

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------|--------------------|-------------|--------------------|-------------|
| | | Quarter ended | | Period ended | |
| | Note | 31/03/2020 | 31/03/2019 | 31/03/2020 | 31/03/2019 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 1,434,133 | 1,506,371 | 1,434,133 | 1,506,371 |
| Other income | | 19,077 | 6,166 | 19,077 | 6,166 |
| Operating expenses | | (1,385,540) | (1,364,818) | (1,385,540) | (1,364,818) |
| Profit from operations | | 67,670 | 147,719 | 67,670 | 147,719 |
| Finance costs | | (32,607) | (32,854) | (32,607) | (32,854) |
| Share of profits of associates | | 27 | 45 | 27 | 45 |
| Profit before tax | B5 | 35,090 | 114,910 | 35,090 | 114,910 |
| Tax expense | B6 | (9,771) | (24,626) | (9,771) | (24,626) |
| Net profit for the financial period | | 25,319 | 90,284 | 25,319 | 90,284 |
| Other comprehensive (loss)/income: | | | | | |
| Item that will be subsequently reclassified to profit or loss: | | | | | |
| Currency translation differences | | (39,851) | (8,842) | (39,851) | (8,842) |
| Other comprehensive (loss)/income for the financial period | | (39,851) | (8,842) | (39,851) | (8,842) |
| Total comprehensive (loss)/income for the financial period | | (14,532) | 81,442 | (14,532) | 81,442 |

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | | |
|---|--------------------|---------------|--------------------|---------------|------|
| | Quarter ended | | Period ended | | |
| Note | 31/03/2020 | 31/03/2019 | 31/03/2020 | 31/03/2019 | |
| | RM'000 | RM'000 | RM'000 | RM'000 | |
| Profit for the period attributable to: | | | | | |
| Owners of the Company | 21,790 | 60,581 | 21,790 | 60,581 | |
| Non-Controlling Interests | 3,529 | 29,703 | 3,529 | 29,703 | |
| | <u>25,319</u> | <u>90,284</u> | <u>25,319</u> | <u>90,284</u> | |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | 5,979 | 52,610 | 5,979 | 52,610 | |
| Non-Controlling Interests | (20,511) | 28,832 | (20,511) | 28,832 | |
| | <u>(14,532)</u> | <u>81,442</u> | <u>(14,532)</u> | <u>81,442</u> | |
| Earning per share (sen) | | | | | |
| Basic | B13 | 0.60 | 1.78 | 0.60 | 1.78 |
| Diluted | B13 | 0.60 | 1.78 | 0.60 | 1.78 |

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached in the interim financial report.

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | Unaudited As at 31/03/2020 | Audited As at 31/12/2019 |
|--|------|----------------------------------|--------------------------------|
| | Note | RM'000 | RM'000 |
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | | 2,392,429 | 2,396,471 |
| Investment properties | | 21,987 | 22,050 |
| Right-of-use assets | | 293,949 | 307,424 |
| Intangible assets | | 97,209 | 97,470 |
| Investment in associates | | 1,594 | 1,567 |
| Trade receivables | | 1,693 | 1,693 |
| Amount owing by associated companies | | 16,186 | 15,368 |
| Deferred tax assets | | 57,940 | 62,265 |
| Total Non-Current Assets | | 2,882,987 | 2,904,308 |
| Current Assets | | | |
| Biological assets | | 378,966 | 378,392 |
| Inventories | | 616,804 | 679,600 |
| Trade receivables | | 536,005 | 499,298 |
| Other receivables and prepaid expenses | | 230,796 | 169,030 |
| Amount owing by fellow subsidiaries | | 1,314 | 796 |
| Derivative financial assets | B10 | 8,655 | - |
| Tax recoverable | | 2,850 | 12,885 |
| Cash and bank balances | | 696,789 | 764,829 |
| Total Current Assets | | 2,472,179 | 2,504,830 |
| TOTAL ASSETS | | 5,355,166 | 5,409,138 |

