

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Year ended	
	Note	31/12/2023	31/12/2022	31/12/2023	31/12/2022
		RM'000	RM'000	RM'000	RM'000
Revenue		2,413,033	2,321,912	9,539,512	9,042,702
Other income		129,801	64,626	287,173	188,804
Operating expenses		(2,323,008)	(2,195,566)	(9,102,680)	(8,767,472)
Profit from operations		219,826	190,972	724,005	464,034
Share of profits of associates		114	124	330	436
Finance costs		(36,663)	(40,433)	(169,590)	(137,915)
Profit before taxation	B5	183,277	150,663	554,745	326,555
Tax expense	B6	(38,548)	(36,408)	(124,924)	(82,681)
Net profit for the financial period/year		144,729	114,255	429,821	243,874
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(23,182)	(67,522)	56,472	(6,521)
Item that will not be subsequently reclassified to profit or loss:					
Remeasurement of post-employment benefit obligation		701	(7,213)	701	(7,213)
Income tax relating to remeasurement of post-employment benefit obligation		(151)	(66)	(151)	(66)
		550	(7,279)	550	(7,279)
Other comprehensive (expense)/income for the financial period/year		(22,632)	(74,801)	57,022	(13,800)
Total comprehensive income for the financial period/year		122,097	39,454	486,843	230,074

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Quarter ended		Year ended		
Note	31/12/2023	31/12/2022	31/12/2023	31/12/2022	
	RM'000	RM'000	RM'000	RM'000	
Profit for the period/year attributable to:					
Owners of the Company	81,601	90,706	301,737	218,891	
Non-Controlling Interests	63,128	23,549	128,084	24,983	
	<u>144,729</u>	<u>114,255</u>	<u>429,821</u>	<u>243,874</u>	
Total comprehensive income attributable to:					
Owners of the Company	57,247	22,112	341,162	197,590	
Non-Controlling Interests	64,850	17,342	145,681	32,484	
	<u>122,097</u>	<u>39,454</u>	<u>486,843</u>	<u>230,074</u>	
Earning per share (sen)					
Basic	B12	2.24	2.49	8.27	6.00
Diluted	B12	2.24	2.49	8.27	6.00

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/12/2023	Audited As at 31/12/2022
Note	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,730,260	2,784,462
Investment properties	40,245	21,995
Right-of-use assets	409,308	417,740
Intangible assets	102,512	99,214
Investment in associates	1,674	1,635
Other receivables and deposits	34,016	16,515
Amount owing by Associates	20,582	17,290
Deferred tax assets	76,687	72,961
Total Non-Current Assets	3,415,284	3,431,812
Current Assets		
Biological assets	515,453	419,624
Inventories	978,837	1,025,850
Trade receivables	729,404	649,878
Other receivables and prepaid expenses	140,657	173,274
Tax recoverable	47,444	51,475
Cash and bank balances	699,505	840,288
Total Current Assets	3,111,300	3,160,389
TOTAL ASSETS	6,526,584	6,592,201
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,499,684	1,499,684
Merger reserve	(662,966)	(662,966)
Reserve	1,399,988	1,168,326
Equity attributable to owners of the Company	2,236,706	2,005,044
Non-controlling interests	718,422	584,531
TOTAL EQUITY	2,955,128	2,589,575

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 31/12/2023	Audited As at 31/12/2022
	Note	RM'000	RM'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		146,084	98,748
Bank borrowings	B8	870,771	1,046,419
Lease liabilities		151,236	154,631
Deferred Income		1,091	1,369
Provision for Asset Retirement Obligation		5,086	5,055
Post-employment benefits obligation		38,971	33,282
Total Non-Current Liabilities		1,213,239	1,339,504
Current Liabilities			
Trade payables		359,580	358,946
Other payables and accrued expenses		322,537	270,834
Bank borrowings	B8	1,587,304	1,986,289
Lease liabilities		27,953	23,126
Derivative financial liabilities	B9	2,485	7,546
Deferred Income		364	342
Dividend payable		43,800	-
Tax payable		14,194	16,039
Total Current Liabilities		2,358,217	2,663,122
TOTAL LIABILITIES		3,571,456	4,002,626
TOTAL EQUITY AND LIABILITIES		6,526,584	6,592,201
Net assets per share attributable to ordinary equity holders (RM)		0.6128	0.5493

