

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 2021.

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 2021. 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 2021.

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 2021.

In the current period, the Group applied a number of new or revised standards, amendments and interpretations that become effective mandatorily for the financial periods beginning on or after 1 April 2021.

The adoption of these new and revised standards, amendments and/or interpretation 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:

Standards	<u>Effective date</u>
Amendments of MFRS 1, MFRS 9, MFRS 16 and MFRS 141 : Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3 : Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 : Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 : Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
MFRS 117 : Insurance Contracts	1 January 2023

A2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Standards	<u>Effective date</u>
Amendments to MFRS 101 : Classifications of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 : Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108 : Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by MASB

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Integrated livestock farming ("ILF")	171,429	172,852	171,429	172,852
Food manufacturing ("FM")	101,386	104,581	101,386	104,581
Retail business ("RB")	61,730	63,371	61,730	63,371
Subtotal	334,545	340,804	334,545	340,804
Intercompany elimination	(105,113)	(102,610)	(105,113)	(102,610)
Total revenue	229,432	238,194	229,432	238,194

The revenue was predominantly derived in Malaysia.

Analysis of segment results, assets and liabilities

	ILF	FM	RB	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cumulative quarter at 30.06.2021					
Segment results	(9,494)	(362)	1,119	(951)	(9,688)
Finance costs	(2,266)	(445)	(186)	150	(2,747)
(Loss)/Profit before taxation ("(LBT)/PBT")	(11,760)	(807)	933	(801)	(12,435)
Taxation	(1,158)	177	(202)	(10)	(1,193)
(Loss)/Profit after taxation	(12,918)	(630)	731	(811)	(13,628)
Segment assets	962,024	184,320	73,417	(262,466)	957,295
Segment liabilities	499,817	153,656	35,605	(175,079)	513,999
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)
PBT/(LBT)	4,648	3,768	1,422	(690)	9,148
Taxation	(1,876)	(943)	(238)	-	(3,057)
Profit/(Loss) after taxation	2,772	2,825	1,184	(690)	6,091
Segment assets	943,831	179,900	70,402	(337,509)	856,624
Segment liabilities	542,736	147,745	33,820	(245,302)	478,999

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 guarantees given to third parties amounted to RM6.61 million.

A13 CAPITAL COMMITMENTS

Commitments for the capital expenditure not provided for acquisition of property, plant and equipment in the financial statements amounted to RM10.52 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		
	<u>30.06.2021</u>	<u>30.06.2020</u>	<u>Variance</u>	<u>30.06.2021</u>	<u>30.06.2020</u>	<u>Variance</u>
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue						
- ILF	171,429	172,852	(0.82)	171,429	172,852	(0.82)
- FM	101,386	104,581	(3.06)	101,386	104,581	(3.06)
- RB	61,730	63,371	(2.59)	61,730	63,371	(2.59)
Subtotal	334,545	340,804	(1.84)	334,545	340,804	(1.84)
Intercompany elimination	(105,113)	(102,610)	2.44	(105,113)	(102,610)	2.44
Total	229,432	238,194	(3.68)	229,432	238,194	(3.68)
(LBT)/PBT	(12,435)	9,148	(235.93)	(12,435)	9,148	(235.93)

Revenue for the ILF segment decreased by 0.82% or RM1.42 million from RM172.85 million to RM171.43 million. The lower revenue was due to lower average selling prices (“ASP”) of table eggs despite the increase in quantity of table eggs being sold.

Revenue for the FM segment registered a decrease by 3.06% or RM3.19 million from RM104.58 million to RM101.39 million due to shorter operating days where the plant was undertaking maintenance together with the restriction of workforce from 100% to 60% upon imposition of the Enhance Movement Control Order (“MCO”) throughout the whole country.

RB segment recorded a reduction in revenue of 2.59% or RM1.64 million in Q1'22 compared with the last corresponding preceding period. The decline in sales was due to the normalisation of customer behaviour towards MCO. The higher sales in the corresponding preceding period is the result of sudden bulk purchase by consumers during the initial stage of MCO imposed by the government.

The Group recorded a LBT of RM12.44 million as compared to the preceding quarter which recorded PBT of RM 9.15 million. The loss was due to the decrease in ASP of table eggs and the lower production of processed chicken products resulting from the the reasons stated above. The increase in raw material cost of our major components ie corns and soya bean have also negatively impacted the overall profitability.

B2 COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Period ended		
	<u>30.06.2021</u>	<u>31.03.2021</u>	<u>Variance</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Revenue			
- ILF	171,429	178,890	(4.17)
- FM	101,386	111,247	(8.86)
- RB	61,730	56,911	8.47
Subtotal	334,545	347,048	(3.60)
Intercompany elimination	(105,113)	(110,074)	(4.51)
Total	229,432	236,974	(3.18)
LBT	(12,435)	(8,239)	50.93

For the current quarter under review, ILF segment recorded a decrease of 4.17% or RM7.46 million from RM178.89 million to RM 171.43 million. The decrease in revenue was due to lower quantity and lower ASP of table eggs.

