

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		30/09/2020	30/09/2019	30/09/2020	30/09/2019
		RM'000	RM'000	RM'000	RM'000
Revenue		1,573,420	1,527,135	4,432,988	4,510,713
Other income		10,682	10,424	40,776	26,858
Operating expenses		(1,522,397)	(1,419,220)	(4,288,402)	(4,196,797)
Profit from operations		61,705	118,339	185,362	340,774
Finance costs		(30,966)	(34,595)	(96,673)	(102,446)
Share of profits of associates		64	69	119	253
Profit before tax	B5	30,803	83,813	88,808	238,581
Tax expense	B6	(9,773)	(21,470)	(28,160)	(59,400)
Net profit for the financial period		21,030	62,343	60,648	179,181
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(56,055)	8,961	(16,097)	19,768
Other comprehensive (loss)/income for the financial period		(56,055)	8,961	(16,097)	19,768
Total comprehensive (loss)/income for the financial period		(35,025)	71,304	44,551	198,949

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
	Note	30/09/2020	30/09/2019	30/09/2020	30/09/2019
		RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period attributable to:					
Owners of the Company		22,532	44,382	60,590	121,050
Non-Controlling Interests		(1,502)	17,961	58	58,131
		<u>21,030</u>	<u>62,343</u>	<u>60,648</u>	<u>179,181</u>
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(17,978)	38,179	54,294	121,657
Non-Controlling Interests		(17,047)	33,125	(9,743)	77,292
		<u>(35,025)</u>	<u>71,304</u>	<u>44,551</u>	<u>198,949</u>
Earning per share (sen)					
Basic	B13	0.62	1.22	1.66	3.43
Diluted	B13	0.62	1.22	1.66	3.43

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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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30/09/2020	Audited As at 31/12/2019
	Note	RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,558,129	2,396,471
Investment properties		21,860	22,050
Right-of-use assets		327,931	307,424
Intangible assets		97,341	97,470
Investment in associates		1,686	1,567
Trade receivables		1,693	1,693
Amount owing by associated companies		16,393	15,368
Deferred tax assets		66,379	62,265
Total Non-Current Assets		3,091,412	2,904,308
Current Assets			
Biological assets		377,073	378,392
Inventories		707,151	679,600
Trade receivables		528,493	499,298
Other receivables and prepaid expenses		184,786	169,030
Amount owing by fellow subsidiaries		-	796
Derivative financial assets	B10	484	-
Tax recoverable		2,496	12,885
Cash and bank balances		776,175	764,829
Total Current Assets		2,576,658	2,504,830
TOTAL ASSETS		5,668,070	5,409,138

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30/09/2020 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		(662,466)	(658,787)
Reserve		837,718	800,312
Equity attributable to owners of the Company		1,674,936	1,641,209
Non-controlling interests		526,811	539,314
TOTAL EQUITY		2,201,747	2,180,523
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		100,855	107,519
Bank borrowings	B9	684,014	873,087
Lease liabilities		107,668	104,565
Deferred income - government grants		2,299	2,544
Derivative financial liabilities	B10	-	611
Post-employment benefits obligation		42,443	36,865
Total Non-Current Liabilities		937,279	1,125,191
Current Liabilities			
Trade payables		234,917	273,097
Other payables and accrued expenses		259,689	287,092
Amount owing to fellow subsidiaries		-	862
Bank borrowings	B9	1,997,526	1,508,733
Lease liabilities		14,930	13,959
Derivative financial liabilities	B10	549	1,332
Tax payable		21,433	18,349
Total Current Liabilities		2,529,044	2,103,424
TOTAL LIABILITIES		3,466,323	3,228,615
TOTAL EQUITY AND LIABILITIES		5,668,070	5,409,138
Net assets per share attributable to ordinary equity holders (RM)		0.4589	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 THIRD QUARTER ENDED 30 SEPTEMBER 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	-	-	-	-	60,590	60,590	58	60,648
Other comprehensive loss:								
Currency translation differences	-	-	(6,296)	-	-	(6,296)	(9,801)	(16,097)
Total other comprehensive loss	-	-	(6,296)	-	-	(6,296)	(9,801)	(16,097)
Total comprehensive (loss)/ income	-	-	(6,296)	-	60,590	54,294	(9,743)	44,551
Transactions with owners:								
Share option expense	-	-	-	3,005	96	3,101	-	3,101
Dividend	-	-	-	-	(19,989)	(19,989)	(2,760)	(22,749)
Acquisition of subsidiary	-	(3,679)	-	-	-	(3,679)	-	(3,679)
	-	(3,679)	-	3,005	(19,893)	(20,567)	(2,760)	(23,327)
Balance as at 30/9/2020	1,499,684	(662,466)	(9,050)	9,491	837,277	1,674,936	526,811	2,201,747

