

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
		RM'000	RM'000	RM'000	RM'000
Revenue		1,544,044	1,554,605	6,054,757	5,746,572
Other income		8,003	3,921	34,861	30,796
Operating expenses		(1,467,813)	(1,436,724)	(5,664,610)	(5,319,885)
Profit from operations		84,234	121,802	425,008	457,483
Finance costs		(34,195)	(31,433)	(136,641)	(109,494)
Share of profits of associates		152	142	405	586
Profit before tax	B5	50,191	90,511	288,772	348,575
Tax expense	B6	(16,384)	(35,236)	(75,784)	(101,822)
Net profit for the financial period		33,807	55,275	212,988	246,753
Other comprehensive (loss)/income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(10,758)	21,901	9,010	(20,008)
Item that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation		9,370	2,920	9,370	3,932
Income tax relating to remeasurement of post-employment benefit obligation		(2,058)	(658)	(2,058)	(906)
		7,312	2,262	7,312	3,026
Other comprehensive (loss)/income for the financial period		(3,446)	24,163	16,322	(16,982)
Total comprehensive income for the financial period		30,361	79,438	229,310	229,771

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Quarter ended		Period ended		
Note	31/12/2019	31/12/2018	31/12/2019	31/12/2018	
	RM'000	RM'000	RM'000	RM'000	
Profit for the period attributable to:					
Owners of the Company	29,530	32,634	150,580	186,185	
Non-Controlling Interests	4,277	22,641	62,408	60,568	
	<u>33,807</u>	<u>55,275</u>	<u>212,988</u>	<u>246,753</u>	
Total comprehensive income attributable to:					
Owners of the Company	26,268	48,958	147,925	175,520	
Non-Controlling Interests	4,093	30,480	81,385	54,251	
	<u>30,361</u>	<u>79,438</u>	<u>229,310</u>	<u>229,771</u>	
Earning per share (sen)					
Basic	B13	0.81	0.96	4.23	5.48
Diluted	B13	0.81	0.96	4.23	5.48

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 2018 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 31/12/2019	Audited As at 31/12/2018
	Note	RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,396,471	2,216,811
Investment properties		22,050	22,304
Land use rights		-	157,620
Right-of-use assets		307,423	-
Intangible assets		97,470	97,273
Investment in associates		1,567	1,715
Derivative financial assets	B10	-	823
Trade receivables		1,693	-
Deferred tax assets		62,265	59,629
Tax recoverable		-	19,928
Total Non-Current Assets		2,888,939	2,576,103
Current Assets			
Biological assets		378,392	349,574
Inventories		679,600	575,623
Trade receivables		496,127	649,207
Other receivables and prepaid expenses		172,201	176,269
Amount owing by ultimate holding company		-	21,435
Amount owing by fellow subsidiaries		796	1,568
Amount owing by associated companies		15,368	-
Derivative financial assets	B10	-	356
Tax recoverable		12,885	25,002
Cash and bank balances		764,828	458,858
Total Current Assets		2,520,197	2,257,892
TOTAL ASSETS		5,409,136	4,833,995

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 31/12/2019 RM'000	Audited As at 31/12/2018 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	A7	1,499,684	1,230,132
Merger reserve		(658,787)	(658,787)
Reserve		800,308	730,496
Equity attributable to owners of the Company		1,641,205	1,301,841
Non-controlling interests		539,319	463,587
TOTAL EQUITY		2,180,524	1,765,428
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		107,519	102,650
Bank borrowings	B9	873,087	1,044,333
Lease liabilities		104,565	-
Deferred Income		2,226	-
Derivative financial liabilities	B10	1,461	-
Post-employment benefits obligation		36,865	36,796
Total Non-Current Liabilities		1,125,723	1,183,779
Current Liabilities			
Trade payables		273,529	248,887
Other payables and accrued expenses		286,657	270,968
Amount owing to fellow subsidiaries		862	3,340
Bank borrowings	B9	1,508,733	1,326,606
Lease liabilities		13,959	-
Deferred Income		318	-
Derivative financial liabilities	B10	482	2,391
Tax payable		18,349	32,596
Total Current Liabilities		2,102,889	1,884,788
TOTAL LIABILITIES		3,228,612	3,068,567
TOTAL EQUITY AND LIABILITIES		5,409,136	4,833,995
Net assets per share attributable to ordinary equity holders (RM)		0.4496	0.3829

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 2018 and the accompanying explanatory notes attached in the interim financial report.