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Merger Reserve RM'000	Foreign Currency Translation Reserve RM'000	ESOS Reserve RM'000	Retained Earnings RM'000	Equity attributable to owners of the Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1/1/2023	1,499,684	(662,966)	(11,592)	11,309	1,168,609	2,005,044	584,531	2,589,575
Comprehensive income:								
Net profit for the financial year	-	-	-	-	301,737	301,737	128,084	429,821
Other comprehensive income:								
Currency translation differences	-	-	39,107	-	-	39,107	17,365	56,472
Remeasurement of post-employment benefit obligation	-	-	-	-	318	318	232	550
Total other comprehensive income	-	-	39,107	-	318	39,425	17,597	57,022
Total comprehensive Income	-	-	39,107	-	302,055	341,162	145,681	486,843
Transactions with owners:								
Dividend paid	-	-	-	-	(65,700)	(65,700)	(11,291)	(76,991)
Dividend payable	-	-	-	-	(43,800)	(43,800)	-	(43,800)
Changes in equity interest in subsidiaries	-	-	-	-	-	-	(499)	(499)
Share options lapsed	-	-	-	(212)	212	-	-	-
	-	-	-	(212)	(109,288)	(109,500)	(11,790)	(121,290)
Balance as at 31/12/2023	1,499,684	(662,966)	27,515	11,097	1,361,376	2,236,706	718,422	2,955,128

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share Capital RM'000	Merger Reserve RM'000	Foreign Currency Translation Reserve RM'000	ESOS Reserve RM'000	Retained Earnings RM'000	Equity attributable to owners of the Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1/1/2022	1,499,684	(662,466)	5,540	11,272	953,030	1,807,060	552,780	2,359,840
Comprehensive income:								
Net profit for the financial year	-	-	-	-	218,891	218,891	24,983	243,874
Other comprehensive income:								
Currency translation differences	-	-	(17,132)	-	-	(17,132)	10,611	(6,521)
Remeasurement of post-employment benefit obligation	-	-	-	-	(4,169)	(4,169)	(3,110)	(7,279)
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)
Reduction on merger reserve upon strike off of a subsidiary	-	(500)	-	-	500	-	-	-
Share option expense	-	-	-	394	-	394	-	394
Share options lapsed	-	-	-	(357)	357	-	-	-
	-	(500)	-	37	857	394	(733)	(339)
Balance as at 31/12/2022	1,499,684	(662,966)	(11,592)	11,309	1,168,609	2,005,044	584,531	2,589,575

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached in the interim financial report.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Year ended	
	31/12/2023	31/12/2022
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	554,745	326,555
Adjustments for: non-cash items	497,041	441,409
Operating profit before working capital changes	1,051,786	767,964
<u>Net Movement In:</u>		
Inventories	46,767	(7,921)
Biological assets	(90,039)	(29,597)
Receivables	(57,182)	(66,847)
Payables	120,747	46,138
Net cash from operations	1,072,079	709,737
Tax paid	(78,958)	(88,852)
Net cash flow from operating activities	993,121	620,885
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Dividend income from associates	300	525
Advances to an associates	-	(1,024)
Proceeds from disposal of property, plant and equipment	5,573	5,249
Proceeds from disposal of right-of-use assets	-	485
Proceeds from disposal of non-current assets held for sale	-	7,945
Interest income received	14,390	13,095
Addition of property, plant and equipment	(221,428)	(285,863)
Addition of investment properties	(282)	-
Addition of right-of-use assets	(557)	(5,635)
Acquisition of additional shares from non-controlling interest	(499)	-
Upliftment/(Placement) of fixed deposit pledged	2,894	(9,042)
Withdrawal/(Placement) of fixed deposit with more than 3 months maturity	35,093	(3,382)
Net cash flow from investing activities	(164,516)	(277,647)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Year ended	
	31/12/2023	31/12/2022
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(169,865)	(133,043)
Proceeds from term loans	52,245	127,128
Repayments of term loans	(258,646)	(275,798)
Net repayment of short term borrowings	(276,880)	(134,151)
Repayment of hire purchase liabilities	(13,367)	(14,244)
Repayment of lease liabilities	(29,789)	(31,204)
Drawdown of Sukuk Mudharabah	-	100,000
Issuance costs of Sukuk Mudharabah	-	(7)
Dividend paid	(76,991)	(733)
Net cash flow from financing activities	(773,293)	(362,052)
NET CHANGE IN CASH AND CASH EQUIVALENTS	55,312	(18,814)
Effect of exchange translation differences	15,907	(274)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	556,052	575,140
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	627,271	556,052
Cash and cash equivalents comprise the following:		
Cash and bank balances	699,505	840,288
Bank overdrafts	(3,419)	(178,526)
	696,086	661,762
Less:		
Fixed deposits pledged as collateral	(21,668)	(23,470)
Fixed deposits of more than 3 months maturity period	(47,147)	(82,240)
	627,271	556,052

