

# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
	Note	30/9/2023	30/9/2022	30/9/2023	30/9/2022
		RM'000	RM'000	RM'000	RM'000
Revenue		2,516,396	2,361,415	7,126,479	6,720,790
Other income		46,285	65,541	157,372	124,178
Operating expenses		(2,292,695)	(2,290,386)	(6,779,672)	(6,571,906)
Profit from operations		269,986	136,570	504,179	273,062
Share of profits of associates		42	155	216	312
Finance costs		(42,489)	(36,650)	(132,927)	(97,482)
Profit before tax	B5	227,539	100,075	371,468	175,892
Tax expense	B6	(50,184)	(27,741)	(86,376)	(46,273)
Net profit for the financial period		177,355	72,334	285,092	129,619
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(27,147)	31,824	79,654	61,001
Other comprehensive (expense)/income for the financial period		(27,147)	31,824	79,654	61,001
Total comprehensive income for the financial period		150,208	104,158	364,746	190,620

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
	Note	30/9/2023	30/9/2022	30/9/2023	30/9/2022
		RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to:					
Owners of the Company		132,961	67,312	220,136	128,185
Non-Controlling Interests		44,394	5,022	64,956	1,434
		<u>177,355</u>	<u>72,334</u>	<u>285,092</u>	<u>129,619</u>
Total comprehensive income attributable to:					
Owners of the Company		117,774	91,134	283,915	175,478
Non-Controlling Interests		32,434	13,024	80,831	15,142
		<u>150,208</u>	<u>104,158</u>	<u>364,746</u>	<u>190,620</u>
Earning per share (sen)					
Basic	B12	3.64	1.84	6.03	3.51
Diluted	B12	3.64	1.84	6.03	3.51

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 THIRD QUARTER ENDED 30 SEPTEMBER 2023

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30/9/2023 RM'000	Audited As at 31/12/2022 RM'000
	Note		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		2,811,005	2,784,462
Investment properties		21,810	21,995
Right-of-use assets		413,152	417,740
Intangible assets		102,036	99,214
Investment in associates		1,859	1,635
Other receivables and deposits		1,812	16,515
Amount owing by Associates		18,285	17,290
Deferred tax assets		77,528	72,961
Total Non-Current Assets		3,447,487	3,431,812
<b>Current Assets</b>			
Biological assets		493,888	419,624
Inventories		991,401	1,025,850
Trade receivables		720,460	649,878
Other receivables and prepaid expenses		142,663	173,274
Derivative financial liabilities	B9	1,520	-
Tax recoverable		55,088	51,475
Cash and bank balances		790,220	840,288
Total Current Assets		3,195,240	3,160,389
<b>TOTAL ASSETS</b>		<b>6,642,727</b>	<b>6,592,201</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		1,499,684	1,499,684
Merger reserve		(662,966)	(662,966)
Reserve		1,386,656	1,168,326
Equity attributable to owners of the Company		2,223,374	2,005,044
Non-controlling interests		657,725	584,531
<b>TOTAL EQUITY</b>		<b>2,881,099</b>	<b>2,589,575</b>

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30/9/2023 RM'000	Audited As at 31/12/2022 RM'000
	Note		
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		126,741	98,748
Bank borrowings	B8	927,111	1,046,419
Lease liabilities		144,054	154,631
Deferred Income		1,170	1,369
Provision for Asset Retirement Obligation		5,242	5,055
Post-employment benefits obligation		40,099	33,282
Total Non-Current Liabilities		1,244,417	1,339,504
<b>Current Liabilities</b>			
Trade payables		343,543	358,946
Other payables and accrued expenses		279,090	270,834
Bank borrowings	B8	1,850,060	1,986,289
Lease liabilities		26,232	23,126
Derivative financial liabilities	B9	-	7,546
Deferred Income		360	342
Tax payable		17,926	16,039
Total Current Liabilities		2,517,211	2,663,122
<b>TOTAL LIABILITIES</b>		<b>3,761,628</b>	<b>4,002,626</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,642,727</b>	<b>6,592,201</b>
<b>Net assets per share attributable to ordinary equity holders (RM)</b>		<b>0.6091</b>	<b>0.5493</b>

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.