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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 1/1/2019	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	-	-	-	-	150,580	150,580	62,408	212,988
Other comprehensive income:								
Remeasurement of post-employment benefit obligation					7,279	7,279	33	7,312
Currency translation differences	-	-	(9,934)	-	-	(9,934)	18,944	9,010
Total other comprehensive income	-	-	(9,934)	-	7,279	(2,655)	18,977	16,322
Total comprehensive Income	-	-	(9,934)	-	157,859	147,925	81,385	229,310
Transactions with owners:								
Issuance of shares	269,552	-	-	-	-	269,552	-	269,552
Share option expense	-	-	-	6,494	-	6,494	-	6,494
Transfer of reserves	-	-	-	-	(26,283)	(26,283)	26,283	-
Dividend	-	-	-	-	(58,400)	(58,400)	(26,078)	(84,478)
Disposal to non-controlling interests	-	-	-	-	76	76	(5,858)	(5,782)
	269,552	-	-	6,494	(84,607)	191,439	(5,653)	185,786
Balance as at 31/12/2019	1,499,684	(658,787)	(2,748)	6,494	796,562	1,641,205	539,319	2,180,524

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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	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 1/1/2018	1,230,132	(658,787)	21,166	593,134	1,185,645	456,377	1,642,022
Comprehensive income:							
Net profit for the financial period	-	-	-	186,185	186,185	60,568	246,753
Other comprehensive income:							
Remeasurement of post-employment benefit obligation	-	-	-	3,315	3,315	(289)	3,026
Currency translation differences	-	-	(9,302)	-	(9,302)	(6,028)	(15,330)
Recycling of exchange translation differences on disposal of subsidiary	-	-	(4,678)	-	(4,678)	-	(4,678)
Total other comprehensive income	-	-	(13,980)	3,315	(10,665)	(6,317)	(16,982)
Total comprehensive income	-	-	(13,980)	189,500	175,520	54,251	229,771
Transactions with owners:							
Dividend	-	-	-	(58,000)	(58,000)	(37,463)	(95,463)
Acquisition of non-controlling interests	-	-	-	(1,324)	(1,324)	(9,578)	(10,902)
	-	-	-	(59,324)	(59,324)	(47,041)	(106,365)
Balance as at 31/12/2018	1,230,132	(658,787)	7,186	723,310	1,301,841	463,587	1,765,428

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 2018 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Year ended	
	31/12/2019	31/12/2018
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	288,772	348,575
Adjustments for: non-cash items	386,445	318,198
Operating profit before working capital changes	675,217	666,773
<u>Net Movement In:</u>		
Inventories	(81,589)	(64,226)
Biological assets	(17,148)	(38,622)
Receivables	125,120	(189,285)
Payables	12,281	50,351
Net cash from operations	713,881	424,991
Tax paid	(57,025)	(75,746)
Net cash generated from operating activities	656,856	349,245
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>		
Receipt of amount owing by ultimate holding company	21,435	-
Repayment from related parties	-	27,045
Advance to related parties	-	(13,724)
Proceeds from disposal of property, plant and equipment	1,793	3,715
Proceeds from disposal of land use rights	-	356
Proceeds from partial disposal of subsidiary to non-controlling interests	2,186	-
Interest income received	12,866	7,388
Dividend income from associates	540	504
Dividend income from former subsidiary	-	16,296
Addition of property, plant and equipment	(387,162)	(397,118)
Addition of land use rights	(16,477)	(25,834)
Acquisition of subsidiaries	(1,338)	-
Disposal of subsidiaries	-	5,771
Increase in fixed deposit pledged	(6,824)	(2,986)
Net cash used in investing activities	(372,981)	(378,587)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Year ended	
	31/12/2019	31/12/2018
	RM'000	RM'000
<u>CASH FLOWS USED IN FINANCING ACTIVITIES</u>		
Finance costs paid	(136,362)	(108,619)
Proceeds from term loans	164,996	603,252
Repayments of term loans	(283,483)	(270,118)
Net drawdown/(repayment) of short term borrowings	111,255	(128,910)
Repayment of lease liabilities	(36,253)	(25,313)
Acquisition of non-controlling interests	(7,969)	(10,902)
Proceeds from issuance of shares	269,552	-
Dividend paid	(84,478)	(66,279)
Net cash generated used in financing activities	(2,742)	(6,889)
NET CHANGE IN CASH AND CASH EQUIVALENTS	281,133	(36,231)
Effect of exchange translation differences	(718)	(807)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	390,386	427,424
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	670,801	390,386

