LEONG HUP INTERNATIONAL BERHAD
(Company No. 1098663 – D)
(Incorporated in Malaysia)
INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | Quarter ended | | Period ended | |
| | Note | 31/3/2019 | 31/3/2018 | 31/3/2019 | 31/3/2018 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 1,506,371 | 1,346,356 | 1,506,371 | 1,346,356 |
| Other income | | 6,166 | 9,259 | 6,166 | 9,259 |
| Operating expenses | | (1,364,818) | (1,253,797) | (1,364,818) | (1,253,797) |
| Profit from operations | | 147,719 | 101,818 | 147,719 | 101,818 |
| Finance costs | | (32,854) | (24,516) | (32,854) | (24,516) |
| Share of profits of associates | | 45 | 121 | 45 | 121 |
| Profit before tax | B5 | 114,910 | 77,423 | 114,910 | 77,423 |
| Tax expense | B6 | (24,626) | (16,406) | (24,626) | (16,406) |
| Net profit for the financial period | | 90,284 | 61,017 | 90,284 | 61,017 |
| Other comprehensive loss: | | | | | |
| Item that will be subsequently reclassified to profit or loss: | | | | | |
| Currency translation differences | | (8,842) | (50,753) | (8,842) | (50,753) |
| Other comprehensive loss for the financial period | | (8,842) | (50,753) | (8,842) | (50,753) |
| Total comprehensive income for the financial period | | 81,442 | 10,264 | 81,442 | 10,264 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | Quarter ended | | Period ended | |
| | Note | 31/3/2019 | 31/3/2018 | 31/3/2019 | 31/3/2018 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the year attributable to: | | | | | |
| Equity holders of the Company | | 60,581 | 52,681 | 60,581 | 52,681 |
| Non-controlling interests | | 29,703 | 8,336 | 29,703 | 8,336 |
| | | 90,284 | 61,017 | 90,284 | 61,017 |
| Total comprehensive income attibutable to: | | | | | |
| Equity holders of the Company | | 52,610 | 13,424 | 52,610 | 13,424 |
| Non-controlling interests | | 28,832 | (3,160) | 28,832 | (3,160) |
| | | 81,442 | 10,264 | 81,442 | 10,264 |
| Earnings per share (sen) | | | | | |
| Basic and diluted | B13 | 1.78 | 1.55 | 1.78 | 1.55 |

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | Unaudited As at 31/3/2019 RM'000 | Audited As at 31/12/2018 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | | 2,237,168 | 2,216,811 |
| Investment properties | | 22,241 | 22,304 |
| Land use rights | | 152,060 | 157,620 |
| Right-of-use assets | | 105,247 | - |
| Intangible assets | | 96,919 | 97,273 |
| Investment in associates | | 1,760 | 1,715 |
| Derivative financial assets | B10 | 688 | 823 |
| Deferred tax assets | | 61,046 | 59,629 |
| Tax recoverable | | 19,859 | 19,928 |
| Total Non-Current Assets | | 2,696,988 | 2,576,103 |
| **Current Assets** | | | |
| Biological assets | | 359,042 | 349,574 |
| Inventories | | 573,906 | 575,623 |
| Trade receivables | | 481,352 | 649,207 |
| Other receivables and prepaid expenses | | 197,706 | 176,269 |
| Amount owing by ultimate holding company | | - | 21,435 |
| Amount owing by fellow subsidiaries | | 642 | 1,568 |
| Derivative financial assets | B10 | 367 | 356 |
| Tax recoverable | | 25,429 | 25,002 |
| Cash and bank balances | | 619,452 | 458,858 |
| Total Current Assets | | 2,257,896 | 2,257,892 |
| **TOTAL ASSETS** | | 4,954,884 | 4,833,995 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | | Unaudited As at 31/3/2019 RM'000 | Audited As at 31/12/2018 RM'000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | A7 | 1,230,132 | 1,230,132 |
| Merger reserve | | (658,787) | (658,787) |
| Reserve | | 783,959 | 730,496 |
| Equity attributable to owners of the Company | | 1,355,304 | 1,301,841 |
| Non-controlling interests | | 490,266 | 463,587 |
| **TOTAL EQUITY** | | 1,845,570 | 1,765,428 |
| **LIABILITIES** | | | |
| **Non-Current Liabilities** | | | |
| Deferred tax liabilities | | 109,908 | 102,650 |
| Bank borrowings | B9 | 990,609 | 1,015,967 |
| Lease liabilities | | 112,414 | 28,366 |
| Post-employment benefits obligation | | 37,580 | 36,796 |
| Total Non-Current Liabilities | | 1,250,511 | 1,183,779 |
| **Current Liabilities** | | | |
| Trade payables | | 248,947 | 248,887 |
| Other payables and accrued expenses | | 212,677 | 270,968 |
| Amount owing to fellow subsidiaries | | 564 | 3,340 |
| Bank borrowings | B9 | 1,317,520 | 1,304,792 |
| Lease liabilities | | 32,171 | 21,814 |
| Derivative financial liabilities | B10 | - | 2,391 |
| Dividend payable to non-controlling interests | | 3,488 | - |
| Tax payable | | 43,436 | 32,596 |
| Total Current Liabilities | | 1,858,803 | 1,884,788 |
| **TOTAL LIABILITIES** | | 3,109,314 | 3,068,567 |
| **TOTAL EQUITY AND LIABILITIES** | | 4,954,884 | 4,833,995 |