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached in the interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

A. SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) NO. 134 - INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial report of Leong Hup International Berhad (“LHI” or the “Company”) and its subsidiaries (collectively, the “Group”) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by International Accounting Standards Board (“IASB”), paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2022. These explanatory notes, attached to the condensed consolidated interim financial report, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2022.

A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2022, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

- Amendments to MFRS 112 – “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” and “International Tax Reform – Pillar Two Model Rules”
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on “Disclosure of Accounting Policies” and “Definition of Accounting Estimates”
- MFRS 17 Insurance Contracts and its amendments
- Amendment to MFRS 17 Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 - Comparative Information

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

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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
Amendment to MFRS 16 Leases – Lease Liabilities in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101 – Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 7 and MFRS 107 – Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121 – Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors have expressed an unqualified opinion on the audited Group's statutory financial statements for the financial year ended 31 December 2022 in their report dated 18 April 2023.

A4. SEASONAL AND CYCLICAL FACTORS

The Group's Feedmill business is not subject to seasonal factors, whilst the Group's Livestock business is subject to certain seasonal factors, such as weather, festive seasons and school holidays.

- *Weather* : whilst poultry grown in closed-houses are not affected by variations in the weather, poultry grown in open-houses are. When weather is hotter, poultry tends to grow at a slower rate, thus reducing the supply to the market and increasing prices.
- *Festive seasons* : typically, poultry consumption is higher during the festive seasons such as Ramadan and Christmas, while poultry consumption is the lowest during the period immediately following the month of Ramadan and Hari Raya.
- *School holidays* : during school holidays we typically see an increase in sales in each of the jurisdictions where the Group operates, other than Singapore, where sales are slightly lower.

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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

The Board had approved/paid the following dividend in respect of the financial year ended 31 December 2023:

- (1) a single tier interim dividend of 1.80 sen per ordinary share amounting to RM65.70 million paid on 23 May 2023 to depositors registered in the Records of Depositors at close of business on 10 May 2023; and
- (2) a single tier interim dividend of 1.20 sen per ordinary share amounting to RM43.8 million paid on 29 January 2024 to depositors registered in the Records of Depositors at close of business on 12 January 2024.