Cash and cash equivalents comprise the following:

Cash and bank balances	764,828	458,858
Bank overdrafts	(72,802)	(54,071)
	692,026	404,787
Less: restricted deposits with licensed banks	(21,225)	(14,401)
	670,801	390,386

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 2018 and the accompanying explanatory notes attached in the interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

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 2018. 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 2018.

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 2018, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

- MFRS 9 Prepayment Features with Negative Compensation (Amendment to MFRS 9),
- MFRS 16 Leases,
- MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendment to MFRS 128),
- Annual Improvements to MFRS Standards 2015-2017 Cycle,
- MFRS 119 Plan Amendment, Curtailment or Settlement (Amendment to MFRS 119),
- IC Interpretation 23 Uncertainty over Income Tax Treatments.

The adoption of the above standards and interpretation did not have any material effect on the financial performance or position of the Group.

MFRS 16 Leases

MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the rights to control the use of an identified asset for a period of time in exchange for consideration.

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A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MFRS 16 Leases (continued)

MFRS 16 eliminates the classification of leases by lease as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group applied the simplified retrospective approach. Under this approach, the Group is not required to restate the comparatives and the MFRS 16 adjustments will be reflected in the opening retained earnings at 1 January 2019, being the date of initial application (“DIA”). At DIA, the Group recognised and measured the lease liability at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate at DIA. The Group recognised and measured the right-to-use asset, on a lease-by-lease basis, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised immediately before DIA.

The change in accounting policy affected the following items in the statement of financial position on DIA:

- right-of-use assets – increase by RM275 million (include the operating lease of RM95 million),
- lease liabilities – increase by RM95 million,
- property, plant and equipment – decrease by RM23 million,
- land use rights – decrease by RM157 million and
- no effect on opening retained earnings.

Summary of MFRS 16 accounting policy

Set out below is the new accounting policy of the Group upon adoption of MFRS 16, which have been applied from the date of initial application:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

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A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MFRS 16 Leases (continued)

Summary of MFRS 16 accounting policy (continued)

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

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
MFRS 3 Definition of a Business (Amendments to MFRS 3)	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139: Interest Rate Benchmark Reform	1 January 2020
MFRS 101 and MFRS 108: Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
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.

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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 2018 in their report dated 13 May 2019.

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 and financial period under review.

A6. CHANGES IN ESTIMATES

There were no major changes in estimates that have had material effect on the results of current quarter and financial period under review.

A7. DEBT AND EQUITY SECURITIES

The movement of ordinary share capital during the financial period were as follow:

	Number of ordinary shares '000	Amount RM'000
Issued share capital:		
As at 1/1/2019	955	1,230,132
Bonus Issue	1,229,177	-
Share Split	2,169,868	-
Initial Public Offering	250,000	269,552
As at 31/12/2019	<u>3,650,000</u>	<u>1,499,684</u>

Other than the Bonus Issue, Shares Split and Initial Public Offering stated above, there were no other material issuance or repayment of debt securities, share buy-back and share cancellation for the current financial period.

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A8. DIVIDEND PAID

A single tier dividend of 1.6 sen per ordinary share amounting to RM58.4 million in respect of the financial year ended 31 December 2019 was paid on 30 September 2019.

