

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		30/09/2019	30/09/2018	30/09/2019	30/09/2018
		RM'000	RM'000	RM'000	RM'000
Revenue		1,527,135	1,422,516	4,510,713	4,191,967
Other income		10,424	10,661	26,858	26,875
Operating expenses		(1,419,220)	(1,326,803)	(4,196,797)	(3,883,161)
Profit from operations		118,339	106,374	340,774	335,681
Finance costs		(34,595)	(28,662)	(102,446)	(78,061)
Share of profits of associates		69	206	253	444
Profit before tax	B5	83,813	77,918	238,581	258,064
Tax expense	B6	(21,470)	(22,244)	(59,400)	(66,586)
Net profit for the financial period		62,343	55,674	179,181	191,478
Other comprehensive income/(loss):					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		8,961	(3,164)	19,768	(41,909)
Item that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation		-	(4)	-	1,012
Income tax relating to remeasurement of post-employment benefit obligation		-	1	-	(248)
		-	(3)	-	764
Other comprehensive income/(loss) for the financial period		8,961	(3,167)	19,768	(41,145)
Total comprehensive income for the financial period		71,304	52,507	198,949	150,333

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Quarter ended		Period ended		
Note	30/09/2019	30/09/2018	30/09/2019	30/09/2018	
	RM'000	RM'000	RM'000	RM'000	
Profit for the period attributable to:					
Equity holders of the Company	44,382	35,206	121,050	153,551	
Non-Controlling Interests	17,961	20,468	58,131	37,927	
	<u>62,343</u>	<u>55,674</u>	<u>179,181</u>	<u>191,478</u>	
Total comprehensive income attributable to:					
Equity holders of the Company	38,179	35,459	121,657	126,562	
Non-Controlling Interests	33,125	17,048	77,292	23,771	
	<u>71,304</u>	<u>52,507</u>	<u>198,949</u>	<u>150,333</u>	
Earning per share (sen)					
Basic	B13	1.22	1.04	3.43	4.52
Diluted	B13	1.22	1.04	3.43	4.52

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 2018 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30/09/2019 RM'000	Audited As at 31/12/2018 RM'000
	Note		
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,362,106	2,216,811
Investment properties		22,114	22,304
Land use rights		158,201	157,620
Right-of-use assets		112,336	-
Intangible assets		97,282	97,273
Investment in associates		1,428	1,715
Derivative financial assets	B10	-	823
Deferred tax assets		67,644	59,629
Tax recoverable		13,063	19,928
Total Non-Current Assets		2,834,174	2,576,103
Current Assets			
Biological assets		383,960	349,574
Inventories		642,482	575,623
Trade receivables		597,707	649,207
Other receivables and prepaid expenses		223,153	176,269
Amount owing by ultimate holding company		-	21,435
Amount owing by fellow subsidiaries		1,366	1,568
Derivative financial assets	B10	64	356
Tax recoverable		19,450	25,002
Cash and bank balances		567,821	458,858
Total Current Assets		2,436,003	2,257,892
TOTAL ASSETS		5,270,177	4,833,995

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30/09/2019 RM'000	Audited As at 31/12/2018 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	A7	1,499,684	1,230,132
Merger reserve		(658,787)	(658,787)
Reserve		772,206	730,496
Equity attributable to owners of the Company		1,613,103	1,301,841
Non-controlling interests		546,565	463,587
TOTAL EQUITY		2,159,668	1,765,428
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		112,727	102,650
Bank borrowings	B9	870,961	1,015,967
Lease liabilities		116,608	28,366
Derivative financial liabilities	B10	219	-
Post-employment benefits obligation		41,004	36,796
Total Non-Current Liabilities		1,141,519	1,183,779
Current Liabilities			
Trade payables		240,962	248,887
Other payables and accrued expenses		252,467	270,968
Amount owing to fellow subsidiaries		1,236	3,340
Bank borrowings	B9	1,427,204	1,304,792
Lease liabilities		28,475	21,814
Derivative financial liabilities	B10	4	2,391
Tax payable		18,642	32,596
Total Current Liabilities		1,968,990	1,884,788
TOTAL LIABILITIES		3,110,509	3,068,567
TOTAL EQUITY AND LIABILITIES		5,270,177	4,833,995
Net assets per share attributable to ordinary equity holders (RM)		0.4419	0.3829

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 2018 and the accompanying explanatory notes attached in the interim financial report.