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital RM'000 | Merger Reserve RM'000 | Foreign Currency Translation 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 income: | | | | | | | |
| Currency translation differences | - | - | (7,971) | - | (7,971) | (871) | (8,842) |
| Total other comprehensive income | - | - | (7,971) | - | (7,971) | (871) | (8,842) |
| Total comprehensive 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 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | Share Capital RM'000 | Merger Reserve RM'000 | Foreign Currency Translation 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 | - | - | - | 52,681 | 52,681 | 8,336 | 61,017 |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | (39,257) | - | (39,257) | (11,496) | (50,753) |
| Total other comprehensive income | - | - | (39,257) | - | (39,257) | (11,496) | (50,753) |
| Total comprehensive income | - | - | (39,257) | 52,681 | 13,424 | (3,160) | 10,264 |
| Transactions with owners: | | | | | | | |
| Acquisition of non-controlling interests | - | - | - | (1,063) | (1,063) | (5,937) | (7,000) |
| | - | - | - | (1,063) | (1,063) | (5,937) | (7,000) |
| Balance as at 31/3/2018 | 1,230,132 | (658,787) | (18,091) | 644,752 | 1,198,006 | 447,280 | 1,645,286 |

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | CUMULATIVE QUARTER Period ended | |
|---|---|---|
| | 31/3/2019 | 31/3/2018 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 114,910 | 77,423 |
| Adjustments for: | | |
| Non-cash items | 83,685 | 72,802 |
| Operating profit before working capital changes | 198,595 | 150,225 |
| Net Movement In: | | |
| Inventories | 16,941 | 37,647 |
| Biological assets | (11,749) | 13,950 |
| Receivables | 147,844 | 5,263 |
| Payables | (82,368) | (97,990) |
| Net cash from operations | 269,263 | 109,095 |
| Income tax paid | (11,595) | (17,088) |
| Net cash generated from operating activities | 257,668 | 92,007 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of property, plant and equipment | 1,508 | 496 |
| Receipt of amount owing by ultimate holding company | 21,435 | - |
| Proceeds from partial disposal of subsidiary to non-controlling interests | 2,188 | - |
| Interest income received | 2,091 | 2,012 |
| Addition of property, plant and equipment | (77,728) | (41,344) |
| Addition of land use rights | (3,041) | (8,428) |
| Increase in fixed deposit pledged | (7,561) | (6,867) |
| Net cash used in investing activities | (61,108) | (54,131) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| | CUMULATIVE QUARTER | |
|---|---|---|
| | Period ended | |
| | 31/3/2019 | 31/3/2018 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Finance costs paid | (29,496) | (23,869) |
| Proceeds from long term loans | 57,060 | 130,486 |
| Repayments of long term loans | (72,761) | (79,987) |
| Net repayment of short term borrowings | (37,713) | (54,439) |
| Repayment of lease liabilities | (8,718) | (5,990) |
| Acquisition of non-controlling interests | - | (7,000) |
| Net cash used in financing activities | (91,628) | (40,799) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 104,932 | (2,923) |
| Effect of exchange translation differences | (1,800) | (12,901) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 390,386 | 427,423 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | 493,518 | 411,599 |

Cash and cash equivalents comprise the following:

| | | |
|---|---|---|
| Cash and bank balances | 619,452 | 497,881 |
| Bank overdrafts | (104,036) | (68,304) |
| | 515,416 | 429,577 |
| Less: restricted deposits with licensed banks | (21,898) | (17,978) |
| | 493,518 | 411,599 |

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.