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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 31/12/2023				
Revenue from sales of goods:				
- external customers	1,263,707	1,145,963	-	2,409,670
- inter-segment	-	437,959	(437,959)	-
Revenue from sales of goods	1,263,707	1,583,922	(437,959)	2,409,670
Revenue from other sources				3,363
Total revenue				<u>2,413,033</u>
EBITDA	83,628	228,161	(8,414)	303,375
Depreciation and amortisation	(64,631)	(16,327)	(2,591)	(83,549)
	18,997	211,834	(11,005)	219,826
Share of profit of associates				114
Finance costs				(36,663)
Profit before taxation				<u>183,277</u>
Tax expense				(38,548)
Profit for the financial period				<u>144,729</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 31/12/2022				
Revenue from sales of goods:				
- external customers	1,261,490	1,054,467	-	2,315,957
- inter-segment	-	232,853	(232,853)	-
Revenue from sales of goods	1,261,490	1,287,320	(232,853)	2,315,957
Revenue from other sources				5,955
Total revenue				2,321,912
EBITDA	97,566	162,155	8,474	268,195
Depreciation and amortisation	(55,113)	(20,463)	(1,647)	(77,223)
	42,453	141,692	6,827	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
Year ended 31/12/2023				
Revenue from sales of goods:				
- external customers	5,155,633	4,370,805	-	9,526,438
- inter-segment	-	1,772,339	(1,772,339)	-
Revenue from sales of goods	5,155,633	6,143,144	(1,772,339)	9,526,438
Revenue from other sources				13,074
Total revenue				<u>9,539,512</u>
EBITDA	341,643	707,370	(5,657)	1,043,356
Depreciation and amortisation	(246,338)	(66,593)	(6,420)	(319,351)
	95,305	640,777	(12,077)	724,005
Share of profits of associates				330
Finance costs				(169,590)
Profit before taxation				<u>554,745</u>
Tax expense				(124,924)
Profit for the financial year				<u>429,821</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	4,979,244	4,048,955	-	9,028,199
- inter-segment	-	1,534,337	(1,534,337)	-
Revenue from sales of goods	4,979,244	5,583,292	(1,534,337)	9,028,199
Revenue from other sources				14,503
Total revenue				<u>9,042,702</u>
EBITDA	277,308	483,217	4,748	765,273
Depreciation and amortisation	(229,473)	(67,326)	(4,440)	(301,239)
	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				<u>243,874</u>

Geographical segment

	Revenue		EBITDA	
	Quarter ended		Quarter ended	
	31/12/2023 RM'000	31/12/2022 RM'000	31/12/2023 RM'000	31/12/2022 RM'000
Malaysia	587,260	634,117	184,054	126,470
Singapore	201,958	193,621	20,582	20,805
Vietnam	534,517	573,586	43,690	43,556
Indonesia	927,028	789,070	35,114	59,722
Philippines	158,907	125,563	19,935	17,642
	<u>2,409,670</u>	<u>2,315,957</u>	<u>303,375</u>	<u>268,195</u>

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Year ended		Year ended	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,386,078	2,357,663	583,266	360,840
Singapore	826,122	796,216	81,625	60,101
Vietnam	2,114,196	2,196,586	141,083	145,386
Indonesia	3,623,474	3,282,071	171,715	138,338
Philippines	576,568	395,663	65,667	60,608
	<u>9,526,438</u>	<u>9,028,199</u>	<u>1,043,356</u>	<u>765,273</u>
	Total non-current assets		Total borrowing	
	as at		as at	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,556,076	1,547,219	798,335	965,268
Singapore	326,168	372,245	266,052	554,086
Vietnam	491,190	498,224	518,203	587,963
Indonesia	642,985	665,350	736,730	853,344
Philippines	267,580	242,008	138,755	72,047
	<u>3,283,999</u>	<u>3,325,046</u>	<u>2,458,075</u>	<u>3,032,708</u>

Non-current assets are determined according to the country where the head office is located. The amounts of non-current assets do not include financial instruments, deferred tax and tax recoverable.

A10. PROPERTY, PLANT AND EQUIPMENT

(i) Acquisition and disposal

During the financial year ended 31 December 2023, the Group acquired property, plant and equipment amounting to RM226.9 million (year ended 31 December 2022: RM298.3 million) and disposed property, plant and equipment amounting to RM3.4 million (year ended 31 December 2022: RM5.5 million).

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A10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) Revaluation

There were no revaluation of property, plant and equipment for the year ended 31 December 2023 (year ended 31 December 2022: RM Nil).

A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Leong Hup Feedmill Malaysia Sdn. Bhd. (“LFM”), a wholly-owned subsidiary of Leong Hup International Berhad (“the Company”), had on 5 August 2022, received a Notice of Proposed Decision issued by the Malaysia Competition Commission (“MyCC”) pursuant to Section 36 of the Competition Act 2010 (“the Act”) (“Proposed Decision”). The Proposed Decision is premised primarily on the allegation that LFM had engaged in agreements and/or concerted practices to fix the quantum of poultry feed price which is in breach of Section 4(1) read together with Section 4(2)(a) and 4(3) of the Act. On 11 October 2022, LHF received MyCC’s Amended Proposed Decision (“APD”) and Supplementary Proposed Decision (“SPD”) dated 7 October 2022.

