

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
	Note	30/6/2023	30/6/2022	30/6/2023	30/6/2022
		RM'000	RM'000	RM'000	RM'000
Revenue		2,413,863	2,272,220	4,610,083	4,359,375
Other income		48,516	48,329	111,087	58,637
Operating expenses		(2,303,153)	(2,245,158)	(4,486,977)	(4,281,520)
Profit from operations		159,226	75,391	234,193	136,492
Finance costs		(45,719)	(31,573)	(90,438)	(60,832)
Share of profits of associates		138	67	174	157
Profit before tax	B5	113,645	43,885	143,929	75,817
Tax expense	B6	(22,869)	(10,490)	(36,192)	(18,532)
Net profit for the financial period		90,776	33,395	107,737	57,285
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		69,559	22,239	106,801	29,177
Other comprehensive income for the financial period		69,559	22,239	106,801	29,177
Total comprehensive income for the financial period		160,335	55,634	214,538	86,462

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
	Note	30/6/2023	30/6/2022	30/6/2023	30/6/2022
		RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period attributable to:					
Owners of the Company		65,033	40,498	87,175	60,873
Non-Controlling Interests		25,743	(7,103)	20,562	(3,588)
		<u>90,776</u>	<u>33,395</u>	<u>107,737</u>	<u>57,285</u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company		119,373	58,439	166,141	84,344
Non-Controlling Interests		40,962	(2,805)	48,397	2,118
		<u>160,335</u>	<u>55,634</u>	<u>214,538</u>	<u>86,462</u>
Earning per share (sen)					
Basic	B12	1.78	1.11	2.39	1.67
Diluted	B12	1.78	1.11	2.39	1.67

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 SECOND QUARTER ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2023	Audited As at 31/12/2022
Note	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,851,355	2,784,462
Investment properties	21,877	21,995
Right-of-use assets	422,916	417,740
Intangible assets	101,936	99,214
Investment in associates	1,821	1,635
Other receivables and deposits	3,902	16,515
Amount owing by Associates	18,781	17,290
Deferred tax assets	92,937	72,961
Total Non-Current Assets	3,515,525	3,431,812
Current Assets		
Biological assets	451,536	419,624
Inventories	1,039,076	1,025,850
Trade receivables	703,604	649,878
Other receivables and prepaid expenses	200,421	173,274
Derivative financial liabilities	828	-
Tax recoverable	65,504	51,475
Cash and bank balances	687,584	840,288
Total Current Assets	3,148,553	3,160,389
TOTAL ASSETS	6,664,078	6,592,201
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,499,684	1,499,684
Merger reserve	(662,966)	(662,966)
Reserve	1,268,767	1,168,326
Equity attributable to owners of the Company	2,105,485	2,005,044
Non-controlling interests	626,995	584,531
TOTAL EQUITY	2,732,480	2,589,575

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30/6/2023 RM'000	Audited As at 31/12/2022 RM'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		120,944	98,748
Bank borrowings	B8	980,296	1,046,419
Lease liabilities		147,099	154,631
Deferred Income		1,258	1,369
Provision for Asset Retirement Obligation		5,151	5,055
Post-employment benefits obligation		39,193	33,282
Total Non-Current Liabilities		1,293,941	1,339,504
Current Liabilities			
Trade payables		280,870	358,946
Other payables and accrued expenses		229,116	270,834
Bank borrowings	B8	2,087,055	1,986,289
Lease liabilities		24,947	23,126
Derivative financial liabilities	B9	-	7,546
Deferred Income		359	342
Tax payable		15,310	16,039
Total Current Liabilities		2,637,657	2,663,122
TOTAL LIABILITIES		3,931,598	4,002,626
TOTAL EQUITY AND LIABILITIES		6,664,078	6,592,201
Net assets per share attributable to ordinary equity holders (RM)		0.5768	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 SECOND QUARTER ENDED 30 JUNE 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 for the financial period	-	-	-	-	87,175	87,175	20,562	107,737
Other comprehensive income:								
Currency translation differences	-	-	78,966	-	-	78,966	27,835	106,801
Total other comprehensive income	-	-	78,966	-	-	78,966	27,835	106,801
Total comprehensive Income	-	-	78,966	-	87,175	166,141	48,397	214,538
Transactions with owners:								
Dividend paid	-	-	-	-	(65,700)	(65,700)	(5,653)	(71,353)
Changes in equity interest in subsidiaries	-	-	-	-	-	-	(280)	(280)
Share options lapsed	-	-	-	(130)	130	-	-	-
	-	-	-	(130)	(65,570)	(65,700)	(5,933)	(71,633)
Balance as at 30/6/2023	1,499,684	(662,966)	67,374	11,179	1,190,214	2,105,485	626,995	2,732,480

