

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	Quarter ended		Period ended	
		30/06/2020	30/06/2019	30/06/2020	30/06/2019
		RM'000	RM'000	RM'000	RM'000
Revenue		1,425,435	1,477,207	2,859,568	2,983,578
Other income		11,017	10,268	30,094	16,434
Operating expenses		(1,380,465)	(1,412,759)	(2,766,005)	(2,777,577)
Profit from operations		55,987	74,716	123,657	222,435
Finance costs		(33,100)	(34,997)	(65,707)	(67,851)
Share of profits of associates		28	139	55	184
Profit before tax	B5	22,915	39,858	58,005	154,768
Tax expense	B6	(8,616)	(13,304)	(18,387)	(37,930)
Net profit for the financial period		14,299	26,554	39,618	116,838
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		79,809	19,649	39,958	10,807
Other comprehensive income for the financial period		79,809	19,649	39,958	10,807
Total comprehensive income for the financial period		94,108	46,203	79,576	127,645

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Quarter ended		Period ended		
Note	30/06/2020	30/06/2019	30/06/2020	30/06/2019	
	RM'000	RM'000	RM'000	RM'000	
Profit for the period attributable to:					
Owners of the Company	16,268	16,087	38,058	76,668	
Non-Controlling Interests	(1,969)	10,467	1,560	40,170	
	<u>14,299</u>	<u>26,554</u>	<u>39,618</u>	<u>116,838</u>	
Total comprehensive income attributable to:					
Owners of the Company	66,293	30,868	72,272	83,478	
Non-Controlling Interests	27,815	15,335	7,304	44,167	
	<u>94,108</u>	<u>46,203</u>	<u>79,576</u>	<u>127,645</u>	
Earning per share (sen)					
Basic	B13	0.45	0.46	1.04	2.21
Diluted	B13	0.45	0.46	1.04	2.21

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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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/06/2020	Audited As at 31/12/2019
Note	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,565,331	2,396,471
Investment properties	21,923	22,050
Right-of-use assets	323,201	307,424
Intangible assets	97,910	97,470
Investment in associates	1,622	1,567
Trade receivables	1,693	1,693
Amount owing by associated companies	16,731	15,368
Deferred tax assets	65,759	62,265
Total Non-Current Assets	3,094,170	2,904,308
Current Assets		
Biological assets	394,655	378,392
Inventories	770,177	679,600
Trade receivables	522,237	499,298
Other receivables and prepaid expenses	211,542	169,030
Amount owing by fellow subsidiaries	-	796
Tax recoverable	3,053	12,885
Cash and bank balances	767,049	764,829
Total Current Assets	2,668,713	2,504,830
TOTAL ASSETS	5,762,883	5,409,138

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30/06/2020 RM'000	Audited As at 31/12/2019 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	A7	1,499,684	1,499,684
Merger reserve		(662,014)	(658,787)
Reserve		875,021	800,312
Equity attributable to owners of the Company		1,712,691	1,641,209
Non-controlling interests		544,558	539,314
TOTAL EQUITY		2,257,249	2,180,523
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		100,060	107,519
Bank borrowings	B9	727,995	873,087
Lease liabilities		105,280	104,565
Deferred income - government grants		2,406	2,544
Derivative financial liabilities	B10	-	611
Post-employment benefits obligation		43,078	36,865
Total Non-Current Liabilities		978,819	1,125,191
Current Liabilities			
Trade payables		256,325	273,097
Other payables and accrued expenses		250,067	287,092
Amount owing to fellow subsidiaries		118	862
Bank borrowings	B9	1,983,622	1,508,733
Lease liabilities		13,464	13,959
Derivative financial liabilities	B10	1,752	1,332
Tax payable		21,467	18,349
Total Current Liabilities		2,526,815	2,103,424
TOTAL LIABILITIES		3,505,634	3,228,615
TOTAL EQUITY AND LIABILITIES		5,762,883	5,409,138
Net assets per share attributable to ordinary equity holders (RM)		0.4692	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 SECOND QUARTER ENDED 30 JUNE 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	-	-	-	-	38,058	38,058	1,560	39,618
Other comprehensive income:								
Currency translation differences	-	-	34,214	-	-	34,214	5,744	39,958
Total other comprehensive income	-	-	34,214	-	-	34,214	5,744	39,958
Total comprehensive income	-	-	34,214	-	38,058	72,272	7,304	79,576
Transactions with owners:								
Share option expense	-	-	-	2,413	24	2,437	-	2,437
Dividend	-	-	-	-	-	-	(2,069)	(2,069)
Acquisition of subsidiary	-	(3,227)	-	-	-	(3,227)	-	(3,227)
Disposal to non-controlling interests	-	-	-	-	-	-	9	9
	-	(3,227)	-	2,413	24	(790)	(2,060)	(2,850)
Balance as at 30/6/2020	1,499,684	(662,014)	31,460	8,899	834,662	1,712,691	544,558	2,257,249

