

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		31/12/2021	31/12/2020	31/12/2021	31/12/2020
		RM'000	RM'000	RM'000	RM'000
Revenue		1,814,088	1,607,676	7,153,520	6,040,664
Other income		13,511	19,024	53,503	59,800
Operating expenses		(1,738,743)	(1,529,440)	(6,954,697)	(5,817,842)
Profit from operations		88,856	97,260	252,326	282,622
Finance costs		(31,583)	(29,198)	(112,446)	(125,871)
Share of profits of associates		239	256	435	375
Profit before tax	B5	57,512	68,318	140,315	157,126
Tax expense	B6	(5,507)	(11,443)	(44,425)	(39,603)
Net profit for the financial period		52,005	56,875	95,890	117,523
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(9,337)	(7,439)	31,790	(23,536)
Item that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation		1,026	(2,843)	1,026	(2,843)
Income tax relating to remeasurement of post-employment benefit obligation		(215)	575	(215)	575
		811	(2,268)	811	(2,268)
Other comprehensive (expense)/income for the financial period		(8,526)	(9,707)	32,601	(25,804)
Total comprehensive income for the financial period		43,479	47,168	128,491	91,719

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Quarter ended		Period ended		
Note	31/12/2021	31/12/2020	31/12/2021	31/12/2020	
	RM'000	RM'000	RM'000	RM'000	
Profit for the period attributable to:					
Owners of the Company	37,987	52,555	85,403	113,145	
Non-Controlling Interests	14,018	4,320	10,487	4,378	
	<u>52,005</u>	<u>56,875</u>	<u>95,890</u>	<u>117,523</u>	
Total comprehensive income attributable to:					
Owners of the Company	29,840	37,918	111,855	92,212	
Non-Controlling Interests	13,639	9,250	16,636	(493)	
	<u>43,479</u>	<u>47,168</u>	<u>128,491</u>	<u>91,719</u>	
Earning per share (sen)					
Basic	B13	1.04	1.44	2.34	3.10
Diluted	B13	1.04	1.44	2.34	3.10

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 2020 and the accompanying explanatory notes attached in the interim financial report.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/12/2021 RM'000	Audited As at 31/12/2020 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,773,357	2,656,481
Investment properties	22,278	21,797
Right-of-use assets	392,067	373,863
Intangible assets	96,080	95,321
Investment in associates	1,728	1,581
Trade receivables	-	1,118
Other receivables and deposits	39,337	-
Amount owing by Associates	16,273	16,196
Deferred tax assets	70,120	62,047
Total Non-Current Assets	3,411,240	3,228,404
Current Assets		
Biological assets	406,216	364,634
Inventories	973,519	721,869
Trade receivables	624,707	489,582
Other receivables and prepaid expenses	115,360	110,920
Asset held for sale	2,093	-
Tax recoverable	35,112	21,625
Cash and bank balances	764,621	757,769
Total Current Assets	2,921,628	2,466,399
TOTAL ASSETS	6,332,868	5,694,803
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,499,684	1,499,684
Merger reserve	(662,466)	(662,466)
Reserve	965,537	876,223
Equity attributable to owners of the Company	1,802,755	1,713,441
Non-controlling interests	549,566	535,122
TOTAL EQUITY	2,352,321	2,248,563

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 31/12/2021 RM'000	Audited As at 31/12/2020 RM'000
	Note		
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		78,663	92,076
Bank borrowings	B9	1,054,562	874,478
Lease liabilities		146,263	137,276
Deferred Income		1,613	1,907
Derivative financial liabilities	B10	-	467
Provision for Asset Retirement Obligation		5,373	2,575
Post-employment benefits obligation		42,479	45,689
Total Non-Current Liabilities		1,328,953	1,154,468
Current Liabilities			
Trade payables		284,246	229,394
Other payables and accrued expenses		250,424	260,386
Bank borrowings	B9	2,070,090	1,764,835
Lease liabilities		26,286	18,894
Derivative financial liabilities	B10	866	1,982
Provision for Asset Retirement Obligation		-	148
Dividend Payable		-	37
Deferred Income		323	318
Tax payable		19,359	15,778
Total Current Liabilities		2,651,594	2,291,772
TOTAL LIABILITIES		3,980,547	3,446,240
TOTAL EQUITY AND LIABILITIES		6,332,868	5,694,803
Net assets per share attributable to ordinary equity holders (RM)		0.4939	0.4694