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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 1/1/2019	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	-	-	-	-	121,050	121,050	58,131	179,181
Other comprehensive income:								
Currency translation differences	-	-	607	-	-	607	19,161	19,768
Total other comprehensive income	-	-	607	-	-	607	19,161	19,768
Total comprehensive Income	-	-	607	-	121,050	121,657	77,292	198,949
Transactions with owners:								
Issuance of shares	269,552	-	-	-	-	269,552	-	269,552
Share option expense	-	-	-	3,884	-	3,884	-	3,884
Transfer of reserves	-	-	-	-	(26,283)	(26,283)	26,283	-
Dividend	-	-	-	-	(58,400)	(58,400)	(21,932)	(80,332)
Disposal to non-controlling interests	-	-	-	-	852	852	1,335	2,187
	269,552	-	-	3,884	(83,831)	189,605	5,686	195,291
Balance as at 30/9/2019	1,499,684	(658,787)	7,793	3,884	760,529	1,613,103	546,565	2,159,668

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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 1/1/2018	1,230,132	(658,787)	21,166	-	593,134	1,185,645	456,377	1,642,022
Comprehensive income:								
Net profit for the financial period	-	-	-	-	153,551	153,551	37,927	191,478
Other comprehensive income:								
Remeasurement of post-employment benefit obligation	-	-	-	-	764	764	-	764
Currency translation differences	-	-	(23,075)	-	-	(23,075)	(14,156)	(37,231)
Recycling of exchange translation differences on disposal of subsidiary	-	-	(4,678)	-	-	(4,678)	-	(4,678)
Total other comprehensive income	-	-	(27,753)	-	764	(26,989)	(14,156)	(41,145)
Total comprehensive income	-	-	(27,753)	-	154,315	126,562	23,771	150,333
Transactions with owners:								
Dividend	-	-	-	-	(58,000)	(58,000)	(33,012)	(91,012)
Acquisition of non-controlling interests	-	-	-	-	(1,063)	(1,063)	(9,558)	(10,621)
	-	-	-	-	(59,063)	(59,063)	(42,570)	(101,633)
Balance as at 30/9/2018	1,230,132	(658,787)	(6,587)	-	688,386	1,253,144	437,578	1,690,722

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 2018 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	30/09/2019	30/09/2018
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	238,581	258,064
Adjustments for: non-cash items	272,787	234,197
Operating profit before working capital changes	511,368	492,261
<u>Net Movement In:</u>		
Inventories	(54,685)	(8,901)
Biological assets	(30,425)	(44,848)
Receivables	(12,748)	(143,979)
Payables	(35,248)	(6,352)
Net cash from operations	378,262	288,181
Income tax paid	(44,539)	(58,615)
Net cash generated from operating activities	333,723	229,566
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt of amount owing by ultimate holding company	21,435	-
Repayment from related parties	-	(13,574)
Advance to related parties	-	25,411
Proceeds from disposal of property, plant and equipment	2,907	3,400
Proceeds from disposal of land use rights	-	352
Proceeds from partial disposal of subsidiary to non-controlling interests	2,186	-
Interest income received	9,169	5,739
Dividend income from associates	540	504
Addition of property, plant and equipment	(277,407)	(246,164)
Addition of land use rights	(8,973)	(18,232)
Acquisition of subsidiaries	(1,338)	-
Disposal of subsidiaries	-	5,770
Increase in fixed deposit pledged	(9,777)	(3,934)
Net cash used in investing activities	(261,258)	(240,728)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	30/09/2019	30/09/2018
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(102,048)	(78,061)
Proceeds from long term loans	229,832	403,659
Repayments of long term loans	(324,277)	(176,731)
Net drawdown/(repayment) of short term borrowings	85,557	(140,188)
Repayment of lease liabilities	(24,555)	(18,811)
Acquisition of non-controlling interests	-	(10,621)
Proceeds from issuance of shares	269,552	-
Dividend paid	(80,332)	(3,828)
Net cash generated from/(used in) financing activities	53,729	(24,581)
NET CHANGE IN CASH AND CASH EQUIVALENTS	126,194	(35,743)
Effect of exchange translation differences	3,553	(5,935)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	390,386	427,424
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	520,133	385,746

Cash and cash equivalents comprise the following:

Cash and bank balances	567,821	431,421
Bank overdrafts	(23,283)	(30,323)
	544,538	401,098
Less: restricted deposits with licensed banks	(24,405)	(15,352)
	520,133	385,746

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 2018 and the accompanying explanatory notes attached in the interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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 2018. 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 2018.