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 31/12/2019				
Revenue from sales of goods:				
- external customers	874,529	665,994	-	1,540,523
- inter-segment	-	305,889	(305,889)	-
Revenue from sales of goods	874,529	971,883	(305,889)	1,540,523
Revenue from other sources				3,521
Total revenue				1,544,044
EBITDA	51,037	96,905	(1,606)	146,336
Depreciation and amortisation	(46,402)	(14,885)	(815)	(62,102)
	4,635	82,020	(2,421)	84,234
Share of profits of associates				152
Finance costs				(34,195)
Profit before taxation				50,191
Tax expense				(16,384)
Profit for the financial period				33,807

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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
Quarter ended 31/12/2018				
Revenue from sales of goods:				
- external customers	907,793	643,434	-	1,551,227
- inter-segment	-	312,461	(312,461)	-
Revenue from sales of goods	907,793	955,895	(312,461)	1,551,227
Revenue from other sources	-	-	-	3,378
Total revenue				<u>1,554,605</u>
EBITDA	67,076	88,314	16,825	172,215
Depreciation and amortisation	(38,944)	(11,674)	205	(50,413)
	28,132	76,640	17,030	121,802
Share of profits of associates				142
Finance costs				(31,433)
Profit before taxation				<u>90,511</u>
Tax expense				(35,236)
Profit for the financial period				<u>55,275</u>

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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
Year ended 31/12/2019				
Revenue from sales of goods:				
- external customers	3,396,043	2,646,688	-	6,042,731
- inter-segment	-	1,391,295	(1,391,295)	-
Revenue from sales of goods	3,396,043	4,037,983	(1,391,295)	6,042,731
Revenue from other sources				12,026
Total revenue				6,054,757
EBITDA	257,444	403,125	(10,045)	650,524
Depreciation and amortisation	(167,285)	(54,717)	(3,514)	(225,516)
	90,159	348,408	(13,559)	425,008
Share of profits of associates				405
Finance costs				(136,641)
Profit before taxation				288,772
Tax expense				(75,784)
Profit for the financial year				212,988

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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
Year ended 31/12/2018				
Revenue from sales of goods:				
- external customers	3,470,580	2,261,852	-	5,732,432
- inter-segment	-	1,172,261	(1,172,261)	-
Revenue from sales of goods	3,470,580	3,434,113	(1,172,261)	5,732,432
Revenue from other sources	-	-	-	14,140
Total revenue				<u>5,746,572</u>
EBITDA	397,004	265,745	(8,155)	654,594
Depreciation and amortisation	(151,793)	(45,885)	567	(197,111)
	245,211	219,860	(7,588)	457,483
Share of profits of associates				586
Finance costs				(109,494)
Profit before taxation				<u>348,575</u>
Tax expense				(101,822)
Profit for the financial year				<u>246,753</u>

Geographical segment

	Revenue		EBITDA	
	Quarter ended		Quarter ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Malaysia	411,283	446,199	54,091	58,514
Singapore	195,385	233,865	16,405	26,087
Vietnam	374,402	323,751	41,875	26,244
Indonesia	533,383	532,295	29,625	60,805
Philippines	26,070	15,117	4,340	565
	<u>1,540,523</u>	<u>1,551,227</u>	<u>146,336</u>	<u>172,215</u>

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Year ended		Year ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,647,832	1,657,470	227,549	205,163
Singapore	779,085	988,955	95,778	122,487
Vietnam	1,347,245	1,130,358	130,265	101,454
Indonesia	2,192,280	1,901,109	185,481	220,286
Philippines	76,289	54,540	11,451	5,204
	<u>6,042,731</u>	<u>5,732,432</u>	<u>650,524</u>	<u>654,594</u>
	Total non-current assets		Total borrowing	
	as at		as at	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,350,757	1,239,551	906,209	965,185
Singapore	407,679	344,149	491,183	546,651
Vietnam	341,735	304,205	368,812	333,636
Indonesia	639,208	573,388	599,531	516,483
Philippines	87,295	34,430	16,085	8,984
	<u>2,826,674</u>	<u>2,495,723</u>	<u>2,381,820</u>	<u>2,370,939</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.