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 2020 and the accompanying explanatory notes attached in the interim financial report.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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 1/1/2021	1,499,684	(662,466)	(20,448)	10,088	886,583	1,713,441	535,122	2,248,563
Comprehensive income:								
Net profit for the financial year	-	-	-	-	85,403	85,403	10,487	95,890
Other comprehensive income:								
Currency translation differences	-	-	25,987	-	-	25,987	5,803	31,790
Remeasurement of post-employment benefit obligation	-	-	-	-	465	465	346	811
Total other comprehensive income	-	-	25,987	-	465	26,452	6,149	32,601
Total comprehensive Income	-	-	25,987	-	85,868	111,855	16,636	128,491
Transactions with owners:								
Dividend paid	-	-	-	-	(24,090)	(24,090)	(2,192)	(26,282)
Share option expense	-	-	-	1,549	-	1,549	-	1,549
Share options lapsed	-	-	-	(364)	364	-	-	-
	-	-	-	1,185	(23,726)	(22,541)	(2,192)	(24,733)
Balance as at 31/12/2021	1,499,684	(662,466)	5,539	11,273	948,725	1,802,755	549,566	2,352,321

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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 1/1/2020	1,499,684	(658,787)	(2,754)	6,486	796,580	1,641,209	539,314	2,180,523
Comprehensive income:								
Net profit for the financial year	-	-	-	-	113,145	113,145	4,378	117,523
Other comprehensive income:								
Currency translation differences	-	-	(17,697)	-	-	(17,697)	(5,839)	(23,536)
Remeasurement of post-employment benefit obligation	-	-	-	-	(3,236)	(3,236)	968	(2,268)
Total other comprehensive income	-	-	(17,697)	-	(3,236)	(20,933)	(4,871)	(25,804)
Total comprehensive income	-	-	(17,697)	-	109,909	92,212	(493)	91,719
Transactions with owners:								
Share options lapsed	-	-	-	(121)	121	-	-	-
Share option expense	-	-	3	3,723	48	3,774	-	3,774
Dividends paid	-	-	-	-	(20,075)	(20,075)	(3,708)	(23,783)
Acquisition of subsidiary	-	(3,679)	-	-	-	(3,679)	9	(3,670)
	-	(3,679)	3	3,602	(19,906)	(19,980)	(3,699)	(23,679)
Balance as at 31/12/2020	1,499,684	(662,466)	(20,448)	10,088	886,583	1,713,441	535,122	2,248,563

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 2020 and the accompanying explanatory notes attached in the interim financial report.

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(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	31/12/2021	31/12/2020
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	140,315	157,126
Adjustments for: non-cash items	384,914	390,376
Operating profit before working capital changes	525,229	547,502
<u>Net Movement In:</u>		
Inventories	(228,632)	(53,869)
Biological assets	(42,762)	11,910
Receivables	(183,330)	51,979
Payables	38,336	(86,422)
Net cash from operations	108,841	471,100
Tax paid	(75,048)	(55,272)
Net cash generated from operating activities	33,793	415,828
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>		
Advance to an associate	-	(828)
Dividend income from associates	344	359
Proceeds from disposal of property, plant and equipment	6,452	6,512
Proceeds from disposal of right-of-use assets	7,670	175
Interest income received	14,406	16,157
Addition of property, plant and equipment	(332,789)	(474,258)
Addition of right-of-use assets	(10,864)	(39,623)
Additional investment in subsidiary company	(20)	-
Additional investment in associates company	(59)	-
Net cash outflow from acquisition of subsidiary	-	(19,773)
Decrease in fixed deposit pledged	3,696	20,774
Increase in Fixed deposit with maturity more than 3 months	(72,193)	-
Net cash used in investing activities	(383,357)	(490,505)

