse after 5.00 p.m. on the Date of Expiry.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 5.6 Notwithstanding the provision of By-Law 5.3 hereof and subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities, the ESOS may be terminated by the Company at its sole and absolute discretion without obtaining the approvals or consents from the Grantees and/or the shareholders, by way of a board resolution upon the recommendation of the ESOS Committee at any time during the continuance of the ESOS whereupon such termination, (i) no further Offers shall be made by the ESOS Committee; (ii) all outstanding Options unexercised shall be automatically terminated; and (iii) all Offers made but not yet accepted by the Eligible Persons shall automatically lapse.
- 5.7 The Company shall immediately upon the termination of the ESOS before the Date of Expiry announce to Bursa Securities:
- (i) the effective date of termination;
 - (ii) the number of options exercised or shares vested; and
 - (iii) the reasons for termination.
- 5.8 Subject to the relevant approvals being obtained, the Company may implement a new employees' share option scheme after the expiration or termination of the ESOS pursuant to By-Law 5.6 hereof.

6. OFFER

- 6.1 The ESOS Committee may, at any time during the duration of the ESOS as defined in By-Law 5 hereof, make Offers in writing to any Eligible Person selected by the ESOS Committee which selection shall be at the sole and absolute discretion of the ESOS Committee.
- 6.2 The actual number of new LHI Shares which may be offered to an Eligible Person shall be at the sole and absolute discretion of the ESOS Committee and, subject to the Maximum Allowable Allotment as set out in By-Law 8 hereof and any adjustments that may be made under By-Law 15 hereof, shall not be less than one hundred (100) LHI Shares and shall always be in multiples of one hundred (100) LHI Shares.
- 6.3 The ESOS Committee shall state the following particulars in the letter of Offer:
- (i) the number of Options that are being offered to the Eligible Person;
 - (ii) the number of LHI Shares which the Eligible Person shall be entitled to subscribe for upon the exercise of the Options being offered;
 - (iii) the Option Period;
 - (iv) the Exercise Period;
 - (v) the Exercise Price;
 - (vi) the Offer Period as defined in By-Law 9.1 hereof;
 - (vii) the conditions which are required to be fulfilled by an Eligible Person prior to such Option becoming vested onto the Eligible Person including but not limited to service and/or performance criteria and number of Options exercisable for each year of continued service as set out in By-Law 11.1 ("**Vesting Conditions**"); and
 - (viii) any other information deemed necessary by the ESOS Committee.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 6.4 No Offer shall be made to any Director in an executive capacity in LHI or major shareholder of LHI or persons connected with them unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in a general meeting.

For the purpose of these By-Laws, "persons connected" with the Director in an executive capacity in LHI or major shareholder of LHI shall have the same meaning given in relation to persons connected with a director or major shareholder as defined in paragraph 1.01 of the Listing Requirements.

- 6.5 Without prejudice to By-Law 18 hereof, in the event of an error or omission on the part of the Company or the ESOS Committee in stating any of the particulars referred to in By-Law 6.3 hereof, the Company or the ESOS Committee shall, within one (1) month after discovery of the error or omission, do all such things and acts to rectify such error or omission and if necessary, issue a supplemental letter of Offer, stating the correct particulars referred to in By-Law 6.3 hereof.
- 6.6 Subject to By-Laws 4 and 8.3 hereof, nothing herein shall prevent the ESOS Committee from making more than one (1) Offer to any Eligible Person **PROVIDED ALWAYS THAT** the total aggregate Options offered to each Eligible Person (including Options already offered under previous Offers, if any) shall not exceed the Maximum Allowable Allocation of such Eligible Person at the time the subsequent Offer (if any) is made.
- 6.7 The ESOS Committee has the sole and absolute discretion not to make further additional Offers regardless of the amount of Available Balance.
- 6.8 The Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Eligible Person or the Eligible Person ceasing to be employed by LHI Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Person in the manner set out in By-Law 9 hereof.
- 6.9 An Offer may be made upon such terms and conditions as the ESOS Committee may decide from time to time. Each Offer shall be made in writing and is personal to the Eligible Person and is non-assignable and non-transferable.
- 6.10 After each adjustment following an alteration of the Company's share capital as stipulated in By-Laws 15.1 and 15.2 hereof and the Company informing the Grantee of such adjustment pursuant to By-Law 15.6 hereof, upon the return by a Grantee of the original letter of Offer to the Company, that letter of Offer shall be amended or a new letter of Offer shall be issued within one (1) month from the date of return of the original letter, to reflect the adjustment made to the number of Options granted to the Grantee and/or the Exercise Price.
- 6.11 The Company shall keep and maintain at its expense, a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allocation, the number of Options offered, the number of Options exercised, the Date of Offer and the Exercise Price.

7. ELIGIBILITY

- 7.1 An Employee or Executive Director who as at the Date of Offer, fulfils the following conditions shall be eligible to participate in the ESOS:
- (i) has attained eighteen (18) years of age;
 - (ii) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (iii) must have been confirmed in service and have served at least six (6) months in the employment of LHI Group;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (iv) where the Employee or Executive Director is under an employment contract, the contract is for a duration of at least one (1) year and shall have not expired within three (3) months from the Date of Offer; and
- (v) has fulfilled any other criteria as may be imposed by the ESOS Committee from time to time,

PROVIDED ALWAYS THAT the selection of any Eligible Person for participation in the ESOS shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. Notwithstanding the above, the ESOS Committee may, at its sole and absolute discretion, waive any of the eligibility conditions set out above.

The eligibility does not confer on an Eligible Person, a claim or right to participate or a right to claim or any rights whatsoever in the ESOS unless the ESOS Committee has made an Offer to the Eligible Person, the Eligible Person has accepted the Offer, and the Eligible Person has fulfilled the Vesting Conditions, in accordance with the terms of the Offer and these By-Laws.

7.2 Subject to the provisions of By-Law 25 hereof, no Eligible Person shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the LHI Group during the duration of the ESOS.

7.3 Subject to By-Law 4.2 hereof, in the event that the ESOS Committee has determined that certain Eligible Persons are entitled to be offered additional Options and the Available Balance is insufficient to grant their full additional entitlements, the Available Balance may be distributed on such basis as the ESOS Committee may determine.

8. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOTMENT

8.1 Subject to any adjustments as may be made under these By-Laws, the aggregate number of new LHI Shares that may be offered and allotted under the ESOS to any Eligible Person shall be determined by the ESOS Committee at its sole and absolute discretion, after taking into consideration, amongst others, the Eligible Person's position, ranking, performance, contribution, seniority, length of service, fulfilment of the eligibility criteria as referred to in By-Law 7 hereof or such other matters which the ESOS Committee may in its sole and absolute discretion deem fit, subject to, amongst others, the following:

- (i) the aggregate number of new LHI Shares to be issued pursuant to the exercise of the Options granted under the ESOS shall not exceed the Maximum Limit and the ESOS Committee shall not be obliged in any way to offer an Eligible Person the Options for all the specified maximum number of Shares the Eligible Person is entitled to under the ESOS;
- (ii) any Offer, allocation of Options under the ESOS and the related allotment of Shares to any Executive Directors, major shareholders or the chief executive officer of the Company and any person connected with them, shall require prior approval of the shareholders of the Company in a general meeting. The Executive Directors, major shareholders or chief executive officer of the Company and persons connected with them shall not vote on the resolution approving the said Offer, allocation and allotment;
- (iii) the Executive Directors and Senior Management shall not be allowed to participate in the deliberation or discussion of their respective allocation of Options and/or allocations of Options to persons connected with them under the ESOS;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (iv) not more than ten percent (10%) of the Shares available under the ESOS shall be allocated to any Eligible Person, who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) (or such other percentage as the relevant authorities may permit) or more of the number of issued shares (excluding treasury shares, if any) of the Company;
- (v) not more than fifty percent (50%) (or such other percentage as the relevant authorities may permit) of the Options available under the ESOS shall be allocated, in aggregate to the Executive Directors and Senior Management; and
- (vi) any performance target to be achieved before the Options can be granted and/or exercised by an Eligible Person shall be determined by the ESOS Committee.

For the avoidance of doubt, the ESOS Committee shall have sole and absolute discretion in determining whether the granting of the Options to the Eligible Persons will be based on staggered granting over the duration of the ESOS or in one (1) single grant. The ESOS Committee shall also have sole and absolute discretion in determining whether the Options granted are subject to any vesting period and if so the vesting conditions and whether such vesting conditions are subject to any performance targets.

For the purpose of these By-Laws, "persons connected" with the Eligible Person shall have the same meaning given in relation to persons connected with a director or major shareholder as defined in paragraph 1.01 of the Listing Requirements.

- 8.2 The allocation of Options pursuant to the ESOS shall be verified by the Audit Committee of the Company, as being in compliance with the criteria set out in these By-Laws (where relevant) at the end of each financial year of the Company.
- 8.3 A Grantee who is promoted during the duration of the ESOS may be eligible for consideration of new additional Shares under the ESOS at the sole and absolute discretion of the ESOS Committee up to the Maximum Allowable Allocation to be determined by the ESOS Committee for the category to which he/she has been promoted to. A Grantee who is demoted to a lower employment category for whatever reason shall only be entitled to the allocation of that lower category unless an Offer has been made and accepted by him/her before such demotion.
- 8.4 An Employee or Executive Director who during the duration of the ESOS becomes an Eligible Person may be eligible to participate in the ESOS, the number of new Shares of which is to be decided by the ESOS Committee at its sole and absolute discretion subject to any Maximum Allowable Allocation for the category to be determined by the ESOS Committee. Any Eligible Person holding more than one (1) position in the Group and thereby falling within more than one (1) category of Employees in the Group shall only be entitled to the Maximum Allowable Allocation of the higher category.

9. ACCEPTANCE OF THE OFFER

- 9.1 An Offer shall be valid for a period of thirty (30) calendar days from the Date of Offer or such longer period as the ESOS Committee at its sole and absolute discretion, determines on a case to case basis ("**Offer Period**"). Acceptance of the Offer by an Eligible Person shall be made by way of a written notice from the Eligible Person to the ESOS Committee in the form prescribed by the ESOS Committee and accompanied by the payment of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the acceptance of each Offer (regardless of the number of Shares comprised therein).

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 9.2 In the event that the Eligible Person fails to accept the Offer or pay the acceptance consideration as set out in By-Law 9.1 hereof within the Offer Period and in the manner aforesaid, the Offer shall be deemed to have lapsed. The Options comprised in such Offer may, at the discretion of the ESOS Committee, be re-offered to other Eligible Persons.