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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	-	-	-	-	76,668	76,668	40,170	116,838
Other comprehensive income:								
Currency translation differences	-	-	6,810	-	-	6,810	3,997	10,807
Total other comprehensive income	-	-	6,810	-	-	6,810	3,997	10,807
Total comprehensive Income	-	-	6,810	-	76,668	83,478	44,167	127,645
Transactions with owners:								
Issuance of shares	269,552	-	-	-	-	269,552	-	269,552
Share option expense	-	-	-	2,077	-	2,077	-	2,077
Dividend to non-controlling interests	-	-	-	-	-	-	(16,020)	(16,020)
Disposal to non-controlling interests	-	-	-	-	852	852	1,335	2,187
	269,552	-	-	2,077	852	272,481	(14,685)	257,796
Balance as at 30/6/2019	1,499,684	(658,787)	13,996	2,077	800,830	1,657,800	493,069	2,150,869

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 SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	30/06/2020	30/06/2019
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	58,005	154,768
Adjustments for: non-cash items	190,160	178,363
Operating profit before working capital changes	248,165	333,131
<u>Net Movement In:</u>		
Inventories	(70,235)	(22,357)
Biological assets	(10,831)	(32,109)
Receivables	(53,385)	144,171
Payables	(76,705)	(87,854)
Net cash from operations	37,009	334,982
Tax paid	(16,756)	(40,082)
Net cash generated from operating activities	20,253	294,900
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>		
Advances to associate	(1,362)	-
Receipt of amount owing by ultimate holding company	-	21,435
Proceeds from disposal of property, plant and equipment	2,488	1,709
Proceeds from disposal of right-of-use assets	12	-
Proceeds from partial disposal of subsidiary to non-controlling interests	9	2,188
Interest income received	7,185	5,357
Addition of property, plant and equipment	(227,962)	(164,502)
Addition of right-of-use assets	(3,447)	(5,239)
Net cash outflow from acquisition of subsidiary	(19,773)	-
Decrease/(Increase) in fixed deposit pledged	16,603	(26,534)
Net cash used in investing activities	(226,247)	(165,586)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	30/06/2020	30/06/2019
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(66,289)	(64,449)
Proceeds from term loans	22,251	75,375
Repayments of term loans	(167,307)	(127,995)
Net drawdown of short term borrowings	427,253	14,481
Repayment of lease liabilities	(19,453)	(17,854)
Proceeds from issuance of shares	-	269,552
Dividend paid	(2,069)	(16,020)
Net cash generated from financing activities	194,386	133,090
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,608)	262,404
Effect of exchange translation differences	16,906	1,211
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	654,232	390,386
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	659,530	654,001

Cash and cash equivalents comprise the following:

Cash and bank balances	767,049	726,919
Bank overdrafts	(86,159)	(31,941)
	680,890	694,978
Less:		
- fixed deposits pledged as collateral	(21,360)	(40,977)
	659,530	654,001

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 SECOND QUARTER ENDED 30 JUNE 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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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
Amendments to MFRS 16 Leases (Covid-19 Related Rent Concessions)	1 June 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"	1 January 2022
Amendment to MFRS 1, MFRS 9, MFRS 141 Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract – Cost of fulfilling a contract)	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.

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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.

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.