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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	-	-	-	-	121,050	121,050	58,131	179,181
Other comprehensive income:								
Currency translation differences	-	-	607	-	-	607	19,161	19,768
Total other comprehensive income	-	-	607	-	-	607	19,161	19,768
Total comprehensive Income	-	-	607	-	121,050	121,657	77,292	198,949
Transactions with owners:								
Issuance of shares	269,552	-	-	-	-	269,552	-	269,552
Share option expense	-	-	-	3,884	-	3,884	-	3,884
Transfer of reserves	-	-	-	-	(26,283)	(26,283)	26,283	-
Dividend	-	-	-	-	(58,400)	(58,400)	(21,932)	(80,332)
Disposal to non-controlling interests	-	-	-	-	852	852	1,335	2,187
	269,552	-	-	3,884	(83,831)	189,605	5,686	195,291
Balance as at 30/9/2019	1,499,684	(658,787)	7,793	3,884	760,529	1,613,103	546,565	2,159,668

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 THIRD QUARTER ENDED 30 SEPTEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	30/09/2020	30/09/2019
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	88,808	238,581
Adjustments for: non-cash items	298,537	272,787
Operating profit before working capital changes	387,345	511,368
<u>Net Movement In:</u>		
Inventories	(39,346)	(54,685)
Biological assets	(8,629)	(30,425)
Receivables	(45,240)	(12,748)
Payables	(42,799)	(35,248)
Net cash from operations	251,331	378,262
Tax paid	(29,230)	(44,539)
Net cash generated from operating activities	222,101	333,723
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>		
Advances to associate	(1,024)	-
Receipt of amount owing by ultimate holding company	-	21,435
Proceeds from disposal of property, plant and equipment	4,791	2,907
Proceeds from disposal of right-of-use assets	49	-
Proceeds from partial disposal of subsidiary to non-controlling interests	-	2,186
Interest income received	10,622	9,169
Dividend income from associates	-	540
Addition of property, plant and equipment	(329,867)	(277,407)
Addition of land use rights	-	(8,973)
Addition of right-of-use assets	(7,396)	-
Net cash outflow from acquisition of subsidiary	(22,989)	(1,338)
Decrease/(Increase) in fixed deposit pledged	16,520	(9,777)
Net cash used in investing activities	(329,294)	(261,258)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Period ended	
	30/09/2020	30/09/2019
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(96,673)	(102,048)
Proceeds from term loans	32,419	229,832
Repayments of term loans	(211,660)	(324,277)
Net drawdown of short term borrowings	427,253	85,557
Repayment of lease liabilities	(23,592)	(24,555)
Proceeds from issuance of shares	-	269,552
Dividend paid	(22,748)	(80,332)
Net cash generated from financing activities	104,999	53,729
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,194)	126,194
Effect of exchange translation differences	5,437	3,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	654,232	390,386
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	657,475	520,133
Cash and cash equivalents comprise the following:		
Cash and bank balances	776,175	567,821
Bank overdrafts	(97,271)	(23,283)
	678,904	544,538
Less:		
- fixed deposits pledged as collateral	(21,429)	(24,405)
	657,475	520,133

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 THIRD QUARTER ENDED 30 SEPTEMBER 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
- Extension of Temporary Exemption from applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)

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
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 (Interest Rate Benchmark Reform—Phase 2)	1 January 2021
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
Amendment to MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
Amendments to MFRS 116 (Property, Plant and Equipment—Proceeds before Intended Use)	1 January 2022
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 “Classification of Liabilities as Current or Non-current”	1 January 2023
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

A 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 was paid on 30 September 2020.