# LEONG HUP INTERNATIONAL BERHAD

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	-	-	-	-	220,136	220,136	64,956	285,092
Other comprehensive income:								
Currency translation differences	-	-	63,779	-	-	63,779	15,875	79,654
Total other comprehensive income	-	-	63,779	-	-	63,779	15,875	79,654
Total comprehensive Income	-	-	63,779	-	220,136	283,915	80,831	364,746
Transactions with owners:								
Dividend paid	-	-	-	-	(65,700)	(65,700)	(7,138)	(72,838)
Changes in equity interest in subsidiaries	-	-	115	-	-	115	(499)	(384)
Share options lapsed	-	-	-	(196)	196	-	-	-
	-	-	115	(196)	(65,504)	(65,585)	(7,637)	(73,222)
Balance as at 30/9/2023	1,499,684	(662,966)	52,302	11,113	1,323,241	2,223,374	657,725	2,881,099

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## 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	-	-	-	-	128,185	128,185	1,434	129,619
Other comprehensive income:								
Currency translation differences	-	-	47,293	-	-	47,293	13,708	61,001
Total other comprehensive income	-	-	47,293	-	-	47,293	13,708	61,001
Total comprehensive income	-	-	47,293	-	128,185	175,478	15,142	190,620
Transactions with owners:								
Dividend paid	-	-	-	-	-	-	(686)	(686)
Share option expense	-	-	-	373	-	373	-	373
Share options lapsed	-	-	-	(320)	320	-	-	-
	-	-	-	53	320	373	(686)	(313)
Balance as at 30/9/2022	1,499,684	(662,466)	52,833	11,325	1,081,535	1,982,911	567,236	2,550,147

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 THIRD QUARTER ENDED 30 SEPTEMBER 2023

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	30/9/2023	30/9/2022
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	371,468	175,892
Adjustments for:		
non-cash items	346,838	321,894
Operating profit before working capital changes	718,306	497,786
<u>Net Movement In:</u>		
Inventories	37,726	(98,974)
Biological assets	(66,601)	26,029
Receivables	(19,216)	(77,509)
Payables	52,870	47,163
Net cash from operations	723,085	394,495
Tax paid	(58,266)	(64,608)
Net cash flow from operating activities	664,819	329,887
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Dividend income from associates	-	120
Proceeds from disposal of property, plant and equipment	3,732	5,238
Proceeds from disposal of right-of-use assets	-	615
Interest income received	10,591	9,321
Addition of property, plant and equipment	(148,117)	(205,777)
Addition of right-of-use assets	(304)	(22,095)
Additional acquisition of subsidiary from non-controlling interest	(499)	-
Placement of fixed deposit pledged	1,179	(3,714)
Withdrawal of fixed deposit with more than 3 months maturity	37,881	(22,069)
Net cash flow from investing activities	(95,537)	(238,361)

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	30/9/2023	30/9/2022
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(134,035)	(95,412)
Proceeds from term loans	53,891	15,434
Repayments of term loans	(203,261)	(186,192)
Net repayment of short term borrowings	(155,533)	7,778
Repayment of hire purchase liabilities	(8,994)	(11,044)
Repayment of lease liabilities	(27,038)	(22,099)
Drawdown of Sukuk Mudharabah	-	100,000
Issuance costs of Sukuk Mudharabah	-	(7)
Dividend paid	(72,838)	(686)
Net cash flow from financing activities	(547,808)	(192,228)
NET CHANGE IN CASH AND CASH EQUIVALENTS	21,474	(100,702)
Effect of exchange translation differences	16,471	14,497
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	556,052	575,140
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	593,997	488,935

Cash and cash equivalents comprise the following:

Cash and bank balances	790,220	750,951
Bank overdrafts	(125,794)	(137,669)
	664,426	613,282
Less:		
Fixed deposits pledged as collateral	(23,584)	(17,908)
Fixed deposits of more than 3 months maturity period	(46,845)	(106,439)
	593,997	488,935

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.