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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/(loss) for the financial period	-	-	-	-	60,873	60,873	(3,588)	57,285
Other comprehensive income:								
Currency translation differences	-	-	23,471	-	-	23,471	5,706	29,177
Total other comprehensive income	-	-	23,471	-	-	23,471	5,706	29,177
Total comprehensive income	-	-	23,471	-	60,873	84,344	2,118	86,462
Transactions with owners:								
Dividend paid	-	-	-	-	-	-	(686)	(686)
Share option expense	-	-	-	394	-	394	-	394
Share options lapsed	-	-	-	(92)	92	-	-	-
	-	-	-	302	92	394	(686)	(292)
Balance as at 30/6/2022	1,499,684	(662,466)	29,011	11,574	1,013,995	1,891,798	554,212	2,446,010

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 SECOND QUARTER ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	30/6/2023	30/6/2022
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	143,929	75,817
Adjustments for: non-cash items	226,323	210,918
Operating profit before working capital changes	370,252	286,735
<u>Net Movement In:</u>		
Inventories	38,776	(99,111)
Biological assets	(8,678)	20,693
Receivables	(61,218)	(66,129)
Payables	(92,124)	3,597
Net cash from operations	247,008	145,785
Tax paid	(38,560)	(37,535)
Net cash flow from operating activities	208,448	108,250
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Dividend income from associates	-	120
Proceeds from disposal of property, plant and equipment	1,259	1,213
Proceeds from disposal of right-of-use assets	-	115
Interest income received	7,282	5,853
Addition of property, plant and equipment	(94,767)	(122,902)
Addition of right-of-use assets	(188)	(7,820)
Additional acquisition of subsidiary from non-controlling interest	(280)	-
Placement of fixed deposit pledged	(867)	(1,254)
Withdrawal of fixed deposit with more than 3 months maturity	51,510	63,498
Net cash flow from investing activities	(36,051)	(61,177)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	30/6/2023	30/6/2022
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(90,226)	(58,303)
Proceeds from term loans	41,215	167,899
Repayments of term loans	(142,681)	(133,420)
Net repayment of short term borrowings	59,408	284
Repayment of hire purchase liabilities	(6,012)	(7,363)
Repayment of lease liabilities	(17,443)	(18,121)
Drawdown of Sukuk Mudharabah	-	100,000
Issuance costs of Sukuk Mudharabah	-	(7)
Dividend paid	(71,353)	(686)
Net cash flow from financing activities	(227,092)	50,283
NET CHANGE IN CASH AND CASH EQUIVALENTS	(54,695)	97,356
Effect of exchange translation differences	17,417	14,497
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	556,052	575,140
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	518,774	686,993

Cash and cash equivalents comprise the following:

Cash and bank balances	687,584	842,594
Bank overdrafts	(109,705)	(125,080)
	577,879	717,514
Less:		
Fixed deposits pledged as collateral	(25,519)	(15,161)
Fixed deposits of more than 3 months maturity period	(33,586)	(15,360)
	518,774	686,993

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 SECOND QUARTER ENDED 30 JUNE 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” and “International Tax Reform – Pillar Two Model Rules”
- 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 7 and MFRS 107 – Supplier Finance Arrangements	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.

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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.

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

A 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 was paid on 23 May 2023.