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A10. PROPERTY, PLANT AND EQUIPMENT

(i) Acquisition and disposal

During the year ended 31 December 2019, the Group acquired property, plant and equipment amounting to RM400.18 million (year ended 31 December 2018: RM417.65 million).

During the year ended 31 December 2019, the Group disposed property, plant and equipment amounting to RM2.28 million (year ended 31 December 2018: RM2.87 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the year ended 31 December 2019 (year ended 31 December 2018: 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 31/12/2019 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	49,033
- approved by Directors but not contracted	471,943
	<hr/> 520,976 <hr/>

A13. CHANGES IN THE COMPOSITION OF THE GROUP

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

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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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Companies controlled by Lau family*:				
Sales of goods	135,006	147,089	514,590	390,809
Purchases of goods	(55,564)	(86,203)	(216,440)	(210,174)
Transportation charges paid/payable	(3,810)	(3,256)	(14,262)	(13,597)
Purchases of sundries paid/payable	(308)	(1,016)	(2,379)	(2,171)
Disposal of a subsidiary	-	-	-	30,370
Advances granted	-	-	-	13,724
Repayment of advances	-	(1,634)	-	(27,045)
Interest income	-	5	-	349
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,624)	(2,583)	(9,302)	(8,652)

Amount owing by ultimate holding company of RM21,435,000 as at 31 December 2018 has been fully settled during the financial year

* 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 Directors 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 YEAR TO DATE

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Quarter ended		Changes %	Period ended		Changes %
	31/12/2019 RM'000	31/12/2018 RM'000		31/12/2019 RM'000	31/12/2018 RM'000	
Revenue:						
Livestock and poultry related products						
	874,529	907,793	-3.7%	3,396,043	3,470,580	-2.1%
Feedmill	665,994	643,434	3.5%	2,646,688	2,261,852	17.0%
Others	3,521	3,378	4.2%	12,026	14,140	-15.0%
	<u>1,544,044</u>	<u>1,554,605</u>	-0.7%	<u>6,054,757</u>	<u>5,746,572</u>	5.4%
EBITDA:						
Livestock and poultry related products						
	51,037	67,076	-23.9%	257,444	397,004	-35.2%
Feedmill	96,905	88,314	9.7%	403,125	265,745	51.7%
Others	(1,606)	16,825	-109.5%	(10,045)	(8,155)	-23.2%
	<u>146,336</u>	<u>172,215</u>	-15.0%	<u>650,524</u>	<u>654,594</u>	-0.6%

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products decreased by about 3.7% from RM907.79 million in the financial quarter ended ("FQE") 31 December 2018 to RM874.53 million in the FQE 31 December 2019. The decrease was primarily due to a decrease in average selling price and sales volume of day-old-chicks ("DOC") and decrease in average selling price of eggs and broiler chickens in Malaysia.

Indonesia also recorded a decrease in revenue due to a decrease in average selling price and sales volume of DOC. However, the decrease was partially mitigated by an increase in average selling price and sales volume of broiler chickens.

Singapore recorded a decrease in revenue mainly due to a decrease in average selling price of processed food.

The decrease in revenue from Malaysia, Indonesia and Singapore were partially offset by an increase in revenue from Vietnam. The increase in revenue from Vietnam was mainly due to robust demand of chicken meat which led to an increase in average selling price and sales volume of broiler chickens.

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B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER AND FINANCIAL YEAR TO DATE (CONTINUED)

Livestock and poultry related products (Continued)

a) Individual Quarter (Continued)

The EBITDA from livestock and other poultry related products decreased by 23.9%. The decrease was primarily due to compressed margins arising from depressed average selling prices of broiler chickens, DOC and eggs in Malaysia as well as DOC in Indonesia.

b) Cumulative Quarter

The Group's revenue from sales of livestock and poultry related products decreased by about 2.1% from RM3,470.58 million in the financial year ended ("FYE") 31 December 2018 to RM3,396.04 million in the FYE 31 December 2019.

