

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Year ended	
	Note	31/12/2022	31/12/2021	31/12/2022	31/12/2021
		RM'000	RM'000	RM'000	RM'000
Revenue		2,321,912	1,814,088	9,042,702	7,153,520
Other income		64,626	13,511	188,804	53,503
Operating expenses		(2,195,566)	(1,738,743)	(8,767,472)	(6,954,697)
Profit from operations		190,972	88,856	464,034	252,326
Finance costs		(40,433)	(31,583)	(137,915)	(112,446)
Share of profits of associates		124	239	436	435
Profit before tax	B5	150,663	57,512	326,555	140,315
Tax expense	B6	(36,408)	(5,507)	(82,681)	(44,425)
Net profit for the financial period		114,255	52,005	243,874	95,890
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(67,521)	(9,336)	(6,520)	31,791
Item that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation		(7,213)	8,545	(7,213)	8,545
Income tax relating to remeasurement of post-employment benefit		(67)	(216)	(67)	(216)
		(7,280)	8,329	(7,280)	8,329
Other comprehensive (expense)/income for the financial period		(74,801)	(1,007)	(13,800)	40,120
Total comprehensive income for the financial period		39,454	50,998	230,074	136,010

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Quarter ended		Year ended		
Note	31/12/2022	31/12/2021	31/12/2022	31/12/2021	
	RM'000	RM'000	RM'000	RM'000	
Profit for the period attributable to:					
Owners of the Company	90,706	37,987	218,891	85,403	
Non-Controlling Interests	23,549	14,018	24,983	10,487	
	<u>114,255</u>	<u>52,005</u>	<u>243,874</u>	<u>95,890</u>	
Total comprehensive income attributable to:					
Owners of the Company	22,112	34,146	197,590	116,161	
Non-Controlling Interests	17,342	16,852	32,484	19,849	
	<u>39,454</u>	<u>50,998</u>	<u>230,074</u>	<u>136,010</u>	
Earning per share (sen)					
Basic	B12	2.49	1.04	6.00	2.34
Diluted	B12	2.49	1.04	6.00	2.34

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 2021 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/12/2022	Audited As at 31/12/2021
Note	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,784,462	2,770,319
Investment properties	21,995	22,278
Right-of-use assets	417,740	395,105
Intangible assets	99,214	96,080
Investment in associates	1,635	1,728
Other receivables and deposits	16,515	39,337
Amount owing by Associates	17,290	16,273
Deferred tax assets	72,961	70,120
Total Non-Current Assets	3,431,812	3,411,240
Current Assets		
Biological assets	419,624	406,216
Inventories	1,025,850	973,519
Trade receivables	649,878	624,707
Other receivables and prepaid expenses	173,217	115,360
Asset held for sale	-	2,093
Tax recoverable	51,475	32,058
Cash and bank balances	840,288	764,621
Total Current Assets	3,160,332	2,918,574
TOTAL ASSETS	6,592,144	6,329,814
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,499,684	1,499,684
Merger reserve	(662,966)	(662,466)
Reserve	1,168,325	969,842
Equity attributable to owners of the Company	2,005,043	1,807,060
Non-controlling interests	584,531	552,780
TOTAL EQUITY	2,589,574	2,359,840

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 31/12/2022	Audited As at 31/12/2021
	Note	RM'000	RM'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		98,748	78,663
Bank borrowings	B8	1,032,964	1,054,562
Lease liabilities		154,631	146,263
Deferred Income		1,369	1,613
Provision for Asset Retirement Obligation		5,055	5,373
Post-employment benefits obligation		33,282	34,961
Total Non-Current Liabilities		1,326,049	1,321,435
Current Liabilities			
Trade payables		358,946	284,246
Other payables and accrued expenses		270,778	250,424
Bank borrowings	B8	1,999,744	2,070,089
Lease liabilities		23,126	26,286
Derivative financial liabilities	B9	7,546	866
Deferred Income		342	323
Tax payable		16,039	16,305
Total Current Liabilities		2,676,521	2,648,539
TOTAL LIABILITIES		4,002,570	3,969,974
TOTAL EQUITY AND LIABILITIES		6,592,144	6,329,814
Net assets per share attributable to ordinary equity holders (RM)		0.5493	0.4951