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 2018, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

- MFRS 9 Prepayment Features with Negative Compensation (Amendment to MFRS 9),
- MFRS 16 Leases,
- MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendment to MFRS 128),
- Annual Improvements to MFRS Standards 2015-2017 Cycle,
- MFRS 119 Plan Amendment, Curtailment or Settlement (Amendment to MFRS 119),
- IC Interpretation 23 Uncertainty over Income Tax Treatments.

The adoption of the above standards and interpretation did not have any material effect on the financial performance or position of the Group.

MFRS 16 Leases

MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations.

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

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A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MFRS 16 Leases (continued)

MFRS 16 eliminates the classification of leases by lease 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 applied 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 1 January 2019, being the date of initial application (“DIA”). At DIA, the Group recognised and measured the lease liability at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate at DIA. The Group recognised and measured 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 change in accounting policy affected the following items in the statement of financial position on DIA:

- right-of-use assets – increase by RM91 million,
- lease liabilities – increase by RM91 million and
- no effect on opening retained earnings.

Summary of MFRS 16 accounting policy

Set out below is the new accounting policy of the Group upon adoption of MFRS 16, which have been applied from the date of initial application:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

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A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MFRS 16 Leases (continued)

Summary of MFRS 16 accounting policy (continued)

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

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 3 Definition of a Business (Amendments to MFRS 3)	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139: Interest Rate Benchmark Reform	1 January 2020
MFRS 101 and MFRS 108: Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
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.

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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 2018 in their report dated 13 May 2019.

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 and financial period under review.

A6. CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

The movement of ordinary share capital during the financial period were as follow:

	Number of ordinary shares '000	Amount RM'000
Issued share capital:		
As at 1/1/2019	955	1,230,132
Bonus Issue	1,229,177	-
Share Split	2,169,868	-
Initial Public Offering	250,000	269,552
As at 30/9/2019	<u>3,650,000</u>	<u>1,499,684</u>

Other than the Bonus Issue, Shares Split and Initial Public Offering stated above, there were no other material issuance or repayment of debt securities, share buy-back and share cancellation for the current financial period.

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A8. DIVIDEND PAID

A single tier dividend of 1.6 sen per ordinary share amounting to RM58.4 million in respect of the financial year ending 31 December 2019 was paid on 30 September 2019.

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 30/9/2019				
Revenue from sales of goods:				
- external customers	858,206	665,798	-	1,524,004
- inter-segment	-	571,291	(571,291)	-
Revenue from sales of goods	858,206	1,237,089	(571,291)	1,524,004
Revenue from other sources				3,131
Total revenue				1,527,135
EBITDA	41,773	133,475	(1,500)	173,748
Depreciation and amortisation	(39,842)	(14,638)	(929)	(55,409)
	1,931	118,837	(2,429)	118,339
Share of profits of associates				69
Finance costs				(34,595)
Profit before taxation				83,813
Tax expense				(21,470)
Profit for the financial period				62,343

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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 30/9/2018				
Revenue from sales of goods:				
- external customers	814,879	605,346	-	1,420,225
- inter-segment	-	403,212	(403,212)	-
Revenue from sales of goods	814,879	1,008,558	(403,212)	1,420,225
Revenue from other sources	-	-	-	2,291
Total revenue				<u>1,422,516</u>
EBITDA	105,847	66,656	(17,348)	155,155
Depreciation and amortisation	(39,111)	(12,430)	2,760	(48,781)
	66,736	54,226	(14,588)	106,374
Share of profits of associates				206
Finance costs				(28,662)
Profit before taxation				<u>77,918</u>
Tax expense				(22,244)
Profit for the financial period				<u>55,674</u>