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | | Unaudited As at 31/03/2020 RM'000 | Unaudited As at 31/12/2019 RM'000 |
|--|-----|--|--|
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | A7 | 1,499,684 | 1,499,684 |
| Merger reserve | | (658,787) | (658,787) |
| Reserve | | 807,626 | 800,312 |
| Equity attributable to owners of the Company | | 1,648,523 | 1,641,209 |
| Non-controlling interests | | 516,743 | 539,314 |
| TOTAL EQUITY | | 2,165,266 | 2,180,523 |
| LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Deferred tax liabilities | | 102,491 | 107,519 |
| Bank borrowings | B9 | 731,381 | 873,087 |
| Lease liabilities | | 105,272 | 104,565 |
| Deferred income - government grants | | 2,451 | 2,544 |
| Derivative financial liabilities | B10 | 485 | 611 |
| Post-employment benefits obligation | | 35,451 | 36,865 |
| Total Non-Current Liabilities | | 977,531 | 1,125,191 |
| Current Liabilities | | | |
| Trade payables | | 278,219 | 273,097 |
| Other payables and accrued expenses | | 241,971 | 287,092 |
| Amount owing to fellow subsidiaries | | 1,507 | 862 |
| Bank borrowings | B9 | 1,649,041 | 1,508,733 |
| Lease liabilities | | 13,000 | 13,959 |
| Derivative financial liabilities | B10 | - | 1,332 |
| Tax payable | | 28,631 | 18,349 |
| Total Current Liabilities | | 2,212,369 | 2,103,424 |
| TOTAL LIABILITIES | | 3,189,900 | 3,228,615 |
| TOTAL EQUITY AND LIABILITIES | | 5,355,166 | 5,409,138 |
| Net assets per share attributable to ordinary equity holders (RM) | | 0.4517 | 0.4496 |

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital RM'000 | Merger Reserve RM'000 | Foreign Currency Translation Reserve RM'000 | ESOS Reserve RM'000 | Retained Earnings RM'000 | Equity attributable to owners of the Company RM'000 | Non- Controlling Interests RM'000 | Total Equity RM'000 |
|---|----------------------------|-----------------------------|---|---------------------------|--------------------------------|---|--|---------------------------|
| Balance as at 1/1/2020 | 1,499,684 | (658,787) | (2,754) | 6,486 | 796,580 | 1,641,209 | 539,314 | 2,180,523 |
| Comprehensive income: | | | | | | | | |
| Net profit for the financial period | - | - | - | - | 21,790 | 21,790 | 3,529 | 25,319 |
| Other comprehensive loss: | | | | | | | | |
| Currency translation differences | - | - | (15,030) | - | (781) | (15,811) | (24,040) | (39,851) |
| Total other comprehensive (loss)/income | - | - | (15,030) | - | (781) | (15,811) | (24,040) | (39,851) |
| Total comprehensive (loss)/income | - | - | (15,030) | - | 21,009 | 5,979 | (20,511) | (14,532) |
| Transactions with owners: | | | | | | | | |
| Share option expense | - | - | - | 1,335 | - | 1,335 | - | 1,335 |
| Dividend | - | - | - | - | - | - | (2,069) | (2,069) |
| Disposal to non-controlling interests | - | - | - | - | - | - | 9 | 9 |
| | - | - | - | 1,335 | - | 1,335 | (2,060) | (725) |
| Balance as at 31/3/2020 | 1,499,684 | (658,787) | (17,784) | 7,821 | 817,589 | 1,648,523 | 516,743 | 2,165,266 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | Share Capital RM'000 | Merger Reserve RM'000 | Foreign Currency Translation Reserve RM'000 | ESOS Reserve RM'000 | Retained Earnings RM'000 | Equity attributable to owners of the Company RM'000 | Non- Controlling Interests RM'000 | Total Equity RM'000 |
|---------------------------------------|----------------------------|-----------------------------|---|---------------------------|--------------------------------|---|--|---------------------------|
| Balance as at 1/1/2019 | 1,230,132 | (658,787) | 7,186 | - | 723,310 | 1,301,841 | 463,587 | 1,765,428 |
| Comprehensive income: | | | | | | | | |
| Net profit for the financial period | - | - | - | - | 60,581 | 60,581 | 29,703 | 90,284 |
| Other comprehensive loss: | | | | | | | | |
| Currency translation differences | - | - | (7,971) | - | - | (7,971) | (871) | (8,842) |
| Total other comprehensive loss | - | - | (7,971) | - | - | (7,971) | (871) | (8,842) |
| Total comprehensive (loss)/income | - | - | (7,971) | - | 60,581 | 52,610 | 28,832 | 81,442 |
| Transactions with owners: | | | | | | | | |
| Dividend to non-controlling interests | - | - | - | - | - | - | (3,488) | (3,488) |
| Disposal to non-controlling interests | - | - | - | - | 853 | 853 | 1,335 | 2,188 |
| | - | - | - | - | 853 | 853 | (2,153) | (1,300) |
| Balance as at 31/3/2019 | 1,230,132 | (658,787) | (785) | - | 784,744 | 1,355,304 | 490,266 | 1,845,570 |

