

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		30/06/2022	30/06/2021	30/06/2022	30/06/2021
		RM'000	RM'000	RM'000	RM'000
Revenue		2,272,220	1,853,797	4,359,375	3,530,335
Other income		48,329	14,827	58,637	31,347
Operating expenses		(2,245,158)	(1,804,337)	(4,281,520)	(3,366,486)
Profit from operations		75,391	64,287	136,492	195,196
Finance costs		(31,573)	(26,519)	(60,832)	(52,382)
Share of profits/(loss) of associates		67	(15)	157	86
Profit before tax	B5	43,885	37,753	75,817	142,900
Tax expense	B6	(10,490)	(9,805)	(18,532)	(32,996)
Net profit for the financial period		33,395	27,948	57,285	109,904
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		22,239	1,078	29,177	24,471
Other comprehensive income for the financial period		22,239	1,078	29,177	24,471
Total comprehensive income for the financial period		55,634	29,026	86,462	134,375

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Quarter ended		Period ended		
Note	30/06/2022	30/06/2021	30/06/2022	30/06/2021	
	RM'000	RM'000	RM'000	RM'000	
Profit/(Loss) for the period attributable to:					
Owners of the Company	40,498	30,502	60,873	100,834	
Non-Controlling Interests	(7,103)	(2,554)	(3,588)	9,070	
	<u>33,395</u>	<u>27,948</u>	<u>57,285</u>	<u>109,904</u>	
Total comprehensive income/(expense) attributable to:					
Owners of the Company	58,439	30,700	84,344	123,950	
Non-Controlling Interests	(2,805)	(1,674)	2,118	10,425	
	<u>55,634</u>	<u>29,026</u>	<u>86,462</u>	<u>134,375</u>	
Earning per share (sen)					
Basic	B12	1.11	0.84	1.67	2.76
Diluted	B12	1.11	0.84	1.67	2.76

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 SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/06/2022 RM'000	Audited As at 31/12/2021 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,791,300	2,770,319
Investment properties	22,145	22,278
Right-of-use assets	407,267	395,105
Intangible assets	97,482	96,080
Investment in associates	1,762	1,728
Other receivables and deposits	3,232	39,337
Amount owing by Associates	17,065	16,273
Deferred tax assets	77,901	70,120
Total Non-Current Assets	3,418,154	3,411,240
Current Assets		
Biological assets	396,188	406,216
Inventories	1,103,329	973,519
Trade receivables	649,084	624,707
Other receivables and prepaid expenses	190,404	115,360
Asset held for sale	2,150	2,093
Derivative financial assets	2,012	-
Tax recoverable	43,703	32,058
Cash and bank balances	842,594	764,621
Total Current Assets	3,229,464	2,918,574
TOTAL ASSETS	6,647,618	6,329,814
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,499,684	1,499,684
Merger reserve	(662,466)	(662,466)
Reserve	1,054,580	969,842
Equity attributable to owners of the Company	1,891,798	1,807,060
Non-controlling interests	554,212	552,780
TOTAL EQUITY	2,446,010	2,359,840

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30/06/2022	Audited As at 31/12/2021
	Note	RM'000	RM'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		76,759	78,663
Bank borrowings	B8	1,068,117	1,054,562
Lease liabilities		154,799	146,263
Deferred Income		-	1,613
Provision for Asset Retirement Obligation		5,438	5,373
Post-employment benefits obligation		39,008	34,961
Total Non-Current Liabilities		1,344,121	1,321,435
Current Liabilities			
Trade payables		320,071	284,246
Other payables and accrued expenses		223,482	250,424
Bank borrowings	B8	2,272,945	2,070,089
Lease liabilities		24,087	26,286
Derivative financial liabilities	B9	46	866
Deferred Income		1,823	323
Tax payable		15,033	16,305
Total Current Liabilities		2,857,487	2,648,539
TOTAL LIABILITIES		4,201,608	3,969,974
TOTAL EQUITY AND LIABILITIES		6,647,618	6,329,814
Net assets per share attributable to ordinary equity holders (RM)		0.5183	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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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022

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

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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 period	-	-	-	-	100,834	100,834	9,070	109,904
Other comprehensive income:								
Currency translation differences	-	-	23,116	-	-	23,116	1,355	24,471
Total other comprehensive income	-	-	23,116	-	-	23,116	1,355	24,471
Total comprehensive income	-	-	23,116	-	100,834	123,950	10,425	134,375
Transactions with owners:								
Dividend paid	-	-	-	-	-	-	(2,192)	(2,192)
Share option expense	-	-	-	1,005	-	1,005	-	1,005
Share options lapsed	-	-	-	(184)	184	-	-	-
	-	-	-	821	184	1,005	(2,192)	(1,187)
Balance as at 30/6/2021	1,499,684	(662,466)	2,668	10,909	987,601	1,838,396	543,355	2,381,751

