

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		30/09/2021	30/09/2020	30/09/2021	30/09/2020
		RM'000	RM'000	RM'000	RM'000
Revenue		1,809,097	1,573,420	5,339,432	4,432,988
Other income		8,645	10,682	39,992	40,776
Operating expenses		(1,849,468)	(1,522,397)	(5,215,954)	(4,288,402)
(Loss)/Profit from operations		(31,726)	61,705	163,470	185,362
Finance costs		(28,481)	(30,966)	(80,863)	(96,673)
Share of profits of associates		110	64	196	119
(Loss)/Profit before tax	B5	(60,097)	30,803	82,803	88,808
Tax expense	B6	(5,922)	(9,773)	(38,918)	(28,160)
Net (loss)/profit for the financial period		(66,019)	21,030	43,885	60,648
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		16,656	(56,055)	41,127	(16,097)
Other comprehensive income/(expense) for the financial period		16,656	(56,055)	41,127	(16,097)
Total comprehensive (expense)/income for the financial period		(49,363)	(35,025)	85,012	44,551

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Quarter ended		Period ended		
Note	30/09/2021	30/09/2020	30/09/2021	30/09/2020	
	RM'000	RM'000	RM'000	RM'000	
(Loss)/Profit for the period attributable to:					
Owners of the Company	(53,418)	22,532	47,416	60,590	
Non-Controlling Interests	(12,601)	(1,502)	(3,531)	58	
	<u>(66,019)</u>	<u>21,030</u>	<u>43,885</u>	<u>60,648</u>	
Total comprehensive (expense)/income attributable to:					
Owners of the Company	(41,935)	(17,978)	82,015	54,294	
Non-Controlling Interests	(7,428)	(17,047)	2,997	(9,743)	
	<u>(49,363)</u>	<u>(35,025)</u>	<u>85,012</u>	<u>44,551</u>	
Earning per share (sen)					
Basic	B13	(1.46)	0.62	1.30	1.66
Diluted	B13	(1.46)	0.62	1.30	1.66

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached in the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/09/2021 RM'000	Audited As at 31/12/2020 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,744,418	2,656,481
Investment properties	22,322	21,797
Right-of-use assets	378,558	373,863
Intangible assets	95,945	95,321
Investment in associates	1,634	1,581
Trade receivables	1,118	1,118
Amount owing by Associates	15,286	16,196
Deferred tax assets	69,307	62,047
Total Non-Current Assets	3,328,588	3,228,404
Current Assets		
Biological assets	413,388	364,634
Inventories	973,952	721,869
Trade receivables	620,577	489,582
Other receivables and prepaid expenses	227,678	110,920
Contract assets	652	-
Tax recoverable	27,698	21,625
Cash and bank balances	672,800	757,769
Total Current Assets	2,936,745	2,466,399
TOTAL ASSETS	6,265,333	5,694,803
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,499,684	1,499,684
Merger reserve	(662,466)	(662,466)
Reserve	935,107	876,223
Equity attributable to owners of the Company	1,772,325	1,713,441
Non-controlling interests	536,205	535,122
TOTAL EQUITY	2,308,530	2,248,563

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30/09/2021	Audited As at 31/12/2020
	Note	RM'000	RM'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		85,348	92,076
Bank borrowings	B9	923,387	874,478
Lease liabilities		135,678	137,276
Deferred Income		1,689	1,907
Derivative financial liabilities	B10	-	467
Provision for Asset Retirement Obligation		4,238	2,575
Post-employment benefits obligation		51,872	45,689
Total Non-Current Liabilities		1,202,212	1,154,468
Current Liabilities			
Trade payables		293,867	229,394
Other payables and accrued expenses		269,956	260,386
Contract liabilities		828	-
Bank borrowings	B9	2,141,257	1,764,835
Lease liabilities		22,752	18,894
Derivative financial liabilities	B10	454	1,982
Provision for Asset Retirement Obligation		347	148
Dividend Payable		-	37
Deferred Income		322	318
Tax payable		24,808	15,778
Total Current Liabilities		2,754,591	2,291,772
TOTAL LIABILITIES		3,956,803	3,446,240
TOTAL EQUITY AND LIABILITIES		6,265,333	5,694,803
Net assets per share attributable to ordinary equity holders (RM)		0.4856	0.4694

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached in the interim financial report.