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | CUMULATIVE QUARTER | |
|--|--------------------|------------|
| | Period ended | |
| | 31/03/2020 | 31/03/2019 |
| | RM'000 | RM'000 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Profit before tax | 35,090 | 114,910 |
| Adjustments for: non-cash items | 83,178 | 83,685 |
| Operating profit before working capital changes | 118,268 | 198,595 |
| <u>Net Movement In:</u> | | |
| Inventories | 48,798 | 16,941 |
| Biological assets | (15,524) | (11,749) |
| Receivables | (101,563) | 147,844 |
| Payables | (52,696) | (82,368) |
| Net cash (used in)/ from operations | (2,717) | 269,263 |
| Tax refunded/(paid) | 5,206 | (11,595) |
| Net cash generated from operating activities | 2,489 | 257,668 |
| <u>CASH FLOWS USED IN INVESTING ACTIVITIES</u> | | |
| Advances to associate | (818) | - |
| Proceeds from disposal of property, plant and equipment | 2,152 | 1,508 |
| Proceeds from disposal of right-of-use assets | 17 | 21,435 |
| Proceeds from partial disposal of subsidiary to non-controlling interests | 9 | 2,188 |
| Interest income received | 4,151 | 2,091 |
| Addition of property, plant and equipment | (92,681) | (77,728) |
| Addition of right-of-use assets | (39) | (3,041) |
| Increase in fixed deposit pledged | (821) | (7,561) |
| Net cash used in investing activities | (88,030) | (61,108) |

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| | CUMULATIVE QUARTER | |
|--|--------------------|------------|
| | Period ended | |
| | 31/03/2020 | 31/03/2019 |
| | RM'000 | RM'000 |
| <u>CASH FLOWS USED IN FINANCING ACTIVITIES</u> | | |
| Finance costs paid | (32,442) | (29,496) |
| Proceeds from term loans | 6,321 | 57,060 |
| Repayments of term loans | (92,082) | (72,761) |
| Net drawdown/(repayment) of short term borrowings | 118,833 | (37,713) |
| Repayment of lease liabilities | (11,401) | (8,718) |
| Dividend paid | (2,069) | - |
| Net cash used in financing activities | (12,840) | (91,628) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (98,381) | 104,932 |
| Effect of exchange translation differences | 5,882 | (1,800) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 654,232 | 390,386 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | 561,733 | 493,518 |

Cash and cash equivalents comprise the following:

| | | |
|---|----------|-----------|
| Cash and bank balances | 696,789 | 619,452 |
| Bank overdrafts | (96,064) | (104,036) |
| | 600,725 | 515,416 |
| Less: | | |
| - fixed deposits pledged as collateral | (22,292) | (21,898) |
| - fixed deposits of more than 3 months maturity with licensed banks | (16,700) | - |
| | 561,733 | 493,518 |

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached in the interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

A. SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO. 134 - INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial report of Leong Hup International Berhad (“LHI” or the “Company”) and its subsidiaries (collectively, the “Group”) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by International Accounting Standards Board (“IASB”), paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2019. These explanatory notes, attached to the condensed consolidated interim financial report, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2019, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 “Definition of Material”
- Amendments to MFRS 3 “Definition of a Business”
- Amendments to MFRS 7, MFRS 9 and MFRS 139 “Disclosures – Interest Rate Benchmark Reform

The adoption of the above standards and amendments does not have any material financial impact on the financial statements of the Group.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of this interim financial report, the new and revised Standards and Amendments, which were in issue but not yet effective and not early adopted by the Group are as follow:

| Standards | Effective for annual period beginning on or after |
|---|--|
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current" | 1 January 2022 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments are not expected to have any material impact on the financial statements of the Group in the period of initial application.

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors have expressed an unqualified opinion on the audited Group's statutory financial statements for the financial year ended 31 December 2019 in their report dated 19 May 2020.

A4. SEASONAL AND CYCLICAL FACTORS

The Group's Feedmill business is not subject to seasonal factors, whilst the Group's Livestock business is subject to certain seasonal factors, such as 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 weather is hotter, poultry tends to grow at a slower rate, thus reducing the supply to the market and increasing prices.
- *Festive seasons* : typically, poultry consumption is higher during the festive seasons such as Ramadan and Christmas, while poultry consumption is the lowest during the period immediately following the month of Ramadan and Hari Raya .
- *School holidays* : during school holidays we typically see an increase in sales in each of the jurisdictions where the Group operates, other than Singapore, where sales are slightly lower.

