

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

A1 BASIS OF PREPARATION

The Group has prepared its financial statements using the Malaysian Financial Reporting Standards ("MFRS") for the financial year ended 31 March 2020.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 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 March 2020, 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.

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:

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

A2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 SEASONAL AND CYCLICAL FACTORS

The Group's business operations were not affected by any seasonal and cyclical factors.

A4 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE AND INCIDENCE

There were no material unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter under review.

A5 ESTIMATES

There were no material changes in estimates that had a material effect on the current quarter under review.

A6 DEBTS AND EQUITIES SECURITIES

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

A7 DIVIDEND PAID

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

A8 SEGMENTAL REPORTING

Analysis of revenue by products

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--------------------------------------|--------------------|------------------|--------------------|------------------|
| | Quarter ended | | Period ended | |
| | <u>30.6.2020</u> | <u>30.6.2019</u> | <u>30.6.2020</u> | <u>30.6.2019</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Integrated livestock farming ("ILF") | 172,852 | 151,085 | 172,852 | 151,085 |
| Food manufacturing ("FM") | 104,581 | 98,072 | 104,581 | 98,072 |
| Retail business ("RB") | 63,371 | 54,566 | 63,371 | 54,566 |
| Subtotal | 340,804 | 303,723 | 340,804 | 303,723 |
| Intercompany elimination | (102,610) | (101,504) | (102,610) | (101,504) |
| Total revenue | <u>238,194</u> | <u>202,219</u> | <u>238,194</u> | <u>202,219</u> |

The revenue was predominantly derived in Malaysia.

LAY HONG BERHAD (198301011738 (107129-H))

Incorporated in Malaysia

Notes to the interim financial report for the first (1st) quarter ended 30 June 2020

A8 SEGMENTAL REPORTING (cont'd)

Analysis of segment results, assets and liabilities

| | <u>ILF</u> <u>RM'000</u> | <u>FM</u> <u>RM'000</u> | <u>RB</u> <u>RM'000</u> | <u>Elimination</u> <u>RM'000</u> | <u>Total</u> <u>RM'000</u> |
|---|-----------------------------|----------------------------|----------------------------|-------------------------------------|-------------------------------|
| Cumulative quarter at 30.06.2020 | | | | | |
| Segment results | 7,508 | 5,316 | 1,611 | (933) | 13,502 |
| Finance costs | (2,860) | (552) | (189) | 243 | (3,358) |
| Share of results of an associated company | - | (996) | - | - | (996) |
| Profit before taxation ("PBT") | 4,648 | 3,768 | 1,422 | (690) | 9,148 |
| Taxation | (1,876) | (943) | (238) | - | (3,057) |
| Profit after taxation | <u>2,772</u> | <u>2,825</u> | <u>1,184</u> | <u>(690)</u> | <u>6,091</u> |
| Segment assets | <u>943,831</u> | <u>179,900</u> | <u>70,402</u> | <u>(337,509)</u> | <u>856,624</u> |
| Segment liabilities | <u>542,736</u> | <u>147,745</u> | <u>33,820</u> | <u>(245,302)</u> | <u>478,999</u> |
| Cumulative quarter at 30.06.2019 | | | | | |
| Segment results | 9,471 | 2,277 | (428) | (564) | 10,756 |
| Finance costs | (2,912) | (489) | (191) | 146 | (3,446) |
| Share of results of an associated company | - | (1,282) | - | - | (1,282) |
| PBT/(Loss) before taxation | 6,559 | 506 | (619) | (418) | 6,028 |
| Taxation | (1,471) | (424) | 134 | 68 | (1,693) |
| Profit/(Loss) after taxation | <u>5,088</u> | <u>82</u> | <u>(485)</u> | <u>(350)</u> | <u>4,335</u> |
| Segment assets | <u>879,600</u> | <u>182,891</u> | <u>74,197</u> | <u>(307,199)</u> | <u>829,489</u> |
| Segment liabilities | <u>490,931</u> | <u>146,897</u> | <u>38,641</u> | <u>(223,903)</u> | <u>452,566</u> |

A9 VALUATION OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

There were no revaluation of property, plant and equipment for the quarter under review.

The Group adopts the fair value model for its investment properties. There is no significant and indicative change in value of the said investment properties since the last balance sheet date.

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT QUARTER

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

A11. COMPOSITION OF THE GROUP

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

A12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

The contingent liabilities of the group arise from bank guarantee given to third parties amounted to RM7.13 million.

A13. CAPITAL COMMITMENTS

Commitments for the capital expenditure not provided for acquisition of property, plant and equipment in the financial statements amounted to RM12.13 million.