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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 1/1/2021	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	-	-	-	-	47,416	47,416	(3,531)	43,885
Other comprehensive income:								
Currency translation differences	-	-	34,599	-	-	34,599	6,528	41,127
Total other comprehensive income	-	-	34,599	-	-	34,599	6,528	41,127
Total comprehensive Income	-	-	34,599	-	47,416	82,015	2,997	85,012
Transactions with owners:								
Dividend paid	-	-	-	-	(24,105)	(24,105)	(2,188)	(26,293)
Share option expense	-	-	-	1,248	-	1,248	-	1,248
Share options lapsed	-	-	-	(306)	306	-	-	-
Acquisition of non-controlling interests	-	-	-	-	(274)	(274)	274	-
	-	-	-	942	(24,073)	(23,131)	(1,914)	(25,045)
Balance as at 30/9/2021	1,499,684	(662,466)	14,151	11,030	909,926	1,772,325	536,205	2,308,530

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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 1/1/2020	1,499,684	(658,787)	(2,754)	6,486	796,580	1,641,209	539,314	2,180,523
Comprehensive income:								
Net profit for the financial period	-	-	-	-	60,590	60,590	58	60,648
Other comprehensive income:								
Currency translation differences	-	-	(6,296)	-	-	(6,296)	(9,801)	(16,097)
Total other comprehensive income	-	-	(6,296)	-	-	(6,296)	(9,801)	(16,097)
Total comprehensive income	-	-	(6,296)	-	60,590	54,294	(9,743)	44,551
Transactions with owners:								
Share options lapsed								
Share option expense	-	-	-	3,005	96	3,101	-	3,101
Dividends paid	-	-	-	-	(19,989)	(19,989)	(2,760)	(22,749)
Acquisition of subsidiary	-	(3,679)	-	-	-	(3,679)	-	(3,679)
	-	(3,679)	-	3,005	(19,893)	(20,567)	(2,760)	(23,327)
Balance as at 30/9/2020	1,499,684	(662,466)	(9,050)	9,491	837,277	1,674,936	526,811	2,201,747

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached in the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	30/09/2021	30/09/2020
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	82,803	88,808
Adjustments for: non-cash items	288,400	298,537
Operating profit before working capital changes	371,203	387,345
<u>Net Movement In:</u>		
Inventories	(210,918)	(39,346)
Biological assets	(43,057)	(8,629)
Receivables	(250,211)	(45,240)
Payables	78,398	(42,798)
Net cash (used in)/from operations	(54,585)	251,332
Tax paid	(48,782)	(29,230)
Net cash (used in)/generated from operating activities	(103,367)	222,102
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>		
Advance to an associate	-	(1,024)
Dividend income from associates	200	-
Proceeds from disposal of property, plant and equipment	4,976	4,791
Proceeds from disposal of right-of-use assets	2,224	49
Interest income received	10,911	10,622
Addition of property, plant and equipment	(231,781)	(329,867)
Addition of asset retirement obligation	1,717	-
Addition of right-of-use assets	(4,856)	(7,396)
Additional investment in associates company	(59)	-
Net cash outflow from acquisition of subsidiary	-	(22,989)
Decrease in fixed deposit pledged	1,506	16,520
Net cash used in investing activities	(215,162)	(329,294)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	30/09/2021	30/09/2020
	RM'000	RM'000
<u>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</u>		
Finance costs paid	(80,366)	(96,673)
Proceeds from term loans	129,189	32,419
Repayments of term loans	(164,477)	(211,660)
Net drawdown of short term borrowings	297,168	427,253
Repayment of hire purchase liabilities	(15,618)	(15,911)
Repayment of lease liabilities	(18,271)	(7,681)
Issuance costs of Sukuk Mudharabah	(1,123)	-
Drawdown of Sukuk Mudharabah	100,000	-
Dividend paid	(26,293)	(22,749)
Net cash generated from financing activities	220,209	104,998
NET CHANGE IN CASH AND CASH EQUIVALENTS	(98,320)	(2,194)
Effect of exchange translation differences	(3,602)	5,437
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	645,828	654,232
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	543,906	657,475
Cash and cash equivalents comprise the following:		
Cash and bank balances	672,800	776,175
Bank overdrafts	(113,066)	(97,271)
	559,734	678,904
Less:		
Fixed deposits pledged as collateral	(15,828)	(21,429)
	543,906	657,475