A5. UNUSUAL ITEMS

There was no unusual item affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A6. CHANGES IN ESTIMATES

There were no major changes in estimates that have had material effect on the results of current quarter under review.

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A7. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current quarter under review.

A8. DIVIDEND PAID

There was no dividend paid during the current quarter under review.

A9. SEGMENTAL 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 Group is organised into business units based on their products and services provided, as well as geographical segment.

Products and services

| | Livestock and poultry related products RM'000 | Feedmill RM'000 | Inter segment elimination RM'000 | Group RM'000 |
|---------------------------------|--|--------------------|---|------------------|
| Quarter ended 31/3/2020 | | | | |
| Revenue from sales of goods: | | | | |
| - external customers | 782,628 | 648,145 | - | 1,430,773 |
| - inter-segment | - | 312,077 | (312,077) | - |
| Revenue from sales of goods | 782,628 | 960,222 | (312,077) | 1,430,773 |
| Revenue from other sources | | | | 3,360 |
| Total revenue | | | | <u>1,434,133</u> |
| EBITDA | 6,035 | 119,436 | 1,710 | 127,181 |
| Depreciation and amortisation | (45,262) | (13,545) | (704) | (59,511) |
| | (39,227) | 105,891 | 1,006 | 67,670 |
| Share of profits of associates | | | | 27 |
| Finance costs | | | | (32,607) |
| Profit before taxation | | | | 35,090 |
| Tax expense | | | | (9,771) |
| Profit for the financial period | | | | <u>25,319</u> |

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

A9. SEGMENTAL INFORMATION (CONTINUED)

Products and services (Continued)

| | Livestock and poultry related products RM'000 | Feedmill RM'000 | Inter segment elimination RM'000 | Group RM'000 |
|---------------------------------|--|--------------------|---|-----------------|
| Quarter ended 31/3/2019 | | | | |
| Revenue from sales of goods: | | | | |
| - external customers | 859,653 | 643,626 | - | 1,503,279 |
| - inter-segment | - | 298,585 | (298,585) | - |
| Revenue from sales of goods | 859,653 | 942,211 | (298,585) | 1,503,279 |
| Revenue from other sources | - | - | - | 3,092 |
| Total revenue | | | | 1,506,371 |
| EBITDA | 118,919 | 85,191 | (3,489) | 200,621 |
| Depreciation and amortisation | (39,820) | (12,219) | (863) | (52,902) |
| | 79,099 | 72,972 | (4,352) | 147,719 |
| Share of profits of associates | | | | 45 |
| Finance costs | | | | (32,854) |
| Profit before taxation | | | | 114,910 |
| Tax expense | | | | (24,626) |
| Profit for the financial period | | | | 90,284 |

Geographical segment

| | Revenue | | EBITDA | |
|-------------|----------------------|----------------------|----------------------|----------------------|
| | Quarter ended | | Quarter ended | |
| | 31/03/2020 RM'000 | 31/03/2019 RM'000 | 31/03/2020 RM'000 | 31/03/2019 RM'000 |
| Malaysia | 383,488 | 442,238 | 33,125 | 78,902 |
| Singapore | 185,410 | 193,334 | 21,047 | 27,798 |
| Vietnam | 356,461 | 293,242 | 35,062 | 29,119 |
| Indonesia | 484,097 | 563,414 | 36,257 | 63,073 |
| Philippines | 24,677 | 14,143 | 1,690 | 1,729 |
| | 1,434,133 | 1,506,371 | 127,181 | 200,621 |

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

| | Total non-current assets | | Total borrowing | |
|-------------|--------------------------|------------------|------------------|------------------|
| | as at | | as at | |
| | 31/03/2020 | 31/12/2019 | 31/03/2020 | 31/12/2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 1,354,422 | 1,349,065 | 947,886 | 906,209 |
| Singapore | 401,800 | 407,679 | 494,382 | 491,183 |
| Vietnam | 348,493 | 341,735 | 359,795 | 368,812 |
| Indonesia | 588,988 | 639,208 | 562,429 | 599,531 |
| Philippines | 113,465 | 87,295 | 15,930 | 16,085 |
| | <u>2,807,168</u> | <u>2,824,982</u> | <u>2,380,422</u> | <u>2,381,820</u> |

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

A10. PROPERTY, PLANT AND EQUIPMENT

(i) Acquisition and disposal

During the quarter ended 31 March 2020, the Group acquired property, plant and equipment amounting to RM95.35 million (period ended 31 March 2019: RM79.13 million).