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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 30/6/2020				
Revenue from sales of goods:				
- external customers	807,276	614,693	-	1,421,969
- inter-segment	-	322,698	(322,698)	-
Revenue from sales of goods	807,276	937,391	(322,698)	1,421,969
Revenue from other sources				3,466
Total revenue				<u>1,425,435</u>
EBITDA	29,285	101,188	(11,101)	119,372
Depreciation and amortisation	(48,282)	(14,390)	(713)	(63,385)
	(18,997)	86,798	(11,814)	55,987
Share of profits of associates				28
Finance costs				(33,100)
Profit before taxation				22,915
Tax expense				(8,616)
Profit for the financial period				<u>14,299</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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 30/6/2019				
Revenue from sales of goods:				
- external customers	803,655	671,270	-	1,474,925
- inter-segment	-	215,530	(215,530)	-
Revenue from sales of goods	803,655	886,800	(215,530)	1,474,925
Revenue from other sources	-	-	-	2,282
Total revenue				1,477,207
EBITDA	45,715	87,554	(3,450)	129,819
Depreciation and amortisation	(41,221)	(12,975)	(907)	(55,103)
	4,494	74,579	(4,357)	74,716
Share of profits of associates				139
Finance costs				(34,997)
Profit before taxation				39,858
Tax expense				(13,304)
Profit for the financial period				26,554

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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
Period ended 30/6/2020				
Revenue from sales of goods:				
- external customers	1,589,904	1,262,838	-	2,852,742
- inter-segment	-	634,775	(634,775)	-
Revenue from sales of goods	1,589,904	1,897,613	(634,775)	2,852,742
Revenue from other sources				6,826
Total revenue				<u>2,859,568</u>
EBITDA	35,320	220,624	(9,391)	246,553
Depreciation and amortisation	(93,544)	(27,935)	(1,417)	(122,896)
	(58,224)	192,689	(10,808)	123,657
Share of profits of associates				55
Finance costs				(65,707)
Profit before taxation				<u>58,005</u>
Tax expense				(18,387)
Profit for the financial period				<u>39,618</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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
Period ended 30/6/2019				
Revenue from sales of goods:				
- external customers	1,663,308	1,314,896	-	2,978,204
- inter-segment	-	514,115	(514,115)	-
Revenue from sales of goods	1,663,308	1,829,011	(514,115)	2,978,204
Revenue from other sources	-	-	-	5,374
Total revenue				<u>2,983,578</u>
EBITDA	164,634	172,745	(6,939)	330,440
Depreciation and amortisation	(81,041)	(25,194)	(1,770)	(108,005)
	83,593	147,551	(8,709)	222,435
Share of profits of associates				184
Finance costs				(67,851)
Profit before taxation				154,768
Tax expense				(37,930)
Profit for the financial period				<u>116,838</u>

Geographical segment

	Revenue		EBITDA	
	Quarter ended		Quarter ended	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Malaysia	385,522	368,050	38,355	23,961
Singapore	182,681	191,625	29,564	29,285
Vietnam	387,497	335,173	34,226	29,052
Indonesia	447,478	565,669	18,863	45,789
Philippines	22,257	16,690	(1,636)	1,732
	<u>1,425,435</u>	<u>1,477,207</u>	<u>119,372</u>	<u>129,819</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	769,010	810,288	71,480	102,863
Singapore	368,091	384,959	50,611	57,083
Vietnam	743,958	628,415	69,288	58,171
Indonesia	931,575	1,129,083	55,120	108,862
Philippines	46,934	30,833	54	3,461
	2,859,568	2,983,578	246,553	330,440
	Total non-current assets		Total borrowing	
	as at		as at	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,385,114	1,349,065	1,018,808	906,209
Singapore	400,579	407,679	473,181	491,183
Vietnam	398,394	341,735	474,388	368,812
Indonesia	692,863	639,208	709,824	599,531
Philippines	133,037	87,295	35,416	16,085
	3,009,987	2,824,982	2,711,617	2,381,820

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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

A10. PROPERTY, PLANT AND EQUIPMENT

(i) Acquisition and disposal

During the quarter ended 30 June 2020, the Group acquired property, plant and equipment amounting to RM230.77 million (period ended 30 June 2019: RM168.52 million).