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached in the interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

A1. BASIS OF PREPARATION

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

The condensed consolidated interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2020. These explanatory notes, attached to the condensed consolidated interim financial report, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

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

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

A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of this interim financial report, the new and revised Standards and Amendments, which were in issue but not yet effective and not early adopted by the Group are as follow:

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

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

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

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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

A single tier dividend of 0.66 sen per ordinary share amounting to RM24.09 million in respect of the financial year ending 31 December 2021 was paid on 9 July 2021.

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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 30/9/2021				
Revenue from sales of goods:				
- external customers	947,570	858,961	-	1,806,531
- inter-segment	-	379,277	(379,277)	-
Revenue from sales of goods	947,570	1,238,238	(379,277)	1,806,531
Revenue from other sources				2,566
Total revenue				<u>1,809,097</u>
EBITDA	(54,516)	94,304	(263)	39,525
Depreciation and amortisation	(55,861)	(14,720)	(670)	(71,251)
	(110,377)	79,584	(933)	(31,726)
Share of profit of associates				110
Finance costs				(28,481)
Loss before taxation				(60,097)
Tax expense				(5,922)
Loss for the financial period				<u>(66,019)</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 30/9/2020				
Revenue from sales of goods:				
- external customers	865,089	705,052	-	1,570,141
- inter-segment	-	342,067	(342,067)	-
Revenue from sales of goods	865,089	1,047,119	(342,067)	1,570,141
Revenue from other sources				3,279
Total revenue				<u>1,573,420</u>
EBITDA	21,756	115,668	(10,228)	127,196
Depreciation and amortisation	(52,490)	(13,531)	530	(65,491)
	(30,734)	102,137	(9,698)	61,705
Share of profits of associates				64
Finance costs				(30,966)
Profit before taxation				<u>30,803</u>
Tax expense				(9,773)
Profit for the financial period				<u>21,030</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 30/9/2021				
Revenue from sales of goods:				
- external customers	2,855,195	2,476,197	-	5,331,392
- inter-segment	-	997,307	(997,307)	-
Revenue from sales of goods	2,855,195	3,473,504	(997,307)	5,331,392
Revenue from other sources				8,040
Total revenue				5,339,432
EBITDA	148,458	294,426	(68,705)	374,179
Depreciation and amortisation	(164,291)	(43,987)	(2,431)	(210,709)
	(15,833)	250,439	(71,136)	163,470
Share of profits of associates				196
Finance costs				(80,863)
Profit before taxation				82,803
Tax expense				(38,918)
Profit for the financial period				43,885

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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 30/9/2020				
Revenue from sales of goods:				
- external customers	2,454,993	1,967,890	-	4,422,883
- inter-segment	-	976,842	(976,842)	-
Revenue from sales of goods	2,454,993	2,944,732	(976,842)	4,422,883
Revenue from other sources				10,105
Total revenue				4,432,988
EBITDA	57,076	336,292	(19,619)	373,749
Depreciation and amortisation	(146,034)	(41,466)	(887)	(188,387)
	(88,958)	294,826	(20,506)	185,362
Share of profits of associates				119
Finance costs				(96,673)
Profit before taxation				88,808
Tax expense				(28,160)
Profit for the financial period				60,648

Geographical segment

	Revenue		EBITDA	
	Quarter ended		Quarter ended	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	482,449	434,527	32,076	45,917
Singapore	201,279	182,306	16,357	23,903
Vietnam	449,084	410,067	(10,730)	39,559
Indonesia	623,985	520,430	(6,630)	25,090
Philippines	52,300	26,090	8,452	(7,273)
	1,809,097	1,573,420	39,525	127,196