The announcement dated 5 August 2022, 9 August 2022, 5 September 2022, 14 October 2022, 19 December 2022, 31 January 2023, 22 December 2023 and 9 January 2024 refer. The Board of Directors wishes to inform that on 22 December 2023, LFM received a Notice of Finding of An Infringement under Section 40 of the Competition Act 2010 dated 11 December 2023, together with the Decision of Infringement of Section 4(1) read with Sections 4(2)(a) and 4(3) of the Competition Act 2010 dated 11 December 2023 from MyCC (“Decision”).

In the Decision, MyCC:

- (a) maintains its finding of price-fixing infringement with imposition of financial penalty of RM157,470,027.02 on LFM; and
- (b) maintains the proposed directions in the Proposed Decision, with the following notable modifications:-
 - (1) in respect of submission of a report of poultry feed price changes to MyCC, LFM is required to include specific documentation in its monthly report with specific reporting periods and submission deadlines;
 - (2) LFM is required to implement a competition law compliance programme and enrol broader employees into its competition law compliance programme and training within a specified deadline; and
 - (3) LFM is required to include a provision in its Code of Conduct to acknowledge that involvement of any employee or board member in competition law infringements is a misconduct.

The Company and LFM strongly believe that the allegation of the aforesaid infringement is without merit. In consultation with its external legal counsels, the Company and LFM will take the necessary and appropriate actions to challenge the Decision.

LFM had on 9 January 2024 appealed the Decision via the filing of the Notice of Appeal with the Competition Appeal Tribunal and applied for a stay of the Decision.

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A12. CAPITAL COMMITMENTS

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

	As at 31/12/2023 RM'000
Acquisition of property, plant and equipment: - approved by Directors and contracted	<u>36,322</u>

A13. CHANGES IN THE COMPOSITION OF THE GROUP

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

A14. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 7 February 2024, an indirect subsidiary, Ritma Prestasi Sdn. Bhd. (“Ritma Prestasi”) entered into a Joint Venture cum Shareholders Agreement with Shanghai Xiashu Intelligent Technology Co., Ltd. to jointly set up a company in Malaysia, namely Trendata Science Sdn. Bhd. (“Trendata Science”) for research and development, setting up of data server, sales of products and services related to intelligent agricultural machineries, equipment and robotics. Ritma Prestasi holds 65% of Trendata Science's shares.

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

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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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Associated companies:				
Interest income	278	249	1,093	1,021
Companies controlled by Lau family*:				
Sales of goods	178,479	187,673	709,520	715,513
Management fee received/receivable	17	2,244	66	2,290
Rental received/receivables	4,522	(1,778)	9,240	3,646
Interest receivables	34	77	168	985
Purchases of goods	(135,095)	(58,096)	(345,171)	(370,138)
Transportation charges paid/payable	(2,508)	(3,788)	(13,298)	(14,230)
Purchases of sundries paid/payable	(2,136)	(1,253)	(6,256)	(6,203)
Rental paid/payables	(868)	(822)	(3,303)	(3,017)
Purchase of property, plant and equipment	(196)	23	(494)	(258)
Royalty fee paid/payable	-	-	(1,809)	(1,431)
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,688)	(2,189)	(9,959)	(8,889)

* 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 %
	31/12/2023 RM'000	31/12/2022 RM'000		31/12/2023 RM'000	31/12/2022 RM'000	
Revenue:						
Livestock and poultry related products	1,263,707	1,261,490	0.2%	5,155,633	4,979,244	3.5%
Feedmill	1,145,963	1,054,467	8.7%	4,370,805	4,048,955	7.9%
Others	3,363	5,955	(43.5%)	13,074	14,503	(9.9%)
	<u>2,413,033</u>	<u>2,321,912</u>	3.9%	<u>9,539,512</u>	<u>9,042,702</u>	5.5%
EBITDA:						
Livestock and poultry related products	83,628	97,566	(14.3%)	341,643	277,308	23.2%
Feedmill	228,161	162,155	40.7%	707,370	483,217	46.4%
Others	(8,414)	8,474	(199.3%)	(5,657)	4,748	(219.1%)
	<u>303,375</u>	<u>268,195</u>	13.1%	<u>1,043,356</u>	<u>765,273</u>	36.3%

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased marginally by 0.2% from RM1,261.5 million in the financial quarter ended ("FQE") 31 December 2022 to RM1,263.7 million in the FQE 31 December 2023.