The decrease in revenue was from Singapore, which was primarily arose from the loss of revenue from a subsidiary, Jordon International Food Processing Pte. Ltd., following the disposal of this subsidiary on 30 June 2018.

The decrease in revenue from Singapore was off-set by an increase in revenue from Indonesia and Vietnam. The increase in revenue from Indonesia was contributed by an increase in sales volume of DOC and broiler chickens. In Vietnam, higher revenue was recorded due to an increase in average selling price and sales volume of broiler chickens. However, this was partially offset by a decrease in the average selling price and sales volume of eggs in Vietnam.

No major fluctuation in revenue was recorded in Malaysia as the increase in revenue from eggs was offset by decrease in revenue from DOC and broiler chickens.

The EBITDA from livestock and other poultry related products decreased by 35.2%, from RM397.00 million in the FYE 31 December 2018 to RM257.44 million in the FYE 31 December 2019, primarily due to low margin arising from depressed average selling prices of broiler chickens and DOC in Indonesia, eggs in Vietnam, processed food and fresh chickens in Singapore as well as broiler chickens and DOC in Malaysia, as compared to the preceding year.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill increased by 3.5% from RM643.43 million in the FQE 31 December 2018 to RM665.99 million in the FQE 31 December 2019. The increase was primarily due to an increase in sales volume of livestock feed in Vietnam for the FQE 31 December 2019, as compared to FQE 31 December 2018.

The EBITDA from feedmill increased by 9.7%, primarily due to higher sales volume recorded in Malaysia, as well as higher sales contribution from Vietnam, following the commencement of operation of the Dong Nai feedmill plant in January 2019.

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B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER AND FINANCIAL YEAR TO DATE (CONTINUED)

Feedmill (Continued)

b) Cumulative Quarter

The Group's revenue from feedmill increased by 17.0% from RM2,261.85 million in the FYE 31 December 2018 to RM2,646.69 million in the FYE 31 December 2019. The increase was primarily due to an increase in sales volume and average selling price of livestock feed in Indonesia and Vietnam for the FYE 31 December 2019, as compared to the FYE 31 December 2018.

The EBITDA from feedmill increased by 51.7%, primarily due to increase in sales recorded in Indonesia, as well as higher sales contribution from Vietnam, following the commencement of operation of the Dong Nai feedmill plant in January 2019.

B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	31/12/2019 RM'000	30/09/2019 RM'000	
Revenue	1,544,044	1,527,135	1.1%
Profit from operations	84,234	118,339	-28.8%
Profit before taxation	50,191	83,813	-40.1%

The Group's revenue increased by 1.1% from RM1,527.14 million to RM1,544.04 million in comparison with the immediate preceding quarter. This was attributed to an increase in average selling prices of broiler chickens and DOC in Indonesia and broiler chickens in Vietnam. The impact of increase in Indonesia and Vietnam revenue were attenuated by a drop in revenue from Malaysia mainly due to a decrease in average selling prices of broiler chickens and DOC.

The Group's profit before taxation decreased by 40.1% from RM83.81 million in FQE 30 September 2019 to RM50.19 million in FQE 31 December 2019, primarily due to lower margin arising from a decrease in the average selling prices of broiler chickens and DOC in Malaysia, as compared to the immediate preceding quarter.

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B3. PROSPECTS

While the Group continues to execute on its long term plans, especially in Vietnam and Philippines, the challenges caused by Covid-19 is expected to soften economic growth. Lower economic activities may dampen prices of commodities and consumption patterns hence may exert pressures on operating margins.

In spite of this, barring unforeseen circumstances, the Group expects to register a satisfactory performance for the next financial year as poultry is a basic food and is the cheapest source of meat protein.

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.