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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 30/6/2023				
Revenue from sales of goods:				
- external customers	1,323,121	1,087,495	-	2,410,616
- inter-segment	-	434,413	(434,413)	-
Revenue from sales of goods	1,323,121	1,521,908	(434,413)	2,410,616
Revenue from other sources				3,247
Total revenue				<u>2,413,863</u>
EBITDA	84,811	142,519	11,341	238,671
Depreciation and amortisation	(56,059)	(17,028)	(6,358)	(79,445)
	28,752	125,491	4,983	159,226
Share of profit of associates				138
Finance costs				(45,719)
Profit before taxation				113,645
Tax expense				(22,869)
Profit for the financial period				<u>90,776</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
Quarter ended 30/6/2022				
Revenue from sales of goods:				
- external customers	1,270,066	999,948	-	2,270,014
- inter-segment	-	467,086	(467,086)	-
Revenue from sales of goods	1,270,066	1,467,034	(467,086)	2,270,014
Revenue from other sources				2,206
Total revenue				<u>2,272,220</u>
EBITDA	57,139	93,887	(695)	150,331
Depreciation and amortisation	(58,213)	(15,978)	(749)	(74,940)
	(1,074)	77,909	(1,444)	75,391
Share of profit of associates				67
Finance costs				(31,573)
Profit before taxation				<u>43,885</u>
Tax expense				(10,490)
Profit for the financial period				<u>33,395</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
Period ended 30/6/2023				
Revenue from sales of goods:				
- external customers	2,522,506	2,081,031	-	4,603,537
- inter-segment	-	884,117	(884,117)	-
Revenue from sales of goods	2,522,506	2,965,148	(884,117)	4,603,537
Revenue from other sources				6,546
Total revenue				<u>4,610,083</u>
EBITDA	90,730	291,701	8,649	391,080
Depreciation and amortisation	(115,421)	(33,835)	(7,631)	(156,887)
	(24,691)	257,866	1,018	234,193
Share of profits of associates				174
Finance costs				(90,438)
Profit before taxation				<u>143,929</u>
Tax expense				(36,192)
Profit for the financial period				<u>107,737</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
Period ended 30/6/2022				
Revenue from sales of goods:				
- external customers	2,422,087	1,931,710	-	4,353,797
- inter-segment	-	841,535	(841,535)	-
Revenue from sales of goods	2,422,087	2,773,245	(841,535)	4,353,797
Revenue from other sources				5,578
Total revenue				4,359,375
EBITDA	91,984	194,627	(1,315)	285,296
Depreciation and amortisation	(115,693)	(31,289)	(1,822)	(148,804)
	(23,709)	163,338	(3,137)	136,492
Share of profits of associates				157
Finance costs				(60,832)
Profit before taxation				75,817
Tax expense				(18,532)
Profit for the financial period				57,285

Geographical segment

	Revenue		EBITDA	
	Quarter ended 30/6/2023 RM'000	Quarter ended 30/6/2022 RM'000	Quarter ended 30/6/2023 RM'000	Quarter ended 30/6/2022 RM'000
Malaysia	587,393	581,670	125,158	76,780
Singapore	210,122	206,794	27,423	18,047
Vietnam	561,463	563,907	21,734	35,486
Indonesia	912,227	823,195	51,241	4,779
Philippines	139,411	94,448	13,115	15,239
	2,410,616	2,270,014	238,671	150,331

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,181,639	1,133,797	247,119	145,148
Singapore	414,747	404,655	48,350	23,842
Vietnam	1,048,371	1,032,678	45,774	51,205
Indonesia	1,692,470	1,627,978	22,333	40,422
Philippines	266,310	154,689	27,504	24,679
	<u>4,603,537</u>	<u>4,353,797</u>	<u>391,080</u>	<u>285,296</u>
	Total non-current assets		Total borrowing	
	as at		as at	
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,550,028	1,547,219	886,734	965,268
Singapore	376,207	372,245	449,726	554,086
Vietnam	511,726	498,224	642,774	587,963
Indonesia	701,896	665,350	925,591	853,344
Philippines	260,048	242,008	162,526	72,047
	<u>3,399,905</u>	<u>3,325,046</u>	<u>3,067,351</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 30 June 2023, the Group acquired property, plant and equipment amounting to RM100.32 million (period ended 30 June 2022: RM127.11 million). During the period ended 30 June 2023, the Group disposed property, plant and equipment amounting to RM0.44 million (period ended 30 June 2022: RM0.45 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 June 2023 (period ended 30 June 2022: RM Nil).