During the quarter ended 30 June 2020, the Group disposed property, plant and equipment amounting to RM1.61 million (quarter ended 30 June 2019: RM1.24 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the quarter ended 30 June 2020 (quarter ended 30 June 2019: 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 30/06/2020 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	59,766
- approved by Directors but not contracted	209,085
	<hr/>
	268,851
	<hr/>

A13. CHANGES IN THE COMPOSITION OF THE GROUP

On 1 June 2020, Leong Hup (Malaysia) Sdn Bhd, a wholly owned subsidiary of LHI acquired the entire issued and paid up share capital of The Baker's Cottage Sdn Bhd for a cash consideration of RM17.9 million from Emerging Glory Sdn Bhd.

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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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	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company:				
Consideration for acquisition of subsidiary	(17,936)	-	(17,936)	-
Fellow subsidiaries:				
Sales of goods	1,382	677	2,239	1,166
Purchases of goods	(1,995)	(2)	(3,222)	(4)
Rental paid/payables	(487)	(394)	(819)	(787)
Companies controlled by Lau family*:				
Sales of goods	152,441	105,370	275,359	214,815
Management fee received/receivable	614	777	1,365	873
Interest income	-	474	-	474
Purchases of goods	(40,954)	(50,083)	(89,106)	(93,340)
Transportation charges paid/payable	(3,380)	(3,363)	(7,200)	(6,857)
Purchases of sundries paid/payable	(60)	(871)	(733)	(1,139)
Purchase of business assets	(2,393)	-	(2,393)	-
Companies controlled by Nam family^:				
Transportation charges paid/payable	(1,938)	(1,913)	(4,124)	(4,258)

* 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
	30/06/2020	30/06/2019		30/06/2020	30/06/2019	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue:						
Livestock and poultry related products						
	807,276	803,655	0.5%	1,589,904	1,663,308	-4.4%
Feedmill	614,693	671,270	-8.4%	1,262,838	1,314,896	-4.0%
Others	3,466	2,282	51.9%	6,826	5,374	27.0%
	<u>1,425,435</u>	<u>1,477,207</u>	-3.5%	<u>2,859,568</u>	<u>2,983,578</u>	-4.2%
EBITDA:						
Livestock and poultry related products						
	29,285	45,715	-35.9%	35,320	164,634	-78.5%
Feedmill	101,188	87,554	15.6%	220,624	172,745	27.7%
Others	(11,101)	(3,450)	-221.8%	(9,391)	(6,939)	-35.3%
	<u>119,372</u>	<u>129,819</u>	-8.0%	<u>246,553</u>	<u>330,440</u>	-25.4%

Livestock and poultry related products

a) Individual Quarter

There was a marginal increase on the group's revenue from sales of livestock and poultry and related products in the financial quarter ended ("FQE") 30 June 2020 as compared to FQE 30 June 2019.

Indonesia recorded a significant decrease in revenue mainly due to a decrease in average selling price and sales volume of day-old-chicks ("DOC"). Singapore also recorded a drop in revenue mainly due to a decrease in sales volume of fresh chickens and duck. The drop in revenue in Indonesia and Singapore was offset by the increase in revenue from Vietnam, Malaysia and Philippines.

The increase in revenue from Vietnam was mainly contributed by higher sales volume of broiler chickens, whereas Malaysia was mainly contributed by higher average selling price of broiler chickens.

The EBITDA from livestock and other poultry related products decreased by 35.9% due primarily to low average selling price and sales volume of DOC in Indonesia. Nevertheless, positive EBITDA from Malaysia arising from an improvement in average selling price of DOC and broiler chickens partially mitigated the negative impact from Indonesia.

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B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER AND FINANCIAL PERIOD 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 4.4% from RM1,663.31 million in the financial period ended ("FPE") 30 June 2019 to RM1,589.90 million in the FPE 30 June 2020.

The decrease in revenue was mainly from Indonesia and Malaysia. The lower revenue from Indonesia was affected by lower average selling price and sales volume of DOC, while the reduction in revenue from Malaysia was mainly from decrease in sales volume of eggs and average selling price of eggs and DOC. Singapore also recorded a decrease in revenue mainly due to a decrease in sales volume of fresh chickens and duck.

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

The EBITDA from livestock and other poultry related products decreased by 78.5% due primarily to unfavourable sales volume and selling price of DOC in Indonesia.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill decreased by 8.4% from RM671.27 million in the FQE 30 June 2019 to RM614.69 million in the FQE 30 June 2020. The decrease was primarily due to a decrease in sales volume of livestock feed in Indonesia. The decrease was partially offset by an increase in revenue from Vietnam due to higher sales volume and average selling price of livestock feed. The higher sales in Vietnam was partially contributed by the aquatic feedmill acquired in March 2020.