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 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 Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

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.

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 recognise 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.

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 101 Definition of Material (Amendments to MFRS 101) | 1 January 2020 |
| MFRS 3 Business Combinations (Amendments to MFRS 3) | 1 January 2020 |
| MFRS 108 Definition of Material (Amendments to MFRS 108) | 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.

## 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 were no unusual items 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 ('000) | 1,229,177 | - |
| Share Split ('000) | 2,169,868 | - |
| As at 31/3/2019 | 3,400,000 | 1,230,132 |

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

## A8. DIVIDEND PAID

During the period ended 31 March 2019, there was no payment of dividend.

## 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 |
|---|---|---|---|---|
| **Period 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 |

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 31/3/2018** | | | | |
| Revenue from sales of goods: | | | | |
| - external customers | 837,174 | 506,669 | - | 1,343,843 |
| - inter-segment | - | 253,119 | (253,119) | - |
| Revenue from sales of goods | 837,174 | 759,788 | (253,119) | 1,343,843 |
| Revenue from other sources | | | | 2,513 |
| Total revenue | | | | 1,346,356 |
| EBITDA | 94,485 | 62,499 | (6,131) | 150,853 |
| Depreciation and amortisation | (37,781) | (11,371) | 117 | (49,035) |
| | 56,704 | 51,128 | (6,014) | 101,818 |
| Share of profits of associates | | | | 121 |
| Finance costs | | | | (24,516) |
| Profit before taxation | | | | 77,423 |
| Tax expense | | | | (16,406) |
| Profit for the financial period | | | | 61,017 |

***Geographical segment***

| | Revenue Period ended | | EBITDA Period ended | |
|---|---|---|---|---|
| | 31/3/2019 RM'000 | 31/3/2018 RM'000 | 31/3/2019 RM'000 | 31/3/2018 RM'000 |
| Malaysia | 442,238 | 394,259 | 78,902 | 59,358 |
| Singapore | 193,334 | 271,325 | 27,798 | 34,729 |
| Vietnam | 293,242 | 249,416 | 29,119 | 18,623 |
| Indonesia | 563,414 | 420,487 | 63,073 | 35,989 |
| Philippines | 14,143 | 10,869 | 1,729 | 2,154 |
| | 1,506,371 | 1,346,356 | 200,621 | 150,853 |

A9. SEGMENTAL INFORMATION (CONTINUED)

***Geographical segment (Continued)***

| | Total non-current assets Period ended | | Total borrowing and leases Period ended | |
|---|---|---|---|---|
| | 31/3/2019 RM'000 | 31/12/2018 RM'000 | 31/3/2019 RM'000 | 31/12/2018 RM'000 |
| Malaysia | 1,260,612 | 1,239,551 | 989,041 | 965,185 |
| Singapore | 416,659 | 344,149 | 608,513 | 546,651 |
| Vietnam | 330,027 | 304,205 | 345,517 | 333,636 |
| Indonesia | 571,372 | 573,388 | 497,187 | 516,483 |
| Philippines | 36,725 | 34,430 | 12,456 | 8,984 |
| | 2,615,395 | 2,495,723 | 2,452,714 | 2,370,939 |

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 recoverable.

A10. PROPERTY, PLANT AND EQUIPMENT

(i). Acquisition and disposal
During the quarter ended 31 March 2019, the Group acquired property, plant and equipment amounting to RM79.13 million (Quarter ended 31 March 2018: RM54.00 million).

During the quarter ended 31 March 2019, the Group disposed property, plant and equipment amounting to RM1.14 million (Quarter ended 31 March 2018: RM0.76 million).