10. EXERCISE PRICE

Subject to any adjustments made under these By-Laws and pursuant to the Listing Requirements, the Exercise Price shall be:

- (i) in respect of any Offer which is made in conjunction with the listing of the Company, the Final Retail Price;
- (ii) in respect of any Offer which is made subsequent to the listing of the Company, as determined by the ESOS Committee and shall be based on the five (5)-day VWAMP of LHI Shares immediately preceding the Date of Offer, with a discount, if any, **PROVIDED ALWAYS THAT** such discount is not more than ten per cent (10%), if deemed appropriate, or such other percentage of discount as may be permitted by any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time during the Option Period.

For the purposes of By-Law 10 (i) above, "Final Retail Price" shall refer to the final price paid by investors for the Shares issued by the Company under its retail offering pursuant to its initial public offering, as determined in the manner described in the Company's prospectus for the said initial public offering.

The Exercise Price as determined in the manner set out above shall be conclusive and binding on the Grantee.

11. EXERCISE OF OPTIONS

- 11.1 Subject to By-Law 11.6 hereof and the terms and conditions of an Offer as mentioned in By-Law 6.9 hereof, the Options under the Offer can be exercised by the Grantee by written notice in the prescribed form to the Company during the Exercise Period in respect of all or any part of the LHI Shares comprised in the Options under the Offer, such part being in multiples of one hundred (100) LHI Shares. In the event that the balance of LHI Shares comprised in the Options of any Grantee is less than one hundred (100) LHI Shares, the said balance of the Options shall if exercised, be exercised in a single tranche.
- 11.2 Except where it is decided otherwise and announced by the ESOS Committee, an Option is exercisable by the Grantee only on a Market Day during the Option Period and while the Grantee remains an Eligible Person.

Except where it is decided otherwise and announced by the ESOS Committee:

- (i) The aggregate number of Shares which a Grantee can subscribe under his/her Options in a particular year of the Scheme (the first year to be calculated from the Effective Date and expiring 12 months after the Effective Date, and subsequent years shall be successive 12-month periods thereafter), shall at times be subject to a maximum of **twenty-five per cent (25%)** of the total number of Shares comprising the Options held by such Grantee, as follows:

Year of Scheme	Maximum percentage
Year 1	25%
Year 2	25%
Year 3	25%
Year 4	25%

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (ii) A Grantee may, in any one year, exercise his Option according to the maximum percentage stipulated in the table above. Subject to By-Law 11.7 hereof, if any Grantee does not wholly exercise his/her Options up to the maximum percentage allowed in a particular year, the remaining unexercised Options for any particular year will be accumulated to the said Grantee's entitlement in the following year.

11.3 Trust

- (i) The Company intends to establish a Trust to be administered by the Trustee for purposes of implementing the ESOS. The appointed Trustee shall administer the Trust in accordance with the Trust Deed, and shall in particular, be responsible for the administration of the ESOS.
- (ii) The Trustee shall open and maintain a Trust Account into which the Company and/or its Subsidiaries shall inject monies for the purposes of the ESOS, in particular to enable the Trustee to use the same to subscribe for LHI shares and to pay for expenses in relation to the administration of the Trust in accordance with these By-laws.
- (iii) Upon the Trustee receiving a written instruction from the ESOS Committee that a Grantee has elected to exercise his ESOS Option(s) pursuant to By-law 11.1, the Trustee shall utilise the monies in the Trust Account to subscribe for such number of new LHI Shares in respect of which the written instruction is given. The Grantee would not be required to make any payment in respect of the ESOS Option(s) exercised as the funding of the Exercise Price is provided by the Company (via the Trustee) to the Trust.
- (iv) The Company shall allot and issue the said LHI Shares which will be placed into a CDS Account of the Trustee or its authorised nominee.
- (v) Subject to there being sufficient monies in the Trust Account, the Trustee or its authorised nominee shall be irrevocably authorised and instructed to assist with the sale and transfer of such number of LHI Shares in respect of which the instruction is given, and the proceeds from the sale of the LHI Shares shall be credited into the Trust Account.
- (vi) The net gains from the sale of the said LHI Shares after deducting the exercise cost i.e. Exercise Price x number of LHI Shares (in respect of which the written instruction is given) and the related transaction costs, will be released to such Grantee. The balance of the proceeds, if any, will remain in the Trust Account and may be used by the Trustee towards subsequent subscription of shares and administration expenses. For purposes of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements and make rules, regulations or impose terms and condition or delegate part of its power relating to the administration of the Trust as the ESOS Committee may in its discretion direct for the implementation and administration of the Trust.
- (vii) The Board shall have power from time to time to appoint or rescind the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed.

- 11.4 The ESOS Committee shall ensure that there is sufficient monies in the Trust Account at all times to cater for the exercise of Options by the Grantees in accordance with these By-Laws.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 11.5 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service or are found to have had no basis or justification), the ESOS Committee shall have the right to suspend the Grantee's Options pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate at its sole and absolute discretion having regard to the nature of the charges made or brought against the Grantee **PROVIDED ALWAYS THAT:**
- (i) in the event that such Grantee shall subsequently be found not guilty of the charges which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the rights of such Grantee to exercise his Options;
 - (ii) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, all unexercised and partially exercised Options of the Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the Grantee, upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the Grantee in any other forum;
 - (iii) in the event the Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its sole and absolute discretion whether or not the Grantee may continue to exercise his Options or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise rights; and
 - (iv) in the event that no decision is made and/or disciplinary proceedings are not concluded prior to the expiry of the Exercise Period, the Options of such Grantee shall immediately lapse on the expiry of the Exercise Period without notice,
- and nothing herein shall impose any obligation of the ESOS Committee to enquire into or investigate the substantiveness and/or validity of such disciplinary proceeding(s) and the ESOS Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the ESOS Committee's exercise of or failure to exercise any of its rights under these By-Laws.
- 11.6 All Options to the extent unexercised on the expiry of the Exercise Period applicable thereto shall lapse.
- 11.7 Any failure to comply with the procedures specified by the ESOS Committee or to provide information as required by the Company, the ESOS Committee and/or the Trustee in the notice to exercise shall result in the notice to exercise being rejected at the discretion of the ESOS Committee. The ESOS Committee shall inform the Grantee of the rejection of the notice of exercise within ten (10) Market Days from the date of rejection and the Grantee shall not have deemed to have exercised his/her Options.
- 11.8 The Company, the Board, the ESOS Committee and the Trustee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities whatsoever and howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Shares or in procuring the relevant authorities to list and quote the Shares subscribed for by a Grantee or any delay in receipt or non-receipt by the Company of the notice to exercise the Options or for any errors in any Offers.
- 11.9 Every Option shall be subjected to the condition that no new LHI Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)**12. RIGHTS ATTACHING TO THE NEW LHI SHARES**

The new LHI Shares to be issued and allotted pursuant to the exercise of the Options in accordance with By-law 11 shall, upon issuance and allotment rank *pari passu* in all respects with the then existing LHI Shares, and be entitled to all rights (including voting, dividend, allotment, distribution, transfer, and other rights, including those arising on a liquidation of the Company), attaching to the then existing LHI Shares, save and except that the new LHI Shares so issued and allotted will not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared, made or paid, for which the Entitlement Date is prior to the date of allotment of such new LHI Shares.

Fractional entitlements (if any) will be disregarded and shall be dealt with in such manner as the Board shall in its sole and absolute discretion thinks expedient in the interest of the Company.

The new LHI Shares will be subject to all provisions of the Constitution of the Company as may thereafter be amended from time to time.

13. NON-TRANSFERABILITY

13.1 An Option is personal to the Grantee and subject to the provisions of By-Laws 14.1, 14.2, 14.3 and 14.5 hereof, it is exercisable only by the Grantee personally during his lifetime whilst he is in the employment in any company in the LHI Group.

13.2 An Option so granted shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee save and except in the event of the death of the Grantee as provided under By-Law 14.5 hereof. Any such transfer, assignment, disposal or encumbrance shall result in the automatic cancellation of the Option.

14. TERMINATION OF THE OPTION

14.1 In the event a Grantee ceases to be in the employment of LHI Group for whatever reason prior to the full exercise of the Options, such Options or the balance thereof, as the case may be, shall forthwith cease to be valid without any claim against the Company **PROVIDED ALWAYS THAT** the ESOS Committee may, at its sole and absolute discretion, by notice in writing, permit such Options to remain exercisable during the Exercise Period if such cessation occurs by reason of:

- (i) retirement on or after attaining the normal retirement age; or
- (ii) retirement before attaining the normal retirement age but with the consent of the relevant employer company within the LHI Group; or
- (iii) transfer to any company outside the LHI Group at the direction of the Company subject to the approval and/or ratification by the Board; or
- (iv) retrenchment; or
- (v) ill-health, injury, physical or mental disability; or
- (vi) any separation scheme implemented by the Company, provided that the affected Eligible Person shall exercise the Options prior to expiry of three (3) months from the date of the separation scheme; or
- (vii) any Director not being re-appointed during a general meeting of the Company, that Director shall exercise the Options prior to expiry of three (3) months from the date he/she ceased to be a Director; or
- (viii) any other circumstances which are acceptable to the ESOS Committee subject to the approval and/or ratification by the Board.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

Upon the termination of Options pursuant to the above, the Grantee shall have no right to compensation or damages or any claim against the Company for any loss of any right or benefit under the ESOS which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his/her ceasing to hold office or employment or from the suspension of his/her right to exercise his/her Options or his/her Options ceasing to be valid.

- 14.2 Unless otherwise agreed in writing by the ESOS Committee at its sole and absolute discretion, upon the resignation/cessation of the Grantee from his employment or directorship with the LHI Group (as the case may be), an Option shall lapse forthwith on the date the Grantee tenders his resignation. Any Option which lapses upon the resignation/cessation of the Grantee from his employment or directorship with the LHI Group (as the case may be), shall become available to be offered to other Eligible Persons, at the discretion of the ESOS Committee.
- 14.3 An Option shall immediately become void and of no further force and effect upon the Grantee being adjudicated a bankrupt.
- 14.4 In the event of the liquidation of the Company, all unexercised Options shall lapse.
- 14.5 Where a Grantee dies before the expiry of the Exercise Period, the whole or any part of the Options held by the Grantee that are unexercised may be exercised by the legal representatives of the Grantee in accordance with the terms and/or conditions as set out by the ESOS Committee **PROVIDED ALWAYS THAT** no Option shall be exercised after the expiry of the Exercise Period.

15. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

15.1 Subject to By-Law 15.3 hereof, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of LHI Shares or reduction of capital or any other variation of capital, the Company shall cause such adjustments to be made to:

- (i) the number of Options granted to a Grantee (excluding Options already exercised);
- (ii) the Exercise Price;
- (iii) the number of Options and/or Exercise Price comprised in an Offer which is open for acceptance (but has yet to be accepted in accordance with the terms and conditions of the Offer and the ESOS),

for purposes of ensuring that the capital outlay to be incurred by a Grantee in subscribing for the same proportion of the issued capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment (i.e not taking into account Options already exercised) shall remain unaffected.