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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 30/9/2020				
Revenue from sales of goods:				
- external customers	865,089	705,052	-	1,570,141
- inter-segment	-	342,067	(342,067)	-
Revenue from sales of goods	865,089	1,047,119	(342,067)	1,570,141
Revenue from other sources				3,279
Total revenue				<u>1,573,420</u>
EBITDA	21,756	115,668	(10,228)	127,196
Depreciation and amortisation	(52,490)	(13,531)	530	(65,491)
	(30,734)	102,137	(9,698)	61,705
Share of profits of associates				64
Finance costs				(30,966)
Profit before taxation				30,803
Tax expense				(9,773)
Profit for the financial period				<u>21,030</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30/9/2019				
Revenue from sales of goods:				
- external customers	858,206	665,798	-	1,524,004
- inter-segment	-	571,291	(571,291)	-
Revenue from sales of goods	858,206	1,237,089	(571,291)	1,524,004
Revenue from other sources				3,131
Total revenue				1,527,135
EBITDA	41,773	133,475	(1,500)	173,748
Depreciation and amortisation	(39,842)	(14,638)	(929)	(55,409)
	1,931	118,837	(2,429)	118,339
Share of profits of associates				69
Finance costs				(34,595)
Profit before taxation				83,813
Tax expense				(21,470)
Profit for the financial period				62,343

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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 30/9/2020				
Revenue from sales of goods:				
- external customers	2,454,993	1,967,890	-	4,422,883
- inter-segment	-	976,842	(976,842)	-
Revenue from sales of goods	2,454,993	2,944,732	(976,842)	4,422,883
Revenue from other sources				10,105
Total revenue				4,432,988
EBITDA	57,076	336,292	(19,619)	373,749
Depreciation and amortisation	(146,034)	(41,466)	(887)	(188,387)
	(88,958)	294,826	(20,506)	185,362
Share of profits of associates				119
Finance costs				(96,673)
Profit before taxation				88,808
Tax expense				(28,160)
Profit for the financial period				60,648

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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 30/9/2019				
Revenue from sales of goods:				
- external customers	2,521,514	1,980,694	-	4,502,208
- inter-segment	-	1,085,406	(1,085,406)	-
Revenue from sales of goods	2,521,514	3,066,100	(1,085,406)	4,502,208
Revenue from other sources				8,505
Total revenue				4,510,713
EBITDA	206,407	306,220	(8,439)	504,188
Depreciation and amortisation	(120,883)	(39,832)	(2,699)	(163,414)
	85,524	266,388	(11,138)	340,774
Share of profits of associates				253
Finance costs				(102,446)
Profit before taxation				238,581
Tax expense				(59,400)
Profit for the financial period				179,181

Geographical segment

	Revenue		EBITDA	
	Quarter ended		Quarter ended	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Malaysia	434,527	426,376	45,917	70,595
Singapore	182,306	203,542	23,903	22,290
Vietnam	410,067	344,428	39,559	30,219
Indonesia	520,430	533,403	25,090	46,994
Philippines	26,090	19,386	(7,273)	3,650
	1,573,420	1,527,135	127,196	173,748

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,203,537	1,236,664	117,397	173,458
Singapore	550,397	588,501	74,514	79,373
Vietnam	1,154,025	972,843	108,847	88,390
Indonesia	1,452,005	1,662,486	80,210	155,856
Philippines	73,024	50,219	(7,219)	7,111
	<u>4,432,988</u>	<u>4,510,713</u>	<u>373,749</u>	<u>504,188</u>
	Total non-current assets		Total borrowing	
	as at		as at	
	30/09/2020	31/12/2019	30/09/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,421,632	1,349,065	1,016,720	906,209
Singapore	391,469	407,679	457,274	491,183
Vietnam	406,817	341,735	508,651	368,812
Indonesia	640,798	639,208	659,301	599,531
Philippines	146,231	87,295	39,594	16,085
	<u>3,006,947</u>	<u>2,824,982</u>	<u>2,681,540</u>	<u>2,381,820</u>

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.