Notwithstanding the decrease in total revenue of livestock feed, EBITDA increased by 15.6%, primarily due to better margin recorded in Vietnam from higher production and average selling price.

b) Cumulative Quarter

The Group's revenue from feedmill decreased by 4.0% from RM1,314.90 million in the FPE 30 June 2019 to RM1,262.84 million in the FPE 30 June 2020. The decrease was primarily due to a decrease in sales volume of livestock feed in Indonesia. The decrease was partially offset by an increase in Vietnam due to higher sales volume and average selling price of livestock feed.

The EBITDA from feedmill increased by 27.7%, primarily due to higher sales volume and average selling price recorded in Vietnam.

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B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	30/06/2020 RM'000	31/03/2020 RM'000	
Revenue	1,425,435	1,434,133	-0.6%
Profit from operations	55,987	67,670	-17.3%
Profit before taxation	22,915	35,090	-34.7%

The Group's revenue decreased by 0.6% from RM1,434.13 million to RM1,425.43 million as compared with the immediate preceding quarter. This decrease was mainly due to lower sales volume of livestock feed and broiler chickens in Indonesia.

The Group's profit before taxation decreased by 34.7% from RM35.09 million in FQE 31 March 2020 to RM22.92 million in FQE 30 June 2020, primarily due to lower contribution from Indonesia.

B3. PROSPECTS

Restrictions on movements and social distancing rules imposed to contain the spread of Covid-19 pandemic continues to affect economic activities, incomes and consumption patterns. The fluctuations in demand and adjustments in supply are expected to result in volatile average selling prices of broilers and DOCs in the next few quarters.

The Group has adequate liquidity for operations and is well positioned to capture opportunities when the market recovers.

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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	6,231	4,550	11,798	8,764
Bad debt recovered	-	(695)	(21)	(697)
Bad debt written off	208	232	244	232
Depreciation of :				
- investment properties	64	64	127	127
- property, plant and equipment	57,090	50,489	110,971	99,114
Expense recognised in respect of defined contribution plan	3,025	1,618	5,600	3,222
Farmer incentives	19,397	10,700	33,750	18,028
Fair value loss/(gain) on derivative financial instruments	10,525	1,215	(224)	(923)
Foreign exchange (gain)/loss	(6,589)	(314)	(4,153)	1,894
Gain on disposal of:				
- property, plant and equipment	(271)	(93)	(870)	(464)
- right-of-use assets	5	-	-	-
Impairment/(Reversal of impairment) loss on:				
- property, plant and equipment	-	-	46	-
- receivables	803	3,316	1,550	3,241
Interest expense	33,100	34,997	65,707	67,851
Interest income	(3,034)	(3,266)	(7,185)	(5,357)
Packing materials	6,974	4,745	11,979	9,648
Property, plant and equipment written off	146	76	209	1,690
Share option expense	1,103	2,077	2,437	2,077
Travelling expenses	2,521	3,069	6,204	7,345

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 30/06/2020 RM'000	CUMULATIVE QUARTER 30/06/2020 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	6,313	12,250
- Foreign tax	6,743	17,627
- Under provision in prior years	(8)	(614)
	<hr/>	<hr/>
	13,048	29,263
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	(4,841)	(11,514)
- Under provision in prior years	480	638
	<hr/>	<hr/>
	8,687	18,387
Real property gain tax	(71)	-
	<hr/>	<hr/>
Tax expense	8,616	18,387
	<hr/>	<hr/>
Effective tax rate	37.6%	31.7%
	<hr/>	<hr/>

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

On 1 June 2020, Leong Hup (Malaysia) Sdn Bhd (“LHM”), a wholly-owned subsidiary of LHI entered into a Share Acquisition Agreement with Emerging Glory Sdn Bhd for the acquisition of the entire 43,432,000 ordinary share capital of The Baker’s Cottage Sdn Bhd for a purchase consideration of RM17.9 million.

