

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
	Note	31/3/2023	31/3/2022	31/3/2023	31/3/2022
		RM'000	RM'000	RM'000	RM'000
Revenue		2,196,220	2,087,155	2,196,220	2,087,155
Other income		62,571	10,308	62,571	10,308
Operating expenses		(2,183,824)	(2,036,362)	(2,183,824)	(2,036,362)
Profit from operations		74,967	61,101	74,967	61,101
Finance costs		(44,719)	(29,259)	(44,719)	(29,259)
Share of profits of associates		36	90	36	90
Profit before tax	B5	30,284	31,932	30,284	31,932
Tax expense	B6	(13,323)	(8,042)	(13,323)	(8,042)
Net profit for the financial period		16,961	23,890	16,961	23,890
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		37,242	6,938	37,242	6,938
Other comprehensive income for the financial period		37,242	6,938	37,242	6,938
Total comprehensive income for the financial period		54,203	30,828	54,203	30,828

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		31/3/2023	31/3/2022	31/3/2023	31/3/2022
		RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period attributable to:					
Owners of the Company		22,142	20,375	22,142	20,375
Non-Controlling Interests		(5,181)	3,515	(5,181)	3,515
		<u>16,961</u>	<u>23,890</u>	<u>16,961</u>	<u>23,890</u>
Total comprehensive income attributable to:					
Owners of the Company		46,768	25,905	46,768	25,905
Non-Controlling Interests		7,435	4,923	7,435	4,923
		<u>54,203</u>	<u>30,828</u>	<u>54,203</u>	<u>30,828</u>
Earning per share (sen)					
Basic	B12	0.61	0.56	0.61	0.56
Diluted	B12	0.61	0.56	0.61	0.56

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 2022 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/3/2023 RM'000	Audited As at 31/12/2022 RM'000
	Note	
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,797,193	2,784,462
Investment properties	21,944	21,995
Right-of-use assets	411,665	417,740
Intangible assets	100,008	99,214
Investment in associates	1,675	1,635
Other receivables and deposits	4,844	16,515
Amount owing by Associates	18,056	17,290
Deferred tax assets	93,276	72,961
Total Non-Current Assets	3,448,661	3,431,812
Current Assets		
Biological assets	423,551	419,624
Inventories	1,007,427	1,025,850
Trade receivables	662,539	649,878
Other receivables and prepaid expenses	143,316	173,274
Asset held for sale	-	-
Tax recoverable	55,374	51,475
Cash and bank balances	819,531	840,288
Total Current Assets	3,111,738	3,160,389
TOTAL ASSETS	6,560,399	6,592,201
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,499,684	1,499,684
Merger reserve	(662,966)	(662,966)
Reserve	1,215,094	1,168,326
Equity attributable to owners of the Company	2,051,812	2,005,044
Non-controlling interests	591,966	584,531
TOTAL EQUITY	2,643,778	2,589,575

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 31/3/2023 RM'000	Audited As at 31/12/2022 RM'000
	Note		
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		114,963	98,748
Bank borrowings	B8	1,014,430	1,046,419
Lease liabilities		144,104	154,631
Deferred Income		1,302	1,369
Provision for Asset Retirement Obligation		5,104	5,055
Post-employment benefits obligation		36,204	33,282
Total Non-Current Liabilities		1,316,107	1,339,504
Current Liabilities			
Trade payables		315,407	358,946
Other payables and accrued expenses		240,602	270,834
Bank borrowings	B8	2,004,452	1,986,289
Lease liabilities		24,047	23,126
Derivative financial liabilities	B9	4,016	7,546
Deferred Income		347	342
Tax payable		11,643	16,039
Total Current Liabilities		2,600,514	2,663,122
TOTAL LIABILITIES		3,916,621	4,002,626
TOTAL EQUITY AND LIABILITIES		6,560,399	6,592,201
Net assets per share attributable to ordinary equity holders (RM)		0.5621	0.5493