A10. PROPERTY, PLANT AND EQUIPMENT

(i) Acquisition and disposal

During the period ended 30 September 2020, the Group acquired property, plant and equipment amounting to RM338.02 million (period ended 30 September 2019: RM283.73 million).

During the period ended 30 September 2020, the Group disposed property, plant and equipment amounting to RM1.82 million (period ended 30 September 2019: RM1.78 million).

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A10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) Revaluation

There were no revaluation of property, plant and equipment for the period ended 30 September 2020 (period ended 30 September 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 30/09/2020 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	52,328
- approved by Directors but not contracted	103,007
	<hr/> 155,335 <hr/>

A13. CHANGES IN THE COMPOSITION OF THE GROUP

On 3 September 2020, Leong Hup (Philippines) Inc. ("LHPI"), a wholly owned subsidiary of LHI had incorporated Leong Hup Foods (Philippines), Inc. ("LHFP") and subscribed for 10,999,997 new ordinary shares in LHFP, representing 99.99% of the total issued and paid up capital of LHFP for a cash consideration of PHP10,999,997 (equivalent to RM0.942 million). LHFP is principally engaged in the business of processing, packaging and distribution of livestock products.

On 4 September 2020, Leong Hup (Malaysia) Sdn Bhd ("LHM"), a wholly owned subsidiary of LHI had acquired one (1) ordinary share in Leong Hup Capital Sdn Bhd (formerly known as Bridgespace Sdn Bhd) ("LHC"), representing the entire issued share capital of LHC, for a cash consideration of RM1 from a third party. LHC is principally engaged in investment advisory services, other financial activities except insurance/takaful and pension funding N.E.C.

Subsequent to the period ended 30 September 2020, Leong Hup Agrobusiness Sdn Bhd ("LHAB"), a wholly owned subsidiary of LHM, had on 15 October 2020 acquired one (1) ordinary share in LHC, representing the entire issued share capital of LHC, for a cash consideration of RM1 from LHM.

Save as disclosed above, there were no other changes in the composition of the Group.

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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.

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	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company:				
Consideration for acquisition of subsidiary	-	-	(17,936)	-
Fellow subsidiaries:				
Sales of goods	97	618	2,336	1,784
Purchases of goods	-	(2)	(3,222)	(6)
Rental paid/payables	-	(378)	-	(1,165)
Companies controlled by Lau family*:				
Sales of goods	130,905	164,769	406,264	379,584
Management fee received/receivable	789	390	2,154	1,263
Purchases of goods	(43,356)	(67,536)	(132,462)	(160,876)
Transportation charges paid/payable	(3,432)	(3,595)	(10,632)	(10,452)
Purchases of sundries paid/payable	(654)	(932)	(1,387)	(2,071)
Rental paid/payables	(587)	-	(1,505)	-
Purchase of business assets	-	-	(2,393)	-
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,018)	(2,420)	(6,142)	(6,678)

* 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 %
	30/09/2020 RM'000	30/09/2019 RM'000		30/09/2020 RM'000	30/09/2019 RM'000	
Revenue:						
Livestock and poultry related products						
	865,089	858,206	0.8%	2,454,993	2,521,514	-2.6%
Feedmill	705,052	665,798	5.9%	1,967,890	1,980,694	-0.6%
Others	3,279	3,131	4.7%	10,105	8,505	18.8%
	<u>1,573,420</u>	<u>1,527,135</u>	3.0%	<u>4,432,988</u>	<u>4,510,713</u>	-1.7%
EBITDA:						
Livestock and poultry related products						
	21,756	41,773	-47.9%	57,076	206,407	-72.3%
Feedmill	115,668	133,475	-13.3%	336,292	306,220	9.8%
Others	(10,228)	(1,500)	-581.9%	(19,619)	(8,439)	-132.5%
	<u>127,196</u>	<u>173,748</u>	-26.8%	<u>373,749</u>	<u>504,188</u>	-25.9%

Livestock and poultry related products

a) Individual Quarter

There was a marginal increase of 0.8% on the group revenue from sales of livestock and poultry and related products in the financial quarter ended (“FQE”) 30 September 2020 as compared to FQE 30 September 2019. The increase in revenue was mainly contributed by Vietnam and Philippines.