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 SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	30/06/2022	30/06/2021
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	75,817	142,900
Adjustments for: non-cash items	210,918	191,224
Operating profit before working capital changes	286,735	334,124
<u>Net Movement In:</u>		
Inventories	(99,111)	(73,290)
Biological assets	20,693	(24,360)
Receivables	(66,129)	(217,558)
Payables	3,597	146,031
Net cash from operations	145,785	164,947
Tax paid	(37,535)	(29,333)
Net cash flow from operating activities	108,250	135,614
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Dividend income from associates	120	200
Proceeds from disposal of property, plant and equipment	1,213	4,512
Proceeds from disposal of right-of-use assets	115	1,240
Interest income received	5,853	7,112
Addition of property, plant and equipment	(122,902)	(138,098)
Addition of right-of-use assets	(7,820)	(3,787)
(Placement)/withdrawal of fixed deposit pledged	(1,254)	1,508
Withdrawal of fixed deposit with more than 3 months maturity	63,498	-
Net cash flow from investing activities	(61,177)	(127,313)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	30/06/2022	30/06/2021
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(58,303)	(48,587)
Proceeds from term loans	167,899	65,946
Repayments of term loans	(133,420)	(67,302)
Net drawdown of short term borrowings	284	37,968
Repayment of hire purchase liabilities	(7,363)	(11,912)
Repayment of lease liabilities	(18,121)	(10,948)
Drawdown of Sukuk Mudharabah	100,000	-
Issuance costs of Sukuk Mudharabah	(7)	(1,123)
Dividend paid	(686)	(2,192)
Net cash flow from financing activities	50,283	(38,150)
NET CHANGE IN CASH AND CASH EQUIVALENTS	97,356	(29,849)
Effect of exchange translation differences	14,497	21,333
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	575,140	645,828
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	686,993	637,312

Cash and cash equivalents comprise the following:

Cash and bank balances	842,594	762,089
Bank overdrafts	(125,080)	(108,985)
	717,514	653,104
Less:		
Fixed deposits pledged as collateral	(15,161)	(15,792)
Fixed deposits of more than 3 months maturity period	(15,360)	-
	686,993	637,312

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 SECOND QUARTER ENDED 30 JUNE 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.

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, 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 2021 in their report dated 19 April 2022.

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 30/6/2022				
Revenue from sales of goods:				
- external customers	1,270,066	999,948	-	2,270,014
- inter-segment	-	467,086	(467,086)	-
Revenue from sales of goods	1,270,066	1,467,034	(467,086)	2,270,014
Revenue from other sources				2,206
Total revenue				<u>2,272,220</u>
EBITDA	57,139	93,887	(695)	150,331
Depreciation and amortisation	(58,213)	(15,978)	(749)	(74,940)
	(1,074)	77,909	(1,444)	75,391
Share of profit of associates				67
Finance costs				(31,573)
Profit before taxation				43,885
Tax expense				(10,490)
Profit for the financial period				<u>33,395</u>

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A9. SEGMENTAL INFORMATION (CONTINUED)

Products and services (Continued)

	Livestock and poultry related products RM'000	Feedmill RM'000	Inter segment elimination RM'000	Group RM'000
Quarter ended 30/6/2021				
Revenue from sales of goods:				
- external customers	992,463	858,884	-	1,851,347
- inter-segment	-	341,716	(341,716)	-
Revenue from sales of goods	992,463	1,200,600	(341,716)	1,851,347
Revenue from other sources				2,450
Total revenue				<u>1,853,797</u>
EBITDA	108,730	88,374	(62,508)	134,596
Depreciation and amortisation	(54,995)	(14,483)	(831)	(70,309)
	53,735	73,891	(63,339)	64,287
Share of loss of associates				(15)
Finance costs				(26,519)
Profit before taxation				37,753
Tax expense				(9,805)
Profit for the financial period				<u>27,948</u>

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A9. SEGMENTAL INFORMATION (CONTINUED)

Products and services (Continued)