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 2022 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023

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 1/1/2023	1,499,684	(662,966)	(11,592)	11,309	1,168,609	2,005,044	584,531	2,589,575
Comprehensive income:								
Net profit/(loss) for the financial period	-	-	-	-	22,142	22,142	(5,181)	16,961
Other comprehensive income:								
Currency translation differences	-	-	24,722	(96)	-	24,626	12,616	37,242
Total other comprehensive income	-	-	24,722	(96)	-	24,626	12,616	37,242
Total comprehensive Income	-	-	24,722	(96)	22,142	46,768	7,435	54,203
Transactions with owners:								
Share options lapsed	-	-	-	(36)	36	-	-	-
	-	-	-	(36)	36	-	-	-
Balance as at 31/3/2023	1,499,684	(662,966)	13,130	11,177	1,190,787	2,051,812	591,966	2,643,778

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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 1/1/2022	1,499,684	(662,466)	5,540	11,272	953,030	1,807,060	552,780	2,359,840
Comprehensive income:								
Net profit for the financial period	-	-	-	-	20,375	20,375	3,515	23,890
Other comprehensive income:								
Currency translation differences	-	-	5,530	-	-	5,530	1,408	6,938
Total other comprehensive income	-	-	5,530	-	-	5,530	1,408	6,938
Total comprehensive income	-	-	5,530	-	20,375	25,905	4,923	30,828
Transactions with owners:								
Share option expense	-	-	-	223	-	223	-	223
Share options lapsed	-	-	-	(51)	51	-	-	-
	-	-	-	172	51	223	-	223
Balance as at 31/3/2022	1,499,684	(662,466)	11,070	11,444	973,456	1,833,188	557,703	2,390,891

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 2022 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	31/3/2023	31/3/2022
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	30,284	31,932
Adjustments for: non-cash items	111,486	103,583
Operating profit before working capital changes	141,770	135,515
<u>Net Movement In:</u>		
Inventories	48,606	91,315
Biological assets	4,778	(3,656)
Receivables	32,913	(65,728)
Payables	(60,415)	(34,848)
Net cash from operations	167,652	122,598
Tax paid	(21,251)	(13,413)
Net cash flow from operating activities	146,401	109,185
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Dividend income from associates	-	120
Proceeds from disposal of property, plant and equipment	735	611
Proceeds from disposal of right-of-use assets	-	143
Interest income received	3,517	2,910
Addition of property, plant and equipment	(40,929)	(53,711)
Addition of right-of-use assets	(1,280)	(526)
Placement of fixed deposit pledged	(16,746)	(1,205)
Withdrawal of fixed deposit with more than 3 months maturity	18,733	63,728
Net cash flow from investing activities	(35,970)	12,070

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	31/3/2023	31/3/2022
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(43,939)	(27,706)
Proceeds from term loans	7,061	8,812
Repayments of term loans	(67,264)	(70,285)
Net repayment of short term borrowings	(8,788)	(149,674)
Repayment of hire purchase liabilities	(3,080)	(3,657)
Repayment of lease liabilities	(8,625)	(8,192)
Drawdown of Sukuk Mudharabah	-	100,000
Issuance costs of Sukuk Mudharabah	-	(7)
Net cash flow from financing activities	(124,635)	(150,709)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,204)	(29,454)
Effect of exchange translation differences	(7,468)	3,892
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	556,052	575,140
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	534,380	549,578
Cash and cash equivalents comprise the following:		
Cash and bank balances	819,531	689,745
Bank overdrafts	(180,391)	(110,128)
	639,140	579,617
Less:		
Fixed deposits pledged as collateral	(40,627)	(14,909)
Fixed deposits of more than 3 months maturity period	(64,133)	(15,130)
	534,380	549,578

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 2022 and the accompanying explanatory notes attached in the interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2023

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 2022. 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 2022.