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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
Period ended 30/9/2019				
Revenue from sales of goods:				
- external customers	2,521,514	1,980,694	-	4,502,208
- inter-segment	-	1,085,406	(1,085,406)	-
Revenue from sales of goods	2,521,514	3,066,100	(1,085,406)	4,502,208
Revenue from other sources				8,505
Total revenue				<u>4,510,713</u>
EBITDA	206,407	306,220	(8,439)	504,188
Depreciation and amortisation	(120,883)	(39,832)	(2,699)	(163,414)
	85,524	266,388	(11,138)	340,774
Share of profits of associates				253
Finance costs				(102,446)
Profit before taxation				<u>238,581</u>
Tax expense				(59,400)
Profit for the financial period				<u>179,181</u>

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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
Period ended 30/9/2018				
Revenue from sales of goods:				
- external customers	2,562,787	1,618,418	-	4,181,205
- inter-segment	-	859,800	(859,800)	-
Revenue from sales of goods	2,562,787	2,478,218	(859,800)	4,181,205
Revenue from other sources	-	-	-	10,762
Total revenue				4,191,967
EBITDA	329,928	177,431	(24,980)	482,379
Depreciation and amortisation	(112,849)	(34,211)	362	(146,698)
	217,079	143,220	(24,618)	335,681
Share of profits of associates				444
Finance costs				(78,061)
Profit before taxation				258,064
Tax expense				(66,586)
Profit for the financial period				191,478

Geographical segment

	Revenue		EBITDA	
	Quarter ended 30/09/2019 RM'000	Quarter ended 30/09/2018 RM'000	Quarter ended 30/09/2019 RM'000	Quarter ended 30/09/2018 RM'000
Malaysia	426,339	390,601	70,595	29,435
Singapore	201,753	230,041	22,290	28,925
Vietnam	344,428	288,108	30,219	25,221
Indonesia	532,098	495,265	46,994	69,988
Philippines	19,386	16,210	3,650	1,586
	1,524,004	1,420,225	173,748	155,155

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,236,549	1,211,271	173,458	146,649
Singapore	583,700	755,090	79,373	96,400
Vietnam	972,843	806,607	88,390	75,210
Indonesia	1,658,897	1,368,814	155,856	159,481
Philippines	50,219	39,423	7,111	4,639
	<u>4,502,208</u>	<u>4,181,205</u>	<u>504,188</u>	<u>482,379</u>
	Total non-current assets		Total borrowing and leases	
	as at		as at	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,318,269	1,239,551	892,012	965,185
Singapore	413,953	344,149	526,336	546,651
Vietnam	344,569	304,205	382,939	333,636
Indonesia	608,881	573,388	620,084	516,483
Philippines	67,795	34,430	21,877	8,984
	<u>2,753,467</u>	<u>2,495,723</u>	<u>2,443,248</u>	<u>2,370,939</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.

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A10. PROPERTY, PLANT AND EQUIPMENT

(i) Acquisition and disposal

During the period ended 30 September 2019, the Group acquired property, plant and equipment amounting to RM283.73 million (period ended 30 September 2018: RM263.57 million).

During the period ended 30 September 2019, the Group disposed property, plant and equipment amounting to RM1.78 million (period ended 30 September 2018: RM2.21 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the period ended 30 September 2019 (period ended 30 September 2018: RM Nil).

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 30/09/2019 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	68,263
- approved by Directors but not contracted	137,308
	<hr/>
	205,571
	<hr/>

A13. CHANGES IN THE COMPOSITION OF THE GROUP

On 16 August 2019, Ritma Prestasi Sdn Bhd, an indirect subsidiary of LHI, had entered into a Share Sale Agreement to acquire 100,000 ordinary shares in Professional Vet Enterprise Sdn Bhd ("PVESB") representing 100% of the equity interest of PVESB for a total cash consideration of RM1.8 million. PVESB is principally involved in trading of veterinary pharmaceutical, biological products and farming equipment.

Subsequent to the period ended 30 September 2019, the Company had on 16 October 2019 incorporated Leong Hup Myanmar Co., Ltd ("LHMM"), a private company limited by shares under the Myanmar Companies Law 2017, with a paid-up capital of USD1.00, comprising 1 ordinary share. The principal activity of LHMM is crop and animal production, hunting and related service activities. LHI is the sole shareholder of LHMM

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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.