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 2021 and the accompanying explanatory notes attached in the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Merger Reserve RM'000	Foreign Currency Translation Reserve RM'000	ESOS Reserve RM'000	Retained Earnings RM'000	Equity attributable to owners of the Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1/1/2022	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 year	-	-	-	-	218,891	218,891	24,983	243,874
Other comprehensive income:								
Currency translation differences	-	-	(17,132)	-	-	(17,132)	10,612	(6,520)
Remeasurement of post-employment benefit obligation	-	-	-	-	(4,169)	(4,169)	(3,111)	(7,280)
Total other comprehensive income	-	-	(17,132)	-	(4,169)	(21,301)	7,501	(13,800)
Total comprehensive Income	-	-	(17,132)	-	214,722	197,590	32,484	230,074
Transactions with owners:								
Dividend paid	-	-	-	-	-	-	(733)	(733)
Subsidiaries strike-off	-	(500)	-	-	500	-	-	-
Share option expense	-	-	-	393	-	393	-	393
Share options lapsed	-	-	-	(356)	356	-	-	-
	-	(500)	-	37	856	393	(733)	(340)
Balance as at 31/12/2022	1,499,684	(662,966)	(11,592)	11,309	1,168,608	2,005,043	584,531	2,589,574

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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 1/1/2021	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	-	-	25,988	-	-	25,988	5,803	31,791
Remeasurement of post-employment benefit obligation	-	-	-	-	4,770	4,770	3,559	8,329
Total other comprehensive income	-	-	25,988	-	4,770	30,758	9,362	40,120
Total comprehensive income	-	-	25,988	-	90,173	116,161	19,849	136,010
Transactions with owners:								
Dividend paid	-	-	-	-	(24,090)	(24,090)	(2,191)	(26,281)
Share option expense	-	-	-	1,548	-	1,548	-	1,548
Share options lapsed	-	-	-	(364)	364	-	-	-
	-	-	-	1,184	(23,726)	(22,542)	(2,191)	(24,733)
Balance as at 31/12/2021	1,499,684	(662,466)	5,540	11,272	953,030	1,807,060	552,780	2,359,840

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 2021 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Year ended	
	31/12/2022	31/12/2021
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	326,555	140,315
Adjustments for: non-cash items	447,968	393,392
Operating profit before working capital changes	774,523	533,707
<u>Net Movement In:</u>		
Inventories	(29,597)	(228,632)
Biological assets	(7,921)	(42,762)
Receivables	(66,986)	(183,330)
Payables	44,049	40,295
Net cash from operations	714,068	119,278
Tax paid	(88,852)	(75,048)
Net cash flow from operating activities	625,216	44,230
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Dividend income from associates	525	344
Proceeds from disposal of property, plant and equipment	5,249	6,452
Proceeds from disposal of right-of-use assets	729	7,670
Proceeds from disposal of asset held for sale	2,093	-
Interest income received	13,095	14,406
Addition of property, plant and equipment	(285,863)	(334,549)
Addition of right-of-use assets	(5,635)	(11,383)
Additional investment in a subsidiary	-	(20)
Additional investment in associates company	-	(59)
(Placement)/withdrawal of fixed deposit pledged	(9,042)	3,392
Placement of fixed deposit with more than 3 months maturity	(3,382)	(78,858)
Net cash flow from investing activities	(282,231)	(392,605)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Year ended	
	31/12/2022	31/12/2021
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(133,039)	(110,012)
Proceeds from term loans	127,128	339,715
Repayments of term loans	(276,212)	(227,357)
Net (repayment)/drawdown of short term borrowings	(134,150)	233,227
Repayment of hire purchase liabilities	(14,244)	(18,773)
Repayment of lease liabilities	(31,250)	(25,120)
Drawdown of Sukuk Mudharabah	100,000	100,000
Issuance costs of Sukuk Mudharabah	(7)	(1,123)
Dividend paid	(733)	(26,281)
Net cash flow from financing activities	(362,507)	264,276
NET CHANGE IN CASH AND CASH EQUIVALENTS	(19,522)	(84,099)
Effect of exchange translation differences	434	13,412
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	575,140	645,827
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	556,052	575,140