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B1. REVIEW OF PERFORMANCE**

| | INDIVIDUAL QUARTER | | | CUMULATIVE QUARTER | | |
|--|--------------------|-----------|----------|--------------------|-----------|----------|
| | Quarter ended | | | Period ended | | |
| | 30.6.2020 | 30.6.2019 | Variance | 30.6.2020 | 30.6.2019 | Variance |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Revenue | | | | | | |
| - Integrated livestock farming ("ILF") | 172,852 | 151,085 | 14.41 | 172,852 | 151,085 | 14.41 |
| - Food manufacturing ("FM") | 104,581 | 98,072 | 6.64 | 104,581 | 98,072 | 6.64 |
| - Retail business ("RB") | 63,371 | 54,566 | 16.14 | 63,371 | 54,566 | 16.14 |
| Subtotal | 340,804 | 303,723 | 12.21 | 340,804 | 303,723 | 12.21 |
| Intercompany elimination | (102,610) | (101,504) | 1.09 | (102,610) | (101,504) | 1.09 |
| Total | 238,194 | 202,219 | 17.79 | 238,194 | 202,219 | 17.79 |
| PBT | 9,148 | 6,028 | 51.76 | 9,148 | 6,028 | 51.76 |

Revenue for the ILB segment increase by 14.41% or RM21.77 million to RM172.85 million. The higher revenue was attributable to higher average selling price of eggs and livestock products coupled with the increased quantity of eggs sold.

B1 REVIEW OF PERFORMANCE (cont'd)

Both FM and RB recorded an increase in revenue by 6.64% or RM6.51 million and 16.14% or RM8.81 million respectively during the financial quarter as compared with the last corresponding preceding period. The increase was attributable to higher demand from customers following the imposition of Movement Control Order (“MCO”) by the government.

The group recorded a higher PBT of RM9.15 million as compared to the last corresponding preceding period of RM6.03 million. The increase in PBT was in line with the increase in revenue.

B2 COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER’S RESULTS

| | INDIVIDUAL QUARTER | | |
|--|--------------------|------------------|-----------------|
| | Period ended | | |
| | <u>30.6.2020</u> | <u>31.3.2020</u> | <u>Variance</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>%</u> |
| Revenue | | | |
| - Integrated livestock farming (“ILF”) | 172,852 | 161,797 | 6.83 |
| - Food manufacturing (“FM”) | 104,581 | 110,753 | (5.57) |
| - Retail business (“RB”) | 63,371 | 54,344 | 16.61 |
| Subtotal | 340,804 | 326,894 | 4.26 |
| Intercompany elimination | (102,610) | (116,385) | (11.84) |
| Total | 238,194 | 210,509 | 13.15 |
| PBT | 9,148 | 3,235 | 182.78 |

For the current quarter under review, ILF recorded a higher revenue of RM172.85 million while RB recorded an increase of 16.61% or RM9.03 million to RM63.37 million. However, FM revenue decline by 5.57% or RM6.17 million to RM104.58 million. The decline was because of normalisation of the consumers behaviours towards MCO where at the initial stage, there was a sudden bulk purchase by consumers.

The Group's recorded a higher PBT of RM9.15 million as compared with the immediate preceding quarter of RM3.24 million. The higher PBT was because better performance in our FM and RB segment resulted from the increasing demand during the MCO period together with the absent of impairment of certain receivables.

B3 PROSPECTS

Due to ongoing Covid-19 pandemic, the Board will remain cautious on the market and will continuously assess the business condition. However, we expect foreign exchange volatility will have an impact to the Company's feed cost as it was transacted in USD.

B4 PROFIT FORECAST AND PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee during the current year under review.

B5 TAXATION

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--------------|--------------------|------------------|--------------------|------------------|
| | Quarter ended | | Period ended | |
| | <u>30.6.2020</u> | <u>30.6.2019</u> | <u>30.6.2020</u> | <u>30.6.2019</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Current tax | 1,357 | 93 | 1,357 | 93 |
| Deferred tax | 1,700 | 1,600 | 1,700 | 1,600 |
| | <u>3,057</u> | <u>1,693</u> | <u>3,057</u> | <u>1,693</u> |

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.

B6 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this report.