A15. SIGNIFICANT RELATED PARTIES TRANSACTIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Companies controlled by Lau family*:				
Sales of goods	164,769	93,860	379,584	243,720
Purchases of goods	(67,536)	(43,380)	(160,876)	(123,971)
Transportation charges paid/payable	(3,595)	(3,699)	(10,452)	(10,341)
Purchases of sundries paid/payable	(932)	(566)	(2,071)	(1,155)
Disposal of a subsidiary	-	-	-	30,370
Advances granted	-	-	-	13,574
Repayment of advances	-	(12,054)	-	(25,411)
Interest income	-	87	-	344
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,420)	(1,964)	(6,678)	(6,069)

Amount owing by ultimate holding company of RM21,435,000 as at 31 December 2018 has been fully settled during the financial period

* 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 Directors 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 YEAR TO DATE

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Quarter ended		Changes	Period ended		Changes
	30/09/2019	30/09/2018		30/09/2019	30/09/2018	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue:						
Livestock and poultry related products	858,206	814,879	5.3%	2,521,514	2,562,787	-1.6%
Feedmill	665,798	605,346	10.0%	1,980,694	1,618,418	22.4%
Others	3,131	2,291	36.7%	8,505	10,762	-21.0%
	<u>1,527,135</u>	<u>1,422,516</u>	7.4%	<u>4,510,713</u>	<u>4,191,967</u>	7.6%
EBITDA:						
Livestock and poultry related products	41,773	105,847	-60.5%	206,407	329,928	-37.4%
Feedmill	133,475	66,656	100.2%	306,220	177,431	72.6%
Others	(1,500)	(17,348)	91.4%	(8,439)	(24,980)	66.2%
	<u>173,748</u>	<u>155,155</u>	12.0%	<u>504,188</u>	<u>482,379</u>	4.5%

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased by about 5.3% from RM814.88 million in the financial quarter ended ("FQE") 30 September 2018 to RM858.21 million in the FQE 30 September 2019. The increase was primarily due to an increase in average selling price and sales volume of broiler chickens and eggs in Malaysia.

The increase in revenue from Malaysia was partially offset by a decrease in revenue from Indonesia. The decrease in revenue from Indonesia was mainly due to a decrease in average selling price of day-old-chicks ("DOC").

The EBITDA from livestock and other poultry related products decreased by 60.5%. The decrease was primarily from low margin arising from depressed prices of DOC in Indonesia as well as the depressed broiler chicken prices in Indonesia and Vietnam.

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

Livestock and poultry related products (Continued)

b) Cumulative Quarter

The Group's revenue from sales of livestock and poultry related products decreased by about 1.6% from RM2,562.79 million in the financial period ended ("FPE") 30 September 2018 to RM2,521.51 million in the FPE 30 September 2019.

The decrease was mainly from Singapore, which was primarily due to the loss of revenue from a subsidiary, Jordon International Food Processing Pte. Ltd. following the disposal of this subsidiary on 30 June 2018.

The impact of decrease in revenue from Singapore was mitigated by an increase in revenue from Malaysia, Indonesia and Vietnam. The increase in revenue from Malaysia was contributed by the increase in average selling price and sales volume of eggs. However, this was lessened by the reduction in broiler chicken's average selling price. In Indonesia, revenue increased due mainly to an increase in the average selling price and sales volume of DOC. In Vietnam, higher revenue was recorded due to an increase in sales volume of broiler chickens. However, this was offset by a decrease in the average selling price and sales volume of eggs in Vietnam.

The EBITDA from livestock and other poultry related products decreased by 37.4%, from RM329.93 million in the FPE 30 September 2018 to RM206.41 million in the FPE 30 September 2019, primarily due to low margin arising from depressed prices of broiler chickens and DOC in Indonesia, broiler chickens in Singapore as well as broiler chickens and eggs in Vietnam, as compared to preceding corresponding period.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill increased by 10.0% from RM605.35 million in the FQE 30 September 2018 to RM665.80 million in the FQE 30 September 2019. The increase was primarily due to an increase in sales volume and average selling price of livestock feed in Indonesia and Vietnam for the FQE 30 September 2019, as compared to FQE 30 September 2018.