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 2022, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

- Amendments to MFRS 112 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on “Disclosure of Accounting Policies” and “Definition of Accounting Estimates”
- MFRS 17 Insurance Contracts and its amendments
- Amendment to MFRS 17 Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 - Comparative Information

The adoption of the above standards and amendments does not have any material financial impact on the financial statements of the Group.

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
Amendment to MFRS 16 Leases – Lease Liabilities in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101 – Non-current Liabilities with Covenants	1 January 2024
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 2022 in their report dated 18 April 2023.

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 financial period under review.

A6. CHANGES IN ESTIMATES

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

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A7. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the financial period under review

A8. DIVIDEND PAID

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

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 31/3/2023				
Revenue from sales of goods:				
- external customers	1,199,385	993,536	-	2,192,921
- inter-segment	-	449,704	(449,704)	-
Revenue from sales of goods	1,199,385	1,443,240	(449,704)	2,192,921
Revenue from other sources				3,299
Total revenue				2,196,220
EBITDA	5,919	149,182	(2,692)	152,409
Depreciation and amortisation	(59,362)	(16,807)	(1,273)	(77,442)
	(53,443)	132,375	(3,965)	74,967
Share of profit of associates				36
Finance costs				(44,719)
Profit before taxation				30,284
Tax expense				(13,323)
Profit for the financial period				16,961

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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 31/3/2022				
Revenue from sales of goods:				
- external customers	1,152,021	931,762	-	2,083,783
- inter-segment	-	506,884	(506,884)	-
Revenue from sales of goods	1,152,021	1,438,646	(506,884)	2,083,783
Revenue from other sources				3,372
Total revenue				2,087,155
EBITDA	34,845	100,740	(620)	134,965
Depreciation and amortisation	(57,480)	(15,311)	(1,073)	(73,864)
	(22,635)	85,429	(1,693)	61,101
Share of profit of associates				90
Finance costs				(29,259)
Profit before taxation				31,932
Tax expense				(8,042)
Profit for the financial period				23,890

Geographical segment

	Revenue		EBITDA	
	Quarter ended 31/3/2023 RM'000	Quarter ended 31/3/2022 RM'000	Quarter ended 31/3/2023 RM'000	Quarter ended 31/3/2022 RM'000
Malaysia	594,246	552,127	121,961	68,368
Singapore	204,625	197,861	20,927	5,795
Vietnam	486,908	468,771	24,040	15,719
Indonesia	780,243	804,783	(28,908)	35,643
Philippines	126,899	60,241	14,389	9,440
	2,192,921	2,083,783	152,409	134,965

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A9. SEGMENTAL INFORMATION (CONTINUED)

	Total non-current assets		Total borrowing	
	as at		as at	
	31/3/2023	31/12/2022	31/3/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,546,456	1,547,219	943,519	965,268
Singapore	370,015	372,245	525,126	554,086
Vietnam	494,069	498,224	580,706	587,963
Indonesia	678,826	665,350	862,032	853,344
Philippines	243,119	242,008	107,499	72,047
	<u>3,332,485</u>	<u>3,325,046</u>	<u>3,018,882</u>	<u>3,032,708</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 financial period ended 31 March 2023, the Group acquired property, plant and equipment amounting to RM43.0 million (period ended 31 March 2022: RM54.2 million). During the period ended 31 March 2023, the Group disposed property, plant and equipment amounting to RM0.17 million (period ended 31 March 2022: RM0.16 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the period ended 31 March 2023 (period ended 31 March 2022: RM Nil).

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A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

LFM, a wholly-owned subsidiary of the Company, had on 5 August 2022, received a Notice of Proposed Decision issued by the MyCC pursuant to Section 36 of the Competition Act 2010 (“the Act”) (“Proposed Decision”). The Proposed Decision is premised primarily on the allegation that LFM had engaged in agreements and/or concerted practices to fix the quantum of poultry feed price which is in breach of Section 4(1) read together with Section 4(2)(a) and 4(3) of the Act. On 11 October 2022, LFM received MyCC’s Amended Proposed Decision (“APD”) and Supplementary Proposed Decision (“SPD”) dated 7 October 2022.