	Livestock and poultry related products RM'000	Feedmill RM'000	Inter segment elimination RM'000	Group RM'000
Period ended 30/6/2022				
Revenue from sales of goods:				
- external customers	2,422,087	1,931,710	-	4,353,797
- inter-segment	-	841,535	(841,535)	-
Revenue from sales of goods	2,422,087	2,773,245	(841,535)	4,353,797
Revenue from other sources				5,578
Total revenue				<u>4,359,375</u>
EBITDA	91,984	194,627	(1,315)	285,296
Depreciation and amortisation	(115,693)	(31,289)	(1,822)	(148,804)
	(23,709)	163,338	(3,137)	136,492
Share of profits of associates				157
Finance costs				(60,832)
Profit before taxation				<u>75,817</u>
Tax expense				(18,532)
Profit for the financial period				<u>57,285</u>

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A9. SEGMENTAL INFORMATION (CONTINUED)

Products and services (Continued)

	Livestock and poultry related products RM'000	Feedmill RM'000	Inter segment elimination RM'000	Group RM'000
Period ended 30/6/2021				
Revenue from sales of goods:				
- external customers	1,907,625	1,617,236	-	3,524,861
- inter-segment	-	618,030	(618,030)	-
Revenue from sales of goods	1,907,625	2,235,266	(618,030)	3,524,861
Revenue from other sources				5,474
Total revenue				<u>3,530,335</u>
EBITDA	202,974	200,122	(68,442)	334,654
Depreciation and amortisation	(108,430)	(29,267)	(1,761)	(139,458)
	94,544	170,855	(70,203)	195,196
Share of profits of associates				86
Finance costs				(52,382)
Profit before taxation				142,900
Tax expense				(32,996)
Profit for the financial period				<u>109,904</u>

Geographical segment

	Revenue		EBITDA	
	Quarter ended 30/06/2022 RM'000	Quarter ended 30/06/2021 RM'000	Quarter ended 30/06/2022 RM'000	Quarter ended 30/06/2021 RM'000
Malaysia	581,670	479,325	76,780	27,491
Singapore	206,794	195,349	18,047	22,033
Vietnam	563,907	438,530	35,486	31,096
Indonesia	823,195	697,288	4,779	46,540
Philippines	94,448	40,855	15,239	7,436
	<u>2,270,014</u>	<u>1,851,347</u>	<u>150,331</u>	<u>134,596</u>

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,133,797	922,652	145,148	91,789
Singapore	404,655	382,190	23,842	48,239
Vietnam	1,032,678	823,626	51,205	69,095
Indonesia	1,627,978	1,310,964	40,422	107,386
Philippines	154,689	85,429	24,679	18,145
	4,353,797	3,524,861	285,296	334,654
	Total non-current assets		Total borrowing	
	as at		as at	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,547,237	1,554,349	1,168,372	1,188,742
Singapore	375,150	373,771	471,771	454,941
Vietnam	494,649	478,087	756,176	638,957
Indonesia	675,444	671,930	852,807	798,125
Philippines	227,476	207,373	91,936	43,886
	3,319,956	3,285,510	3,341,062	3,124,651

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 period ended 30 June 2022, the Group acquired property, plant and equipment amounting to RM127.11 million (period ended 30 June 2021 : RM142.96 million).

During the period ended 30 June 2022, the Group disposed property, plant and equipment amounting to RM0.45 million (period ended 30 June 2021: RM2.32 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the period ended 30 June 2022 (period ended 30 June 2021: RM Nil).

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A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The announcement dated 9 August 2022 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 30/06/2022 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	52,360
- approved by Directors but not contracted	13,432
	<hr/>
	65,792

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.

The Company would like to clarify that at this juncture, the Proposed Decision 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 shall defend such allegation vigorously. The Company and LFM will review the matter with the external legal counsel and submit written representations within the specified period and make an oral representation before the MyCC.

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A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Associated companies:				
Interest income	262	339	518	507
Companies controlled by Lau family*:				
Sales of goods	171,475	156,423	340,655	295,661
Management fee received/receivable	17	192	29	403
Rental received/receivables	2,675	873	3,283	1,684
Interest receivables	369	147	716	259
Purchases of goods	(105,808)	(81,982)	(203,010)	(149,271)
Transportation charges paid/payable	(3,496)	(3,663)	(6,857)	(7,174)
Purchases of sundries paid/payable	(2,249)	(1,702)	(3,270)	(2,850)
Rental paid/payables	(743)	(683)	(1,452)	(1,369)
Purchase of property, plant and equipment	(126)	-	(280)	(11)
Royalty fee paid/payable	-	-	(1,431)	-
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,092)	(2,004)	(4,009)	(4,182)

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

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

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B. ADDITIONAL INFORMATION AS REQUIRED BY BURSA SECURITIES MAIN LISTING REQUIREMENTS (APPENDIX 9B)