The EBITDA from feedmill increased by 100.2%, primarily due to an increase in sales recorded in Indonesia, as well as higher sales contribution from Vietnam, following the commencement of operations of the Dong Nai feedmill plant in January 2019.

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

Feedmill (Continued)

b) Cumulative Quarter

The Group's revenue from feedmill increased by 22.4% from RM1,618.42 million in the FPE 30 September 2018 to RM1,980.69 million in the FPE 30 September 2019. The increase was primarily due to an increase in sales volume and average selling price of livestock feed in Indonesia and Vietnam for the FPE 30 September 2019, as compared to the FPE 30 September 2018.

The EBITDA from feedmill increased by 72.6%, primarily due to increase in sales recorded in Indonesia, as well as higher sales contribution from Vietnam, following the commencement of operations of the Dong Nai feedmill plant in January 2019.

B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	30/09/2019 RM'000	30/06/2019 RM'000	
Revenue	1,527,135	1,477,207	3.4%
Profit from operations	118,339	74,716	58.4%
Profit before taxation	83,813	39,858	110.3%

The Group's revenue increased by 3.4% from RM1,477.21 million to RM1,527.14 million in comparison with the immediate preceding quarter. This was attributed to an increase in average selling prices of broiler chickens, DOC and eggs in Malaysia. The impact of increase in Malaysia's revenue was attenuated by a drop in revenue from Indonesia mainly from a decrease in sales volume of livestock feed.

The Group's profit before taxation increased by 110.3% from RM39.86 million in FQE 30 June 2019 to RM83.81 million in FQE 30 September 2019, primarily due to higher margin arising from an increase in the average selling prices of broiler chickens, eggs, DOC and livestock feed in Malaysia, as compared to the immediate preceding quarter.

B3. PROSPECTS

The higher sales volume of both livestock and feed is expected to mitigate the seasonally weaker livestock prices in Q4. Barring unforeseen circumstances, the Group is expected to register a satisfactory financial performance for the remaining period of the year.

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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.

B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2019	Quarter ended 30/09/2018	Period ended 30/09/2019	Period ended 30/09/2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of :				
-land use rights	1,957	1,648	5,591	4,873
-intangible assets	-	-	-	344
-right-of-use assets	2,899	-	8,029	-
Bad debt recovered	(740)	(184)	(1,437)	(184)
Bad debt written off	226	6	458	92
Depreciation of :				
-investment properties	63	64	190	190
-property, plant and equipment	50,490	47,069	149,604	141,289
Expense recognised in respect of defined contribution plan	1,638	1,668	4,860	5,100
Farmer incentives	17,456	11,087	35,484	29,512
Fair value gain on derivative financial instruments	(148)	876	(1,071)	(1,448)
Foreign exchange gain	(2,971)	(3,573)	(1,077)	(960)
Interest expense	34,595	28,662	102,446	78,061
Interest income	(3,812)	(2,120)	(9,169)	(6,560)
(Gain)/loss on disposal of :				
-property, plant and equipment	(661)	(589)	(1,125)	(1,190)
-land use rights	-	5	-	(194)
-subsidiary	-	-	-	(78)
Packing materials	6,075	3,880	15,723	13,804
Promotional and marketing expenses	2,171	1,328	5,394	5,142
Property, plant and equipment written off	1,160	39	2,850	1,414
Impairment/(Reversal of impairment) loss on receivables	3,965	2,545	7,206	2,520
Share option expense	1,807	-	3,884	-
Travelling expenses	14,930	11,087	42,004	34,579
Write-off of Value Added Tax receivables	-	-	-	9,716

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 30/09/2019 RM'000	CUMULATIVE QUARTER 30/09/2019 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	9,005	20,286
- Foreign tax	9,620	35,277
- Under provision in prior years	369	212
	<hr/>	<hr/>
	18,994	55,775
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	2,476	3,576
- Under provision in prior years	-	49
	<hr/>	<hr/>
Tax expense	21,470	59,400
	<hr/>	<hr/>
Effective tax rate	25.6%	24.9%
	<hr/>	<hr/>

The group effective tax rate for the current quarter is higher than the statutory tax rate of 24% mainly due to expenses not deductible for tax purposes.