The announcement dated 5 August 2022, 9 August 2022, 5 September 2022, 14 October 2022, 19 December 2022 and 31 January 2023 refer. In the event that Leong Hup Feedmill Malaysia Sdn Bhd (“LFM”) is found to be infringing the Competition Act 2020, Malaysia Competition Commission (“MyCC”) proposed to impose a financial penalty of RM157,470,027.02 on LFM.

The Company would like to clarify that at this juncture, the Proposed Decision, APD and SPD including the proposed financial penalty and proposed directions are not final.

The Company and LFM strongly believe that the allegation of the aforesaid infringement is without merit and intend to defend such allegation vigorously. LFM had filed a written representation to MyCC within the specified period on 31 January 2023.

A12. CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	As at 31/3/2023 RM'000
Acquisition of property, plant and equipment: - approved by Directors and contracted	<u>63,648</u>

A13. CHANGES IN THE COMPOSITION OF THE GROUP

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

A14. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 18 April 2023, the Company declared an interim dividend of 1.80 sen per ordinary share, amounting to RM65.7 million in respect of the financial year ending 31 December 2023 and the dividend had been paid to the shareholders on 23 May 2023.

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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	
	31/3/2023	31/3/2022	31/3/2023	31/3/2022
	RM'000	RM'000	RM'000	RM'000
Associated companies:				
Interest income	267	256	267	256
Companies controlled by Lau family*:				
Sales of goods	172,296	169,180	172,296	169,180
Management fee received/receivable	20	12	20	12
Rental received/receivables	1,254	608	1,254	608
Interest receivables	46	347	46	347
Purchases of goods	(65,149)	(97,202)	(65,149)	(97,202)
Transportation charges paid/payable	(3,297)	(3,361)	(3,297)	(3,361)
Purchases of sundries paid/payable	(1,712)	(1,021)	(1,712)	(1,021)
Rental paid/payables	(786)	(709)	(786)	(709)
Purchase of property, plant and equipment	(2)	(154)	(2)	(154)
Royalty fee paid/payable	(1,809)	(1,431)	(1,809)	(1,431)
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,443)	(2,178)	(2,443)	(2,178)

* 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, Tan Sri 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

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Quarter ended		Changes %	Period ended		Changes %
	31/3/2023 RM'000	31/3/2022 RM'000		31/3/2023 RM'000	31/3/2022 RM'000	
Revenue:						
Livestock and poultry related products	1,199,385	1,152,021	4.1%	1,199,385	1,152,021	4.1%
Feedmill	993,536	931,762	6.6%	993,536	931,762	6.6%
Others	3,299	3,372	(2.2%)	3,299	3,372	(2.2%)
	<u>2,196,220</u>	<u>2,087,155</u>	5.2%	<u>2,196,220</u>	<u>2,087,155</u>	5.2%
EBITDA:						
Livestock and poultry related products	5,919	34,845	(83.0%)	5,919	34,845	(83.0%)
Feedmill	149,182	100,740	48.1%	149,182	100,740	48.1%
Others	(2,692)	(620)	(334.2%)	(2,692)	(620)	(334.2%)
	<u>152,409</u>	<u>134,965</u>	12.9%	<u>152,409</u>	<u>134,965</u>	12.9%

Livestock and poultry related products

The Group's revenue from sales of livestock and poultry related products increased by 4.1% from RM1,152.0 million in the financial quarter ended ("FQE") 31 March 2022 to RM1,199.4 million in the FQE 31 March 2023.

The higher revenue was mainly due to stronger contribution from Malaysia and Philippines. The higher revenue in Malaysia was primarily due to higher average selling price and sales volume of DOC and eggs, while Philippines recorded higher revenue from favourable sales volume of dressed chickens.