The FM segment revenue registered a decrease of 8.86% or RM9.86 million from RM111.25 million to RM101.39 million. The decline in revenue was mainly due to the reason stated in above.

RB segment recorded an increase of 8.47% or RM 4.89 million to RM 61.73 million. The increase was attributable to reimposition of EMCO in Sabah thus boosted sales.

The Group recorded a LBT of RM12.44 million as compared to the immediate corresponding period of RM8.24 million LBT. This higher loss was due to the decline in ASP of table eggs and the closure of our processing plant.

B3 PROSPECTS

The continuing high price of raw materials especially the two (2) major components i.e corn and soyabean in the world commodities market has posed a great challenge to the group to contain cost. With the ongoing pandemic getting more worrisome especially the Delta variant, the demand for chicken products and liquid egg especially for the industrial segments are getting tougher due to their reduced off take affected by EMCO closure that led to their reduced production output thus directly influence the overall (ASP) average selling prices of our products to the market.

Taking cognisance of the on-going tough operating environment, the Board will take appropriate mitigative measures to address it and ensure that the Group will be able to strive through this trying time.

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>30.06.2021</u>	<u>30.06.2020</u>	<u>31.03.2021</u>	<u>30.06.2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax	405	1,357	405	1,357
Deferred tax	788	1,700	788	1,700
	<u>1,193</u>	<u>3,057</u>	<u>1,193</u>	<u>3,057</u>

B6 STATUS OF CORPORATE PROPOSALS

Proposed acquisition of Sri Tawau Farming Sdn Bhd (“STF”) and the proposed exemption

On 8 June 2021, the Company announced a proposal to acquire 50% of STF not owned by the Company at a purchase consideration of RM28.0 million to be satisfied via the issuance of 80.0 million new ordinary shares in LHB at an issue price of RM0.35 each (“Proposed STF Acquisition”) together with the proposed exemption to undertake the mandatory take-over offer of the Company shares and warrants in view that the Proposed STF Acquisition was a related party transaction with the major shareholders and person acting in concert with them.

Bursa Malaysia Securities Berhad vide its letter dated 29 July 2021, approved the listing and quotation of 80,000,000 new LHB Shares to be issued pursuant to the Proposed STF Acquisition subject to certain condition.

The Proposed STF Acquisition required shareholder approval and the extraordinary general meeting will be convened at a date to be confirmed later.

B7 BORROWINGS

	<u>As at</u>	<u>As at</u>
	<u>30.06.2021</u>	<u>31.3.2021</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Current</u>		
<u>Secured</u>		
Bank overdrafts	4,660	4,179
Bill payables	70,029	63,225
Lease liabilities	13,024	13,234
Term loans	20,577	20,686
	<u>108,290</u>	<u>101,324</u>

B7 BORROWINGS (cont'd)

	<u>As at</u> <u>30.06.2021</u> <u>RM'000</u>	<u>As at</u> <u>31.3.2021</u> <u>RM'000</u>
<u>Unsecured</u>		
Bank overdrafts	5,744	2,230
Bill payables	103,964	98,108
	109,708	100,338
<i>Total current</i>	<u>217,998</u>	<u>201,662</u>
<u>Non-current</u>		
<u>Secured</u>		
Lease liabilities	25,024	27,237
Term loans	55,998	61,160
<i>Total non-current</i>	<u>81,022</u>	<u>88,397</u>
<i>Total borrowings</i>	<u>299,020</u>	<u>290,059</u>

The currency profile of borrowings other than the functional currency was: -

	<u>As at</u> <u>30.06.2021</u> <u>RM'000</u>	<u>As at</u> <u>31.03.2021</u> <u>RM'000</u>
THB	118	135

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.

B9 MATERIAL LITIGATION (cont'd)

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 registered 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, 31/1/2020, 9/9/2020, 10/9/2020 and on 19/9/2020, the Court delivered its decision as follows

- 1) the plaintiff's claim against the 1st defendant was allowed in totality;
- 2) the plaintiff claim against the 2nd defendant was allowed in the sum of approximately RM600k, being 20% of total damage;
- 3) the plaintiff claim against the 3rd defendant was allowed in the sum of approximately 75k, being commission received;
- 4) the plaintiff claim against 4th defendant was dismissed;
- 5) In view of (4) above, no order was made in respect of 4th defendant's third party claim against the 1st and 3rd defendants.

The plaintiff has filed an appeal to the Court of Appeal on 4/3/2021 against part of the decision of the High Court in respect of (2),(3) and (4) above and case management on 18/5/2021, 7/7/2021 and a further case management was fixed on 21/9/2021.

B10 PROPOSED DIVIDEND

The Board of Directors do not recommend any dividend for the current financial quarter under review.

B11 EARNINGS PER SHARE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended	Quarter ended	Period ended	Period ended
	<u>30.06.2021</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>31.06.2020</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(14,354)	5,189	(14,354)	5,189
Weighted average number of ordinary shares (Basic)('000)	660,289	660,289	660,289	660,289
Basic earnings per share (sen)	(2.17)	0.79	(2.17)	0.79
Diluted earnings per share (sen)	*	*	*	*

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 2021 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 30 August 2021.