Revenue from Vietnam increased due to higher sales volume of broiler chickens and eggs whereas Philippines’ revenue increase was due to higher sales volume of broiler chickens. The higher revenue from Vietnam and Philippines was offset by a significant drop in revenue from Singapore due to a decrease in sales volume of fresh chickens and ducks as well as decrease in sales volume and selling price of processed food.

Malaysia recorded higher revenue from its processed foods segment and downstream business-to-consumers channel which was acquired in June 2020. However, the increase in revenue was significantly offset by a decrease in contribution mainly from day-old-chicks (“DOC”) as well as table eggs and animal health products.

The EBITDA from livestock and other poultry related products decreased by 47.9% due primarily to lower revenue from unfavourable average selling price and sales volume of DOC and eggs in Malaysia as well as lower broiler price in Philippines.

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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 2.6% from RM2,521.51 million in the financial period ended ("FPE") 30 September 2019 to RM2,454.99 million in the FPE 30 September 2020.

The decrease in revenue mainly arose from Indonesia, Malaysia and Singapore. Revenue from Indonesia was affected by lower average selling price of DOC, while the decrease in revenue from Malaysia was mainly caused by the decrease in sales volume and average selling price of eggs and DOC. Revenue in Singapore decreased following lower sales volume of fresh chickens and duck as well as lower sales volume and average selling price of processed food.

The decrease in revenue from Indonesia, Malaysia and Singapore were partially offset by an increase in revenue from Vietnam and Philippines. Vietnam's higher revenue was mainly contributed by higher sales volume and average selling price of eggs as well as higher sales volume of broiler chickens. Higher sales volume of dressed chickens was the main contributor to the higher revenue in Philippines.

The EBITDA from livestock and other poultry related products decreased by 72.3% due primarily to lower revenue from unfavourable average selling price and sales volume in Indonesia, Malaysia and Singapore as mentioned above.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill increased by 5.9% from RM665.80 million in the FQE 30 September 2019 to RM705.05 million in the FQE 30 September 2020. The increase was primarily due to an increase in sales volume and average selling price of livestock feed in Vietnam. The increase was partially offset by a decrease in revenue from Indonesia due to a decrease in average selling price of livestock feed.

Notwithstanding the increase in total revenue of livestock feed, EBITDA decreased by 13.3%, primarily due to normalisation of margins in Indonesia.

b) Cumulative Quarter

The Group recorded RM1,967.89 million in revenue for the FPE 30 September 2020, a marginal decline of 0.6% from FPE 30 September 2019. The decrease was primarily due to a decrease in sales volume and average selling price of livestock feed in Indonesia. The decrease was partially offset by higher sales volume and average selling price of livestock feed in Vietnam.

The EBITDA from feedmill increased by 9.8%, primarily due to the higher earnings recorded in Vietnam.

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B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	30/09/2020 RM'000	30/06/2020 RM'000	
Revenue	1,573,420	1,425,435	10.4%
Profit from operations	61,705	55,987	10.2%
Profit before taxation	30,803	22,915	34.4%

The Group's revenue increased by 10.4% from RM1,425.44 million to RM1,573.42 million as compared with the immediate preceding quarter. This increase was mainly due to higher sales volume of livestock feed in Indonesia and Vietnam.

The Group's profit before taxation increased by 34.4% from RM22.92 million in FQE 30 June 2020 to RM30.80 million in FQE 30 September 2020, primarily due to better profitability from improved revenue in Vietnam and smaller losses from operations in Indonesia.

B3. PROSPECTS

With the gradual economic recovery taking place in the second half of 2020 and the Group's strategy to move further downstream into business-to-consumer channel to improve margin stability, barring unforeseen circumstances, the Board expects a satisfactory financial performance for the current year.