LEONG HUP INTERNATIONAL BERHAD

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	31/12/2021	31/12/2020
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(112,208)	(124,537)
Proceeds from term loans	339,715	157,560
Repayments of term loans	(215,618)	(342,228)
Net drawdown of short term borrowings	233,227	345,779
Repayment of hire purchase liabilities	(18,773)	(20,390)
Repayment of lease liabilities	(26,809)	(19,350)
Issuance costs of Sukuk Mudharabah	(1,123)	-
Drawdown of Sukuk Mudharabah	100,000	100,000
Proceeds from issuance of shares by subsidiary to non-controlling interests	-	9
Dividend paid	(26,282)	(23,746)
Net cash generated from financing activities	272,129	73,097
NET CHANGE IN CASH AND CASH EQUIVALENTS	(77,435)	(1,580)
Effect of exchange translation differences	13,413	(6,825)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	645,827	654,232
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	581,805	645,827
Cash and cash equivalents comprise the following:		
Cash and bank balances	764,621	757,769
Bank overdrafts	(96,994)	(94,921)
	667,627	662,848
Less:		
Fixed deposits pledged as collateral	(13,629)	(17,021)
Fixed deposits of more than 3 months maturity period	(72,193)	-
	581,805	645,827

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 2020 and the accompanying explanatory notes attached in the interim financial report.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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 2020. 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 2020.

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 2020, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

- Amendments to MFRS 16 Leases (Covid-19 Related Rent Concessions)
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 (Interest Rate Benchmark Reform—Phase 2)

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

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)	1 April 2021
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract – Cost of fulfilling a contract)	1 January 2022
Amendment to MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
Amendments to MFRS 116 (Property, Plant and Equipment—Proceeds before Intended Use)	1 January 2022
MFRS 1, MFRS 9, MFRS 141 Annual Improvements to MFRS Standards 2018-2020	1 January 2022
MFRS 17 Insurance Contracts, Amendment to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17 Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies (Amendments to MFRS 101)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments are not expected to have any material impact on the financial statements of the Group in the period of initial application.

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors have expressed an unqualified opinion on the audited Group's statutory financial statements for the financial year ended 31 December 2020 in their report dated 9 April 2021.

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(Company No. 201401022577) (1098663 – D)

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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.

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

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

A9. SEGMENTAL INFORMATION

Operating segments are prepared in a manner consistent with the internal reporting provided to the Management Team as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided, as well as geographical segment.

Products and services

	Livestock and poultry related products RM'000	Feedmill RM'000	Inter segment elimination RM'000	Group RM'000
Quarter ended 31/12/2021				
Revenue from sales of goods:				
- external customers	1,060,155	750,805	-	1,810,960
- inter-segment	-	493,917	(493,917)	-
Revenue from sales of goods	1,060,155	1,244,722	(493,917)	1,810,960
Revenue from other sources				3,128
Total revenue				<u>1,814,088</u>
EBITDA	37,314	126,238	(1,678)	161,874
Depreciation and amortisation	(47,352)	(23,067)	(2,599)	(73,018)
	(10,038)	103,171	(4,277)	88,856
Share of profit of associates				239
Finance costs				(31,583)
Profit before taxation				<u>57,512</u>
Tax expense				(5,507)
Profit for the financial period				<u>52,005</u>

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

A9. SEGMENTAL INFORMATION (CONTINUED)**Products and services (Continued)**

	Livestock and poultry related products RM'000	Feedmill RM'000	Inter segment elimination RM'000	Group RM'000
Quarter ended 31/12/2020				
Revenue from sales of goods:				
- external customers	899,550	704,888	-	1,604,438
- inter-segment	-	334,514	(334,514)	-
Revenue from sales of goods	899,550	1,039,402	(334,514)	1,604,438
Revenue from other sources				3,238
Total revenue				<u>1,607,676</u>
EBITDA	84,714	97,154	(13,637)	168,231
Depreciation and amortisation	(49,836)	(19,466)	(1,669)	(70,971)
	34,878	77,688	(15,306)	97,260
Share of profits of associates				256
Finance costs				(29,198)
Profit before taxation				<u>68,318</u>
Tax expense				(11,443)
Profit for the financial period				<u>56,875</u>