- 15.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 15.1 hereof:
- (i) any adjustment to the Exercise Price shall be rounded up to the nearest one (1) sen; and
 - (ii) in determining a Grantee's entitlement to subscribe for new LHI Shares, any fractional entitlements will be disregarded.
- 15.3 By-Law 15.1 hereof shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (i) an issue of new LHI Shares or other securities convertible into LHI Shares or rights to acquire or subscribe for LHI Shares in consideration or part consideration for an acquisition of any other securities, assets or business;
 - (ii) a special issue of new LHI Shares approved by the relevant governmental authorities;
 - (iii) a private placement/restricted issue of new LHI Shares by the Company;
 - (iv) an issue of new LHI Shares arising from the exercise of any conversion rights attached to securities convertible to LHI Shares or upon exercise of any other rights including warrants and/or convertible loan stocks (if any) issued by the Company;
 - (v) an issue of new LHI Shares upon the exercise of Options pursuant to the ESOS;
 - (vi) an issue of further Options to Eligible Persons under these By-Laws; and
 - (vii) a share buy-back arrangement by the Company, pursuant to Section 127 of the Act. In this event, the following provisions shall apply:
 - (a) if the number of LHI Shares in respect of the Options granted by the Company as at the date of designation of the LHI Shares so purchased as treasury shares or cancellation of such Shares is greater than fifteen percent (15%) of the total number of issued shares of the Company after such designation or cancellation, the ESOS Committee shall not make any further Offers; and
 - (b) if the number of LHI Shares in respect of the Options granted by the Company as at the date of designation of the LHI Shares so purchased as treasury shares or cancellation of such Shares is less than fifteen percent (15%) of the total number of issued shares of the Company after such designation or cancellation, the ESOS Committee may make further Offers only until the total number of Options granted by the Company is equivalent to fifteen percent (15%) of the total number of issued shares of the Company after such designation or cancellation.
- 15.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Division 7 of the Act, By-Law 15.1 hereof shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 hereof is applicable, but By-Law 15.1 hereof shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 hereof is not applicable as described in By-Law 15.3 hereof.
- 15.5 In the event the Court sanctions a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme for reconstruction of the Company under Section 366 of the Act or its amalgamation with any other company or companies under Section 366 of the Act any Options should remain exercisable by the Grantee at any time and from time to time in the period commencing with the date upon which the compromise or arrangement is sanctioned by the Court and ending with the date upon which it becomes effective or within the Exercise Period, whichever expires first. Upon the compromise or arrangement becoming effective, all Options, to the extent unexercised shall automatically lapse and shall become null and void.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- 15.6 An adjustment pursuant to By-Law 15.1 hereof shall be made according to the following terms:
- (i) in the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the Entitlement Date in respect of such issue; or
 - (ii) in the case of a consolidation or subdivision of LHI Shares or reduction of capital, on the Market Day immediately following the date such consolidation, subdivision or reduction shall become effective.

Upon any adjustment being made, the ESOS Committee shall within thirty (30) days from the adjustment date give notice in writing to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

All adjustments other than a bonus issue must be confirmed in writing by an approved company auditor of the Company or such other persons as allowed by Bursa Securities (who shall act as an expert and not as an arbitrator), to be in his/her opinion fair and reasonable. For the purpose of these By-Laws, an approved company auditor shall have the meaning given in Section 2(1) of the Act.

- 15.7 All adjustments made pursuant to By-Law 15 shall be final and binding.
- 15.8 The Company shall ensure that any adjustments made must be in compliance with the provisions for adjustment as provided in By-Law 15.9 hereof.
- 15.9 In addition to By-Law 15.1 hereof and not in derogation thereof, the Exercise Price and the number of Options so far unexercised shall from time to time be adjusted, calculated or determined by the ESOS Committee and certified by an approved company auditor of the Company or such other persons as allowed by Bursa Securities in accordance with the following relevant provisions in consultation with the Adviser and/or the external auditor:
- (i) If and whenever a consolidation or subdivision or conversion of LHI Share occurs, the Exercise Price and/or the additional number of Options to be issued shall be adjusted, calculated or determine in accordance with the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{A}{B} \right]$$

$$\text{Number of additional Options} = T \times \left[\frac{B}{A} \right] - T$$

Where:

S = existing Exercise Price;

A = the aggregate number of issued LHI Shares immediately before such consolidation, subdivision or conversion;

B = the aggregate number of new LHI Shares after such consolidation, subdivision or conversion; and

T = existing number of Options held.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

Each such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective (being the date when the LHI Shares are traded on Bursa Securities), or such period as may be prescribed by Bursa Securities.

- (ii) If and whenever the Company shall make any issue of LHI Shares to ordinary shareholders by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{A}{A + B} \right]$$

and the number of additional Options to be issued shall be calculated as follows:

$$\text{Number of additional Options} = T \times \left[\frac{A+B}{A} \right] - T$$

Where:

- A = the aggregate number of issued LHI Shares immediately before such bonus issue or capitalisation issue;
- B = the aggregate number of new LHI Shares to be issued pursuant to any allotment to ordinary shareholders of the Company by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund);
- S = as S in By-Law 15.9(i) hereof; and
- T = as T in By-Law 15.9(i) hereof.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (iii) If and whenever the Company shall make:
- (a) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (b) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for LHI Shares by way of rights; or
 - (c) any offer or invitation to its ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into LHI Shares or securities with rights to acquire or subscribe for LHI Shares,

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

then and in respect of each such case, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{C - D}{C} \right]$$

and in respect of the case referred to in By-Law 15.9(iii)(b) and (iii)(c) hereof, the number of additional Options to be issued shall be calculated as follows:

$$\text{Number of additional Options} = T \times \left[\frac{C}{C - D^*} \right] - T$$

Where:

S = as S in By-Law 15.9(i) hereof;

T = as T in By-Law 15.9(i) hereof;

C = the prevailing market price of each Share at the close of business on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation;

D = (A) in the case of an offer or invitation to acquire or subscribe for LHI Shares by way of rights under By-Law 15.9(iii)(b) hereof or for securities convertible into LHI Shares or securities with rights to acquire or subscribe for LHI Shares under By-Law 15.9(iii)(c) hereof, the value of rights attributable to one (1) LHI Share (as defined below); or

(B) in the case of any other transaction falling within By-Law 15.9(iii) hereof, the fair market value, as determined by an auditor of the Company, of that portion of the Capital Distribution attributable to one (1) LHI Share.

For the purpose of definition (A) of D above, the "value of the rights attributable to one (1) LHI Share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

C = as C in By-Law 15.9(iii) hereof;

E = the subscription price for one (1) additional LHI Share under the terms of such offer or invitation or subscription price for one (1) additional LHI Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) LHI Share under the offer or invitation; and

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

F = the number of LHI Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional LHI Share or security convertible into rights to acquire or subscribe for one (1) additional LHI Share.

D* = the value of rights attributable to one (1) LHI Share (as defined below).

For the purpose of definition D* above, the "value of rights attributable to one (1) LHI Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = as C in By-Law 15.9(iii) hereof;

E* = the subscription price for one (1) additional LHI Share under the terms of such offer or invitation to acquire or subscribe for LHI Shares; and

F* = the number of LHI Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional LHI Share.

For the purpose of By-Law 15.9(iii) hereof, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of LHI Shares (not falling under By-Law 15.9(ii) hereof) or other securities issued by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or capital redemption reserve fund).

Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders of LHI as shown in the audited consolidated profit and loss accounts of the Company.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transactions.

- (iv) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.9(ii) hereof and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 15.9(iii)(b) or (c) hereof and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H \times I)}{(G + H + B) \times C} \right]$$

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

and where the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.9(ii) hereof and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 15.9(iii)(b) hereof and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional Options to be issued shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

B = as B in By-Law 15.9(ii) hereof;

C = as C in By-Law 15.9(iii) hereof;

G = the aggregate number of issued LHI Shares on the Entitlement Date;

H = the aggregate number of new LHI Shares under an offer or invitation to acquire or subscribe for LHI Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into LHI Shares or rights to acquire or subscribe for LHI Shares, as the case may be;

H* = the aggregate number of new LHI Shares under an offer or invitation to acquire or subscribe for LHI Shares by way of rights;

I = the subscription price of one (1) additional LHI Share under an offer or invitation to acquire or subscribe for LHI Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional LHI Share, as the case may be;

I* = the subscription price of one (1) additional LHI Share under the offer or invitation to acquire or subscribe for LHI Shares;

S = as S in By-Law 15.9(i) hereof; and

T = as T in By-Law 15.9(i) hereof.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (v) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for LHI Shares as provided in By-Law 15.9(iii)(b) hereof together with an offer or invitation to acquire or subscribe for securities convertible into LHI Shares or rights to acquire or subscribe for LHI Shares as provided in By-Law 15.9(iii)(c) hereof, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C} \right]$$

and the number of additional Options to be issued shall be calculated in the following manner:

$$\text{Number of Additional Options} = T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

Where:

- C = as C in By-Law 15.9(iii) hereof;
- G = as G in By-Law 15.9(iv) hereof;
- H = as H in By-Law 15.9(iv) hereof;
- H* = as H* in By-Law 15.9(iv) hereof;
- I = as I in By-Law 15.9(iv) hereof;
- I* = as I* in By-Law 15.9(iv) hereof;
- J = the aggregate number of LHI Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for LHI Shares by the ordinary shareholders;
- K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional LHI Share;
- S = as S in By-Law 15.9(i) hereof; and
- T = as T in By-Law 15.9(i) hereof.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (vi) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.9(ii) hereof and also makes an offer or invitation to acquire or subscribe for LHI Shares to its ordinary shareholders as provided in By-Law 15.9(iii)(b) hereof, together with rights to acquire or subscribe for securities convertible into LHI Shares or with rights to acquire or subscribe for LHI Shares as provided in By-Law 15.9(iii)(c) hereof, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C} \right]$$

and the number of additional Options to be issued shall be calculated in the following manner:

$$\text{Number of Additional Options} = T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

- B = as B in By-Law 15.9(ii) hereof;
- C = as C in By-Law 15.9(iii) hereof;
- G = as G in By-Law 15.9(iv) hereof;
- H = as H in By-Law 15.9(iv) hereof;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

H* = as H* in By- Law 15.9(iv) hereof;

I = as I in By- Law 15.9(iv) hereof;

I* = as I* in By- Law 15.9(iv) hereof;

J = as J in By- Law 15.9(v) hereof;

K = as K in By- Law 15.9(v) hereof;

S = as S in By- Law 15.9(i) hereof; and

T = as T in By- Law 15.9(i) hereof.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (vii) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of LHI and requiring an adjustment under By-Laws 15.9(iii)(b), (iii)(c), (iv), (v) or (vi) hereof), the Company shall issue either any LHI Shares or any securities convertible into LHI Shares or any rights to acquire or subscribe for LHI Shares, and in any such case, the Total Effective Consideration per LHI Share (as defined below) is less than ninety per cent (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the LHI Shares will be issued and/or transferred upon conversion of such securities or exercise of such rights is determined, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{L + M}{L + N} \right]$$

Where:

L = the number of LHI Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of LHI Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses);

N = the aggregate number of LHI Shares so issued or, in the case of securities convertible into LHI Shares or rights to acquire or subscribe for LHI Shares, the maximum number (assuming no adjustment of such rights) of LHI Shares issuable upon full conversion of such securities or the exercise in full of such rights; and

S = as S in By-Law 15.9(i) hereof.

