

**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 2020. 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 2020.

**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 segments

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Quarter ended</b>		<b>Period ended</b>	
	<u>30.9.2020</u>	<u>30.9.2019</u>	<u>30.9.2020</u>	<u>30.9.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Integrated livestock farming ("ILF")	170,269	160,469	343,121	311,553
Food manufacturing ("FM")	104,693	107,331	209,274	205,403
Retail business ("RB")	60,469	51,820	123,840	106,386
Subtotal	335,431	319,620	676,235	623,342
Intercompany elimination	(106,827)	(102,965)	(209,437)	(204,468)
Total revenue	<u>228,604</u>	<u>216,655</u>	<u>466,798</u>	<u>418,874</u>

The revenue was predominantly derived in Malaysia.

**LAY HONG BERHAD (Company No. 198301011738) (107129-H)**  
**Incorporated in Malaysia**  
**Notes to the interim financial report for the second (2nd) quarter ended**  
**30 September 2020**

**A8 SEGMENTAL REPORTING (cont'd)**

Analysis of segment results, assets and liabilities

	<u>ILF</u>	<u>FM</u>	<u>RB</u>	<u>Elimination</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Cumulative quarter at 30.09.2020</b>					
Segment results	12,797	4,119	2,361	909	20,186
Finance costs	(5,584)	(1,011)	(360)	474	(6,481)
Share of results of an associated company	-	(1,781)	-	-	(1,781)
Profit before taxation ("PBT")	7,213	1,327	2,001	1,383	11,924
Taxation	(2,437)	(1,166)	(460)	-	(4,063)
Profit after taxation	4,776	161	1,541	1,383	7,861
Segment assets	927,098	187,414	70,084	(329,632)	854,964
Segment liabilities	523,484	157,182	33,119	(238,778)	475,007
<b>Cumulative quarter at 30.09.2019</b>					
Segment results	14,452	2,727	(944)	2,295	18,530
Finance costs	(5,858)	(950)	(374)	347	(6,835)
Share of results of an associated company	-	(2,520)	-	-	(2,520)
PBT/(Loss) before taxation	8,594	(743)	(1,318)	2,642	9,175
Taxation	(2,870)	(528)	163	60	(3,175)
Profit/(Loss) after taxation	5,724	(1,271)	(1,155)	2,702	6,000
Segment assets	886,754	181,113	73,127	(303,586)	837,408
Segment liabilities	496,308	146,471	38,241	(222,901)	458,119

**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 RM6.54 million.

**A13. CAPITAL COMMITMENTS**

Commitments for the capital expenditure not provided for acquisition of property, plant and equipment in the financial statements amounted to RM6.87 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		
	30.9.2020	30.9.2019	Variance	30.9.2020	30.9.2019	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue						
- Integrated livestock farming ("ILF")	170,269	160,469	6.10	343,121	311,553	10.13
- Food manufacturing ("FM")	104,693	107,331	(2.46)	209,274	205,403	1.88
- Retail business ("RB")	60,469	51,820	16.69	123,840	106,386	16.40
Subtotal	335,431	319,620	4.95	676,235	623,342	8.48
Intercompany elimination	(106,827)	(102,965)	3.75	(209,437)	(204,468)	2.43
Total	228,604	216,655	5.51	466,798	418,874	11.44
PBT	2,776	3,147	(11.79)	11,924	9,175	29.96

**Individual quarter Q2'21 vs Q2'20**

Revenue for the ILF segment increased by 6.10% or RM9.80 million from RM160.47 million to RM170.27 million. The higher revenue was attributable to the increased quantity of table eggs sold due to higher productivity despite the less favourable average selling price.

**B1 REVIEW OF PERFORMANCE (cont'd)**

Revenue for the FM segment decreased by 2.46% or RM2.64 million from RM 107.33 million to RM104.69 million. The lower demand of liquid egg from overseas resulted to a decreased from 536 tonnes in Q2'20 to 143 tonnes in Q2'21. Furthermore, the processed chicken products also recorded a reduced offtake by industrial user due to Movement Control Order (“MCO”).

RB segment recorded an increase in revenue by 16.69% or RM8.65 million in Q2'21 as compared with the last corresponding preceding period. The increase was attributable to higher demand from customers following the continuation of MCO especially in Sabah.

Despite the increase in overall revenue from RM216.55 million to RM228.60 million, the group recorded a lower PBT of RM2.78 million as compared to the last corresponding preceding period of RM3.15 million mainly due to the lower PBT in ILF segment plus the share of losses of RM0.79 million from an associate company in FM segment.