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,405,101	1,203,537	123,865	117,397
Singapore	588,943	550,397	64,596	74,514
Vietnam	1,272,710	1,154,025	58,365	108,847
Indonesia	1,934,949	1,452,005	100,756	80,210
Philippines	137,729	73,024	26,597	(7,219)
	<u>5,339,432</u>	<u>4,432,988</u>	<u>374,179</u>	<u>373,749</u>
	Total non-current assets		Total borrowing	
	as at		as at	
	30/09/2021	31/12/2020	30/09/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,535,597	1,489,715	1,136,546	1,041,392
Singapore	377,860	389,533	466,214	463,035
Vietnam	463,865	440,413	646,182	481,617
Indonesia	666,598	658,043	778,538	607,156
Philippines	198,957	171,339	37,164	46,113
	<u>3,242,877</u>	<u>3,149,043</u>	<u>3,064,644</u>	<u>2,639,313</u>

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

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A10. PROPERTY, PLANT AND EQUIPMENT

(i) Acquisition and disposal

During the period ended 30 September 2021, the Group acquired property, plant and equipment amounting to RM242.86 million (period ended 30 September 2020 : RM338.02 million).

During the period ended 30 September 2021, the Group disposed property, plant and equipment amounting to RM2.71 million (period ended 30 September 2020 : RM1.82 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the period ended 30 September 2021 (period ended 30 September 2020 : RM Nil).

A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

A12. CAPITAL COMMITMENTS

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

	As at 30/09/2021 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	65,991
- approved by Directors but not contracted	25,082
	<hr/>
	91,073
	<hr/>

A13. CHANGES IN THE COMPOSITION OF THE GROUP

On 24 September 2021, an indirect subsidiary, Ladang Ternakan Maju Sdn Bhd acquired the remaining 19,600 ordinary share in a subsidiary, Rising Momentum Sdn Bhd ("RMSB"), representing 49% of the issued and paid up capital in RMSB for a total consideration of RM19,600.

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

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

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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	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company:				
Consideration for acquisition of subsidiary	-	-	-	(17,936)
Associated companies:				
Interest income	248	297	755	708
Fellow subsidiaries:				
Sales of goods	-	97	-	2,336
Purchases of goods	-	-	-	(3,222)
Rental paid/payables	-	-	-	(819)
Companies controlled by Lau family*:				
Sales of goods	180,580	132,179	476,241	406,264
Management fee received/receivable	1,594	789	1,997	2,154
Rental received/receivables	942	794	2,626	2,622
Interest receivables	150	-	409	-
Purchases of goods	(82,961)	(43,356)	(232,232)	(132,462)
Transportation charges paid/payable	(3,471)	(3,432)	(10,645)	(10,632)
Purchases of sundries paid/payable	(1,424)	(654)	(4,274)	(1,387)
Rental paid/payables	(674)	(1,173)	(2,043)	(1,505)
Purchase of business assets	-	-	-	(2,393)
Purchase of property, plant and equipment	(266)	(634)	(277)	(634)
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,211)	(2,018)	(6,393)	(6,142)

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

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

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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 %
	30/09/2021 RM'000	30/09/2020 RM'000		30/09/2021 RM'000	30/09/2020 RM'000	
Revenue:						
Livestock and poultry related products						
	947,570	865,089	9.5%	2,855,195	2,454,993	16.3%
Feedmill	858,961	705,052	21.8%	2,476,197	1,967,890	25.8%
Others	2,566	3,279	(21.7%)	8,040	10,105	(20.4%)
	<u>1,809,097</u>	<u>1,573,420</u>	15.0%	<u>5,339,432</u>	<u>4,432,988</u>	20.4%
EBITDA:						
Livestock and poultry related products						
	(54,516)	21,756	(350.6%)	148,458	57,076	160.1%
Feedmill	94,304	115,668	(18.5%)	294,426	336,292	(12.4%)
Others	(263)	(10,228)	97.4%	(68,705)	(19,619)	(250.2%)
	<u>39,525</u>	<u>127,196</u>	(68.9%)	<u>374,179</u>	<u>373,749</u>	0.1%

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased by 9.5% from RM865.1 million in the financial quarter ended ("FQE") 30 September 2020 to RM947.6 million in the FQE 30 September 2021.