B7. STATUS OF CORPORATE PROPOSAL

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

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B8. UTILISATION OF PROCEEDS FROM IPO

The utilisation of proceeds from IPO as at 30 September 2019 is as follows:

Purposes	Proposed utilisation RM'000	Actual	Transfer RM'000	Balance unutilised RM'000	Intended timeframe for utilisation from the date of Listing
		utilisation as at 30 September 2019 RM'000			
Capital expenditure	207,733	(39,818)	-	167,915	within 24 months
Working capital	32,959	(20,975)	4,325 ⁽¹⁾	16,309	within 6 months
Defray fees and expenses for IPO and Listing	34,308	(29,983)	(4,325) ⁽¹⁾	-	within 3 months
Total	275,000	(90,776)	-	184,224	

Note:

(1) The unutilised balance of RM4.325 million allocated for estimated IPO and listing expenses has been transferred to working capital during the financial period.

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 30/09/2019 RM'000	As at 31/12/2018 RM'000
Current		
<u>Secured:</u>		
Bank overdraft	23,240	33,744
Term loans	250,358	218,378
Revolving credit	223,110	88,379
	496,708	340,501
<u>Unsecured:</u>		
Bankers' acceptance	322,465	407,449
Bank overdraft	43	20,327
Term loans	71,724	42,677
Revolving credit	203,875	190,291
Trust receipts	332,389	303,547
	930,496	964,291
Total Current	1,427,204	1,304,792
Non current		
<u>Secured:</u>		
Term loans	678,589	836,300
<u>Unsecured:</u>		
Term loans	192,372	179,667
Total non current	870,961	1,015,967
Total borrowings	2,298,165	2,320,759
Total borrowings		
Bankers' acceptance	322,465	407,449
Bank overdraft	23,283	54,071
Term loans	1,193,043	1,277,022
Revolving credit	426,985	278,670
Trust receipts	332,389	303,547
	2,298,165	2,320,759

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B9. BORROWINGS (CONTINUED)

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
The currency profile of borrowings is as follows:		
Ringgit Malaysia	833,849	908,106
Singapore Dollar	471,493	553,550
US Dollar	41,835	42,570
Indonesia Rupiah	588,252	485,204
Vietnamese Dong	351,048	322,345
Philippines Peso	11,688	8,984
	2,298,165	2,320,759

B10. DERIVATIVES

	As at 30/09/2019		As at 31/12/2018	
	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	91,237	64	31,020	356
Derivative financial assets	91,237	64	103,020	1,179
Non-current liabilities				
Interest rate swap contracts				
- 1 to 3 years	73,750	219	-	-
Current liabilities				
Forward foreign exchange contracts				
- less than 1 year	1,306	4	125,615	(2,391)
Derivative financial liabilities	75,056	223	125,615	(2,391)

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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. In this respect, provisions for the financial penalty have been made by the Affected Companies 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

The Directors of the Company have declared an interim single tier dividend of 1.6 sen per ordinary share amounting to RM58.4 million in respect of the financial year ending 31 December 2019 (Previous corresponding quarter ended 30 September 2018: Nil in respect of financial year ended 31 December 2018) on 29 August 2019. The dividend was paid on 30 September 2019.

Save as disclosed above, the Directors did not recommend any dividend for the financial period ended 30 September 2019

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B13. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Profit attributable to equity holders of the Company (RM'000)	44,382	35,206	121,050	153,551
Weighted average number of ordinary in issue ('000)	250,955	955	127,329	955
Bonus Issues ('000)	1,229,177	1,229,177	1,229,177	1,229,177
Share Split ('000)	2,169,868	2,169,868	2,169,868	2,169,868
Weighted average number of ordinary in issue (Basic) ('000)	3,650,000	3,400,000	3,526,374	3,400,000
Weighted average number of ordinary used in the calculation of basic EPS ('000)	3,650,000	3,400,000	3,526,374	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	3,526,374	3,400,000
Basic EPS (sen)	1.22	1.04	3.43	4.52
Diluted EPS (sen)	1.22	1.04	3.43	4.52

Diluted EPS is calculated by dividing the Group's profit attributable to equity holders 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.

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 26 November 2019.