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, LHF 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 30/6/2023 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	42,973

A13. CHANGES IN THE COMPOSITION OF THE GROUP

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

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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	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	RM'000	RM'000	RM'000	RM'000
Associated companies:				
Interest income	273	262	540	518
Companies controlled by Lau family*:				
Sales of goods	185,708	171,475	358,004	340,655
Management fee received/receivable	17	17	37	29
Rental received/receivables	1,748	2,675	3,002	3,283
Interest receivables	67	369	113	716
Purchases of goods	(60,784)	(105,808)	(125,933)	(203,010)
Transportation charges paid/payable	(3,774)	(3,496)	(7,071)	(6,857)
Purchases of sundries paid/payable	(1,206)	(2,249)	(2,918)	(3,270)
Rental paid/payables	(729)	(743)	(1,515)	(1,452)
Purchase of property, plant and equipment	(4)	(126)	(6)	(280)
Royalty fee paid/payable	-	-	(1,809)	(1,431)
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,293)	(2,092)	(4,736)	(4,009)

* 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 %
	30/6/2023 RM'000	30/6/2022 RM'000		30/6/2023 RM'000	30/6/2022 RM'000	
Revenue:						
Livestock and poultry related products	1,323,121	1,270,066	4.2%	2,522,506	2,422,087	4.1%
Feedmill	1,087,495	999,948	8.8%	2,081,031	1,931,710	7.7%
Others	3,247	2,206	47.2%	6,546	5,578	17.4%
	<u>2,413,863</u>	<u>2,272,220</u>	6.2%	<u>4,610,083</u>	<u>4,359,375</u>	5.8%
EBITDA:						
Livestock and poultry related products	84,811	57,139	48.4%	90,730	91,984	(1.4%)
Feedmill	142,519	93,887	51.8%	291,701	194,627	49.9%
Others	11,341	(695)	1,731.8%	8,649	(1,315)	757.7%
	<u>238,671</u>	<u>150,331</u>	58.8%	<u>391,080</u>	<u>285,296</u>	37.1%

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased by 4.2% from RM1,270.1 million in the financial quarter ended ("FQE") 30 June 2022 to RM1,323.1 million in the FQE 30 June 2023.

The higher revenue was due mainly to higher sales volume of broiler chickens and higher selling price of DOC in Indonesia, higher sales volume of dressed chickens in Philippines and higher average selling price of DOC and higher average selling price and sales volume of eggs in Malaysia.

EBITDA increased by 48.4%, due primarily to better margin from higher average selling price of DOC and eggs in Malaysia and DOC in Indonesia.

B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER (CONTINUED)

b) Cumulative Quarter

The Group's revenue from sales of livestock and poultry related products increased by 4.1% from RM2,422.1 million in the financial period ended ("FPE") 30 June 2022 to RM2,522.5 million in the FPE 30 June 2023.

The higher revenue was due mainly to higher average selling price and sales volume of DOC and eggs in Malaysia and higher sales volume of dressed chickens in Philippines.

Notwithstanding the increase in total revenue of livestock and poultry related products, EBITDA decreased by 1.4% due mainly to margin compression stemming from the surge in raw material costs and other operating costs.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill increased by 8.8% from RM999.9 million in the FQE 30 June 2022 to RM1,087.5 million in the FQE 30 June 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 51.8%, due primarily to better margin from higher average selling price in Vietnam.

b) Cumulative Quarter

The Group's revenue from feedmill increased by 7.7% from RM1,931.7 million in the FPE 30 June 2022 to RM2,081.0 million in the FPE 30 June 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 49.9%, due primarily to better margin from higher average selling price in Vietnam, Philippines and Indonesia.

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B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	30/6/2023 RM'000	31/3/2023 RM'000	
Revenue	2,413,863	2,196,220	9.9%
Profit from operations	159,226	74,967	112.4%
Profit before taxation	113,645	30,284	275.3%

The Group's revenue improved by 9.9% from RM2,196.2 million to RM2,413.9 million in comparison with the immediate preceding quarter. The revenue increase was due mainly from Indonesia and Vietnam. The increase in Indonesia was due mainly to higher average selling price and sales volume of DOC and livestock feed as well as higher average selling price of broiler chickens while in Vietnam, it was due mainly to higher average selling price and sales volume of livestock feed and broiler chickens.

The group's profit before taxation surged by 275.3% from RM30.3 million in FQE 31 March 2023 to RM113.6 million in FQE 30 June 2023 due primarily to better margin from higher average selling price in Indonesia.