Cash and cash equivalents comprise the following:

Cash and bank balances	840,288	764,621
Bank overdrafts	(178,526)	(96,994)
	661,762	667,627
Less:		
Fixed deposits pledged as collateral	(23,470)	(13,629)
Fixed deposits of more than 3 months maturity period	(82,240)	(78,858)
	556,052	575,140

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 2021 and the accompanying explanatory notes attached in the interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

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 2021. 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 2021.

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 2021, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

- Amendment to MFRS 16 ‘COVID-19-Related Rent Concessions beyond 30 June 2021’
- Amendments to MFRS 3 ‘Reference to Conceptual Framework’
- Amendments to MFRS 116 ‘Proceeds before intended use’
- Annual Improvements to MFRSs 2018 – 2020 Cycle
- Amendments to MFRS 137 ‘Onerous Contracts – Cost of Fulfilling a Contract’

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

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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
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
Amendments to MFRS 112 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to MFRS 16 Leases – Lease Liabilities in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101 – Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors have expressed an unqualified opinion on the audited Group's statutory financial statements for the financial year ended 31 December 2021 in their report dated 19 April 2022.

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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.

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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 31/12/2022				
Revenue from sales of goods:				
- external customers	1,261,488	1,054,468	-	2,315,956
- inter-segment	-	232,853	(232,853)	-
Revenue from sales of goods	1,261,488	1,287,321	(232,853)	2,315,956
Revenue from other sources				5,956
Total revenue				2,321,912
EBITDA	97,567	162,155	8,474	268,196
Depreciation and amortisation	(55,113)	(20,463)	(1,648)	(77,224)
	42,454	141,692	6,826	190,972
Share of profit of associates				124
Finance costs				(40,433)
Profit before taxation				150,663
Tax expense				(36,408)
Profit for the financial period				114,255

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

	Livestock and poultry related products RM'000	Feedmill RM'000	Inter segment elimination RM'000	Group RM'000
Quarter ended 31/12/2021				
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	36,139	126,238	(503)	161,874
Depreciation and amortisation	(47,353)	(23,066)	(2,599)	(73,018)
	(11,214)	103,172	(3,102)	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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A9. SEGMENTAL INFORMATION (CONTINUED)

Products and services (Continued)

	Livestock and poultry related products RM'000	Feedmill RM'000	Inter segment elimination RM'000	Group RM'000
Year ended 31/12/2022				
Revenue from sales of goods:				
- external customers	4,979,242	4,048,956	-	9,028,198
- inter-segment	-	1,534,337	(1,534,337)	-
Revenue from sales of goods	4,979,242	5,583,293	(1,534,337)	9,028,198
Revenue from other sources				14,504
Total revenue				9,042,702
EBITDA	277,309	483,217	4,748	765,274
Depreciation and amortisation	(229,473)	(67,326)	(4,441)	(301,240)
	47,836	415,891	307	464,034
Share of profits of associates				436
Finance costs				(137,915)
Profit before taxation				326,555
Tax expense				(82,681)
Profit for the financial year				243,874

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A9. SEGMENTAL INFORMATION (CONTINUED)

Products and services (Continued)

	Livestock and poultry related products RM'000	Feedmill RM'000	Inter segment elimination RM'000	Group RM'000
Year ended 31/12/2021				
Revenue from sales of goods:				
- external customers	3,915,350	3,227,002	-	7,142,352
- inter-segment	-	1,358,789	(1,358,789)	-
Revenue from sales of goods	3,915,350	4,585,791	(1,358,789)	7,142,352
Revenue from other sources				11,168
Total revenue				7,153,520
EBITDA	184,597	420,664	(69,208)	536,053
Depreciation and amortisation	(211,644)	(67,053)	(5,030)	(283,727)
	(27,047)	353,611	(74,238)	252,326
Share of profits of associates				435
Finance costs				(112,446)
Profit before taxation				140,315
Tax expense				(44,425)
Profit for the financial year				95,890