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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B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	6,989	4,856	18,787	13,620
Bad debt recovered	(3)	(740)	(23)	(1,437)
Bad debt written off	16	226	260	458
Depreciation of :				
- investment properties	63	63	190	190
- property, plant and equipment	58,439	50,490	169,410	149,604
Expense recognised in respect of defined contribution plan	2,600	1,638	8,200	4,860
Farmer incentives	19,637	17,456	53,387	35,484
Fair value loss/(gain) on derivative financial instruments	1,066	(148)	842	(1,071)
Foreign exchange (gain)/loss	2,931	(2,971)	(1,222)	(1,077)
Gain on disposal of:				
- property, plant and equipment	(2,103)	(661)	(2,973)	(1,125)
Impairment/(Reversal of impairment) loss on:				
- property, plant and equipment	-	-	46	
- receivables	4,738	3,965	6,288	7,206
Interest expense	30,966	34,595	96,673	102,446
Interest income	(3,437)	(3,812)	(10,622)	(9,169)
Packing materials	6,079	6,075	18,058	15,723
Property, plant and equipment written off	508	1,160	717	2,850
Share option expense	664	1,807	3,101	3,884
Travelling expenses	4,098	3,226	10,302	10,571

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 30/09/2020 RM'000	CUMULATIVE QUARTER 30/09/2020 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	6,104	18,354
- Foreign tax	6,843	24,470
- Under provision in prior years	569	(45)
	<u>13,516</u>	<u>42,779</u>
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	(4,159)	(15,673)
- Under provision in prior years	416	1,054
	<u>(3,743)</u>	<u>(14,619)</u>
Tax expense	<u>9,773</u>	<u>28,160</u>
Effective tax rate	<u>31.7%</u>	<u>31.7%</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.

B7. STATUS OF CORPORATE PROPOSAL

On 23 November 2020, the Company had announced that LHC lodged the proposed establishment of an unrated Islamic Medium Term Notes Programme of up to RM1.0 billion in nominal value under the Shariah principles of Mudharabah (“Sukuk Mudharabah Programme”) with the Securities Commission Malaysia (“SC”) under the SC’s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 and revised on 12 November 2020 (as amended from time to time).

The Sukuk Mudharabah Programme is established by LHC as a funding vehicle for LHM and its subsidiaries (collectively, “LHM Group”) and is guaranteed by LHM pursuant to an irrevocable and unconditional corporate guarantee under the principle of Kafalah and an irrevocable and unconditional letter of undertaking both in favour of the sukuk trustee.

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B7. STATUS OF CORPORATE PROPOSAL (CONTINUED)

The Sukuk Mudharabah Programme is unrated and shall have a tenure of 10 years from the date of first issuance of the Islamic medium term notes (“Sukuk Mudharabah”) under the Sukuk Mudharabah Programme. The Sukuk Mudharabah to be issued under the Sukuk Mudharabah Programme from time to time shall have a tenure of at least 1 year and up to 10 years from the date of issuance as LHC may select provided that the Sukuk Mudharabah shall mature on or prior to the expiry of the Sukuk Mudharabah Programme.

The first issuance of the Sukuk Mudharabah shall be made within sixty (60) business days or such other timeframe as may be imposed by the SC from the date of the lodgement with the SC.

The Sukuk Mudharabah may be issued via bought deal, private / direct placement or bookrunning on a best effort basis, as LHC may select to qualified investors under the selling restrictions as further detailed in the principal terms and conditions of the Sukuk Mudharabah Programme.

The proceeds from the Sukuk Mudharabah Programme shall be utilised by LHC for the following Shariah-compliant purposes:

- i. provide Shariah-compliant intercompany advance(s) to the companies within the LHM Group;
- ii. finance the redemption of any Sukuk Mudharabah then maturing; and
- iii. defray fees and expenses incurred in relation to the Sukuk Mudharabah Programme.

The proceeds from the Sukuk Mudharabah Programme shall be utilised by the relevant company within the LHM Group for the following Shariah-compliant purposes:

- i. refinance its existing financing/ borrowings;
- ii. finance its capital expenditure requirements;
- iii. finance its working capital requirements;
- iv. finance its investment and/or acquisition of company(ies) and/or business(es); and
- v. finance its general corporate purposes.