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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 31/12/2021				
Revenue from sales of goods:				
- external customers	3,915,350	3,227,002	-	7,142,352
- inter-segment	-	1,491,224	(1,491,224)	-
Revenue from sales of goods	3,915,350	4,718,226	(1,491,224)	7,142,352
Revenue from other sources				11,168
Total revenue				<u>7,153,520</u>
EBITDA	185,772	420,664	(70,383)	536,053
Depreciation and amortisation	(211,643)	(67,054)	(5,030)	(283,727)
	(25,871)	353,610	(75,413)	252,326
Share of profits of associates				435
Finance costs				(112,446)
Profit before taxation				<u>140,315</u>
Tax expense				(44,425)
Profit for the financial year				<u>95,890</u>

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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 31/12/2020				
Revenue from sales of goods:				
- external customers	3,354,543	2,672,778	-	6,027,321
- inter-segment	-	1,311,356	(1,311,356)	-
Revenue from sales of goods	3,354,543	3,984,134	(1,311,356)	6,027,321
Revenue from other sources				13,343
Total revenue				<u>6,040,664</u>
EBITDA	141,790	433,446	(33,256)	541,980
Depreciation and amortisation	(195,870)	(60,932)	(2,556)	(259,358)
	(54,080)	372,514	(35,812)	282,622
Share of profits of associates				375
Finance costs				(125,871)
Profit before taxation				<u>157,126</u>
Tax expense				(39,603)
Profit for the financial year				<u>117,523</u>

Geographical segment

	Revenue		EBITDA	
	Quarter ended		Quarter ended	
	31/12/2021 RM'000	31/12/2020 RM'000	31/12/2021 RM'000	31/12/2020 RM'000
Malaysia	542,299	413,418	69,921	42,611
Singapore	209,550	185,956	15,648	33,835
Vietnam	476,112	409,632	19,663	30,804
Indonesia	523,046	567,828	45,989	56,062
Philippines	63,081	30,842	10,653	4,958
Myanmar	-	-	-	(39)
	<u>1,814,088</u>	<u>1,607,676</u>	<u>161,874</u>	<u>168,231</u>

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(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,947,400	1,616,955	193,786	160,008
Singapore	798,493	736,353	80,244	108,349
Vietnam	1,748,822	1,563,657	78,028	139,651
Indonesia	2,457,995	2,019,833	146,745	136,272
Philippines	200,810	103,866	37,250	(2,261)
Myanmar	-	-	-	(39)
	<u>7,153,520</u>	<u>6,040,664</u>	<u>536,053</u>	<u>541,980</u>
	Total non-current assets		Total borrowing	
	as at		as at	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,554,348	1,489,715	1,188,743	1,041,392
Singapore	373,771	389,533	454,941	463,035
Vietnam	478,088	440,413	638,957	481,617
Indonesia	671,930	658,043	798,125	607,156
Philippines	207,373	171,339	43,886	46,113
	<u>3,285,510</u>	<u>3,149,043</u>	<u>3,124,652</u>	<u>2,639,313</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.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

A10. PROPERTY, PLANT AND EQUIPMENT

(i) Acquisition and disposal

During the year ended 31 December 2021, the Group acquired property, plant and equipment amounting to RM349.02 million (year ended 31 December 2020 : RM498.62 million).

During the year ended 31 December 2021, the Group disposed property, plant and equipment amounting to RM3.78 million (year ended 31 December 2020 : RM2.64 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the year ended 31 December 2021 (year ended 31 December 2020 : RM Nil).

A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and liabilities as at the end of the current financial quarter and up to the date of this report.