(ii). Revaluation
There were no revaluation of property, plant and equipment for the quarter ended 31 March 2019 (Quarter ended 31 March 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 31/3/2019 RM'000 |
|---|---|
| Acquisition of property, plant and equipment: | |
| - approved by Directors and contracted | 41,459 |
| - approved by Directors but not contracted | 232,795 |
| | 274,254 |

## A13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the current financial quarter and current year-to-date under review.

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

(a) Employee Share Option Scheme ("ESOS")

In conjunction with the initial public offering of ordinary shares in Leong Hup International Berhad ("LHI" or the "Company") ("Shares") and the listing and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities ("Listing"), the Company has established the ESOS, with effect from the Effective Date (as defined below) 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 shall be up to 1.00% of the enlarged issued 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 11 April 2019, being the effective date of the ESOS ("Effective Date").

A14. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD (CONTINUED)

(a) Employee Share Option Scheme ("ESOS") (Continued)

(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.

(b) Initial Public Offering ("IPO")

The Company has launched its IPO and issued its prospectus in relation to the IPO on 25 April 2019 ("Prospectus"). The IPO involves offering of 937,500,000 ordinary shares in Leong Hup International Berhad ("LHI") ("Shares") ("IPO Shares") in conjunction with the listing of and quotation for the entire 3,650,000,000 Shares on the Main Market of Bursa Malaysia Securities Berhad comprising an offer for sale of 687,500,000 existing Shares ("Offer Shares") and a public issue of 250,000,000 new Shares ("Issue Shares") involving:

(i) Institutional offering of 839,500,000 IPO Shares to Malaysian and foreign institutional and selected investors, including Bumiputera investors approved by the Ministry of International Trade and Industry at the institutional price to be determined by way of bookbuilding ("Institutional Price"); and

(ii) Retail offering of 98,000,000 Issue shares to the Directors of LHI, eligible employees of LHI and its subsidiaries ("LHI Group"), persons who have contributed to the success of the LHI Group and the Malaysian public, at the retail price of RM1.10 per IPO Share ("Retail Price"), payable in full upon application and subject to refund of the difference between the Retail Price and the final retail price in the event that the final retail price is less than the Retail Price,

subject to the clawback and reallocation provisions and the over-allotment option. Further details of the IPO are set out in the Prospectus.

On 6 May 2019, the Company announced that both Institutional Price and final retail price have been fixed at RM1.10 per IPO Share.

The allotment of the IPO Shares and the Listing are expected to take place on 15 May 2019 and 16 May 2019, respectively.

## 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 | |
| | 31/3/2019 | 31/3/2018 | 31/3/2019 | 31/3/2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Companies controlled by Lau family*: | | | | |
| Sales of goods | 109,445 | 69,222 | 109,445 | 69,222 |
| Purchases of goods | (43,257) | (45,829) | (43,257) | (45,829) |
| Transportation charges paid/payable | (3,494) | (3,354) | (3,494) | (3,354) |
| Purchases of sundries paid/payable | (268) | (342) | (268) | (342) |
| Interest income | - | 100 | - | 100 |
| Companies controlled by Nam family^: | | | | |
| Transportation charges paid/payable | (2,345) | (2,143) | (2,345) | (2,143) |

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, 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.

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 | | | Period ended | | |
| | 31/3/2019 | 31/3/2018 | Changes | 31/3/2019 | 31/3/2018 | Changes |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Revenue: | | | | | | |
| Livestock and poultry related products | 859,653 | 837,174 | 2.7% | 859,653 | 837,174 | 2.7% |
| Feedmill | 643,626 | 506,669 | 27.0% | 643,626 | 506,669 | 27.0% |
| Others | 3,092 | 2,513 | 23.0% | 3,092 | 2,513 | 23.0% |
| | 1,506,371 | 1,346,356 | 11.9% | 1,506,371 | 1,346,356 | 11.9% |
| EBITDA: | | | | | | |
| Livestock and poultry related products | 118,919 | 94,485 | 25.9% | 118,919 | 94,485 | 25.9% |
| Feedmill | 85,191 | 62,499 | 36.3% | 85,191 | 62,499 | 36.3% |
| Others | (3,489) | (6,131) | -43.1% | (3,489) | (6,131) | -43.1% |
| | 200,621 | 150,853 | 33.0% | 200,621 | 150,853 | 33.0% |

*Livestock and poultry related products*

The Group’s revenue from sales of livestock and poultry related products increased by about 2.7% from RM837.17 million in the financial period ended (“FPE”) 31 March 2018 to RM859.65 million in the FPE 31 March 2019. The increase was primarily due to an increase in sales volume and average selling price of eggs in Malaysia and increase in average selling price of Broiler DOCs in Indonesia.