B1. REVIEW OF PERFORMANCE FOR CURRENT QUARTER

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Quarter ended		Changes %	Period ended		Changes %
	30/06/2022 RM'000	30/06/2021 RM'000		30/06/2022 RM'000	30/06/2021 RM'000	
Revenue:						
Livestock and poultry related products	1,270,066	992,463	28.0%	2,422,087	1,907,625	27.0%
Feedmill	999,948	858,884	16.4%	1,931,710	1,617,236	19.4%
Others	2,206	2,450	(10.0%)	5,578	5,474	1.9%
	<u>2,272,220</u>	<u>1,853,797</u>	<u>22.6%</u>	<u>4,359,375</u>	<u>3,530,335</u>	<u>23.5%</u>
EBITDA:						
Livestock and poultry related products	57,139	108,730	(47.4%)	91,984	202,974	(54.7%)
Feedmill	93,887	88,374	6.2%	194,627	200,122	(2.7%)
Others	(695)	(62,508)	98.9%	(1,315)	(68,442)	98.1%
	<u>150,331</u>	<u>134,596</u>	<u>11.7%</u>	<u>285,296</u>	<u>334,654</u>	<u>(14.7%)</u>

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased by 28.0% from RM992.5 million in the financial quarter ended ("FQE") 30 June 2021 to RM1,270.1 million in the FQE 30 June 2022.

All countries contributed to the higher revenue in the current quarter. The main contributor was Vietnam which was primarily due to higher average selling price and sales volume of broiler chickens and eggs, followed by Malaysia due to higher average selling price of eggs. Indonesia and Philippines benefited from higher average selling price and sales volume of broiler chickens, while Singapore's increase was mainly from processed food.

Notwithstanding the increase in total revenue of livestock and poultry related products, EBITDA decreased by 47.4% due mainly to margin compression stemming from the elevated raw materials and other operating costs.

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 27.0% from RM1,907.6 million in the financial period ended ("FPE") 30 June 2021 to RM2,422.1 million in the FPE 30 June 2022.

All countries contributed to the higher revenue. with Vietnam as the main contributor due primarily to higher average selling price and sales volume of broiler chickens and eggs, followed by Malaysia due to higher average selling price of eggs and higher revenue from its downstream business-to-consumer channel. Indonesia and Philippines achieved higher average selling price and sales volume of broiler chickens, while Singapore's was mainly from processed food.

Notwithstanding the increase in total revenue of livestock and poultry related products, EBITDA decreased by 54.7%. The decrease was due mainly to margin compression stemming from the surge in raw material costs and other operating costs.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill increased by 16.4% from RM858.9 million in the FQE 30 June 2021 to RM999.9 million in the FQE 30 June 2022. The increase was primarily due to higher average selling price and sales volume in Indonesia, Malaysia and Philippines.

EBITDA increased by 6.2%., due primarily to better margin from higher selling price and sales volume in Indonesia and higher selling price in Vietnam as well as volume growth from Philippines.

b) Cumulative Quarter

The Group's revenue from feedmill increased by 19.4% from RM1,617.2 million in the FPE 30 June 2021 to RM1,931.7 million in the FPE 30 June 2022. The increase was due primarily to higher average selling price and sales volume in Indonesia, Malaysia and Philippines.

Notwithstanding the increase in total revenue of livestock feed, EBITDA decreased by 2.7%, due to significant impact of FQE 31 March 2022.

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B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	30/06/2022 RM'000	31/03/2022 RM'000	
Revenue	2,272,220	2,087,155	8.9%
Profit from operations	75,391	61,101	23.4%
Profit before taxation	43,885	31,932	37.4%

The Group's revenue increased by 8.9% from RM2,087.2 million to RM2,272.2 million in comparison with the immediate preceding quarter. The revenue growth was due mainly to higher average selling price and sales volume of broiler chickens in Vietnam. The higher average selling price of livestock feed in Vietnam and Indonesia also contributed to the growth.

The group's profit before taxation improved by 37.4% from RM31.9 million in FQE 31 March 2022 to RM43.9 million in FQE 30 June 2022.

B3. PROSPECTS

As Covid-19 becomes endemic, all countries that the Group operates in have resumed economic activities with minimal restrictions. Demand has improved but the high cost of raw materials and the attempts by governments to manage food inflation has created uncertainties for our financial performance. The Group shall remain vigilant as we navigate the challenges ahead.