Geographical segment

	Revenue		EBITDA	
	Quarter ended		Quarter ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	634,117	542,298	126,471	69,922
Singapore	193,621	204,057	20,805	15,376
Vietnam	573,586	476,112	43,556	19,663
Indonesia	789,070	525,412	59,722	46,260
Philippines	125,562	63,081	17,642	10,653
	2,315,956	1,810,960	268,196	161,874

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Year ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,357,663	1,947,399	360,841	193,787
Singapore	796,216	784,960	60,101	79,972
Vietnam	2,196,586	1,748,822	145,386	78,028
Indonesia	3,282,071	2,460,361	138,338	147,016
Philippines	395,662	200,810	60,608	37,250
	<u>9,028,198</u>	<u>7,142,352</u>	<u>765,274</u>	<u>536,053</u>
	Total non-current assets		Total borrowing	
	as at		as at	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,547,219	1,554,349	965,268	1,188,742
Singapore	372,245	373,771	554,086	454,941
Vietnam	498,224	478,087	587,963	638,957
Indonesia	665,350	671,930	853,344	798,125
Philippines	242,008	207,373	72,047	43,886
	<u>3,325,046</u>	<u>3,285,510</u>	<u>3,032,708</u>	<u>3,124,651</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 year ended ("FYE") 31 December 2022, the Group acquired property, plant and equipment amounting to RM298.02 million (FYE 31 December 2021: RM345.91 million). During the FYE 31 December 2022, the Group disposed property, plant and equipment amounting to RM5.48 million (FYE 31 December 2021: RM3.78 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the FYE 31 December 2022 (FYE 31 December 2021: RM Nil).

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A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The announcement dated 5 August 2022, 9 August 2022, 5 September 2022, 14 October 2022, 19 December 2022 and 31 January 2023 and Note A14 below 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.

A12. CAPITAL COMMITMENTS

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

	As at 31/12/2022 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	42,924
- approved by Directors but not contracted	40,014
	<hr/>
	82,938
	<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

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 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.

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A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Associated companies:				
Interest income	249	247	1,021	1,002
Companies controlled by Lau family*:				
Sales of goods	187,673	149,131	715,513	625,372
Management fee received/receivable	2,244	571	2,290	2,568
Rental received/receivables	(1,778)	1,984	3,646	4,610
Interest receivables	77	231	985	640
Purchases of goods	(58,096)	(90,458)	(370,138)	(322,690)
Transportation charges paid/payable	(3,788)	(3,533)	(14,230)	(14,178)
Purchases of sundries paid/payable	(1,253)	(222)	(6,203)	(4,496)
Rental paid/payables	(822)	(2,119)	(3,017)	(4,162)
Purchase of property, plant and equipment	23	(2,444)	(258)	(2,721)
Royalty fee paid/payable	-	-	(1,431)	(1,208)
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,189)	(2,230)	(8,889)	(8,623)

* 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 %	Year ended		Changes %
	31/12/2022 RM'000	31/12/2021 RM'000		31/12/2022 RM'000	31/12/2021 RM'000	
Revenue:						
Livestock and poultry related products	1,261,488	1,060,155	19.0%	4,979,242	3,915,350	27.2%
Feedmill	1,054,468	750,805	40.4%	4,048,956	3,227,002	25.5%
Others	5,956	3,128	90.4%	14,504	11,168	29.9%
	<u>2,321,912</u>	<u>1,814,088</u>	28.0%	<u>9,042,702</u>	<u>7,153,520</u>	26.4%
EBITDA:						
Livestock and poultry related products	97,567	36,139	170.0%	277,309	184,597	50.2%
Feedmill	162,155	126,238	28.5%	483,217	420,664	14.9%
Others	8,474	(503)	1,784.7%	4,748	(69,208)	106.9%
	<u>268,196</u>	<u>161,874</u>	65.7%	<u>765,274</u>	<u>536,053</u>	42.8%

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased by 19.0% from RM1,060.2 million in the financial quarter ended ("FQE") 31 December 2021 to RM1,261.5 million in the FQE 31 December 2022.