The overall revenue was partially offset by decrease in revenue from sales in Singapore 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 EBITDA from livestock and other poultry related products increased by 25.9%, primarily contributed by sales of eggs in Malaysia and sales of Broiler DOC in Indonesia.

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

*Feedmill*

The Group's revenue from feedmill increased by 27.0% from RM506.67 million in the FPE 31 March 2018 to RM643.63 million in the FPE 31 March 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 31 March 2019 compared to FPE 31 March 2018.

The EBITDA from feedmill increased by 36.3%, primarily due to increase of sales in Indonesia, as well as increase of sales from the Dong Nai feedmill plant in Vietnam, which commenced operations in January 2019.

B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

| | INDIVIDUAL QUARTER | | |
|---|---|---|---|
| | Quarter ended | | |
| | 31/3/2019 RM'000 | 31/12/2018 RM'000 | Changes % |
| Revenue | 1,506,371 | 1,554,605 | -3.1% |
| Profit from operations | 147,719 | 121,802 | 21.3% |
| Profit before taxation | 114,910 | 90,511 | 27.0% |

The Group's revenue decreased by 3.1% from RM1,554.61 million to RM1,506.37 million in comparison with the immediate preceding quarter. The decrease was mainly from seasonal effects as explained in Note A4 above.

Notwithstanding the decrease in revenue, the profits of the group increased by more than 20%, primarily due to significant contributions from sales volume in feedmill division in Indonesia, as well as the contributions from increase in average broiler's prices in Malaysia.

B3. PROSPECTS

The Group has invested in significant capacity expansion over the past year. Barring any unforeseen circumstances, the Board is optimistic that the Group will be able to achieve a positive result in 2019.

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 | | Period ended | |
| | 31/3/2019 | 31/3/2018 | 31/3/2019 | 31/3/2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before taxation is arrived at after charging/(crediting): | | | | |
| Amortisation of : | | | | |
| -land use rights | 1,742 | 1,568 | 1,742 | 1,568 |
| -intangible assets | - | 172 | - | 172 |
| -right-of-use assets | 2,472 | - | 2,472 | - |
| Bad debt recovered | (2) | (214) | (2) | (214) |
| Depreciation of : | | | | |
| -investment properties | 63 | 63 | 63 | 63 |
| -property, plant and equipment | 48,625 | 47,232 | 48,625 | 47,232 |
| Foreign exchange loss | 2,208 | 1,525 | 2,208 | 1,525 |
| Fair value gain on derivative financial instruments | (2,138) | - | (2,138) | - |
| (Reversal of impairment loss)/ impairment loss on receivables | (75) | 60 | (75) | 60 |
| Interest expense | 32,854 | 24,516 | 32,854 | 24,516 |
| Interest income | (2,091) | (2,012) | (2,091) | (2,012) |
| (Gain)/loss on disposal of property, plant and equipment | (371) | 262 | (371) | 262 |

Note: Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirement of Bursa Securities are not applicable.

## B6. TAXATION

| | INDIVIDUAL QUARTER 31/3/2019 RM'000 | CUMULATIVE QUARTER 31/3/2019 RM'000 |
|---|---|---|
| Current tax recognised in pofit or loss: | | |
| - Malaysian income tax | 4,890 | 4,890 |
| - Foreign tax | 14,078 | 14,078 |
| - Under provision in prior years | 76 | 76 |
| | 19,044 | 19,044 |
| Deferred taxation recognised in profit or loss | | |
| - Origination and reversal of temporary differences | 5,582 | 5,582 |
| Tax expense | 24,626 | 24,626 |
| Effective tax rate | 21.4% | 21.4% |

The group effective tax rate is lower than the statutory tax rate of 24% mainly due to lower tax rate for subsidiaries outside Malaysia.