A12. CAPITAL COMMITMENTS

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

	As at 31/12/2021 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	66,985
- approved by Directors but not contracted	51,987
	<hr/>
	118,972
	<hr/>

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

There were no material events subsequent to the end of the current financial quarter and up to the date of this report.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

The related party transactions described below were carried out on terms and conditions negotiated amongst the parties. The significant related party transactions are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company:				
Consideration for acquisition of subsidiary	-	-	-	(17,937)
Associated companies:				
Interest income	247	1,013	1,002	1,013
Dividend income	144	359	344	359
Fellow subsidiaries:				
Sales of goods	-	500	-	2,836
Purchases of goods	-	255	-	(2,967)
Rental paid/payables	-	804	-	(15)
Companies controlled by Lau family*:				
Sales of goods	149,131	133,782	625,372	540,046
Management fee received/receivable	571	804	2,568	2,958
Rental received/receivables	1,984	964	4,610	3,586
Interest receivables	(409)	88	-	88
Sales of property, plant and equipment	-	211	-	211
Purchases of goods	(90,458)	(55,828)	(322,690)	(188,290)
Transportation charges paid/payable	(3,533)	(4,115)	(14,178)	(14,747)
Purchases of sundries paid/payable	(222)	(1,793)	(4,496)	(3,180)
Rental paid/payables	(2,119)	(2,654)	(4,162)	(4,159)
Purchase of business assets	-	-	-	(2,393)
Purchase of property, plant and equipment	(2,444)	(62)	(2,721)	(6,252)
Royalty fee paid	(1,208)	(1,211)	(1,208)	(1,211)
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,230)	(2,320)	(8,623)	(8,462)

* Lau family refers to family members who, collectively control Emerging Glory Sdn Bhd, the ultimate holding company, and the Company. The following Lau family members are Directors of the Company: Lau Chia Nguang, Dato' Lau Eng Guang, Tan Sri Lau Tuang Nguang, Datuk Lau Joo Hong, Lau Joo Han and Lau Joo Keat collectively.

^ Nam family refers to family members who have significant financial interest in an indirect subsidiary of LHI, Teo Seng Capital Berhad, a company listed on Main Market of Bursa Securities. Nam Hiok Joo from the Nam family is a Director of Teo Seng Capital Berhad.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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 %
	31/12/2021 RM'000	31/12/2020 RM'000		31/12/2021 RM'000	31/12/2020 RM'000	
Revenue:						
Livestock and poultry related products						
	1,060,155	899,550	17.9%	3,915,350	3,354,543	16.7%
Feedmill	750,805	704,888	6.5%	3,227,002	2,672,778	20.7%
Others	3,128	3,238	(3.4%)	11,168	13,343	(16.3%)
	<u>1,814,088</u>	<u>1,607,676</u>	12.8%	<u>7,153,520</u>	<u>6,040,664</u>	18.4%
EBITDA:						
Livestock and poultry related products						
	37,314	84,714	(56.0%)	185,772	141,790	31.0%
Feedmill	126,238	97,154	29.9%	420,664	433,446	(2.9%)
Others	(1,678)	(13,637)	87.7%	(70,383)	(33,256)	(111.6%)
	<u>161,874</u>	<u>168,231</u>	(3.8%)	<u>536,053</u>	<u>541,980</u>	(1.1%)

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased by 17.9% from RM899.6 million in the financial quarter ended ("FQE") 31 December 2020 to RM1,060.2 million in the FQE 31 December 2021.

This was mainly due to higher revenue from Malaysia, Vietnam and Philippines. Higher revenue from Malaysia was mainly due to an increase in average selling price of eggs, DOC and broiler chickens as well as the expansion of its downstream business-to-consumer channel since June 2020. The increase in revenue from Vietnam and Philippines were primarily due to higher sales volume and average selling price of broiler chickens.

Notwithstanding the increase in total revenue of livestock and poultry related products, EBITDA decreased by 56.0%. The decrease was mainly due to margin compression stemming from the elevated input cost of feed despite the increase in average selling price of poultry products.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER (CONTINUED)

Livestock and poultry related products (Continued)

b) Cumulative Quarter

The Group's revenue from sales of livestock and poultry related products increased by 16.7% from RM3,354.5 million in the financial year ended ("FYE") 31 December 2020 to RM3,915.4 million in the FYE 31 December 2021.