Notwithstanding the increase in total revenue of livestock and poultry related products, EBITDA decreased by 83.0%. The decrease was mainly due to margin compression stemming from the elevated input costs of feed as well as low average selling price of DOC in Indonesia. In Malaysia, government subsidies on livestock of RM28.6 million recognised by the Group contributed to the improved EBITDA.

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B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER (CONTINUED)

Feedmill

The Group's revenue from feedmill increased by 6.6% from RM931.8million in the FQE 31 March 2022 to RM993.5 million in the FQE 31 March 2023. The increase was due primarily to higher average selling price and sales volume in Vietnam and Philippines as well as higher average selling price in Indonesia.

EBITDA improved by 48.1%, due primarily to better margin from higher average selling price in Vietnam and Indonesia.

B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	31/3/2023 RM'000	31/12/2022 RM'000	
Revenue	2,196,220	2,321,912	(5.4%)
Profit from operations	74,967	190,972	(60.7%)
Profit before taxation	30,284	150,663	(79.9%)

The Group's revenue fell 5.4% from RM2,321.9 million to RM2,196.2 million in comparison with the immediate preceding quarter. The revenue drop was due mainly from Vietnam and Malaysia. The drop in Vietnam was due mainly to lower average selling price and sales volume of broiler chicken and lower sales volume of livestock feed while in Malaysia, was mainly due to lower average selling price and sales volume of livestock feed and lower sales volume of broiler chickens.

The group's profit before taxation fell 79.9% from RM150.7 million in FQE 31 December 2022 to RM30.3 million in FQE 31 March 2023.

B3. PROSPECTS

The strong regional economies provide a good backdrop for higher consumption of our products. While the high cost of raw materials and attempts by governments to manage food inflation continues to create uncertainties for our financial performance, barring unforeseen circumstances, the Group expects to achieve a satisfactory performance for financial year 2023.

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	
	31/3/2023	31/3/2022	31/3/2023	31/3/2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	10,819	10,182	10,819	10,182
Bad debt recovered	(585)	(542)	(585)	(542)
Depreciation of :				
-investment properties	51	66	51	66
-property, plant and equipment	66,572	63,616	66,572	63,616
Expense recognised in respect of defined benefit plan	1,671	2,103	1,671	2,103
Farmer incentives and contract grower	24,221	26,110	24,221	26,110
Fair value gains on derivative financial instruments	(3,631)	(714)	(3,631)	(714)
Foreign exchange losses	3,536	93	3,536	93
(Gains)/losses on disposal of :				
-property, plant and equipment	(564)	(447)	(564)	(447)
-right-of-use assets	-	27	-	27
Government grant	(1,093)	(1,265)	(1,093)	(1,265)
Government subsidies	(28,602)	-	(28,602)	-
Impairment loss/(Reversal of impairment):				
-trade receivables	806	2,257	806	2,257
-other receivables	(287)	277	(287)	277
Interest expense	44,719	29,259	44,719	29,259
Interest income	(3,517)	(2,911)	(3,517)	(2,911)
Packing materials	4,626	6,623	4,626	6,623
Promotional and marketing expenses	2,173	2,323	2,173	2,323
Rental expense	1,911	2,331	1,911	2,331
Rental income	(620)	(1,142)	(620)	(1,142)
Share option expense	-	223	-	223
Travelling expenses	3,165	2,039	3,165	2,039
Write off :				
-property, plant and equipment	198	514	198	514
-right-of-use assets	-	284	-	284

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 31/3/2023 RM'000	CUMULATIVE QUARTER 31/3/2023 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	7,069	7,069
- Foreign tax	7,984	7,984
- Underprovision in prior years	(380)	(380)
	<u>14,673</u>	<u>14,673</u>
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	(3,061)	(3,061)
- Underprovision in prior years	1,711	1,711
	<u>13,323</u>	<u>13,323</u>
Tax expense		

The effective tax rate of the Group for the current quarter ended 31 March 2023 is higher than the statutory tax rate mainly due to expenses not deductible for tax purposes.