During the quarter ended 31 March 2020, the Group disposed property, plant and equipment amounting to RM1.53 million (quarter ended 31 March 2019: RM1.14 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the quarter ended 31 March 2020 (quarter ended 31 March 2019: RM Nil).

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and liabilities as at the end of the current financial quarter and up to the date of this report.

A12. CAPITAL COMMITMENTS

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

| | As at 31/03/2020 RM'000 |
|---|-------------------------------|
| Acquisition of property, plant and equipment: | |
| - approved by Directors and contracted | 86,324 |
| - approved by Directors but not contracted | 434,652 |
| | <hr/> 520,976 <hr/> |

A13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the current financial quarter under review.

A14. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the end of the current financial quarter and up to the date of this report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

The related party transactions described below were carried out on terms and conditions negotiated amongst the parties. The significant related party transactions are as follows:

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--------------------------------------|--------------------|------------|--------------------|------------|
| | Quarter ended | | Period ended | |
| | 31/03/2020 | 31/03/2019 | 31/03/2020 | 31/03/2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fellow subsidiaries: | | | | |
| Sales of goods | 857 | 489 | 857 | 489 |
| Purchases of goods | (1,227) | (2) | (1,227) | (2) |
| Rental paid/payables | (332) | (393) | (332) | (393) |
| Companies controlled by Lau family*: | | | | |
| Sales of goods | 122,918 | 109,445 | 122,918 | 109,445 |
| Purchases of goods | (48,152) | (43,257) | (48,152) | (43,257) |
| Transportation charges paid/payable | (3,820) | (3,494) | (3,820) | (3,494) |
| Purchases of sundries paid/payable | (673) | (268) | (673) | (268) |
| Management fee received/receivable | 751 | 96 | 751 | 96 |
| Companies controlled by Nam family^: | | | | |
| Transportation charges paid/payable | (2,186) | (2,345) | (2,186) | (2,345) |

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

^ Nam family refers to family members who have significant financial interest in an indirect subsidiary of LHI, Teo Seng Capital Berhad, a company listed on Main Market of Bursa Securities. Nam Hiok Joo from the Nam family is a Director of Teo Seng Capital Berhad.

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B. ADDITIONAL INFORMATION AS REQUIRED BY BURSA SECURITIES MAIN LISTING REQUIREMENTS (APPENDIX 9B)

B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER AND FINANCIAL PERIOD TO DATE

| | INDIVIDUAL QUARTER | | | CUMULATIVE QUARTER | | |
|--|--------------------|------------------|---------------|--------------------|------------------|---------------|
| | Quarter ended | | Changes | Period ended | | Changes |
| | 31/03/2020 | 31/03/2019 | | 31/03/2020 | 31/03/2019 | |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Revenue: | | | | | | |
| Livestock and poultry related products | 782,628 | 859,653 | -9.0% | 782,628 | 859,653 | -9.0% |
| Feedmill | 648,145 | 643,626 | 0.7% | 648,145 | 643,626 | 0.7% |
| Others | 3,360 | 3,092 | 8.7% | 3,360 | 3,092 | 8.7% |
| | <u>1,434,133</u> | <u>1,506,371</u> | <u>-4.8%</u> | <u>1,434,133</u> | <u>1,506,371</u> | <u>-4.8%</u> |
| EBITDA: | | | | | | |
| Livestock and poultry related products | 6,035 | 118,919 | -94.9% | 6,035 | 118,919 | -94.9% |
| Feedmill | 119,436 | 85,191 | 40.2% | 119,436 | 85,191 | 40.2% |
| Others | 1,710 | (3,489) | 149.0% | 1,710 | (3,489) | 149.0% |
| | <u>127,181</u> | <u>200,621</u> | <u>-36.6%</u> | <u>127,181</u> | <u>200,621</u> | <u>-36.6%</u> |

Livestock and poultry related products

The Group's revenue from sales of livestock and poultry related products decreased 9.0% from RM859.7 million in the financial quarter ended ("FQE") 31 March 2019 to RM782.6 million in the FQE 31 March 2020.

Malaysia was affected by lower average selling prices of day-old-chicks ("DOC"), broiler chickens and eggs. Indonesia also recorded a significant decrease in revenue mainly due to a decrease in average selling price and sales volume of DOC. Singapore had a slight decrease in revenue mainly due to a decrease in sales volume of fresh chicken and duck.