This was due to higher revenue from Indonesia, Malaysia and Philippines. The increase in revenue from Indonesia was primarily a result of higher average selling price and sales volume of broiler chickens. Higher revenue from Malaysia was mainly due to an increase in average selling price DOC, broiler chickens, and eggs as well as the expansion of its downstream business-to-consumer channel since June 2020. Revenue from Philippines increased due to higher average selling price and sales volume of DOC and broiler chickens.

The EBITDA from livestock and other poultry related products increased by 31.0%. The increase was primarily due to better margins arising from higher average selling price of DOC in Indonesia, as well as higher average selling price and sales volume of DOC and broiler chickens in Philippines.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill increased by 6.5% from RM704.9 million in the FQE 31 December 2020 to RM750.8 million in the FQE 31 December 2021. The increase was primarily due to higher average selling price in Vietnam.

The EBITDA from livestock feed increased by 29.9%, primarily due to improvement in margin contribution from Vietnam.

b) Cumulative Quarter

The Group's revenue from feedmill increased by 20.7% from RM2,672.8 million in the FYE 31 December 2020 to RM3,227.0 million in the FYE 31 December 2021. The increase was primarily due to higher sales volume and average selling price of livestock feed in Indonesia and higher average selling price in Vietnam.

Notwithstanding the increase in total revenue of livestock feed, EBITDA decreased by 2.9%, as the increase in raw material costs outpaced the increase in average selling price.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	31/12/2021 RM'000	30/09/2021 RM'000	
Revenue	1,814,088	1,809,097	0.3%
Profit/(Loss) from operations	88,856	(31,726)	380.1%
Profit/(Loss) before taxation	57,512	(60,097)	195.7%

The Group's revenue increased by 10.3% from RM1,809.1 million to RM1,814.1 million in comparison with the immediate preceding quarter. The increase in revenue mainly attributed to higher average selling price of broiler chickens and DOC in Malaysia, as well as higher average selling price and sales volume of broiler chickens in Vietnam.

The Group reversed loss before taxation of RM60.1 million in FQE 30 September 2021 into profit before taxation of RM57.5 million in FQE 31 December 2021, primarily due to the general improvement in average selling price of poultry products in the group's operating market.

B3. PROSPECTS

Increased vaccination rates in the countries that the Group operates in have allowed for gradual relaxation of lockdowns and movement controls. Consumptions have improved as economies reopened but business conditions remain challenging as demand remains below pre-Covid-19 levels.

The Board remains vigilant but is cautiously optimistic that the worst may be behind us. The Group has adequate liquidity for operations and is well-positioned to capture opportunities as the market recovers.

B4. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	11,721	1,338	37,995	20,125
Bad debt recovered	1,187	(9)	-	(32)
Depreciation of :				
-investment properties	40	63	265	253
-property, plant and equipment	61,257	60,570	245,467	229,980
Dividend from associates	(144)	(359)	(344)	(359)
Expense recognised in respect of defined benefit plan	3,188	34	10,620	8,234
Farmer incentives and contract grower	19,187	21,561	75,627	74,948
Fair value loss/(gain) on derivative financial instruments	399	(284)	(1,620)	558
Foreign exchange (gain)/loss	328	4,013	(3,475)	2,791
Gain on disposal of property, plant and equipment	(411)	(902)	(2,675)	(3,875)
Government grant	(946)	(3,583)	(5,215)	(16,348)
Impairment loss on:				
-goodwill	-	2,123	-	2,123
-property, plant and equipment	184	470	184	516
-receivables	(2,054)	5,496	5,015	11,784
Interest expense	31,583	29,198	112,446	125,871
Interest income	(3,495)	(5,535)	(14,406)	(16,157)
Packing materials	1,367	6,941	22,193	24,999
Promotional and marketing expenses	1,988	2,234	11,794	10,317
Rental expense	5,713	1,210	19,668	13,221
Rental income	(2,518)	2,002	(6,796)	(2,075)
Reversal of provision for claims	-	(7,017)	-	(7,017)
Share option expense	301	622	1,549	3,723
Travelling expenses	1,264	1,698	8,123	12,000
Written off :				
-bad debts	11	(71)	25	387
-right-of-use assets	78	720	78	720
-property, plant and equipment	7,168	1,306	7,634	1,515