On 1 June 2020, Leong Hup Agrobusiness Sdn Bhd, a wholly owned-subsiary of LHM entered into a Business Acquisition Agreement with:

1. Astaka Shopping Centre (Muar) Sdn Bhd (“Astaka”) for the acquisition of The Baker’s Cottage brand bakery business owned and operate by Astaka for a purchase consideration of RM1.5 million, and
2. Poly-Yarn Industries Sdn Bhd (“PYISB”) for the acquisition of The Baker’s Cottage brand bakery business owned and operate by PYISB for a purchase consideration of RM0.86 million

The above acquisitions have been completed 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 June 2020 is as follow:

Purposes	Proposed utilisation RM'000	Actual utilisation as at 30 June 2020 RM'000	Balance unutilised RM'000	Intended timeframe for utilisation from the date of Listing
Capital expenditure	207,733	(87,149)	120,584	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	(154,416)	120,584	

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

B9. BORROWINGS

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptance	1,474	-
Bank overdraft	81,050	66,098
Term loans	219,428	240,124
Revolving credit	415,803	250,531
Hire purchase liabilities	15,233	18,540
	732,988	575,293
<u>Unsecured:</u>		
Bankers' acceptance	470,309	330,874
Bank overdraft	5,109	6,704
Term loans	110,320	76,539
Revolving credit	294,074	207,971
Trust receipts	370,822	311,352
	1,250,634	933,440
Total Current	1,983,622	1,508,733

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B9. BORROWINGS (CONTINUED)

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Non current		
<u>Secured:</u>		
Term loans	536,729	630,589
Hire purchase liabilities	20,603	20,544
<u>Unsecured:</u>		
Term loans	170,663	221,954
Total non current	727,995	873,087
Total borrowings	2,711,617	2,381,820
Total borrowings		
Bankers' acceptance	471,783	330,874
Bank overdraft	86,159	72,802
Term loans	1,037,140	1,169,206
Revolving credit	709,877	458,502
Trust receipts	370,822	311,352
Hire purchase liabilities	35,836	39,084
	2,711,617	2,381,820
The currency profile of borrowings is as follows:		
Ringgit Malaysia	1,009,743	896,122
Singapore Dollar	495,232	515,568
US Dollar	124,465	31,575
Indonesia Rupiah	677,645	568,775
Vietnamese Dong	369,116	353,695
Philippines Peso	35,416	16,085
	2,711,617	2,381,820

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B10. DERIVATIVES

	As at 30/06/2020		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
Non-current liabilities				
Interest rate swap contracts				
- 1 to 3 years	-	-	44,291	(611)
Current liabilities				
Forward foreign exchange contracts				
- less than 1 year	83,981	(1,280)	116,842	(1,332)
Interest rate swap contracts				
- less than 1 year	36,983	(472)	-	-
Derivative financial liabilities	120,964	(1,752)	161,133	(1,943)

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 final hearing of appeal was held on 20 July 2020 and the final written representation was submitted to the Competition Appeal Board on 7 August 2020. The verdict of the appeal is expected to be made known in due course.

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B12. DIVIDEND PROPOSED

The Directors of the Company have declared an interim single tier dividend of 0.55 sen per ordinary share amounting to RM20.075 million in respect of the financial year ending 31 December 2020 (Previous corresponding quarter ended 30 June 2019: 1.6 sen per ordinary share amounting to RM58.4 million in respect of financial year ended 31 December 2019).

The dividends are to be payable on 30 September 2020 and the entitlement date has been fixed on 15 September 2020.

A Depositor shall qualify for entitlement to the dividends only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.30 pm on 15 September 2020 in respect of ordinary transfers.
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

B13. EARNING PER SHARES ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Profit attributable to owners of the Company (RM'000)	16,268	16,087	38,058	76,668
Weighted average number of ordinary in issue ('000)	3,650,000	127,329	3,650,000	64,491
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	3,526,374	3,650,000	3,463,536
Weighted average number of ordinary used in the calculation of basic EPS ('000)	3,650,000	3,526,374	3,650,000	3,463,536
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	3,526,374	3,650,000	3,463,536
Basic EPS (sen)	0.45	0.46	1.04	2.21
Diluted EPS (sen)	0.45	0.46	1.04	2.21

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B13. EARNING PER SHARES (“EPS”) (CONTINUED)

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 25 August 2020.