**Cumulative quarter Q2'21 vs Q2'20**

The ILF segment recorded an increase of 10.13% or RM31.57 million from RM311.55 million in Q2'20 to RM 343.12 million in Q2'21 due to higher quantity of eggs sold and higher broiler selling price achieved.

The increase of revenue by 1.88% or RM 3.87 million in FM segment from 205.40 million to RM 209.27 million was mainly due to the increase in average selling price together with higher quantity sold for processed chicken products as compared to the previous corresponding period.

RB segment revenue increased by 16.40% or RM 17.45 million from RM106.39 million to RM 123.84 million. The increase was attributable to higher demand from customers on the imposition of MCO by the government in view of the Covid-19 pandemic.

The Group recorded a higher PBT of RM11.92 million as compared to the last corresponding preceding period of RM9.12 million as a result of better performance in FM and RB segment.

**B2 COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS**

	<b>INDIVIDUAL QUARTER</b>		<i>Variance</i> %
	<b>Period ended</b>		
	<u>30.9.2020</u> RM'000	<u>30.6.2020</u> RM'000	
Revenue			
- Integrated livestock farming ("ILF")	170,269	172,852	(1.49)
- Food manufacturing ("FM")	104,693	104,581	0.11
- Retail business ("RB")	60,469	63,371	(4.58)
Subtotal	335,431	340,804	(1.58)
Intercompany elimination	(106,827)	(102,610)	4.11
Total	228,604	238,194	(4.03)
PBT	2,776	9,148	(69.65)

For the current quarter under review, ILF segment recorded a lower revenue of RM170.27 million. Despite the higher quantity of table eggs sold, the reduced average selling price of table eggs has contributed to the lower revenue being recorded in the current quarter.

RB segment recorded a decrease of 4.58% or RM2.9 million to RM60.47 million. This is mainly due to the impact of the third resurgence of Covid-19 which resulted in the temporary closure of one store in Sabah in September 2020 thus resulted in the reduced revenue.

The Group's recorded a lower PBT of RM2.78 million as compared to the immediate preceding quarter of RM9.15 million. The lower PBT was mainly due to the lower average selling price of table eggs and broilers.

**B3 PROSPECTS**

Due to ongoing Covid-19 pandemic, the Board will remain cautious on the market and will continuously assess the business conditions.

However, we expect foreign exchange to remain volatile due to the uncertainty pose from the pro-long trade war between United states of America ("US") and China as the Group major component of the Group material cost i.e feed was transacted in US Dollar.

**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>30.9.2020</u>	<u>30.9.2019</u>	<u>30.9.2020</u>	<u>30.9.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax	728	652	2,085	745
Deferred tax	278	830	1,978	2,430
	<u>1,006</u>	<u>1,482</u>	<u>4,063</u>	<u>3,175</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>30.9.2020</u>	<u>31.3.2020</u>
	<u>RM'000</u>	<u>RM'000</u>
<b><u>Current</u></b>		
<u>Secured</u>		
Bank overdrafts	5,416	3,728
Bill payables	65,940	66,078
Lease liabilities	12,374	11,980
Term loans	20,700	20,704
	104,430	102,490
<u>Unsecured</u>		
Bank overdrafts	3,229	1,290
Bill payables	90,739	88,715
	93,968	90,005
<i>Total current</i>	<u>198,398</u>	<u>192,495</u>
<b><u>Non-current</u></b>		
<u>Secured</u>		
Lease liabilities	25,915	27,239
Term loans	71,529	79,609
<i>Total non-current</i>	<u>97,444</u>	<u>106,848</u>
<i>Total borrowings</i>	<u>295,842</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>30.9.2020</u> <u>RM'000</u>	<u>As at</u> <u>31.3.2020</u> <u>RM'000</u>
THB	162	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



**B9 MATERIAL LITIGATION (cont'd)**

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

**B10 PROPOSED DIVIDEND**

The Board of Directors has not recommended any dividend 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>30.9.2020</u>	<u>30.9.2019</u>	<u>30.9.2020</u>	<u>30.9.2019</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Profit attributable to ordinary equity holders of the parent (RM'000)	1,161	1,113	6,350	4,977
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)	*	20,024	*	19,378
Effect of dilution of outstanding Warrants ('000)	*	250,446	*	242,366
Weighted average number of ordinary shares (Diluted)('000)	*	930,759	*	922,033
Basic earnings per share (sen)	0.18	0.17	0.96	0.75
Diluted earnings per share (sen)	*	0.12	*	0.54

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 23 November 2020.