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

Notwithstanding the increase in total revenue of livestock and poultry related products, EBITDA decrease by 14.3%, due primarily to margin compression from lower average selling price of broiler chickens in Malaysia, Philippines and Vietnam. Government subsidies recognised in current quarter is RM103.0 million compared to prior period of RM24.9 million.

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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 3.5% from RM4,979.2 million in the financial year ended ("FYE") 31 December 2022 to RM5,155.6 million in the FYE 31 December 2023.

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

EBITDA improved by 23.2% due primarily to government subsidies on livestock of RM161.3 million recognised by the Group compared to RM 90.5 million in prior year and better margin from higher selling price of eggs in Malaysia.

Feedmill

a) Individual Quarter

The Group's revenue from Feedmill increased by 8.7% from RM1,054.5 million in the FQE 31 December 2022 to RM1,146.0 million in the FQE 31 December 2023.

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

EBITDA improved by 40.7%, due primarily to reduction of raw materials costs in Vietnam, Malaysia and Philippines.

b) Cumulative Quarter

The Group's revenue from Feedmill increased by 7.9% from RM4,049.0 million in the FYE 31 December 2022 to RM4,370.8 million in the FYE 31 December 2023.

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

EBITDA improved by 46.4%, due primarily to better margin from higher average selling price in Vietnam, Indonesia and Philippines as well as reduction in raw material costs.

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B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	31/12/2023 RM'000	30/9/2023 RM'000	
Revenue	2,413,033	2,516,396	(4.1%)
Profit from operations	219,826	269,986	(18.6%)
Profit before taxation	183,277	227,539	(19.5%)

The Group's revenue dropped by 4.1% from RM2,516.4 million to RM2,413.0 million in comparison with the immediate preceding quarter. The revenue decrease was due mainly from lower average selling price and sales volume of DOC and lower average selling price of broiler chickens in Indonesia.

The group's profit before taxation dropped by 19.5% from RM227.5 million in FQE 30 September 2023 to RM183.3 million in FQE 31 December 2023 due primarily to lower margin from the lower average selling price of DOC in Indonesia.

B3. PROSPECTS

The strong regional economies provide a good backdrop for higher consumption of our products as the Group continues to grow. The easing of feed input costs, particularly corn and soybean meal, provides relief to the industry but the strong USD mitigates savings passthrough to customers. Barring unforeseen circumstances, the Group expects to achieve a satisfactory performance for financial year 2024.

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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	10,560	10,717	43,161	40,874
Bad debt (recovered)/write off	(7,358)	1,194	(8,444)	574
Depreciation of :				
-investment properties	66	83	251	283
-property, plant and equipment	72,923	66,423	275,939	260,082
Dividend from associates	(300)	(405)	(300)	(525)
Expense/(reversed) recognised in respect of defined benefit plan	360	(12,636)	6,157	(6,051)
Farmer incentives and contract grower	30,751	26,491	110,009	112,136
Fair value losses/(gains) on derivative financial instruments	355	10,561	(8,885)	6,584
Foreign exchange (gains)/losses	(1,381)	(10,079)	(436)	(14,151)
(Gains)/losses on disposal of :				
-property, plant and equipment	(492)	560	(2,126)	229
-right-of-use assets	(191)	100	-	-
-non-current assets held for sale	-	(5,852)	-	(5,852)
Gain on termination of leases	(1,004)	(463)	(1,004)	(463)
Government grant	(251)	(287)	(1,850)	(2,787)
Government subsidies	(102,974)	(24,890)	(161,348)	(90,469)
Impairment losses/(Reversal of impairment):				
-property, plant and equipment	16,202	-	16,202	-
-right-of-use assets	6,272	-	6,272	-
-trade receivables	1,553	2,719	2,101	5,988
-other receivables	(1,267)	(163)	(1,808)	23
Interest expense	36,663	40,433	169,590	137,915
Interest income	(3,799)	(3,774)	(14,390)	(13,095)
Packing materials	5,501	5,328	20,758	25,783
Promotional and marketing expenses	1,427	2,154	7,385	10,411
Rental expense	4,930	3,857	9,983	11,023
Rental income	(722)	4,727	(2,499)	(2,439)
Share option expense	-	21	-	394
Travelling expenses	3,476	3,414	13,203	11,359
Write off :				
-property, plant and equipment	13,591	11,795	14,399	14,145
-right-of-use assets	1,085	(2,852)	1,085	-
-inventories	250	-	250	-