# LEONG HUP INTERNATIONAL BERHAD

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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## 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:

<b>Standards</b>	<b>Effective for annual period beginning on or after</b>
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 121 – Lack of Exchangeability	1 January 2025
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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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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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

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

# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## 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
<b>Quarter ended 30/9/2023</b>				
Revenue from sales of goods:				
- external customers	1,369,420	1,143,811	-	2,513,231
- inter-segment	-	450,263	(450,263)	-
Revenue from sales of goods	1,369,420	1,594,074	(450,263)	2,513,231
Revenue from other sources				3,165
Total revenue				<u>2,516,396</u>
EBITDA	167,285	187,508	(5,892)	348,901
Depreciation and amortisation	(66,286)	(16,431)	3,802	(78,915)
	100,999	171,077	(2,090)	269,986
Share of profit of associates				42
Finance costs				(42,489)
Profit before taxation				227,539
Tax expense				(50,184)
Profit for the financial period				<u>177,355</u>

LEONG HUP INTERNATIONAL BERHAD  
 (Company No. 201401022577) (1098663 – D)  
 (Incorporated in Malaysia)  
 NOTES TO THE INTERIM FINANCIAL REPORT  
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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
<b>Quarter ended 30/9/2022</b>				
Revenue from sales of goods:				
- external customers	1,295,667	1,062,778	-	2,358,445
- inter-segment	-	459,949	(459,949)	-
Revenue from sales of goods	1,295,667	1,522,727	(459,949)	2,358,445
Revenue from other sources				2,970
Total revenue				2,361,415
EBITDA	87,758	126,435	(2,411)	211,782
Depreciation and amortisation	(58,667)	(15,574)	(971)	(75,212)
	29,091	110,861	(3,382)	136,570
Share of profit of associates				155
Finance costs				(36,650)
Profit before taxation				100,075
Tax expense				(27,741)
Profit for the financial period				72,334

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## 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
<b>Period ended 30/9/2023</b>				
Revenue from sales of goods:				
- external customers	3,891,926	3,224,842	-	7,116,768
- inter-segment	-	1,334,380	(1,334,380)	-
Revenue from sales of goods	3,891,926	4,559,222	(1,334,380)	7,116,768
Revenue from other sources				9,711
Total revenue				<u>7,126,479</u>
EBITDA	258,015	479,209	2,757	739,981
Depreciation and amortisation	(181,707)	(50,266)	(3,829)	(235,802)
	76,308	428,943	(1,072)	504,179
Share of profits of associates				216
Finance costs				(132,927)
Profit before taxation				<u>371,468</u>
Tax expense				(86,376)
Profit for the financial period				<u>285,092</u>

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NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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
<b>Period ended 30/9/2022</b>				
Revenue from sales of goods:				
- external customers	3,717,754	2,994,488	-	6,712,242
- inter-segment	-	1,301,484	(1,301,484)	-
Revenue from sales of goods	3,717,754	4,295,972	(1,301,484)	6,712,242
Revenue from other sources				8,548
Total revenue				<u>6,720,790</u>
EBITDA	179,742	321,062	(3,726)	497,078
Depreciation and amortisation	(174,360)	(46,863)	(2,793)	(224,016)
	5,382	274,199	(6,519)	273,062
Share of profits of associates				312
Finance costs				(97,482)
Profit before taxation				<u>175,892</u>
Tax expense				(46,273)
Profit for the financial period				<u>129,619</u>

**Geographical segment**

	Revenue		EBITDA	
	Quarter ended 30/9/2023 RM'000	Quarter ended 30/9/2022 RM'000	Quarter ended 30/9/2023 RM'000	Quarter ended 30/9/2022 RM'000
Malaysia	617,179	589,749	152,093	89,222
Singapore	209,417	197,940	12,693	15,454
Vietnam	531,308	590,322	51,619	50,625
Indonesia	1,003,976	865,023	114,268	38,194
Philippines	151,351	115,411	18,228	18,287
	<u>2,513,231</u>	<u>2,358,445</u>	<u>348,901</u>	<u>211,782</u>