B7. STATUS OF CORPORATE PROPOSAL

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

B8. BORROWINGS

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	7,853	7,451
Bank overdrafts	76,259	92,341
Term loans	174,542	181,779
Revolving credits	499,253	483,023
Hire purchase liabilities	9,408	10,087
	<u>767,315</u>	<u>774,681</u>

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B8. BORROWINGS (CONTINUED)

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
Current		
<u>Unsecured:</u>		
Bankers' acceptances	365,928	392,011
Bank overdrafts	104,132	86,185
Term loans	60,912	59,298
Revolving credits	124,864	71,468
Trust receipts	581,301	602,646
	1,237,137	1,211,608
Total Current	2,004,452	1,986,289
Non current		
<u>Secured:</u>		
Term loans	605,956	627,473
Hire purchase liabilities	7,555	7,865
<u>Unsecured:</u>		
Term loans	100,674	110,965
Sukuk Mudharabah	300,245	300,116
Total non current	1,014,430	1,046,419
Total borrowings	3,018,882	3,032,708
Total borrowings		
Bankers' acceptances	373,781	399,462
Bank overdrafts	180,391	178,526
Term loans	942,084	979,515
Revolving credits	624,117	554,491
Trust receipts	581,301	602,646
Hire purchase liabilities	16,963	17,952
Sukuk Mudharabah	300,245	300,116
	3,018,882	3,032,708

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B8. BORROWINGS (CONTINUED)

	As at 31/3/2023 RM'000	As at 31/12/2022 RM'000
The currency profile of borrowings is as follows:		
Ringgit Malaysia	948,348	969,582
Singapore Dollar	523,159	553,523
Indonesia Rupiah	830,929	822,291
US Dollar	66,144	36,697
Vietnamese Dong	542,524	578,296
Philippines Peso	107,499	72,047
Euro	279	272
	3,018,882	3,032,708

B9. DERIVATIVES

As at 31 March 2023, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	As at 31/3/2023		As at 31/12/2022	
	Contract/ Notional Amount RM'000	Fair Value Amount RM'000	Contract/ Notional Amount RM'000	Fair Value Amount RM'000
Current liabilities				
Forward foreign exchange contracts	216,677	(4,016)	301,659	(7,546)
Derivative financial liabilities	216,677	(4,016)	301,659	(7,546)

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2022:

- (a) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (b) the cash requirements of the financial derivatives;
- (c) the policy in place for mitigating or controlling the risks associated with these financial derivatives; and
- (d) the related accounting policies.

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B10. MATERIAL LITIGATION

The Group does not have any material litigation which would materially and adversely affect the financial position of the Group.

B11. DIVIDEND PROPOSED

The Board had declared an interim single-tier dividend of 1.80 sen per ordinary share amounting to RM65.70 million in respect of the financial year ending 31 December 2023, paid on 23 May 2023 to depositors registered in the Records of Depositors at close of business on 10 May 2023. (Previous corresponding period ended 31 March 2022: No dividend was declared for the financial year ended 31 December 2022)

B12. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/3/2023	Quarter ended 31/3/2022	Period ended 31/3/2023	Period ended 31/3/2022
Profit attributable to equity holders of the Company (RM'000)	22,142	20,375	22,142	20,375
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	0.61	0.56	0.61	0.56

Note:

The potential conversion of ESOS options is anti-dilutive as their exercise prices were higher than the average market price ('out of the money') of the Company's ordinary shares during the current financial quarter.

Accordingly, the exercise of ESOS had been ignored in the calculation of dilutive earnings per share and the diluted earnings per ordinary share is the same as the basic earnings per ordinary share.

B13. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report as set out above was approved by the Board in accordance with their resolution dated 31 May 2023.