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B8. UTILISATION OF PROCEEDS FROM IPO

The utilisation of proceeds from IPO as at 30 September 2020 is as follow:

Purposes	Proposed utilisation RM'000	Actual utilisation as	Balance unutilised RM'000	Intended timeframe for utilisation from the date of Listing
		at 30 September 2020 RM'000		
Capital expenditure	207,733	(100,015)	107,718	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	(167,282)	107,718	

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 30/09/2020 RM'000	As at 31/12/2019 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptance	2,563	-
Bank overdraft	90,498	66,098
Term loans	191,490	240,124
Revolving credit	377,622	250,531
Hire purchase liabilities	14,854	18,540
	677,027	575,293
<u>Unsecured:</u>		
Bankers' acceptance	453,424	330,874
Bank overdraft	6,773	6,704
Term loans	120,625	76,539
Revolving credit	334,386	207,971
Trust receipts	405,291	311,352
	1,320,499	933,440
Total Current	1,997,526	1,508,733

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B9. BORROWINGS (CONTINUED)

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Non current		
<u>Secured:</u>		
Term loans	491,034	630,589
Hire purchase liabilities	19,269	20,544
<u>Unsecured:</u>		
Term loans	173,711	221,954
Total non current	684,014	873,087
Total borrowings	2,681,540	2,381,820
Total borrowings		
Bankers' acceptance	455,987	330,874
Bank overdraft	97,271	72,802
Term loans	976,860	1,169,206
Revolving credit	712,008	458,502
Trust receipts	405,291	311,352
Hire purchase liabilities	34,123	39,084
	2,681,540	2,381,820
The currency profile of borrowings is as follows:		
Ringgit Malaysia	1,008,135	896,122
Singapore Dollar	477,490	515,568
US Dollar	139,587	31,575
Indonesia Rupiah	628,085	568,775
Vietnamese Dong	388,649	353,695
Philippines Peso	39,594	16,085
	2,681,540	2,381,820

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B10. DERIVATIVES

	As at 30/09/2020		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
Current asset				
Forward foreign exchange contracts				
- less than 1 year	36,424	484	-	-
Derivative financial assets	36,424	484	-	-
Non-current liabilities				
Interest rate swap contracts				
- 1 to 3 years	-	-	44,291	(611)
Current liabilities				
Forward foreign exchange contracts				
- less than 1 year	-	-	116,842	(1,332)
Interest rate swap contracts				
- less than 1 year	33,512	(549)	-	-
Derivative financial liabilities	33,512	(549)	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.

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B11. MATERIAL LITIGATION (CONTINUED)

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. CCCS had concluded the appeal on 15 October 2020 and the penalty was reduced to a lower amount.

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 on 25 August 2020 (Previous corresponding quarter ended 30 September 2019: 1.6 sen per ordinary share amounting to RM58.4 million in respect of financial year ended 31 December 2019).

The dividend was paid on 30 September 2020.

Save as disclosed above, the Directors did not recommend any dividend for the financial period ended 30 September 2020

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B13. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/09/2020	Quarter ended 30/09/2019	Period ended 30/09/2020	Period ended 30/09/2019
Profit attributable to owners of the Company (RM'000)	22,532	44,382	60,590	121,050
Weighted average number of ordinary in issue ('000)	3,650,000	250,955	3,650,000	127,329
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	3,650,000	3,650,000	3,526,374
Weighted average number of ordinary used in the calculation of basic EPS ('000)	3,650,000	3,650,000	3,650,000	3,526,374
Effects of potential exercise of ESOS options and a subsidiary's Warrant ('000)	#	#	#	#
Weighted average number of ordinary in in issue (Diluted) ('000)	3,650,000	3,650,000	3,650,000	3,526,374
Basic EPS (sen)	0.62	1.22	1.66	3.43
Diluted EPS (sen)	0.62	1.22	1.66	3.43

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 24 November 2020.