For the purpose of By-Law 15.9(vii), the "Total Effective Consideration" shall be determined by the Board with the concurrence of an external auditor of the Company and shall be:

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (a) in the case of the issue of LHI Shares, the aggregate consideration receivable by the Company on payment in full for such LHI Shares; or
- (b) in the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (c) in the case of the issue by the Company of securities with rights to acquire or subscribe for LHI Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and "Total Effective Consideration per LHI Share" shall be the Total Effective Consideration divided by the number of LHI Shares issued as aforesaid or, in the case of securities convertible into LHI Shares or securities with rights to acquire or subscribe for LHI Shares, by the maximum number of LHI Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 15.9(vii), the Average Price of a LHI Share shall be the average price of one (1) LHI Share as derived from the last dealt prices for one (1) or more board lots of LHI Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such LHI Shares is determined.

Each such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day next following the date on which the issue is announced, or (failing any such announcement) on the Market Day next following the date on which the Company determines the offering price of such LHI Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately following the date of the completion of the above transaction.

For the purposes of By-Law 15.9(iii), (iv), (v) and (vi) the current market price in relation to one (1) existing LHI Shares for any relevant day shall be the VWAMP for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

- (viii) The foregoing provisions on adjustment of the Exercise Price shall be subject to the following:
 - (a) On any such adjustment the resultant Exercise Price shall be rounded up to the nearest one (1) sen and in no event shall any adjustment involve an increase in the Exercise Price or reduce the number of Options so far as unexercised to which the Grantee is already entitled to;
 - (b) No adjustment shall be made to the Exercise Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of "would be less than one (1) sen" or the number of Options so far as unexercised is less than one (1) Option and any adjustment that would otherwise be required then to be made will not be carried forward;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (c) If an event giving rise to any such adjustment shall be capable of falling within any two (2) or more of paragraphs (i) to (ii) of By-Law 15.1 hereof (both inclusive) or if such event is capable of giving rise to more than one (1) adjustment, the adjustment shall be made in such manner as the Directors of the Company and the external auditor of the Company may agree;
- (d) If for any reason an event giving rise to an adjustment to the Exercise Price and/or the number of Options so far as unexercised to which a Grantee may be entitled to is cancelled, revoked or not completed, the adjustment shall not be required to be made or shall be reversed with effect from such date and in such manner as the Directors of the Company and the external auditor of the Company may agree;
- (e) In any circumstances where the Board considers that adjustments to the Exercise Price and/or the number of Options so far as unexercised as provided for hereunder should be made or should not be made or should be calculated on a different basis or different date, the Company may appoint the external auditors of the Company or Adviser to consider whether for any reasons whatsoever (to the extent permissible by the Listing Requirements or any other relevant regulations) the adjustment calculation or determination to be made (or the absence of an adjustment calculation or determination) is appropriate or inappropriate as the case may be. If such external auditor or Adviser shall consider the adjustment calculation or determination to be inappropriate, the adjustment shall be modified or nullified (or an adjustment calculation or determination made even though not required to be made) in such manner as may be considered by such external auditors or Adviser to be appropriate;
- (f) If the Board and the external auditors of the Company or Adviser are unable to agree upon any adjustment required under these provisions, the Board shall refer the adjustment to the decision of another external auditor or Adviser; and
- (g) In making adjustments hereunder, the other external auditor or Adviser (as the case may be) shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decisions shall be conclusive and binding on all person having an interest in the Options.

16. LISTING OF AND QUOTATION FOR NEW SHARES

If at the time of allotment of the new LHI Shares pursuant to the exercise of the Options, the then existing issued ordinary shares of the Company are quoted on Bursa Securities, the Company shall make an application to Bursa Securities within eight (8) Market Days after the receipt of the notice of exercise and remittance from the Grantee or such other period as may be prescribed by Bursa Securities, for the listing of and quotation for such new LHI Shares and use its best endeavours to obtain such approval unless a blanket approval for the listing of and quotation for the new LHI Shares arising from the ESOS has been obtained.

17. RETENTION PERIOD

The new LHI Shares to be allotted and issued to Grantees pursuant to the exercise of the Options under the ESOS may be dealt with or disposed of by such Grantees who will not be subject to any retention period.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)**18. ADMINISTRATION**

- 18.1 This ESOS shall be administered by the ESOS Committee comprising such number of Directors and/or Senior Management personnel as shall be appointed by the Board from time to time. The ESOS Committee shall, subject to these By-Laws administer the ESOS and regulate the ESOS Committee's own proceedings in such manner as it shall think fit.
- 18.2 Without limiting the generality of By-Law 18.1 hereof, the ESOS Committee may, for the purpose of administering the ESOS, do all acts and things, rectify any errors in its Offers, recommend to the Board to establish, amend and revoke rules and regulations relating to the ESOS and its administration, execute all documents and delegate any of its powers and duties relating to the ESOS as it may in its discretion consider to be necessary or desirable for giving effect to the ESOS.
- 18.3 The Board shall have power at any time and from time to time to rescind the appointment of any person in the ESOS Committee as it shall deem fit and may appoint replacement members to the ESOS Committee.
- 18.4 The Board shall have the power to determine all matters pertaining to the ESOS Committee, including without limitation setting the terms of reference for the ESOS Committee, composition, duties, powers and limitations. The Board is entitled at any time and from time to time to change the terms of reference of the ESOS Committee.

19. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

- 19.1 Subject to the compliance with the Listing Requirements and any laws and/or regulations of other relevant authorities, the ESOS Committee may at any time and from time to time recommend to the Board any additions or amendments to or deletions of these By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, amend or delete all or any of these By-Laws upon such recommendation **PROVIDED ALWAYS THAT** no additions or amendments to or deletions of these By-Laws shall be made which will:
- (i) prejudice any rights then accrued to any Grantee without the prior consent or sanction of that Grantee; or
 - (ii) increase the number of LHI Shares available under the ESOS beyond the maximum imposed by By-Law 4.2 hereof; or
 - (iii) alter to the advantage of any Eligible Person in respect of any matters which are required to be contained in these By-Laws by virtue of Appendix 6E of the Listing Requirements, without the prior approval of the Company's shareholders in a general meeting unless allowed otherwise by the provisions of the Listing Requirements.
- 19.2 Any amendments/modifications to these By-Laws shall not contravene any of the provisions of the guidelines on employees' share option schemes as stipulated under the Listing Requirements and/or by any other relevant regulatory authority in relation to ESOS.
- 19.3 Upon amending and/or modifying all or any of the provisions of the ESOS, the Company shall within five (5) Market Days, submit a confirmation letter to Bursa Securities for the amendments made, that the said amendment and/or modification complies and does not contravene any of the provisions of the Listing Requirements pertaining to ESOS pursuant to paragraph 2.12 of the Listing Requirements. In such event, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make all necessary announcements to Bursa Securities in respect of such amendments and/or modifications.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)**20. DISPUTES**

In the event of any dispute or difference arising between the ESOS Committee and an Eligible Person or a Grantee, as to any matter or thing of any nature arising hereunder, the ESOS Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) to the Eligible Person or the Grantee, as the case may be **PROVIDED ALWAYS THAT** where the dispute or difference is raised by a member of the ESOS Committee, the said member shall abstain from voting in respect of the decision of the ESOS Committee in that instance. The said decision shall be final and binding on the parties unless the Eligible Person or the Grantee, as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen (14) calendar days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the Board, whose decision shall be final and binding in all respects.

21. SCHEME NOT A TERM OF EMPLOYMENT

The ESOS shall not form part of or constitute or in any way be construed as a term or condition of employment of any employee. The ESOS shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the LHI Group under which the Eligible Person is employed or any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment.

22. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the administration and management of the ESOS including but not limited to the fees, costs and expenses relating to the Trust and the allotment and issuance of new LHI Shares pursuant to the exercise of the Options shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs (including any taxes and stamp duty) and expenses incurred in relation to his/ her acceptance and exercise of the Options (including all brokerage fees, commission and such other incidental costs arising from the sale of the shares).

23. CONSTITUTION

Notwithstanding the terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Constitution of the Company, the provisions of the Constitution of the Company shall prevail at all times.

24. INSPECTION OF AUDITED FINANCIAL STATEMENTS

All Grantees are entitled to inspect the latest audited financial statements of the Company during the normal business hours on any working day at the registered office of the Company.

25. TRANSFER FROM OTHER COMPANIES TO THE LHI GROUP

In the event that:

- (i) an executive director or employee who was employed in a company related to but not within the LHI Group and is subsequently transferred from such company to any company within the LHI Group; or
- (ii) an executive director or employee who was in the employment of a company which subsequently becomes a company within the LHI Group as a result of a restructuring exercise or otherwise involving LHI and/or any company within the LHI Group;

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

(the first mentioned company in (i) and (ii) above are hereinafter referred to as the “**Previous Company**”), such an executive director or employee of the Previous Company (“**the Affected Director/Employee**”), subject to By-Law 7 hereof, will:

- (i) be entitled to continue to exercise all such unexercised Option(s) which were granted to him under the Previous Company's employees' share option scheme (“**Previous Company's ESOS**”) in accordance with the by-laws of the Previous Company's ESOS but he shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further options of such Previous Company's ESOS; and/or
- (ii) be eligible to participate in the ESOS only for the remaining duration of the ESOS, subject to the ESOS Committee's approval; and/or
- (iii) if the Affected Director/Employee had participated in the Previous Company's ESOS, the number of new LHI Shares to be offered to such Affected Director/Employee under the ESOS shall be subject to the sole and absolute discretion of the ESOS Committee.