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## A9. SEGMENTAL INFORMATION (CONTINUED)

### Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	30/9/2023	30/9/2022	30/9/2023	30/9/2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,798,818	1,723,546	399,212	234,370
Singapore	624,164	602,595	61,043	39,296
Vietnam	1,579,679	1,623,000	97,393	101,830
Indonesia	2,696,446	2,493,001	136,601	78,616
Philippines	417,661	270,100	45,732	42,966
	<u>7,116,768</u>	<u>6,712,242</u>	<u>739,981</u>	<u>497,078</u>
	Total non-current assets		Total borrowing	
	as at		as at	
	30/9/2023	31/12/2022	30/9/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,591,269	1,547,219	872,893	965,268
Singapore	339,718	372,245	420,426	554,086
Vietnam	493,890	498,224	593,970	587,963
Indonesia	669,947	665,350	739,995	853,344
Philippines	255,038	242,008	149,887	72,047
	<u>3,349,862</u>	<u>3,325,046</u>	<u>2,777,171</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 September 2023, the Group acquired property, plant and equipment amounting to RM156.48 million (period ended 30 September 2022: RM217.36 million). During the period ended 30 September 2023, the Group disposed property, plant and equipment amounting to RM2.10 million (period ended 30 September 2022: RM4.91 million).



# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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## A10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (ii) Revaluation

There were no revaluation of property, plant and equipment for the period ended 30 September 2023 (period ended 30 September 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 30/9/2023 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	42,191

## A13. CHANGES IN THE COMPOSITION OF THE GROUP

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

# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## 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 30/9/2023	Quarter ended 30/9/2022	Period ended 30/9/2023	Period ended 30/9/2022
	RM'000	RM'000	RM'000	RM'000
Associated companies:				
Interest income	275	254	815	772
Companies controlled by Lau family*:				
Sales of goods	173,037	187,185	531,041	527,840
Management fee received/receivable	12	17	49	46
Rental received/receivables	1,716	2,141	4,718	5,424
Interest receivables	21	192	134	908
Purchases of goods	(84,143)	(109,032)	(210,076)	(312,042)
Transportation charges paid/payable	(3,719)	(3,585)	(10,790)	(10,442)
Purchases of sundries paid/payable	(1,202)	(1,680)	(4,120)	(4,950)
Rental paid/payables	(920)	(743)	(2,435)	(2,195)
Purchase of property, plant and equipment	(292)	(1)	(298)	(281)
Royalty fee paid/payable	-	-	(1,809)	(1,431)
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,535)	(2,691)	(7,271)	(6,700)

\* 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.

# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## 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 %
	30/9/2023 RM'000	30/9/2022 RM'000		30/9/2023 RM'000	30/9/2022 RM'000	
Revenue:						
Livestock and poultry related products	1,369,420	1,295,667	5.7%	3,891,926	3,717,754	4.7%
Feedmill	1,143,811	1,062,778	7.6%	3,224,842	2,994,488	7.7%
Others	3,165	2,970	6.6%	9,711	8,548	13.6%
	<u>2,516,396</u>	<u>2,361,415</u>	6.6%	<u>7,126,479</u>	<u>6,720,790</u>	6.0%
EBITDA:						
Livestock and poultry related products	167,285	87,758	90.6%	258,015	179,742	43.5%
Feedmill	187,508	126,435	48.3%	479,209	321,062	49.3%
Others	(5,892)	(2,411)	(144.4%)	2,757	(3,726)	174.0%
	<u>348,901</u>	<u>211,782</u>	64.7%	<u>739,981</u>	<u>497,078</u>	48.9%

#### Livestock and poultry related products

##### a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased by 5.7% from RM1,295.7 million in the financial quarter ended ("FQE") 30 September 2022 to RM1,369.4 million in the FQE 30 September 2023.

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

EBITDA increased by 90.6%, due primarily to better margin from higher selling price of DOC and eggs in Malaysia and DOC in Indonesia.

# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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## 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 4.7% from RM3,717.8 million in the financial period ended ("FPE") 30 September 2022 to RM3,891.9 million in the FPE 30 September 2023.

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

EBITDA improved by 43.5% due primarily to better margin from higher selling price of DOC and eggs in Malaysia.

### Feedmill

#### a) Individual Quarter

The Group's revenue from Feedmill increased by 7.6% from RM1,062.8 million in the FQE 30 September 2022 to RM1,143.8 million in the FQE 30 September 2023.

The increase was due primarily to higher sales volume in Indonesia and higher selling price and sales volume in Philippines.

EBITDA improved by 48.3%, due primarily to better margin from higher selling price in Philippines.

#### b) Cumulative Quarter

The Group's revenue from Feedmill increased by 7.7% from RM2,994.5 million in the FPE 30 September 2022 to RM3,224.8 million in the FPE 30 September 2023.

The increase was due primarily to higher selling price and sales volume in Indonesia, Philippines and Vietnam.

EBITDA improved by 49.3%, due primarily to better margin from higher selling price in Vietnam, Indonesia and Philippines.

# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	30/9/2023 RM'000	30/6/2023 RM'000	
Revenue	2,516,396	2,413,863	4.2%
Profit from operations	269,986	159,226	69.6%
Profit before taxation	227,539	113,645	100.2%

The Group's revenue improved by 4.2% from RM2,413.9 million to RM2,516.4 million in comparison with the immediate preceding quarter. The revenue increase was due mainly from Indonesia and Malaysia. The increase in Indonesia was due mainly to higher selling price and sales volume of DOC and higher sales volume of livestock feed. The revenue increase in Malaysia is mainly from higher selling price and sales volume of eggs as well as higher sales volume of livestock feed. The increased in revenue was partly bring down by lower selling price of livestock feed in Vietnam.

The group's profit before taxation surged by 100.2% from RM113.6 million in FQE 30 June 2023 to RM227.5 million in FQE 30 September 2023 due primarily to better margin from higher selling price of DOC in Indonesia and higher selling price of broiler chickens in Vietnam.

## B3. PROSPECTS

The strong regional economies provide a good backdrop for higher consumption of our products as the Group continues to grow. The easing of feed input costs, particularly corn and soybean meal, provides relief to the industry. Barring unforeseen circumstances, the Group expects the performance for financial year 2023 to be significantly better than prior year.

## 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.

# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/9/2023	30/9/2022	30/9/2023	30/9/2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	11,157	10,136	32,601	30,157
Bad debt recovered	(268)	(167)	(1,086)	(620)
Depreciation of :				
-investment properties	67	66	185	200
-property, plant and equipment	67,691	65,010	203,016	193,659
Dividend from associates	-	(120)	-	(120)
Expense recognised in respect of defined benefit plan	2,123	2,243	5,797	6,585
Farmer incentives and contract grower	24,811	29,545	79,258	85,645
Fair value gains on derivative financial instruments	(739)	(1,140)	(9,240)	(3,977)
Foreign exchange (gains)/losses	(2,451)	(3,982)	945	(4,072)
(Gains)/losses on disposal of :				
-property, plant and equipment	(819)	370	(1,634)	(331)
-right-of-use assets	191	(169)	191	(100)
Government grant	(255)	(596)	(1,599)	(2,500)
Government subsidies	(14,481)	(50,900)	(58,374)	(65,579)
Impairment loss/(Reversal of impairment):				
-trade receivables	112	2,638	548	3,269
-other receivables	(68)	(302)	(541)	186
Interest expense	42,489	36,650	132,927	97,482
Interest income	(3,309)	(3,467)	(10,591)	(9,321)
Packing materials	5,547	6,305	15,257	20,455
Promotional and marketing expenses	1,715	2,905	5,958	8,257
Rental expense	2,591	2,681	5,053	7,166
Rental income	(608)	(2,688)	(1,777)	(7,166)
Share option expense	-	(21)	-	373
Travelling expenses	3,265	3,483	9,727	7,945
Write off :				
-property, plant and equipment	188	151	808	2,350
-right-of-use assets	-	1,008	-	2,852