The decrease in revenue from Malaysia, Indonesia and Singapore was partially offset by an increase in revenue from Vietnam due to higher sales volume of broiler chicken and eggs.

The EBITDA from livestock and other poultry related products decreased by 94.9% due primarily to lower average selling prices of broiler chickens, DOC and eggs in Malaysia as well as DOC in Indonesia and broiler chickens in Vietnam.

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B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER AND FINANCIAL PERIOD TO DATE (CONTINUED)

Feedmill

The Group's revenue from feedmill increased by 0.7% from RM643.63 million in the FQE 31 March 2019 to RM648.15 million in the FQE 31 March 2020. The increase was primarily due to an increase in sales volume of livestock feed in Vietnam which were attenuated by a drop in revenue from Indonesia mainly due to a lower average selling prices and sales volume of livestock feed.

The EBITDA from feedmill increased by 40.2%, primarily due to higher sales volume recorded in Vietnam.

B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

| | INDIVIDUAL QUARTER | | |
|------------------------|----------------------|----------------------|--------------|
| | Quarter ended | | Changes % |
| | 31/03/2020 RM'000 | 31/12/2019 RM'000 | |
| Revenue | 1,434,133 | 1,544,044 | -7.1% |
| Profit from operations | 67,670 | 84,234 | -19.7% |
| Profit before taxation | 35,090 | 50,191 | -30.1% |

The Group's revenue decreased by 7.1% from RM1,544.04 million to RM1,434.13 million in comparison with the immediate preceding quarter. This decrease was mainly due to lower sales volume of livestock feed and lower average selling price of eggs in Malaysia, decrease in average selling price of DOC and livestock feed volume in Indonesia as well as lower average selling price of broiler chickens in Vietnam. The impact was mitigated by an increase in sales volume of livestock feed in Vietnam.

The Group's profit before taxation decreased by 19.7% from RM84.23 million in FQE 30 December 2019 to RM67.67 million in FQE 31 March 2020, primarily due to lower margin arising from a decrease in the average selling prices of eggs in Malaysia, DOC in Indonesia and broiler chickens in Vietnam as compared to the immediate preceding quarter.

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B3. PROSPECTS

Restrictions on movements and social distancing rules imposed to contain the spread of Covid 19 pandemic has affected economic activities, incomes and consumption patterns. Every country has introduced monetary as well as fiscal stimulus packages to support the economy but the situation is expected to remain fluid.

While the Group is in the business of basic food production, the significant reduction in demand seen has affected average selling prices of our products, especially DOC and broiler chickens. The industry supply chain will adjust accordingly and this may result in volatile average selling prices in the next few quarters as governments begin to relax restrictions imposed.

The Group has adequate liquidity for operations and have reduced capital expenditures significantly to prepare for the challenging landscape ahead while remaining committed to our long-term growth strategy.

B4. 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.

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B5. PROFIT BEFORE TAXATION

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--------------------|------------|--------------------|------------|
| | Quarter ended | | Period ended | |
| | 31/03/2020 | 31/03/2019 | 31/03/2020 | 31/03/2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before taxation is arrived at after charging/(crediting): | | | | |
| Amortisation of right-of-use assets | 5,567 | 4,214 | 5,567 | 4,214 |
| Bad debt recovered | (21) | (2) | (21) | (2) |
| Bad debt written off | 36 | - | 36 | - |
| Depreciation of : | | | | |
| - investment properties | 63 | 63 | 63 | 63 |
| - property, plant and equipment | 53,881 | 48,623 | 53,881 | 48,625 |
| Expense recognised in respect of defined contribution plan | 2,575 | 1,604 | 2,575 | 1,604 |
| Farmer incentives | 14,353 | 7,328 | 14,353 | 7,328 |
| Fair value gain on derivative financial instruments | (10,749) | (2,138) | (10,749) | (2,138) |
| Foreign exchange loss | 2,436 | 3,388 | 2,436 | 3,388 |
| Gain on disposal of: | | | | |
| - property, plant and equipment | (599) | (371) | (599) | (371) |
| - right-of-use assets | (5) | - | (5) | - |
| Impairment/(Reversal of impairment) loss on: | | | | |
| - property, plant and equipment | 46 | - | 46 | - |
| - receivables | 747 | (75) | 747 | (75) |
| Interest expense | 32,607 | 32,854 | 32,607 | 32,854 |
| Interest income | (4,151) | (2,091) | (4,151) | (2,091) |
| Packing materials | 5,005 | 2,572 | 5,005 | 2,572 |
| Property, plant and equipment written off | 63 | 1,614 | 63 | 1,614 |
| Share option expense | 1,334 | - | 1,334 | - |
| Travelling expenses | 3,683 | 2,248 | 3,683 | 2,248 |

Note: Other disclosure items pursuant to Appendix 9B, Note 16 of the Listing Requirements are not applicable.