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

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

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B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	9,839	9,074	20,021	17,190
Bad debt recovered	89	(103)	(453)	(265)
Depreciation of :				
-investment properties	68	74	134	150
-property, plant and equipment	65,033	61,161	128,649	122,118
Expense recognised in respect of defined benefit plan	2,239	2,326	4,342	4,906
Farmer incentives and contract grower	29,990	18,065	56,100	33,971
Fair value gain on derivative financial instruments	(2,124)	(225)	(2,837)	(2,996)
Foreign exchange loss/(gain)	(183)	431	(90)	(1,160)
(Gain)/loss on disposal of :				
-property, plant and equipment	(254)	(1,595)	(701)	(2,195)
-right-of-use assets	42	-	69	-
Government grant/subsidies	(15,318)	(1,277)	(16,583)	(3,654)
Impairment loss on receivables	(1,415)	2,203	1,119	3,942
Interest expense	31,573	26,519	60,832	52,382
Interest income	(2,942)	(3,406)	(5,853)	(7,112)
Packing materials	7,527	7,484	14,150	13,372
Promotional and marketing expenses	3,029	3,545	5,352	6,341
Rental expense	2,154	4,154	4,485	9,517
Rental income	(3,336)	(1,412)	(4,478)	(2,809)
Share option expense	171	491	394	1,005
Travelling expenses	2,423	3,545	4,462	5,875
Written off :				
-bad debts	-	-	-	20
-property, plant and equipment	1,685	102	2,199	124
-right-of-use assets	1,560	-	1,844	-

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

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B6. TAXATION

	INDIVIDUAL QUARTER 30/06/2022 RM'000	CUMULATIVE QUARTER 30/06/2022 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	7,258	15,265
- Foreign tax	8,809	11,247
- Underprovision in prior years	1,695	955
	<hr/>	<hr/>
	17,762	27,467
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	(8,677)	(8,200)
- Under/(Over)provision in prior years	1,405	(756)
	<hr/>	<hr/>
	10,490	18,511
Real property gain tax	-	21
	<hr/>	<hr/>
Tax expense	10,490	18,532
	<hr/>	<hr/>

B7. STATUS OF CORPORATE PROPOSAL

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

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B8. BORROWINGS

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	2,835	2,700
Bank overdrafts	102,650	84,519
Term loans	192,309	190,371
Revolving credits	462,722	368,129
Hire purchase liabilities	11,718	12,970
	772,234	658,689
<u>Unsecured:</u>		
Bankers' acceptances	511,454	546,842
Bank overdrafts	22,430	12,475
Term loans	74,073	73,931
Revolving credits	183,414	233,021
Trust receipts	709,340	538,564
Sukuk Mudharabah	-	6,567
	1,500,711	1,411,400
Total Current	2,272,945	2,070,089
Non current		
<u>Secured:</u>		
Term loans	643,935	718,048
Hire purchase liabilities	9,625	11,544
<u>Unsecured:</u>		
Term loans	114,800	132,443
Sukuk Mudharabah	299,757	192,527
Total non current	1,068,117	1,054,562
Total borrowings	3,341,062	3,124,651

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B8. BORROWINGS (CONTINUED)

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Total borrowings		
Bankers' acceptances	514,289	549,542
Bank overdrafts	125,080	96,994
Term loans	1,025,117	1,114,793
Revolving credits	646,136	601,150
Trust receipts	709,340	538,564
Hire purchase liabilities	21,343	24,514
Sukuk Mudharabah	299,757	199,094
	<u>3,341,062</u>	<u>3,124,651</u>
The currency profile of borrowings is as follows:		
Ringgit Malaysia	1,168,358	1,181,905
Singapore Dollar	477,231	468,940
Indonesia Rupiah	819,845	766,875
US Dollar	58,523	72,762
Vietnamese Dong	725,169	590,283
Philippines Peso	91,936	43,886
	<u>3,341,062</u>	<u>3,124,651</u>

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B9. DERIVATIVES

	As at 30/06/2022		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 asset				
Forward foreign exchange contracts	124,818	1,579	-	-
Foreign currency swap contracts	114,076	433	-	-
Derivative financial assets	238,894	2,012	-	-
Current liabilities				
Forward foreign exchange contracts	-	-	104,285	(492)
Foreign currency swap contracts	-	-	31,406	(179)
Interest rate swap contracts	8,389	(46)	15,388	(195)
Derivative financial liabilities	8,389	(46)	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 30 June 2022.

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B12. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Profit attributable to equity holders of the Company (RM'000)	40,498	30,502	60,873	100,834
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	1.11	0.84	1.67	2.76

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 30 August 2022.