All operating countries contributed to the higher revenue in the current quarter except Singapore. The main contributors were Malaysia and Indonesia due to higher sales volume of DOC, while Vietnam's increase was mainly from higher average selling price and sales volume of broiler chickens and eggs.

EBITDA increased by 170.0%. Vietnam had higher average selling price and sales volume of broiler chickens and eggs while in Malaysia, government subsidies on livestock of RM24.9 million recognised by the Group contributed to the improved EBITDA.

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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 27.2% from RM3,915.4 million in the FYE 31 December 2021 to RM4,979.2 million in the FYE 31 December 2022.

All operating countries contributed to the higher revenue. All operating countries contributed to the higher revenue. Philippines increased by 64.9%, Vietnam increased by 79.5%, Malaysia increased by 18.6%, Indonesia increased by 28.4% and Singapore increased by 1.4%

EBITDA increased by 50.2%., due primarily to government subsidies on livestock of RM90.5 million recognised by the Group. Higher average selling price and volume growth of broiler chickens and eggs in Vietnam also contributed to the higher EBITDA.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill increased by 40.4% from RM750.8 million in the FQE 31 December 2021 to RM1,054.5 million in the FQE 31 December 2022. The increase was due primarily to higher average selling price and sales volume in Indonesia and Vietnam.

EBITDA increased by 28.5%, due primarily to better margin from higher average selling price and sales volume in Indonesia.

b) Cumulative Quarter

The Group's revenue from feedmill increased by 25.5% from RM3,227.0 million in the FYE 31 December 2021 to RM4,049.0 million in the FYE 31 December 2022. The increase was due primarily to higher average selling price and sales volume in Indonesia and Malaysia.

EBITDA increased by 14.9%, due primarily to better margin from higher average selling price and sales volume in Indonesia.

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B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	31/12/2022 RM'000	30/9/2022 RM'000	
Revenue	2,321,912	2,361,415	(1.7%)
Profit from operations	190,972	136,570	39.8%
Profit before taxation	150,663	100,075	50.6%

The Group's revenue fell 1.7% from RM2,361.4 million to RM2,321.9 million in comparison with the immediate preceding quarter. The revenue drop was due mainly to the lower average selling price and sales volume of DOC and lower average selling price of livestock feed in Indonesia as well as lower average selling price and sales volume of broiler chickens in Vietnam. These reductions were cushioned by better sales volume of broiler chickens and DOC in Malaysia.

Notwithstanding the drop in revenue, the group's profit before taxation improved by 50.6% from RM100.1 million in FQE 30 September 2022 to RM150.7 million in FQE 31 December 2022.

B3. PROSPECTS

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

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

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

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B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	10,718	11,794	40,875	38,068
Bad debt recovered	(533)	-	(1,153)	-
Depreciation of :				
-investment properties	83	40	283	265
-property, plant and equipment	66,423	61,184	260,082	245,394
Dividend from associates	(405)	(144)	(525)	(344)
(Income)/Expense recognised in respect of defined benefit plan	(12,636)	3,188	(6,051)	10,620
Farmer incentives and contract grower	26,491	19,187	112,136	75,627
Fair value (gains)/losses on derivative financial instruments	10,561	401	6,584	(1,618)
Foreign exchange (gains)/losses	(10,079)	329	(14,151)	(3,474)
(Gains)/losses on disposal of :				
-property, plant and equipment	559	(411)	228	(2,675)
-right-of-use assets	(144)	(3,229)	(244)	(3,229)
Loss/(Gain) on termination of leases	3,165	(3,441)	209	(3,441)
Government grant	(290)	(946)	(2,787)	(5,215)
Government subsidies	(24,893)	-	(90,472)	-
Impairment loss/(Reversal of impairment):				
-property, plant and equipment	-	184	-	184
-trade receivables	5,011	(2,095)	8,280	3,142
-other receivables	(1)	163	185	1,995
Interest expense	40,433	31,583	137,915	112,446
Interest income	(3,774)	(3,495)	(13,095)	(14,406)
Packing materials	5,328	1,367	25,783	22,193