B7 BORROWINGS

| | <u>As at</u> | <u>As at</u> |
|---------------------------|------------------|------------------|
| | <u>30.6.2020</u> | <u>31.3.2020</u> |
| | <u>RM'000</u> | <u>RM'000</u> |
| <u>Current</u> | | |
| <u>Secured</u> | | |
| Bank overdrafts | 4,424 | 2,722 |
| Bill payables | 64,438 | 66,078 |
| Lease liabilities | 11,639 | 11,980 |
| Term loans | 20,635 | 20,704 |
| | 101,136 | 101,484 |
| <u>Unsecured</u> | | |
| Bank overdrafts | 2,224 | 2,295 |
| Bill payables | 96,047 | 88,716 |
| | 98,271 | 91,011 |
| <i>Total current</i> | <u>199,407</u> | <u>192,495</u> |
| <u>Non-current</u> | | |
| <u>Secured</u> | | |
| Lease liabilities | 24,521 | 27,108 |
| Term loans | 76,021 | 79,608 |
| <i>Total non-current</i> | <u>100,542</u> | <u>106,848</u> |
| <i>Total borrowings</i> | <u>299,949</u> | <u>299,343</u> |

B7 BORROWINGS (cont'd)

The currency profile of borrowings other than the functional currency is

| | <u>As at</u> <u>30.6.2020</u> <u>RM'000</u> | <u>As at</u> <u>31.3.2020</u> <u>RM'000</u> |
|-----|---|---|
| THB | 178 | 185 |

B8 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group did not enter any contracts involving off balance sheet financial instruments during the current quarter under review.

B9 MATERIAL LITIGATION

Except for the below mentioned claim, there is no material pending litigation.

On 2 July 2018, Lay Hong Berhad ("Plaintiff") had filed a claim against Loke Chee Min ("1st defendant"), Beh Yong Hock ("2nd defendant"), Leong Sze Seng ("3rd defendant") and The Roof Realty Sdn Bhd ("4th Defendant") for a special damages of RM3,256,904.84 with interest and costs.

Pursuant to the claim, the Plaintiff is seeking the special damages upon the recommendation/misrepresentation of the 3rd defendant (a real estate negotiator employed by the 4th defendant, a register real estate agent) wherein 3rd defendant represented inter alia to the plaintiff that the owners of the land held under Grant Mukim 6469 for Lot 31982 and Grant Mukim 6470 for Lot 31983 both in the Mukim of Kapar, District of Klang, Selangor (the said lands) wishes to sell the lands and that the 1st defendant is the solicitor representing the land owner. The 2nd defendant is the solicitor appointed by the plaintiff to handle the sale and purchase transaction on its behalf while the 1st defendant purportedly acted for the owners of the said lands. The plaintiff paid the monies to the 1st defendant as stakeholder based on the sale and purchase agreement terms executed between the parties.

Subsequently, the plaintiff found out that the owners of the said lands did not appoint the first defendant as their solicitors neither did they sell their said lands.

The plaintiff claims against the defendants inter alia for the loss and damage suffered by it:-

- 1) against the 1st defendant for breach of fiduciary duty and/or trust as the stakeholder of the purchase price of the said lands and wrongfully deprived the plaintiff the said payments;
- 2) against the 2nd defendant for breach of contract and negligence;
- 3) against the 3rd defendant for fraudulent and/or negligent misrepresentation; and
- 4) against the 4th defendant as the principal and/or employer of the 3rd defendant for vicarious liability in respect of the act and/or omission of the 3rd defendant

The court proceeded with the trial on 12/11/2019, 13/11/2019, 14/11/2019, 21/11/2019 and 31/1/2020 and fixed continued hearing on 9/9/2020 and 10/9/2020.

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Notes to the interim financial report for the first (1st) quarter ended 30 June 2020

B10 PROPOSED DIVIDEND

The Board of Directors have not recommended any dividends for the current financial quarter under review and the financial period to-date.

B11 EARNINGS PER SHARE

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--------------------|------------------|--------------------|------------------|
| | Quarter ended | | Period ended | |
| | <u>30.6.2020</u> | <u>30.6.2019</u> | <u>30.6.2020</u> | <u>30.6.2019</u> |
| | <u>RM</u> | <u>RM</u> | <u>RM</u> | <u>RM</u> |
| Profit attributable to ordinary equity holders of the parent (RM'000) | 5,189 | 3,864 | 5,189 | 3,864 |
| Weighted average number of ordinary shares (Basic)('000) | 660,289 | 660,289 | 660,289 | 660,289 |
| Effect of dilution of outstanding Shares Issuance Scheme ("SIS") ('000) | * | 18,752 | * | 18,752 |
| Effect of dilution of outstanding Warrants ('000) | * | 234,543 | * | 234,543 |
| Weighted average number of ordinary shares (Diluted)('000) | * | 913,584 | * | 913,584 |
| Basic earnings per share (sen) | 0.79 | 0.59 | 0.79 | 0.59 |
| Diluted earnings per share (sen) | * | 0.42 | * | 0.42 |

Basic earnings per share is computed based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is computed based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period after adjustment for full conversion of the SIS Options and conversion of warrants.

* No diluted earnings per share is presented as there are no potential dilutive ordinary shares as at the end of the financial period.

B12 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report of the previous annual financial year ended 31 March 2020 was not subject to any qualification.

B13 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 August 2020.