B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of :				
-land use rights	-	1,967	-	6,840
-intangible assets	-	3	-	347
-right-of-use assets	7,321	-	20,941	-
Bad debt recovered	(15)	(556)	(15)	(740)
Bad debt written off	278	336	736	428
Depreciation of :				
-investment properties	64	63	254	253
-property, plant and equipment	54,717	48,380	204,321	189,671
Expense recognised in respect of defined contribution plan	5,660	1,271	10,520	6,371
Farmer incentives	16,126	10,072	51,610	39,584
Fair value gain on derivative financial instruments	1,775	1,561	704	113
Foreign exchange loss/(gain)	6,778	(1,279)	5,701	(2,239)
(Gain)/Loss on disposal of :				
-property, plant and equipment	(472)	340	(1,597)	(850)
-land use rights	-	(5)	-	(199)
-right-of-use assets	(84)	-	(84)	-
-subsidiary	-	-	-	(78)
-investment	(381)	-	(381)	-

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B5. PROFIT BEFORE TAXATION (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Impairment/(Reversal of impairment)				
loss on receivables	10,829	(495)	16,598	2,025
Interest expense	34,195	31,433	136,641	109,494
Interest income	(3,697)	(1,932)	(12,866)	(8,492)
Packing materials	7,800	5,570	23,523	19,374
Promotional and marketing expenses	4,458	2,093	9,852	7,235
Property, plant and equipment written off	881	1,014	3,731	2,428
Share option expense	2,611	-	6,495	-
Travelling expenses	2,277	4,040	12,848	11,079
Write-off of Value Added Tax receivables	-	121	-	9,837

Note: Other disclosure items pursuant to Appendix 9B, Note 16 of the Listing Requirements are not applicable.

B6. TAXATION

	INDIVIDUAL	CUMULATIVE
	QUARTER	QUARTER
	31/12/2019	31/12/2019
	RM'000	RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	9,654	29,940
- Foreign tax	11,078	46,355
- Under provision in prior years	(1,915)	(1,703)
	18,817	74,592
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	(2,984)	592
- Under provision in prior years	595	644
	16,428	75,828
Real property gain tax	(44)	(44)
Tax expense	16,384	75,784
Effective tax rate	32.6%	26.2%

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B6. TAXATION (CONTINUED)

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

There was no corporate proposal as at the date of this report.

B8. UTILISATION OF PROCEEDS FROM IPO

The utilisation of proceeds from IPO as at 31 December 2019 is as follows:

Purposes	Proposed utilisation RM'000	Actual	Transfer RM'000	Balance unutilised RM'000	Intended timeframe for utilisation from the date of Listing
		utilisation as at 31 December 2019 RM'000			
Capital expenditure	207,733	(51,779)	-	155,954	within 24 months
Working capital	32,959	(37,284)	4,325 ⁽¹⁾	-	within 6 months
Defray fees and expenses for IPO and Listing	34,308	(29,983)	(4,325) ⁽¹⁾	-	within 3 months
Total	275,000	(119,046)	-	155,954	

Note:

(1) The unutilised balance of RM4.325 million allocated for estimated IPO and listing expenses has been transferred to working capital during the financial year.

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

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B9. BORROWINGS

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Current		
<u>Secured:</u>		
Bank overdraft	66,098	33,744
Term loans	240,124	218,378
Revolving credit	250,531	88,379
Hire purchase liabilities	18,540	21,814
	575,293	362,315
<u>Unsecured:</u>		
Bankers' acceptance	330,873	407,449
Bank overdraft	6,704	20,327
Term loans	76,539	42,677
Revolving credit	207,972	190,291
Trust receipts	311,352	303,547
	933,440	964,291
Total Current	1,508,733	1,326,606
Non current		
<u>Secured:</u>		
Term loans	630,589	836,300
Hire purchase liabilities	20,544	28,366
<u>Unsecured:</u>		
Term loans	221,954	179,667
Total non current	873,087	1,044,333
Total borrowings	2,381,820	2,370,939

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B9. BORROWINGS (CONTINUED)

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Total borrowings		
Bankers' acceptance	330,873	407,449
Bank overdraft	72,802	54,071
Term loans	1,169,206	1,277,022
Revolving credit	458,503	278,670
Trust receipts	311,352	303,547
Hire purchase liabilities	39,084	50,180
	<u>2,381,820</u>	<u>2,370,939</u>
The currency profile of borrowings is as follows:		
Ringgit Malaysia	896,121	954,095
Singapore Dollar	501,270	557,741
US Dollar	31,575	42,570
Indonesia Rupiah	568,775	485,204
Vietnamese Dong	367,994	322,345
Philippines Peso	16,085	8,984
	<u>2,381,820</u>	<u>2,370,939</u>