26. DIVESTMENT FROM THE LHI GROUP

If a Grantee who was in the employment of a company in the LHI Group, which was subsequently divested wholly, or in part, from the LHI Group, resulting in such company no longer be a subsidiary of LHI pursuant to Section 4 of the Act, then such Grantee:

- (i) notwithstanding such divestment and subject to the provisions of By-Laws 11 and 14.2 hereof will be entitled to continue to exercise all such unexercised Options which were granted to him under the ESOS within a period of three (3) months from the date of completion of such divestment or within the Exercise Period, whichever ends earlier, failing which the right of such Grantee to subscribe for that number of the new LHI Shares or any part thereof granted under such unexercised Options shall automatically lapse and be null and void and of no further force and effect; and
- (ii) shall not be eligible to participate for further Options under the ESOS.

For the avoidance of doubt, where the Grantee was in the employment of a company in the LHI Group and that company was subsequently partially divested but remained as a subsidiary of LHI pursuant to Section 4 of the Act, then such Grantee shall continue to be entitled to all his/her rights in relation to the unexercised Options and he/she shall be eligible for further participation of the Options under the ESOS.

27. TAKE-OVER AND MERGERS

Notwithstanding By-Law 11 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant regulatory authorities, in the event of:

- (i) a take-over offer being made for the Company, under the Rules on Take-overs, Mergers and Compulsory Acquisitions, to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over offer (“**Offeror**”) or any persons acting in concert with the Offeror), any unexercised Options shall remain in force and be exercisable until the expiry of the Exercise Period applicable thereto; and

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of new LHI Shares under the provisions of the Capital Markets and Services Act, 2007 (or other legislation applicable at the point of time), and gives notice to the Company and Grantee that it intends to exercise such right on a specific date, a Grantee will be entitled to exercise any unexercised Options from the date of service of the said notice until and inclusive of the date on which the right of compulsory acquisition is exercised **PROVIDED ALWAYS THAT** any Options to the extent unexercised after the date on which the right of compulsory acquisition is exercised shall lapse and immediately cease to have any effect.

28. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEMES

- 28.1 Subject to the approval of the relevant authorities and compliance with the requirements of the relevant authorities, the Company may establish a new employees' share option scheme after the Date of Expiry if the ESOS is not renewed or after termination of the ESOS pursuant to By-Law 5.6 hereof. Where the ESOS has been renewed (in accordance with By-Law 5.3 hereof), a new employees' share option scheme may be established upon expiry of the renewed ESOS, if any.
- 28.2 The Company may establish more than one (1) employees' share option scheme during the duration of the ESOS as provided in By-Law 5.3 hereof provided always that the aggregate number of Shares available under all the employees' share option schemes does not exceed fifteen percent (15%), or any other percentage as may be allowed by Bursa Securities, of the total number of issued shares of the Company (excluding treasury shares) at any point in time.

29. NO COMPENSATION

- 29.1 A Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the ESOS which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 29.2 No Eligible Person or Grantee or legal personal representatives shall bring any claim, action or proceeding against the Company or the Board, the ESOS Committee, the Trustee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Options or his Options ceasing to be valid pursuant to the provisions of these By-Laws, as may be amended from time to time in accordance with By-Law 19 hereof or termination of the ESOS in accordance with By-Law 5 hereof.

30. TAXES

All taxes (including income tax), if any, arising from the exercise of any Option under the ESOS shall be borne by the Grantee.

31. WINDING UP

In the event of a members' voluntary winding-up and a resolution is passed for the winding-up or liquidation of the Company, all unexercised Options shall automatically lapse and be null and void and of no further force and effect from the date of the members' resolution for such winding-up or liquidation of the Company.

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

In the event a petition is presented in Court for the winding-up or liquidation of the Company, all rights to exercise the Options shall automatically be suspended from the date of the presentation of the petition. If a court order winding-up the Company pursuant to the petition for winding-up is made, all unexercised Options shall automatically lapse and be null and void and of no further force and effect from the date of the court order. Conversely, if the petition for winding-up is dismissed by the Court, the right to exercise the Options shall accordingly be unsuspended.

32. RIGHTS OF A GRANTEE

The Options shall not carry any rights to vote at any general meeting of the Company. The Grantee shall not in any event be entitled to any dividends, rights or other entitlements on his unexercised Options.

33. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

34. GOVERNING LAW AND JURISDICTION

34.1 The ESOS shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the Options in accordance with these By-Laws and terms of the ESOS, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

34.2 In order to facilitate the making of any Offer under the ESOS, the Board may provide for such special terms to the Eligible Person(s) who are employed by any corporation in the Group in a particular jurisdiction as the Board may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The Board may further approve such supplements to or amendments, restatements or alternative versions of the ESOS as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the ESOS as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the ESOS. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of the ESOS, as then in effect, unless the ESOS has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Eligible Person(s) pursuant to the ESOS shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.

35. NOTICE

35.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the ESOS shall be in writing and shall be deemed to be sufficiently given:

- (i) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his address, such notice shall be deemed to have been received three (3) Market Days after posting; or
- (ii) if it is given by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; or

ANNEXURE C: BY-LAWS FOR THE ESOS (Cont'd)

- (iii) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company and the ESOS Committee.

- 35.2 Any notification or other notice required to be given to the Company or the ESOS Committee shall be properly given if sent by registered post or delivered by hand to the Company at its business address or any other address which may be notified in writing by the ESOS Committee from time to time.

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**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018**

The Board of Directors of Leong Hup International Berhad (“LHI”) is pleased to append the following unaudited consolidated financial information of LHI and its subsidiaries (“LHI Group” or “Group”) for the financial year ended (“FYE”) 31 December 2018 which should be read in conjunction with the explanatory notes on page D-1 to D-26.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Unaudited	Audited
		31.12.2018	31.12.2017
		RM'000	RM'000
Revenue		5,746,572	5,501,364
Other income		30,796	29,953
Change in biological assets		38,622	18,795
Change in closing inventories		64,226	(7,509)
Purchases of inventories and livestock		(4,042,214)	(3,835,415)
Employee benefit costs including Directors' remuneration		(523,771)	(504,176)
Depreciation of:			
Property, plant and equipment		(189,671)	(188,892)
Investment properties		(253)	(255)
Amortisation of:			
Land use rights		(6,840)	(7,124)
Intangible assets		(347)	(2,855)
Utilities costs		(136,723)	(130,879)
Repair and maintenance		(73,925)	(62,244)
Transportation expenses		(91,376)	(80,298)
Other expenses		(357,613)	(346,482)
Profit from operations	17	457,483	383,983
Finance costs		(109,494)	(92,184)
Share of profit of associates		586	468
Profit before tax		348,575	292,267
Tax expense	18	(101,822)	(44,859)
Net profit for the financial year		246,753	247,408

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Cont'd)

		Unaudited	Audited
		31.12.2018	31.12.2017
	Note	RM'000	RM'000
Other comprehensive loss:			
Items that will be subsequently reclassified to profit or loss:			
Currency translation differences		(20,008)	(104,944)
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of post-employment benefit obligation		3,932	(2,917)
Income tax relating to remeasurement of post-employment benefit obligation		(906)	625
		3,026	(2,292)
Other comprehensive loss for the financial year		(16,982)	(107,236)
Total comprehensive income for the financial year		229,771	140,172
Profit for the financial year attributable to:			
Equity holders of the Company		186,185	192,573
Non-controlling interests		60,568	54,835
		246,753	247,408
Total comprehensive income attributable to:			
Equity holders of the Company		175,520	109,989
Non-controlling interests		54,251	30,183
		229,771	140,172
Basic and diluted earnings per share (sen)	24	5.48	5.66

The unaudited consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to this unaudited consolidated financial information for the FYE 31 December 2018 and LHI Group's latest annual audited financial statements for the FYE 31 December 2017 included in the Accountants' Report in Section 13 of the Prospectus (as defined below).

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unaudited	Audited
		31.12.2018	31.12.2017
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,216,811	2,045,801
Investment properties		22,304	22,557
Land use rights		157,620	141,710
Intangible assets		97,273	106,475
Investment in associates		1,715	1,633
Derivative financial assets	22	823	-
Deferred tax assets		59,629	64,457
Tax recoverable		19,928	28,271
Total non-current assets		2,576,103	2,410,904
Current assets			
Biological assets		349,574	313,270
Inventories		575,623	516,833
Trade receivables		649,207	563,990
Other receivables, deposits and prepaid expenses		176,269	132,085
Amount due from ultimate holding company		21,435	20,331
Amounts due from fellow subsidiaries		1,568	725
Derivative financial assets	22	356	-
Tax recoverable		25,002	16,928
Cash and bank balances		458,858	502,411
Total current assets		2,257,892	2,066,573
TOTAL ASSETS		4,833,995	4,477,477
EQUITY AND LIABILITIES			
Equity			
Share capital		1,230,132	1,230,132
Merger reserve		(658,787)	(658,787)
Reserves		730,496	614,300
Equity attributable to owners of the Company		1,301,841	1,185,645
Non-controlling interests		463,587	456,377
Total equity		1,765,428	1,642,022

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		Unaudited	Audited
		31.12.2018	31.12.2017
	Note	RM'000	RM'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		102,650	83,754
Finance lease liabilities	20	28,366	29,181
Bank borrowings	21	1,015,967	745,254
Post-employment benefits obligation		36,796	36,943
Total non-current liabilities		1,183,779	895,132
Current liabilities			
Trade payables		248,887	242,221
Other payables and accrued expenses		270,968	256,688
Amounts due to fellow subsidiaries		3,340	3,870
Finance lease liabilities	20	21,814	20,466
Bank borrowings	21	1,304,792	1,398,615
Derivative financial liabilities	22	2,391	1,136
Tax payable		32,596	17,327
Total current liabilities		1,884,788	1,940,323
TOTAL LIABILITIES		3,068,567	2,835,455
TOTAL EQUITY AND LIABILITIES		4,833,995	4,477,477

The unaudited consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to this unaudited consolidated financial information for the FYE 31 December 2018 and LHI Group's latest annual audited financial statements for the FYE 31 December 2017 included in the Accountants' Report in Section 13 of this Prospectus (as defined below).