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

LEONG HUP INTERNATIONAL BERHAD  
(Company No. 201401022577) (1098663 – D)  
(Incorporated in Malaysia)  
NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

B6. TAXATION

	INDIVIDUAL QUARTER 30/9/2023 RM'000	CUMULATIVE QUARTER 30/9/2023 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	11,201	23,931
- Foreign tax	21,093	35,659
- Underprovision in prior years	138	443
	<hr/>	<hr/>
	32,432	60,033
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	17,227	23,310
- Underprovision in prior years	525	3,033
	<hr/>	<hr/>
Tax expense	50,184	86,376
	<hr/>	<hr/>

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 30/9/2023 RM'000	As at 31/12/2022 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	2,098	7,451
Bank overdrafts	14,395	92,341
Term loans	154,326	181,779
Revolving credits	419,559	483,023
Hire purchase liabilities	9,112	10,087
	<hr/>	<hr/>
	599,490	774,681
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LEONG HUP INTERNATIONAL BERHAD  
(Company No. 201401022577) (1098663 – D)  
(Incorporated in Malaysia)  
NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

B8. BORROWINGS (CONTINUED)

	30/9/2023 RM'000	31/12/2022 RM'000
Current		
<u>Unsecured:</u>		
Bankers' acceptances	307,189	392,011
Bank overdrafts	111,399	86,185
Term loans	62,527	59,298
Revolving credits	145,989	71,468
Trust receipts	589,466	602,646
Sukuk Mudharabah	34,000	-
	1,250,570	1,211,608
Total Current	1,850,060	1,986,289
Non current		
<u>Secured:</u>		
Term loans	567,975	627,473
Hire purchase liabilities	8,251	7,865
<u>Unsecured:</u>		
Term loans	84,674	110,965
Sukuk Mudharabah	266,211	300,116
Total non current	927,111	1,046,419
Total borrowings	2,777,171	3,032,708
Total borrowings		
Bankers' acceptances	309,287	399,462
Bank overdrafts	125,794	178,526
Term loans	869,502	979,515
Revolving credits	565,548	554,491
Trust receipts	589,466	602,646
Hire purchase liabilities	17,363	17,952
Sukuk Mudharabah	300,211	300,116
	2,777,171	3,032,708



LEONG HUP INTERNATIONAL BERHAD  
(Company No. 201401022577) (1098663 – D)  
(Incorporated in Malaysia)  
NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

B8. BORROWINGS (CONTINUED)

	As at 30/9/2023 RM'000	As at 31/12/2022 RM'000
The currency profile of borrowings is as follows:		
Ringgit Malaysia	872,893	969,582
Singapore Dollar	421,415	553,523
Indonesia Rupiah	706,956	822,291
US Dollar	49,930	36,697
Vietnamese Dong	576,090	578,296
Philippines Peso	149,887	72,047
Euro	-	272
	2,777,171	3,032,708

B9. DERIVATIVES

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

	As at 30/9/2023		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
<b>Current asset</b>				
Forward foreign exchange contracts	147,856	1,520	-	-
Derivative financial assets	147,856	1,520	-	-
<b>Current liabilities</b>				
Forward foreign exchange contracts	-	-	301,659	(7,546)
Derivative financial liabilities	-	-	301,659	(7,546)

# LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

## 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

The Board had declared a single tier interim dividend of 1.2 sen per ordinary share amounting to RM43.8 million in respect of the financial year ending 31 December 2023, payable on 29 January 2024 to depositors registered in the Records of Depositors at close of business on 12 January 2024. (Previous corresponding period ended 30 September 2022: No dividend was declared.)

## B12. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/9/2023	30/9/2022	30/9/2023	30/9/2022
Profit attributable to equity holders of the Company (RM'000)	132,961	67,312	220,136	128,185
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	3.64	1.84	6.03	3.51

### 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 28 November 2023.