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B5. PROFIT BEFORE TAXATION (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Promotional and marketing expenses	2,154	1,988	10,411	11,794
Rental expense	3,857	3,185	11,023	15,097
Rental income	(697)	(535)	(2,439)	(2,187)
Share option expense	20	300	393	1,548
Travelling expenses	3,414	1,264	11,359	8,123
Write off :				
-bad debts	574	10	574	24
-property, plant and equipment	11,478	7,168	13,828	7,634
-right-of-use assets	342	-	3,194	-

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

B6. TAXATION

	INDIVIDUAL	CUMULATIVE
	QUARTER	QUARTER
	31/12/2022	31/12/2022
	RM'000	RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	7,592	30,833
- Foreign tax	14,434	35,857
- Underprovision in prior years	762	1,728
	22,788	68,418
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	10,853	13,639
- Underprovision in prior years	2,662	498
	36,303	82,555
Real property gain tax	105	126
Tax expense	36,408	82,681

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B7. STATUS OF CORPORATE PROPOSAL

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

B8. BORROWINGS

	As at 31/12/2022 RM'000	As at 31/12/2021 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	7,451	2,700
Bank overdrafts	92,341	84,519
Term loans	195,234	190,371
Revolving credits	483,023	368,129
Hire purchase liabilities	10,087	12,970
	<hr/>	<hr/>
	788,136	658,689
<u>Unsecured:</u>		
Bankers' acceptances	392,011	546,842
Bank overdrafts	86,185	12,475
Term loans	59,299	73,931
Revolving credits	71,467	233,021
Trust receipts	602,646	538,564
Sukuk Mudharabah	-	6,567
	<hr/>	<hr/>
	1,211,608	1,411,400
Total Current	<hr/>	<hr/>
	1,999,744	2,070,089
Non current		
<u>Secured:</u>		
Term loans	614,017	718,048
Hire purchase liabilities	7,865	11,544
<u>Unsecured:</u>		
Term loans	110,966	132,443
Sukuk Mudharabah	300,116	192,527
	<hr/>	<hr/>
Total non current	1,032,964	1,054,562
Total borrowings	<hr/>	<hr/>
	3,032,708	3,124,651

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B8. BORROWINGS (CONTINUED)

	As at 31/12/2022 RM'000	As at 31/12/2021 RM'000
Total borrowings		
Bankers' acceptances	399,462	549,542
Bank overdrafts	178,526	96,994
Term loans	979,516	1,114,793
Revolving credits	554,490	601,150
Trust receipts	602,646	538,564
Hire purchase liabilities	17,952	24,514
Sukuk Mudharabah	300,116	199,094
	<u>3,032,708</u>	<u>3,124,651</u>

The currency profile of borrowings is as follows:

Ringgit Malaysia	969,582	1,181,905
Singapore Dollar	553,523	468,940
Indonesia Rupiah	822,291	766,875
US Dollar	36,697	72,762
Vietnamese Dong	578,296	590,283
Philippines Peso	72,047	43,886
Euro	272	-
	<u>3,032,708</u>	<u>3,124,651</u>

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B9. DERIVATIVES

	As at 31/12/2022		As at 31/12/2021	
	Contract/ Notional Amount RM'000	Fair Value Amount RM'000	Contract/ Notional Amount RM'000	Fair Value Amount RM'000
Current liabilities				
Forward foreign exchange contracts	301,659	(7,546)	104,285	(492)
Foreign currency swap contracts	-	-	31,406	(179)
Interest rate swap contracts	-	-	15,388	(195)
Derivative financial liabilities	301,659	(7,546)	151,079	(866)

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 2022.

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B12. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Profit attributable to equity holders of the Company (RM'000)	90,706	37,987	218,891	85,403
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	2.49	1.04	6.00	2.34

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 February 2023.