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity attributable to owners of the company RM'000	Non-controlling interests RM'000	Total equity RM'000
Unaudited							
As at 1 January 2018	1,230,132	(658,787)	21,166	593,134	1,185,645	456,377	1,642,022
Comprehensive income:							
Net profit for the financial year	-	-	-	186,185	186,185	60,568	246,753
Other comprehensive income:							
Remeasurement of post-employment benefit obligation	-	-	-	3,315	3,315	(289)	3,026
Exchange translation differences	-	-	(9,302)	-	(9,302)	(6,028)	(15,330)
Recycling of exchange translation differences on disposal of subsidiary	-	-	(4,678)	-	(4,678)	-	(4,678)
Total other comprehensive income	-	-	(13,980)	3,315	(10,665)	(6,317)	(16,982)
Total comprehensive income	-	-	(13,980)	189,500	175,520	54,251	229,771
Transaction with owners:							
Dividends paid	-	-	-	(58,000)	(58,000)	(37,463)	(95,463)
Acquisition of non-controlling interests	-	-	-	(1,324)	(1,324)	(9,578)	(10,902)
As at 31 December 2018	1,230,132	(658,787)	7,186	723,310	1,301,841	463,587	1,765,428

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	348,575	292,267
Adjustments for:		
Expense recognised in respect of defined benefit plan	6,371	7,126
Depreciation of:		
- property, plant and equipment	189,671	188,892
- investment properties	253	255
Amortisation of:		
- land use rights	6,840	7,124
- intangible assets	347	2,855
Property, plant & equipment written off	2,428	1,997
Investment property written off	-	2
Bad debts written off	428	5
Gain on disposal of property, plant and equipment	(850)	(93)
(Gain)/loss on disposal of land use rights	(199)	490
Gain on disposal of a subsidiary	(78)	-
Unrealised loss on foreign exchange	596	350
Share of profits of associates	(586)	(468)
Write off of Value Added Tax receivable	9,837	-
Impairment loss on property, plant and equipment	-	1,483
Impairment loss on trade receivables	2,144	1,824
Reversal of impairment loss on other receivables	(119)	(1,682)
Fair value loss on derivative financial instruments	113	1,137
Interest income	(8,492)	(6,501)
Finance costs	109,494	92,184
Operating profit before working capital changes	<u>666,773</u>	<u>589,247</u>
Changes in working capital:		
Biological assets	(38,622)	(2,251)
Inventories	(64,226)	27,254
Receivables	(172,989)	(25,750)
Payables	50,351	12,117
Cash generated from operations	<u>441,287</u>	<u>600,617</u>
Income tax paid	(75,746)	(76,227)
Net cash flow from operating activities	<u>365,541</u>	<u>524,390</u>

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment from ultimate holding company	-	7,297
Repayment from related parties	27,045	-
Advances to related parties	(13,724)	(13,357)
Proceeds from disposal of:		
- property, plant and equipment	3,715	5,214
- land use rights	356	1,927
Dividend income received from an associate	504	456
Interest income received	7,388	6,501
Additions of:		
- property, plant and equipment	(363,707)	(336,140)
- investment properties	-	(51)
- land use rights	(25,834)	(31,939)
(Increase)/decrease in fixed deposits pledged	(2,986)	1,197
Acquisition of subsidiaries	-	(5,394)
Net cash inflow/(outflow) from disposal of subsidiaries	5,771	(2,373)
Net cash flow used in investing activities	(361,472)	(366,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(108,619)	(91,882)
Drawdown of long term loans	569,841	519,981
Repayment of long term loans	(270,118)	(220,032)
Net (repayment)/drawdown of short term borrowings	(128,910)	249,938
Repayment of finance lease liabilities	(25,313)	(13,288)
Acquisition of non-controlling interests	(10,902)	(458,184)
Dividends paid to:		
- shareholders	(58,000)	(38,400)
- non-controlling interests	(8,279)	(20,028)
Net cash flow used in financing activities	(40,300)	(71,895)
Net change in cash and cash equivalents	(36,231)	85,833
Effects of exchange translation differences	(807)	8,402
Cash and cash equivalents at the beginning of the financial year	427,424	333,189
Cash and cash equivalents at the end of the financial year	390,386	427,424

The unaudited consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to this unaudited consolidated financial information for the FYE 31 December 2018 and the LHI Group's latest annual audited financial statements for the FYE 31 December 2017 included in the Accountants' Report in Section 13 of this Prospectus (as defined below).

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

1. BASIS OF PREPARATION

The consolidated financial information of the LHI Group comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the FYE 31 December 2018, and selected explanatory notes ("**Consolidated Financial Information**").

The Consolidated Financial Information of the LHI Group has been prepared for inclusion as an annexure to the Prospectus of LHI in connection with the initial public offering of the ordinary shares in the Company ("**Shares**") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Prospectus**").

Accounting policy on recognition and measurement

The accounting policies on recognition and measurement adopted in this Consolidated Financial Information are consistent with those disclosed and adopted in the latest annual audited consolidated financial statements of the LHI Group for the FYE 31 December 2017, which has been prepared in accordance with Malaysian Financial Reporting Standards ("**MFRS**") and International Financial Reporting Standards.

Accounting policy on presentation of the consolidated financial information

The Consolidated Financial Information includes each of the headings and subtotals that were included in the latest annual audited consolidated financial statements of the LHI Group for the FYE 31 December 2017. Selected explanatory notes as identified by the Directors are included to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the LHI Group since the FYE 31 December 2017.

The Consolidated Financial Information for the FYE 31 December 2018 is unaudited. The unaudited Consolidated Financial Information for the FYE 31 December 2018 should be read in conjunction with the LHI Group's latest annual audited consolidated financial statements for the FYE 31 December 2017 which is included in the Accountants' Report of Section 13 of the Prospectus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The LHI Group has applied the following amendments for the first time for the financial period beginning on 1 January 2018:

- Amendments to MFRS 140 'Classification on 'Change in Use' - Assets transferred to, or from, Investment Properties'.
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of these amendments did not have any impact on the current period or any prior periods and is not likely to affect future periods.

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards early adopted by the Group

LHI Group has adopted MFRS for the first time in the financial year beginning 1 January 2017 with a date of transition on 1 January 2015. Accordingly, LHI Group has consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 January 2015 and throughout the reported periods since then. LHI Group has also elected to early adopt the following amendments in financial year beginning 1 January 2017 with date of transition on 1 January 2015 and applied these consistently throughout the reported periods since then.

- MFRS 9 'Financial Instruments' replaces MFRS 139 'Financial Instruments: Recognition and Measurement'.
- MFRS 15 'Revenue from contracts with customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

2.3 Standards and amendments that have been issued but not yet effective and not early adopted

- MFRS 16 'Leases'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- Amendments to MFRS 9 'Financial Instruments - Prepayment Features with Negative Compensation'
- Annual Improvements to MFRSs 2015 – 2017 Cycle'

The effects of adoption of the above new standards and amendments to standards and interpretation do not have a material effect on the financial statements of LHI Group. The effects of the adoption of MFRS 16 'Leases' are as follows:

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

LHI Group will apply the new standards from its mandatory adoption date of 1 January 2019, being the date of initial application ("DIA"). The Group intends to apply the simplified retrospective approach. Under this approach, the Group is not required to restate the comparatives and the MFRS 16 adjustments will be reflected in the opening retained earnings at DIA. At DIA, the Group will recognise and measure the lease liability at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at DIA. The Group will recognise and measure the right-to-use asset, on a lease-by-lease basis, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised immediately before DIA.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time using the effective interest method with interest expense recognised in the profit or loss.

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.(continued)

The estimated financial effect to the Group on the adoption of MFRS 16 at DIA are as follows:

- Total assets and total liabilities of the Group is expected to increase by approximately RM91 million respectively due to the recognition of right-of-use asset and lease liabilities relating to leases other than short-term leases and leases of low-value;
- Everything else held constant, the rental expense is expected to decrease by approximately RM14 million while the amortisation of right-of use asset and interest expense are expected to increase by approximately RM16 million, the net difference of approximately RM2 million for the FYE 31 December 2019 will not have material impact on the basic and diluted earnings per share of the Group;
- Everything else held constant, EBITDA of the Group is expected to improve by approximately RM14 million as the rental expense was charged against EBITDA line under MFRS 117, while the amortisation charge and interest expense will be excluded from the EBITDA line under MFRS 16.

3. SEASONAL AND CYCLICAL FACTORS

The Group's Feedmill Business (as described in explanatory note 8 below) is not subject to seasonal factors.

The Livestock Business (as described in explanatory note 8 below) is subject to certain seasonal factors, such as the weather, festive seasons and school holidays.

- *Weather:* whilst poultry grown in closed-houses are not affected by variations in the weather, poultry grown in open-houses are. When the weather is hotter, poultry tends to grow at a slower rate, thus reducing the supply to the market, and therefore increasing prices. By contrast, when the weather is cooler, poultry tends to grow at a faster rate, thus increasing the supply to the market, and therefore depressing prices. As such, the change in the weather has affected and will affect the production of the Group's Livestock Business.
- *Festive seasons:* typically, poultry consumption is higher during the festive seasons such, as Ramadan and Christmas and poultry consumption is lowest during the period immediately following Ramadan.
- *School holidays:* during school holidays we see an increase in sales in each of the jurisdictions where the group operate, other than in Singapore, where sales are slightly lower.

4. UNUSUAL ITEMS

There were no unusual items affecting the LHI Group's assets, liabilities, equity, net income or cash flows during the FYE 31 December 2018.

5. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the previous financial year that have a material effect on the results of the current financial year under review.

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

6. DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debts and equity securities, share buy-back and share cancellations for the FYE 31 December 2018.

7. DIVIDEND

During the FYE 31 December 2018, the Company paid a final single-tier dividend of RM60.73 per share on 955,370 ordinary shares, amounting to RM58,000,000 in respect of the FYE 31 December 2017.

No interim dividend was declared for the FYE 31 December 2018.