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 the 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	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	10,625	9,839	21,444	20,021
Bad debt recovered	(233)	89	(818)	(453)
Depreciation of :				
-investment properties	67	68	118	134
-property, plant and equipment	68,753	65,033	135,325	128,649
Expense recognised in respect of defined benefit plan	2,003	2,239	3,674	4,342
Farmer incentives and contract grower	30,226	29,990	54,447	56,100
Fair value gains on derivative financial instruments	(4,870)	(2,123)	(8,501)	(2,837)
Foreign exchange (gains)/losses	(140)	(183)	3,396	(90)
(Gains)/losses on disposal of :				
-property, plant and equipment	(251)	(254)	(815)	(701)
-right-of-use assets	-	42	-	69
Government grant	(251)	(638)	(1,344)	(1,903)
Government subsidies	(15,291)	(14,679)	(43,893)	(14,679)
Impairment loss/(Reversal of impairment):				
-trade receivables	(370)	(1,626)	436	631
-other receivables	(186)	211	(473)	488
Interest expense	45,719	31,573	90,438	60,832
Interest income	(3,765)	(2,942)	(7,282)	(5,853)
Packing materials	5,084	7,527	9,710	14,150
Promotional and marketing expenses	2,070	3,029	4,243	5,352
Rental expense	551	2,154	2,462	4,485
Rental income	(549)	(3,336)	(1,169)	(4,478)
Share option expense	-	171	-	394
Travelling expenses	3,297	2,423	6,462	4,462
Write off :				
-property, plant and equipment	422	1,685	620	2,199
-right-of-use assets	-	1,560	-	1,844

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 30/6/2023 RM'000	CUMULATIVE QUARTER 30/6/2023 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	5,661	12,730
- Foreign tax	6,582	14,566
- Underprovision in prior years	685	305
	<u>12,928</u>	<u>27,601</u>
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	9,144	6,083
- Underprovision in prior years	797	2,508
	<u>9,941</u>	<u>8,591</u>
Tax expense	<u>22,869</u>	<u>36,192</u>

The group effective tax rate for the current quarter is lower than the statutory tax rate of 24% mainly due to lower tax rate of foreign subsidiaries.

B7. STATUS OF CORPORATE PROPOSAL

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

B8. BORROWINGS

	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	2,739	7,451
Bank overdrafts	9,858	92,341
Term loans	168,042	181,779
Revolving credits	575,120	483,023
Hire purchase liabilities	9,313	10,087
	<u>765,072</u>	<u>774,681</u>

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B8. BORROWINGS (CONTINUED)

	30/6/2023 RM'000	31/12/2022 RM'000
Current		
<u>Unsecured:</u>		
Bankers' acceptances	354,333	392,011
Bank overdrafts	99,847	86,185
Term loans	62,270	59,298
Revolving credits	180,988	71,468
Trust receipts	590,545	602,646
Sukuk Mudharabah	34,000	-
	1,321,983	1,211,608
Total Current	2,087,055	1,986,289
Non current		
<u>Secured:</u>		
Term loans	611,224	627,473
Hire purchase liabilities	8,260	7,865
<u>Unsecured:</u>		
Term loans	94,613	110,965
Sukuk Mudharabah	266,199	300,116
Total non current	980,296	1,046,419
Total borrowings	3,067,351	3,032,708
Total borrowings		
Bankers' acceptances	357,072	399,462
Bank overdrafts	109,705	178,526
Term loans	936,149	979,515
Revolving credits	756,108	554,491
Trust receipts	590,545	602,646
Hire purchase liabilities	17,573	17,952
Sukuk Mudharabah	300,199	300,116
	3,067,351	3,032,708

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B8. BORROWINGS (CONTINUED)

	As at 30/6/2023 RM'000	As at 31/12/2022 RM'000
The currency profile of borrowings is as follows:		
Ringgit Malaysia	886,734	969,582
Singapore Dollar	451,700	553,523
Indonesia Rupiah	892,879	822,291
US Dollar	71,408	36,697
Vietnamese Dong	602,104	578,296
Philippines Peso	162,526	72,047
Euro	-	272
	3,067,351	3,032,708

B9. DERIVATIVES

As at 30 June 2023, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	As at 30/6/2023		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 asset				
Forward foreign exchange contracts	241,710	828	-	-
Derivative financial assets	241,710	828	-	-
Current liabilities				
Forward foreign exchange contracts	-	-	301,659	(7,546)
Derivative financial liabilities	-	-	301,659	(7,546)

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B9. DERIVATIVES (CONTINUED)

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.

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

No dividend was proposed for the quarter ended 30 June 2023.

B12. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
Profit attributable to equity holders of the Company (RM'000)	65,033	40,498	87,175	60,873
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	1.78	1.11	2.39	1.67

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 29 August 2023.