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B6. TAXATION

| | INDIVIDUAL QUARTER 31/03/2020 RM'000 | CUMULATIVE QUARTER 31/03/2020 RM'000 |
|---|---|---|
| Current tax recognised in profit or loss: | | |
| - Malaysian income tax | 5,937 | 5,937 |
| - Foreign tax | 10,884 | 10,884 |
| - Under provision in prior years | (606) | (606) |
| | <u>16,215</u> | <u>16,215</u> |
| Deferred taxation recognised in profit or loss | | |
| - Origination and reversal of temporary differences | (6,673) | (6,673) |
| - Under provision in prior years | 158 | 158 |
| | <u>9,700</u> | <u>9,700</u> |
| Real property gain tax | 71 | 71 |
| | <u>9,771</u> | <u>9,771</u> |
| Tax expense | | |
| | <u>9,771</u> | <u>9,771</u> |
| Effective tax rate | 27.8% | 27.8% |

The group effective tax rate for the current quarter is higher than the statutory tax rate of 24% mainly due to non-deductible expenses in current quarter.

B7. STATUS OF CORPORATE PROPOSAL

There was no corporate proposal as at the date of this report.

B8. UTILISATION OF PROCEEDS FROM IPO

The utilisation of proceeds from IPO as at 31 March 2020 is as follows:

| Purposes | Proposed utilisation RM'000 | Actual utilisation as at 31 March 2020 RM'000 | Balance unutilised RM'000 | Intended timeframe for utilisation from the date of Listing |
|---|-----------------------------------|---|---------------------------------|---|
| Capital expenditure | 207,733 | (70,703) | 137,030 | within 24 months |
| Working capital | 32,959 | (32,959) | - | within 6 months |
| Defray fees and expenses for IPO and Listing | 34,308 | (34,308) | - | within 3 months |
| Total | <u>275,000</u> | <u>(137,970)</u> | <u>137,030</u> | |

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

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B9. BORROWINGS

| | As at 31/03/2020 RM'000 | As at 31/12/2019 RM'000 |
|---------------------------|-------------------------------|-------------------------------|
| Current | | |
| <u>Secured:</u> | | |
| Bank overdraft | 79,107 | 66,098 |
| Term loans | 219,685 | 240,124 |
| Revolving credit | 271,327 | 250,531 |
| Hire purchase liabilities | 14,463 | 18,540 |
| | <hr/> | <hr/> |
| | 584,582 | 575,293 |
| <u>Unsecured:</u> | | |
| Bankers' acceptance | 361,315 | 330,874 |
| Bank overdraft | 16,957 | 6,704 |
| Term loans | 118,961 | 76,539 |
| Revolving credit | 303,601 | 207,971 |
| Trust receipts | 263,625 | 311,352 |
| | <hr/> | <hr/> |
| | 1,064,459 | 933,440 |
| Total Current | <hr/> | <hr/> |
| | 1,649,041 | 1,508,733 |
| Non current | | |
| <u>Secured:</u> | | |
| Term loans | 554,703 | 630,589 |
| Hire purchase liabilities | 19,666 | 20,544 |
| <u>Unsecured:</u> | | |
| Term loans | 157,012 | 221,954 |
| | <hr/> | <hr/> |
| Total non current | 731,381 | 873,087 |
| Total borrowings | <hr/> | <hr/> |
| | 2,380,422 | 2,381,820 |

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B9. BORROWINGS (CONTINUED)

| | As at 31/03/2020 RM'000 | As at 31/12/2019 RM'000 |
|---------------------------|-------------------------------|-------------------------------|
| Total borrowings | | |
| Bankers' acceptance | 361,315 | 330,874 |
| Bank overdraft | 96,064 | 72,802 |
| Term loans | 1,050,361 | 1,169,206 |
| Revolving credit | 574,928 | 458,502 |
| Trust receipts | 263,625 | 311,352 |
| Hire purchase liabilities | 34,129 | 39,084 |
| | <u>2,380,422</u> | <u>2,381,820</u> |