8. SEGMENT INFORMATION

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

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

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

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

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

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

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**

8. SEGMENT INFORMATION (CONTINUED)

	Livestock & poultry related products	Feedmill	Inter- segment elimination	Group
	RM'000	RM'000	RM'000	RM'000
<u>Unaudited</u> <u>31.12.2018</u>				
Revenue				
- external revenue	3,470,580	2,261,852	-	5,732,432
- inter-segment revenue	-	1,172,261	(1,172,261)	-
Revenue from sales of goods	3,470,580	3,434,113	(1,172,261)	5,732,432
Revenue from other sources				14,140
Total revenue				5,746,572
EBITDA				
Depreciation and amortisation	397,004	265,745	(8,155)	654,594
	(151,793)	(45,885)	567	(197,111)
	245,211	219,860	(7,588)	457,483
Share of profit of associates				586
Finance costs				(109,494)
Profit before taxation				348,575
Tax expense				(101,822)
Profit for the financial year				246,753
<u>Unaudited</u> <u>31.12.2018</u>				
Assets				
Segment assets	4,592,300	3,198,419	(3,023,958)	4,766,761
Unallocated assets:				
- investment properties				22,304
- tax recoverable				44,930
Total assets				4,833,995
Liabilities				
Segment liabilities	1,559,472	972,826	(1,867,266)	665,032
Unallocated liabilities:				
Borrowings and finance lease liabilities				2,370,939
Tax payable				32,596
Total liabilities				3,068,567
Other disclosures				
Capital expenditure *	343,705	106,165	(6,386)	443,484
Non-cash item (other than depreciation and amortisation)	13,285	6,372	(16,076)	3,581

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**

8. SEGMENT INFORMATION (CONTINUED)

	Livestock & poultry related products	Feedmill	Inter- segment elimination	Group
	RM'000	RM'000	RM'000	RM'000
<u>Audited</u> 31.12.2017				
Revenue				
- external revenue	3,349,534	2,137,805	-	5,487,339
- inter-segment revenue	-	1,306,325	(1,306,325)	-
Revenue from sales of goods	3,349,534	3,444,130	(1,306,325)	5,487,339
Revenue from other sources				14,025
Total revenue				5,501,364
EBITDA				
Depreciation and amortisation	382,291	234,465	(33,647)	583,109
	(145,959)	(44,618)	(8,549)	(199,126)
	236,332	189,847	(42,196)	383,983
Share of profit of associates				468
Finance costs				(92,184)
Profit before taxation				292,267
Tax expense				(44,859)
Profit for the financial year				247,408
<u>Audited</u> 31.12.2017				
Assets				
Segment assets	5,526,357	2,874,595	(3,991,231)	4,409,721
Unallocated assets:				
- investment properties				22,557
- tax recoverable				45,199
Total assets				4,477,477
Liabilities				
Segment liabilities	1,890,607	1,386,098	(2,652,093)	624,612
Unallocated liabilities:				
Borrowings and finance lease liabilities				2,193,516
Tax payable				17,327
Total liabilities				2,835,455
Other disclosures				
Capital expenditure*	331,052	63,206	(160)	394,098
Non-cash item (other than depreciation and amortisation)	16,202	1,736	3,949	21,887

* Includes capital expenditure in respect of property, plant and equipment and land use rights.

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

8. SEGMENT INFORMATION (CONTINUED)

Geographical information

	Revenue ⁽¹⁾		EBITDA	
	Unaudited	Audited	Unaudited	Audited
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,657,470	1,580,947	205,163	230,208
Singapore	988,955	1,088,641	122,487	156,481
Indonesia	1,901,109	1,737,619	220,286	105,780
Vietnam	1,130,358	1,055,915	101,454	88,104
Philippines	54,540	24,217	5,204	2,536
	5,732,432	5,487,339	654,594	583,109

Note:

⁽¹⁾ Comprising revenue from sales of goods

	Non-current assets		Borrowings and finance lease liabilities	
	Unaudited	Audited	Unaudited	Audited
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,239,551	1,081,116	965,185	802,975
Singapore	344,149	371,583	546,651	538,076
Indonesia	573,388	583,050	516,483	549,255
Vietnam	304,205	257,233	333,636	296,716
Philippines	34,430	25,194	8,984	6,494
	2,495,723	2,318,176	2,370,939	2,193,516

Major customers

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

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
9. SIGNIFICANT RELATED PARTIES TRANSACTIONS
Related parties and relationship

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

<u>Name of company</u>	<u>Relationship</u>
Emerging Glory Sdn Bhd ("EGSB")	Ultimate holding company
<u>Subsidiaries of EGSB:</u>	
Leong Hup Holdings Sdn Bhd	Fellow subsidiary
Emivest Sdn Bhd	Fellow subsidiary
The Baker's Cottage Sdn Bhd	Fellow subsidiary
<u>Companies controlled by Lau family:</u>	
Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd)	Lau family *
Astaka Shopping Centre (Muar) Sdn Bhd	Lau family *
KPF Farming Sdn Bhd	Lau family *
Poly-Yarn Industries Sdn Bhd	Lau family *
Poly-Yarn Marketing Sdn Bhd	Lau family *
Joint Honest International Enterprise Limited	Lau family *
Pengangkutan Mekar Sdn Bhd	Lau family *
Teratai Agriculture Sdn Bhd	Lau family *
Teratai Agriculture Vietnam Limited	Lau family *
PT Sehat CERAH Indonesia	Lau family *
PT Telur Indonesia	Lau family *
PT Feedmill Indonesia	Lau family *
Phil Malay Poultry Breeders, Inc (Phi)	Lau family *
Perfect Breeding and Aquatic, Inc	Lau family *
WTI Nutritional Products Sdn Bhd	Lau family *
Jordon International Food Processing Pte Ltd	Lau family *
<u>Companies controlled by Nam family:</u>	
Mujur Cekap Sdn Bhd	Nam family ^
Blue Home Marketing Sdn Bhd	Nam family ^

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

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

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
9. SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)
Significant related party transactions

The related party transactions described below were carried out on terms and conditions negotiated amongst the related parties. The significant related parties' transactions are as follows:

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Ultimate holding company:		
- Interest income	1,104	-
- Sales of a subsidiary – The Baker's Cottage Sdn Bhd	-	20,331
Fellow subsidiaries:		
- Rental expense charged	(1,687)	(1,602)
Companies controlled by Lau family:		
- Sales of goods	390,809	309,709
- Purchases of goods	(210,174)	(137,398)
- Transportation charges paid/payable	(13,597)	(13,431)
- Purchases of sundries paid/payable	(2,171)	(620)
- Acquisition of non-controlling interests – ES Food International Pte Ltd	-	(104,353)
- Disposal of a subsidiary – Jordon International Food Processing Pte Ltd	30,370	-
- Advances granted	13,724	13,357
- Repayment of advances	(27,045)	-
- Interest income	349	544
Companies controlled by Nam family:		
- Transportation charges paid/payable	(8,652)	(8,072)
Transaction with non-controlling interests:		
- Disposal of a subsidiary – Jordon International Food Processing Pte Ltd	29,184	-

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluation of property, plant and equipment during the financial year under review. As at 31 December 2018, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

11. CAPITAL COMMITMENTS

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

	As at 31.12.2018 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	31,375
- approved by Directors but not contracted	341,238
	<u>372,613</u>

The capital commitments as at 31 December 2018 include the estimated costs to be incurred in securing the certificate of completion and compliance on certain farms of the LHI Group.

12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or liabilities as at the end of the current financial year and up to the date of this report.

13. CHANGES IN THE COMPOSITION OF THE GROUP

On 30 June 2018, an indirect subsidiary, Kendo Trading Pte. Ltd., entered into a sale and purchase agreement with Muar Regent Holdings Pte Ltd (formerly known as Leong Hup International Pte Ltd) and Lee Chai Soon to dispose of its 2,000,000 ordinary shares, representing 100% of the issued and paid up capital of its wholly owned subsidiary, Jordon International Food Processing Pte. Ltd. for a total cash consideration of SGD20,100,000 (equivalent to RM59,554,000) net of cash and bank balances disposed of SGD8,304,000 (equivalent to RM24,599,000) and dividend payable to the non-controlling shareholders of SGD9,850,000 (equivalent to RM29,184,000).

14. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Save for the Pre-IPO Exercise and ESOS as disclosed in Sections 6.1.4 and 4.2.5 of the Prospectus, respectively, there were no material events subsequent to the financial year under review.

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

15. REVIEW OF GROUP PERFORMANCE

15.1 FYE 31 DECEMBER 2018 COMPARED TO THE FYE 31 DECEMBER 2017

	Unaudited	Audited	
	31.12.2018	31.12.2017	
	RM'000	RM'000	% change
Revenue from sales of goods:			
Livestock and other poultry related products	3,470,580	3,349,534	3.6
Feedmill	2,261,852	2,137,805	5.8
	<u>5,732,432</u>	<u>5,487,339</u>	4.5
EBITDA:			
Livestock and other poultry related products	397,004	382,291	3.8
Feedmill	265,745	234,465	13.3
Intersegment elimination	(8,155)	(33,647)	(75.8)
	<u>654,594</u>	<u>583,109</u>	12.3
EBITDA margin:			
Livestock and other poultry related products (%)	11.4	11.4	
Feedmill (%)	11.7	11.0	
Profit before tax ("PBT"):			
Group PBT	348,575	292,267	19.3
PBT margin (%)	6.1	5.3	

The following table sets out the average selling prices of our Broiler DOCs, Broiler chickens, eggs, processed products, traded products and livestock feed to external customers for the financial years indicated:

	FYE 31 December	
	2018	2017
Malaysia		
Broiler DOCs per chick (RM)	1.84	1.95
Broiler chickens per kg (RM)	4.37	4.75
Per egg (RM)	0.29	0.26
Livestock feed per kg (RM)	1.99	1.93
Indonesia		
Broiler DOCs per chick (IDR)	5,980	4,431
Broiler chickens per kg (IDR)	18,612	16,648
Processed products per kg (IDR)	40,431	43,419
Livestock feed per kg (IDR)	6,431	6,173
Singapore		
Traded products per kg (SGD)	3.26	3.52
Fresh chickens per kg (SGD)	4.28	4.30
Ducks per kg (SGD)	4.67	5.10
Vietnam		
Broiler DOCs per chick (VND)	9,229	8,017
Broiler chickens per kg (VND)	25,339	24,932
Per egg (VND)	1,579	1,307
Livestock feed per kg (VND)	8,620	7,920
Philippines		
Broiler DOCs per chick (PHP)	27.91	26.14
Broiler chickens per kg (PHP)	77.64	76.71

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)
(i) Livestock and poultry related products

The Group's revenue from sales of livestock and other poultry related products increased by about 3.6% from RM3,349.5 million in the FYE 31 December 2017 to RM3,470.6 million in the FYE 31 December 2018. The increase was primarily due to an increase in the sales volume and average selling price of eggs in Malaysia, increase in the average selling price of Broiler DOCs in Indonesia, as well as an increase in the sales volume and average selling price of Broiler chicken in Indonesia.

The overall revenue was partially offset by a decrease of 9.5% in the revenue from sales of livestock and other poultry related products in Singapore primarily due to the loss of revenue from a subsidiary, Jordon International Food Processing Pte. Ltd. ("**Jordon**") following the disposal of Jordon on 30 June 2018 as well as an overall decrease in the average selling prices of traded products and ducks in the FYE 31 December 2018.

Notwithstanding, the EBITDA margin from livestock and other poultry related products remained at 11.4% in the FYE 31 December 2018 in comparison with the FYE 31 December 2017.

(ii) Feedmill

The Group's revenue from feedmill increased by 5.8% from RM2,137.8 million in the FYE 31 December 2017 to RM2,261.9 million in the FYE 31 December 2018. The increase was primarily due to an increase in the revenue from feedmill in Vietnam. The said increase was mainly due to the increase in the average selling price of livestock feed in Vietnam from VND7,920 in the FYE 31 December 2017 to VND8,620 in the FYE 31 December 2018 as well as an overall increase in sales volume of 11.6% in Vietnam.