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

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B6. TAX EXPENSE

	INDIVIDUAL QUARTER 31/12/2023 RM'000	CUMULATIVE QUARTER 31/12/2023 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	13,510	37,441
- Foreign tax	8,933	44,592
- Overprovision in prior years	(1,752)	(1,309)
	<hr/>	<hr/>
	20,691	80,724
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	18,124	41,434
- (Over)/Underprovision in prior years	(267)	2,766
	<hr/>	<hr/>
Tax expense	38,548	124,924

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

B7. STATUS OF CORPORATE PROPOSAL

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

B8. BORROWINGS

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	-	7,451
Bank overdrafts	1,541	92,341
Term loans	159,050	181,779
Revolving credits	441,908	483,023
Hire purchase liabilities	8,090	10,087
	<hr/>	<hr/>
	610,589	774,681

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B8. BORROWINGS (CONTINUED)

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
Current		
<u>Unsecured:</u>		
Bankers' acceptances	237,062	392,011
Bank overdrafts	1,878	86,185
Term loans	59,450	59,298
Revolving credits	157,007	71,468
Trust receipts	487,318	602,646
Sukuk Mudharabah	34,000	-
	976,715	1,211,608
Total Current	1,587,304	1,986,289
Non current		
<u>Secured:</u>		
Term loans	522,378	627,473
Hire purchase liabilities	7,341	7,865
<u>Unsecured:</u>		
Term loans	74,797	110,965
Sukuk Mudharabah	266,255	300,116
Total non current	870,771	1,046,419
Total borrowings	2,458,075	3,032,708
Total borrowings		
Bankers' acceptances	237,062	399,462
Bank overdrafts	3,419	178,526
Term loans	815,675	979,515
Revolving credits	598,915	554,491
Trust receipts	487,318	602,646
Hire purchase liabilities	15,431	17,952
Sukuk Mudharabah	300,255	300,116
	2,458,075	3,032,708

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B8. BORROWINGS (CONTINUED)

	As at 31/12/2023 RM'000	As at 31/12/2022 RM'000
The currency profile of borrowings is as follows:		
Ringgit Malaysia	798,335	969,582
Singapore Dollar	266,052	553,523
Indonesia Rupiah	704,572	822,291
US Dollar	48,682	36,697
Vietnamese Dong	501,679	578,296
Philippines Peso	138,755	72,047
Euro	-	272
	<u>2,458,075</u>	<u>3,032,708</u>

B9. DERIVATIVES

As at 31 December 2023, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	As at 31/12/2023		As at 31/12/2022	
	Contract/ Notional Amount RM'000	Fair Value Amount RM'000	Contract/ Notional Amount RM'000	Fair Value Amount RM'000
Current liabilities				
Forward foreign exchange contracts	179,848	(2,485)	301,659	(7,546)
Derivative financial liabilities	<u>179,848</u>	<u>(2,485)</u>	<u>301,659</u>	<u>(7,546)</u>

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2022:

- (a) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (b) the cash requirements of the financial derivatives;
- (c) the policy in place for mitigating or controlling the risks associated with these financial derivatives; and
- (d) the related accounting policies.

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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 2023.

B12. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2023	Quarter ended 31/12/2022	Year ended 31/12/2023	Year ended 31/12/2022
Profit attributable to equity holders of the Company (RM'000)	81,601	90,706	301,737	218,891
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	2.24	2.49	8.27	6.00

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 27 February 2024.