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 FOURTH QUARTER ENDED 31 DECEMBER 2021

B6. TAXATION

	INDIVIDUAL QUARTER 31/12/2021 RM'000	CUMULATIVE QUARTER 31/12/2021 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	6,723	27,897
- Foreign tax	7,465	37,342
- Overprovision in prior years	(621)	(805)
	<hr/>	<hr/>
	13,567	64,434
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	(10,420)	(20,915)
- Underprovision in prior years	1,872	418
	<hr/>	<hr/>
	5,019	43,937
Real property gain tax	488	488
	<hr/>	<hr/>
Tax expense	5,507	44,425
	<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 for overseas subsidiaries and utilisation of tax incentive by overseas subsidiaries.

B7. STATUS OF CORPORATE PROPOSAL

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

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

B8. BORROWINGS

	As at 31/12/2021 RM'000	As at 31/12/2020 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	2,700	2,742
Bank overdrafts	84,519	82,042
Term loans	190,371	154,890
Revolving credits	368,129	291,945
Hire purchase liabilities	12,971	14,852
	658,690	546,471
<u>Unsecured:</u>		
Bankers' acceptances	546,842	469,138
Bank overdrafts	12,475	12,879
Term loans	73,931	71,511
Revolving credits	233,021	255,892
Trust receipts	538,564	408,944
Sukuk Mudharabah	6,567	-
	1,411,400	1,218,364
Total Current	2,070,090	1,764,835
Non current		
<u>Secured:</u>		
Term loans	718,048	589,621
Hire purchase liabilities	11,544	18,381
<u>Unsecured:</u>		
Term loans	132,443	166,476
Sukuk Mudharabah	192,527	100,000
Total non current	1,054,562	874,478
Total borrowings	3,124,652	2,639,313

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

B8. BORROWINGS (CONTINUED)

	As at 31/12/2021 RM'000	As at 31/12/2020 RM'000
Total borrowings		
Bankers' acceptances	549,542	471,880
Bank overdrafts	96,994	94,921
Term loans	1,114,793	982,498
Revolving credits	601,150	547,837
Trust receipts	538,564	408,944
Hire purchase liabilities	24,515	33,233
Sukuk Mudharabah	199,094	100,000
	<u>3,124,652</u>	<u>2,639,313</u>

The currency profile of borrowings is as follows:

Ringgit Malaysia	1,181,904	1,033,005
Singapore Dollar	468,940	482,161
Indonesia Rupiah	766,876	576,901
US Dollar	72,762	95,322
Vietnamese Dong	590,283	405,811
Philippines Peso	43,887	46,113
	<u>3,124,652</u>	<u>2,639,313</u>

B9. DERIVATIVES

	As at 31/12/2021		As at 31/12/2020	
	Contract/ Notional Amount RM'000	Fair Value Amount RM'000	Contract/ Notional Amount RM'000	Fair Value Amount RM'000
Non-current liabilities				
Interest rate swap contracts				
- 1 to 3 years	-	-	29,006	(467)
Current liabilities				
Forward foreign exchange contracts	104,285	(492)	86,096	(1,710)
Foreign currency swap contracts	31,406	(179)	-	-
Interest rate swap contracts	15,388	(195)	30,425	(272)
Derivative financial liabilities	<u>151,079</u>	<u>(866)</u>	<u>145,527</u>	<u>(2,449)</u>

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

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 31 December 2021.

B12. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Profit attributable to equity holders of the Company (RM'000)	37,987	52,555	85,403	113,145
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	1.04	1.44	2.34	3.10

Note:

As the exercise price of the ESOS options exceeded the average market price of the ordinary shares during the current financial quarter, therefore there has been no dilutive impact from ESOS options.

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 22 February 2022.