The EBITDA margin from feedmill increased from 11.0% in the FYE 31 December 2017 to 11.7% in the FYE 31 December 2018. The said increase is mainly due to the overall increase in the average selling price of livestock feed in Vietnam, Indonesia and Malaysia for the FYE 31 December 2018 in comparison with the FYE 31 December 2017.

(iii) Group PBT

The overall PBT of the Group increased by 19.3% from RM292.3 million in the FYE 31 December 2017 to RM348.6 million in the FYE 31 December 2018. The increase was mainly due to the overall increase of average selling prices of the Group's products in the FYE 31 December 2018 which resulted in the improvement in PBT margin from 5.3% in the FYE 31 December 2017 to 6.1% in the FYE 31 December 2018.

15.2 FYE 31 DECEMBER 2018 COMPARED TO THE FPE 31 OCTOBER 2018

	Unaudited	Audited
	FYE 31.12.2018	FPE 31.10.2018
	RM'000	RM'000
Revenue	5,746,572	4,690,295
EBITDA	654,594	541,755
PBT	348,575	291,283
Net profit for the financial year/period	246,753	219,788
EBITDA margin	11.4%	11.6%
PBT margin	6.1%	6.2%
Net profit margin	4.3%	4.7%

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

The following table sets out the average selling prices of our Broiler DOCs, Broiler chickens, eggs, processed products, traded products and livestock feed to external customers for the financial year/period indicated:

	FYE 31 December 2018	FPE 31 October 2018
Malaysia		
Broiler DOCs per chick (RM)	1.84	1.86
Broiler chickens per kg (RM)	4.37	4.57
Per egg (RM)	0.29	0.28
Livestock feed per kg (RM)	1.99	1.96
Indonesia		
Broiler DOCs per chick (IDR)	5,980	5,815
Broiler chickens per kg (IDR)	18,612	18,583
Processed products per kg (IDR)	40,431	45,530
Livestock feed per kg (IDR)	6,431	6,385
Singapore		
Traded products per kg (SGD)	3.26	3.29
Fresh chickens per kg (SGD)	4.28	4.29
Ducks per kg (SGD)	4.67	4.73
Vietnam		
Broiler DOCs per chick (VND)	9,229	9,187
Broiler chickens per kg (VND)	25,339	25,524
Per egg (VND)	1,579	1,609
Livestock feed per kg (VND)	8,620	8,556
Philippines		
Broiler DOCs per chick (PHP)	27.91	28.65
Broiler chickens per kg (PHP)	77.64	79.56

The Group generated RM1,056.3 million of revenue and RM57.3 million of PBT from November to December 2018. However, the Group's overall PBT margin decreased slightly from 6.2% in the FPE 31 October 2018 to 6.1% in the FYE 31 December 2018.

The decrease in the Group's overall profit margins is mainly due to an overall decrease in the average selling price of livestock and other related products in Malaysia in November and December 2018 in comparison with the FPE 31 October 2018 primarily attributable to the cooler weather, which increased the supply of livestock in the market and thus, suppressed the average selling price of livestock as further described in explanatory note 3 above. Notwithstanding the foregoing, the sales volume remained relatively stable in November and December 2018. The decrease in the Group's overall profit margins was also partially offset by the increase in the average selling price of livestock feed in Malaysia, Indonesia and Vietnam.

16. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
17. PROFIT FROM OPERATIONS

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Profit from operations is arrived at after charging/(crediting):		
Bad debts recovered	(740)	-
Dividend income	(19)	-
Foreign exchange (gain)/loss	(2,239)	3,411
Fair value loss on derivative financial instruments	113	1,137
Impairment loss/(reversal of impairment loss) on:		
- property, plant and equipment	-	1,483
- trade receivables	2,144	1,824
- other receivables	(119)	(1,682)
Interest income	(8,492)	(6,501)
Listing expenses	22,876	-
(Gain)/Loss on disposal of:		
- property, plant and equipment	(850)	(93)
- land use rights	(199)	490
Rental expenses	14,483	15,260
Rental income	(1,949)	(2,211)
Write-off of:		
- bad debts	428	5
- investment properties	-	2
- property, plant and equipment	2,428	1,997
- Value Added Tax receivables	9,837	-

18. TAXATION

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	26,209	37,622
- Foreign tax	55,371	35,737
- (Over)/under provision in prior years	(3,261)	494
	<u>78,319</u>	<u>73,853</u>
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	23,503	(28,994)
Tax expense	<u>101,822</u>	<u>44,859</u>
Effective tax rate	<u>29.2%</u>	<u>15.3%</u>

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)

18. TAXATION (CONTINUED)

The Group's effective tax rate increased from 15.3% in the FYE 31 December 2017 to 29.2% in the FYE 31 December 2018 primarily due to:

- (i) deferred tax expenses of RM6.1 million recognised in the FYE 31 December 2018 due to the increase in real property gain tax rates in Malaysia from 5% to 10% pursuant to the 2019 Budget announced by the Malaysian government in November 2018;
- (ii) recognition of RM20.5 million in deferred tax credits in the FYE 31 December 2017 pursuant to the Indonesian Government's tax incentive, which allowed the Group to recognise deferred tax assets for two of its subsidiaries in Indonesia. The aforementioned Indonesian Government's tax incentive was a one-off incentive and was not applicable in the FYE 31 December 2018 and for the financial years going forward; and
- (iii) non-tax deductible listing expenses of approximately RM22.8 million recognised in the FYE 31 December 2018.

19. STATUS OF CORPORATE PROPOSAL

As set out in Section 2.1 of the Prospectus, the SC has approved LHI's IPO and Listing (the details of which is set out in Section 4.2 of the Prospectus). Barring any unforeseen circumstances, the Listing is expected to be completed by the end of May 2019. Save for the IPO and Listing, there is no other major corporate proposal pending completion as at the date of this report.

20. FINANCE LEASE LIABILITIES

	Unaudited	Audited
	31.12.018	31.12.2017
	RM'000	RM'000
Minimum lease payments:		
- Not later than 1 year	24,356	22,714
- Later than 1 year and not later than 5 years	30,291	30,896
	<u>54,647</u>	<u>53,610</u>
Less: Future finance charges	(4,467)	(3,963)
Present value of finance lease liabilities	<u>50,180</u>	<u>49,647</u>
Present value of finance lease liabilities:		
- Not later than 1 year	21,814	20,466
- Later than 1 year and not later than 5 years	28,366	29,181
	<u>50,180</u>	<u>49,647</u>

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**

21. BANK BORROWINGS

	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	-	130,954
Bank overdrafts	33,744	53,315
Term loans	218,378	163,984
Revolving credits	88,379	311,890
Trust receipts	-	36,873
	<u>340,501</u>	<u>697,016</u>
<u>Unsecured:</u>		
Bankers' acceptances	407,449	239,363
Bank overdrafts	20,327	10,232
Term loans	42,677	39,673
Revolving credits	190,291	165,014
Trust receipts	303,547	247,317
	<u>964,291</u>	<u>701,599</u>
Total current borrowings	<u>1,304,792</u>	<u>1,398,615</u>
Non-current		
<u>Secured:</u>		
Term loans	836,300	633,127
<u>Unsecured:</u>		
Term loans	179,667	112,127
Total non-current borrowings	<u>1,015,967</u>	<u>745,254</u>
Total borrowings	<u>2,320,759</u>	<u>2,143,869</u>
	Unaudited	Audited
	31.12.2018	31.12.2017
	RM'000	RM'000
The currency profile of borrowings is as follows:		
Ringgit Malaysia	908,107	751,843
Singapore Dollar	553,550	539,559
US Dollar	42,570	82,659
Indonesian Rupiah	485,204	518,976
Vietnamese Dong	322,345	244,337
Philippines Peso	8,983	6,495
	<u>2,320,759</u>	<u>2,143,869</u>

ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31 DECEMBER 2018 (Cont'd)
22. DERIVATIVES

The Group uses forward foreign exchange contracts and interest rate swap contracts to manage its exposure to various financial risks. The notional amount, fair value and maturity tenor of the derivative instruments are as follows:

	Unaudited 31.12.2018		Audited 31.12.2017	
	Contract/ Notional amount RM'000	Fair value amount RM'000	Contract/ Notional amount RM'000	Fair value amount RM'000
Non-current asset				
Interest rate swap contracts				
- More than 3 years	72,000	823	-	-
Current asset				
Forward foreign exchange contracts				
- Less than 1 year	31,020	356	-	-
Derivative financial assets	103,020	1,179	-	-
Current liabilities				
Forward foreign exchange contracts	125,615	(2,391)	31,933	(1,136)
Derivative financial liabilities	125,615	(2,391)	31,933	(1,136)

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the FYE 31 December 2017. These instruments are managed in accordance with the Group's policies.

Forward foreign exchange contracts

Forward foreign exchange contracts were entered into by subsidiaries in currencies other than their functional currency in order to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. The forward foreign currency contracts are stated at fair value, using the prevailing market rates. All changes in the fair value of the derivatives are taken to profit or loss.

Interest rate swap contracts

The Group has entered into interest rate swap contracts in 2018 to convert floating rate liabilities to fixed rate liabilities to reduce the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments. The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. Changes in the fair value of the derivatives are taken to profit or loss.

23. MATERIAL LITIGATION

Save as disclosed in Section 14.6 of the Prospectus, there were no changes in material litigation as at the date of this report.

**ANNEXURE D: OUR UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE FYE 31
DECEMBER 2018 (Cont'd)**
24. EARNINGS PER SHARE ("EPS")

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

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

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

	Unaudited	Audited
	31.12.2018	31.12.2017
Profit attributable to equity holders of the Company (RM'000)	186,185	192,573
Weighted average number of ordinary shares in issue ('000)	955	955
Adjustment for Bonus Issue ⁽ⁱ⁾ ('000)	1,229,177	1,229,177
Adjustment for Share Split ⁽ⁱ⁾ ('000)	2,169,868	2,169,868
	<u>3,400,000</u>	<u>3,400,000</u>
Basic and diluted EPS ⁽ⁱⁱ⁾ (sen)	<u>5.48</u>	<u>5.66</u>

The outstanding warrants issued by a subsidiary do not have any impact on the diluted EPS as the exercise price of the warrants exceeded the average market price of the subsidiary's ordinary shares.

- (i) As the Company undertook a bonus issue of 1,229,176,622 new Shares and a share split exercise involving the subdivision of 1,230,131,992 Shares into 3,400,000,000 Shares on 11 January 2019 and 18 January 2019 respectively, the basic and diluted earnings per Share have been adjusted to reflect the new number of Shares of 3,400,000,000.
- (ii) In accordance with MFRS 133 'Earnings per Share', the calculation of basic and diluted earnings per shares for all periods presented have been adjusted retrospectively as the number of ordinary shares has increases as a result of bonus issue or share split as disclosed in explanatory note 24(i) above.