The currency profile of borrowings is as follows:

| | | |
|------------------|------------------|------------------|
| Ringgit Malaysia | 938,571 | 896,122 |
| Singapore Dollar | 517,481 | 515,568 |
| US Dollar | 84,163 | 31,575 |
| Indonesia Rupiah | 530,022 | 568,775 |
| Vietnamese Dong | 294,255 | 353,695 |
| Philippines Peso | 15,930 | 16,085 |
| | <u>2,380,422</u> | <u>2,381,820</u> |

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B10. DERIVATIVES

| | As at 31/03/2020 | | As at 31/12/2019 | |
|--|---|-----------------------------------|---|-----------------------------------|
| | Contract/ Notional Amount RM'000 | Fair Value Amount RM'000 | Contract/ Notional Amount RM'000 | Fair Value Amount RM'000 |
| Current asset | | | | |
| Forward foreign exchange contracts - less than 1 year | 29,636 | 8,655 | - | - |
| Derivative financial assets | 29,636 | 8,655 | - | - |
| Non-current liabilities | | | | |
| Interest rate swap contracts - 1 to 3 years | 41,076 | (485) | 44,291 | (611) |
| Current liabilities | | | | |
| Forward foreign exchange contracts - less than 1 year | - | - | 116,842 | (1,332) |
| Derivative financial liabilities | 41,076 | (485) | 161,133 | (1,943) |

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B11. MATERIAL LITIGATION

On 8 March 2016 the Competition and Consumer Commission of Singapore (“CCCS”) issued a proposed infringement decision against 13 fresh chicken distributors in Singapore, including Lee Say Poultry Industrial, Lee Say Group Pte Ltd, Hup Heng Poultry Industries Pte Ltd, Leong Hup Food Pte Ltd, ES Food International Pte Ltd and Prestige Fortune (S) Pte Ltd (collectively, the “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 were members, or any other industry association as a platform or front, for anti-competitive activities. Pending resolution of the appeal, on grounds of prudence, the amount of the imposed financial penalty has been fully provided for in our audited financial statements for the financial year ended 31 December 2017. On 12 November 2018, the Affected Companies lodged their Notice of Appeal with the Competition Appeal Board. The first hearing of appeal was on 5 August 2019 and the process is on-going.

B12. DIVIDEND PROPOSED

No dividend was proposed for the quarter ended 31 March 2020.

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B13. EARNING PER SHARES (“EPS”)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--------------------|------------|--------------------|------------|
| | Quarter ended | | Period ended | |
| | 31/03/2020 | 31/03/2019 | 31/03/2020 | 31/03/2019 |
| Profit attributable to owners of the Company (RM'000) | 21,790 | 60,581 | 21,790 | 60,581 |
| Weighted average number of ordinary in issue ('000) | 3,650,000 | 955 | 3,650,000 | 955 |
| Bonus Issues ('000) | - | 1,229,177 | - | 1,229,177 |
| Share Split ('000) | - | 2,169,868 | - | 2,169,868 |
| Weighted average number of ordinary in issue (Basic) ('000) | 3,650,000 | 3,400,000 | 3,650,000 | 3,400,000 |
| Weighted average number of ordinary used in the calculation of basic EPS ('000) | 3,650,000 | 3,400,000 | 3,650,000 | 3,400,000 |
| Effects of potential exercise of ESOS options and a subsidiary's Warrant ('000) | - | # | - | # |
| Weighted average number of ordinary in issue (Diluted) ('000) | 3,650,000 | 3,400,000 | 3,650,000 | 3,400,000 |
| Basic EPS (sen) | 0.60 | 1.78 | 0.60 | 1.78 |
| Diluted EPS (sen) | 0.60 | 1.78 | 0.60 | 1.78 |

Diluted EPS is calculated by dividing the Group's profit attributable to owners of the Company by the weighted average number of shares adjusted to assume conversion of all dilutive potential ordinary share. The dilutive potential ordinary shares for the Group are the warrant issued by a subsidiary and full exercise of the vested ESOS. The warrant issued by a subsidiary expired on 29 January 2020.

Note:

As the exercise price of the ESOS options exceeded the average market price of the ordinary shares during the current financial quarter and financial period to-date, as well as the market price of the subsidiary's share price is lower than the exercise price of the warrants, therefore no dilutive impact from both warrants and ESOS options.

B14. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report as set out above was approved by the Board of Directors in accordance with their resolution dated 19 May 2020.