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B10. DERIVATIVES

	As at 31/12/2019		As at 31/12/2018	
	Contract/ Notional Amount RM'000	Fair Value Amount RM'000	Contract/ Notional Amount RM'000	Fair Value Amount RM'000
Non-current asset				
Interest rate swap contracts				
- More than 3 years	-	-	72,000	823
Current asset				
Forward foreign exchange contracts				
- less than 1 year	-	-	31,020	356
Derivative financial assets	-	-	103,020	1,179
Non-current liabilities				
Interest rate swap contracts				
- 1 to 3 years	44,291	611	-	-
Forward foreign exchange contracts				
- 1 to 3 years	81,740	850	125,615	2,391
Current liabilities				
Forward foreign exchange contracts				
- less than 1 year	34,386	482	125,615	2,391
Derivative financial liabilities	160,417	1,943	251,230	4,782

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B11. MATERIAL LITIGATION

On 8 March 2016 the Competition and Consumer Commission of Singapore (“CCCS”) issued a proposed infringement decision against 13 fresh chicken distributors in Singapore, including Lee Say Poultry Industrial, Lee Say Group Pte Ltd, Hup Heng Poultry Industries Pte Ltd, Leong Hup Food Pte Ltd, ES Food International Pte Ltd and Prestige Fortune (S) Pte Ltd (collectively, the “Affected Companies”) for engaging in anti-competitive agreements to coordinate the amount and timing of price increases, and agreeing not to compete for each other’s customers in the market for the supply of fresh chicken products in Singapore. Subsequently, following further investigations conducted by the CCCS and in light of new evidence, the CCCS issued a supplementary proposed infringement decision on 21 December 2017 in respect of the Affected Companies.

Further written and oral representations in defence of the Affected Companies were presented to the CCCS on 8 February 2018 and 15 March 2018, respectively. The CCCS had on 12 September 2018 issued an infringement decision on the Affected Companies and imposed the aggregate financial penalty of SGD11,399,041 on the Affected Companies. The CCCS had also directed the Affected Companies to provide a written undertaking that they will refrain from using The Poultry Merchants’ Association, Singapore, of which they were members, or any other industry association as a platform or front, for anti-competitive activities. In this respect, provisions for the financial penalty have been made by the Affected Companies 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 first hearing of appeal was on 5 August 2019 and the process is on-going.

B12. DIVIDEND PROPOSED

The Directors of the Company have declared an interim single tier dividend of 1.6 sen per ordinary share amounting to RM58.4 million in respect of the financial year ended 31 December 2019 (Previous corresponding quarter ended 31 December 2018: Nil in respect of financial year ended 31 December 2018) on 29 August 2019. The dividend was paid on 30 September 2019.

Save as disclosed above, the Directors have not recommended any dividend for the financial year ended 31 December 2019.

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B13. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Profit attributable to owners of the Company (RM'000)	29,530	32,634	150,580	186,185
Weighted average number of ordinary in issue ('000)	250,955	955	158,490	955
Bonus Issues ('000)	1,229,177	1,229,177	1,229,177	1,229,177
Share Split ('000)	2,169,868	2,169,868	2,169,868	2,169,868
Weighted average number of ordinary in issue (Basic) ('000)	3,650,000	3,400,000	3,557,535	3,400,000
Weighted average number of ordinary used in the calculation of basic EPS ('000)	3,650,000	3,400,000	3,557,535	3,400,000
Effects of potential exercise of ESOS options and a subsidiary's Warrant ('000)	#	#	#	#
Weighted average number of ordinary in issue (Diluted) ('000)	3,650,000	3,400,000	3,557,535	3,400,000
Basic EPS (sen)	0.81	0.96	4.23	5.48
Diluted EPS (sen)	0.81	0.96	4.23	5.48

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.

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 year 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 18 February 2020.