## B7. STATUS OF CORPORATE PROPOSAL

There was no corporate proposal announced but not completed as at the date of this report except for the IPO.

## B8. UTILISATION OF PROCEEDS FROM IPO

| Purposes | Proposed utilisation RM'000 | Actual utilisation RM'000 | Balance unutilised RM'000 | Intended timeframe for utilisation |
|---|---|---|---|---|
| Capital expenditure | 207,733 | - | 207,733 | 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 | 275,000 | - | 275,000 | |

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus.

B9. BORROWINGS

| | As at 31/3/2019 RM'000 | As at 31/12/2018 RM'000 |
|---|---|---|
| Current | | |
| Secured: | | |
| Bank overdrafts | 63,765 | 33,744 |
| Term loans | 218,884 | 218,378 |
| Revolving credits | 67,054 | 88,379 |
| | 349,703 | 340,501 |
| Unsecured: | | |
| Bankers' acceptances | 418,485 | 407,449 |
| Bank overdrafts | 40,271 | 20,327 |
| Term loans | 46,415 | 42,677 |
| Revolving credits | 188,110 | 190,291 |
| Trust receipts | 274,536 | 303,547 |
| | 967,817 | 964,291 |
| Total current bank borrowings | 1,317,520 | 1,304,792 |
| Non-current | | |
| Secured: | | |
| Term loans | 799,304 | 836,300 |
| Unsecured: | | |
| Term loans | 191,305 | 179,667 |
| Total non-current bank borrowings | 990,609 | 1,015,967 |
| Total borrowings | 2,308,129 | 2,320,759 |
| | | |
| Total borrowings | | |
| Bankers' acceptances | 418,485 | 407,449 |
| Bank overdrafts | 104,036 | 54,071 |
| Term loans | 1,255,908 | 1,277,022 |
| Revolving credits | 255,164 | 278,670 |
| Trust receipts | 274,536 | 303,547 |
| | 2,308,129 | 2,320,759 |

## B9. BORROWINGS (CONTINUED)

| | As at 31/3/2019 RM'000 | As at 31/12/2018 RM'000 |
|---|---|---|
| The currency profile of bank borrowings is as follows: | | |
| Ringgit Malaysia | 923,186 | 908,106 |
| Singapore Dollar | 553,247 | 553,550 |
| US Dollar | 41,814 | 42,570 |
| Indonesia Rupiah | 463,866 | 485,204 |
| Vietnamese Dong | 313,612 | 322,345 |
| Philippines Peso | 12,404 | 8,984 |
| | 2,308,129 | 2,320,759 |

## B10. DERIVATIVES

| | As at 31/3/2019 | | 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 | 71,750 | 688 | 72,000 | 823 |
| **Current asset** | | | | |
| Forward foreign exchange contracts | | | | |
| - less than 1 year | 32,695 | 367 | 31,020 | 356 |
| Derivative financial assets | 104,445 | 1,055 | 103,020 | 1,179 |
| **Current liabilities** | | | | |
| Forward foreign exchange contracts | | | | |
| - less than 1 year | - | - | 125,615 | (2,391) |
| Derivative financial liabilities | - | - | 125,615 | (2,391) |

## 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, and are currently in the process of preparing for an appeal hearing before the Competition Appeal Board.

## B12. DIVIDEND PROPOSED

No dividend was proposed for the quarter ended 31 March 2019.

## B13. EARNINGS PER SHARE ("EPS")

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Quarter ended | | Period ended | |
| | 31/3/2019 | 31/3/2018 | 31/3/2019 | 31/3/2018 |
| Profit attributable to equity holders of the Company (RM'000) | 60,581 | 52,681 | 60,581 | 52,681 |
| Weighted average number of ordinary share in issue ('000) | 955 | 955 | 955 | 955 |
| Adjustment for Bonus Issues ('000) | 1,229,177 | 1,229,177 | 1,229,177 | 1,229,177 |
| Adjustment for Share Split ('000) | 2,169,868 | 2,169,868 | 2,169,868 | 2,169,868 |
| | 3,400,000 | 3,400,000 | 3,400,000 | 3,400,000 |
| Basic and diluted EPS (sen) | 1.78 | 1.55 | 1.78 | 1.55 |

## 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 13 May 2019.