This was mainly due to higher revenue from Indonesia and Malaysia. The increase in revenue from Indonesia was primarily due to higher sales volume of broiler chickens, as well as favourable average selling price of day-old-chicks ("DOC") and broiler chickens. Higher revenue from Malaysia was mainly due to an increase in average selling price of eggs, as well as the expansion of its downstream business-to-consumer channel since June 2020.

The EBITDA from livestock and other poultry related products decreased by 350.6%. This was primarily due to depressed average selling price of broiler chickens in Vietnam, as well as margin compression stemming from the general increase in input cost of feed which could not be passed on due to weaker demand as a result of Covid-19 pandemic.

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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 16.3% from RM2,455.0 million in the financial period ended ("FPE") 30 September 2020 to RM2,855.2 million in the FPE 30 September 2021.

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

The EBITDA from livestock and other poultry related products increased by 160.1%. The increase was primarily due to better margins arising from higher average selling price and sales volume of DOC and broiler chickens in Indonesia, as well as higher average selling price and sales volume of broiler chickens in Philippines.

Feedmill

a) Individual Quarter

The Group's revenue from feedmill increased by 21.8% from RM705.1 million in the FQE 30 September 2020 to RM859.0 million in the FQE 30 September 2021. The increase was primarily due to higher sales volume and average selling price of livestock feed in Indonesia and higher average selling price in Vietnam.

Notwithstanding the increase in total revenue of livestock feed, EBITDA decreased by 18.5%, as the increase in raw material costs outpaced the increase in average selling price.

b) Cumulative Quarter

The Group's revenue from feedmill increased by 25.8% from RM1,967.9 million in the FPE 30 September 2020 to RM2,476.2 million in the FPE 30 September 2021. The increase was primarily due to higher sales volume and average selling price of livestock feed in Indonesia and Vietnam.

Notwithstanding the increase in total revenue of livestock feed, EBITDA decreased by 12.4%, as the increase in raw material costs outpaced the increase in average selling price.

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B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	30/09/2021 RM'000	30/06/2021 RM'000	
Revenue	1,809,097	1,853,797	-2.4%
(Loss)/Profit from operations	(31,726)	64,287	-149.4%
(Loss)/Profit before taxation	(60,097)	37,753	-259.2%

The Group's revenue decreased by 2.4% from RM1,853.8 million to RM1,809.1 million in comparison with the immediate preceding quarter. The decrease in revenue mainly attributed to lower average selling price of DOC as well as lower sales volume of livestock feed in Indonesia.

The Group's profit before taxation decreased by 259.2% from RM37.8 million in FQE 30 June 2021 to a loss before taxation of RM60.1 million in FQE 30 September 2021, primarily due to increase in raw material costs of livestock feed production.

B3. PROSPECTS

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

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

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

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

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B5. PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	9,084	6,989	26,274	18,787
Bad debt recovered	(922)	(2)	(1,187)	(23)
Depreciation of :				
-investment properties	75	63	225	190
-property, plant and equipment	62,092	58,439	184,210	169,410
Dividend from associates	(200)	-	(200)	-
Expense recognised in respect of defined benefit plan	2,526	2,600	7,432	8,200
Farmer incentives and contract grower	22,469	19,637	56,440	53,387
Fair value loss/(gain) on derivative financial instruments	977	1,066	(2,019)	842
Foreign exchange (gain)/loss	(2,643)	2,931	(3,803)	(1,222)
Gain on disposal of property, plant and equipment	(69)	(2,103)	(2,264)	(2,973)
Government grant	(615)	(3,093)	(4,269)	(12,765)
Impairment loss on:				
-property, plant and equipment	-	-	-	46
-receivables	3,127	4,738	7,069	6,288
Interest expense	28,481	30,966	80,863	96,673
Interest income	(3,799)	(3,437)	(10,911)	(10,622)
Packing materials	7,454	6,079	20,826	18,058
Promotional and marketing expenses	3,465	3,002	9,806	8,083
Rental expense	4,438	6,257	13,955	12,011
Rental income	(1,469)	(1,269)	(4,278)	(4,077)
Share option expense	243	664	1,248	3,101
Travelling expenses	984	4,098	6,859	10,302
Written off :				
-bad debts	(6)	214	14	458
-property, plant and equipment	342	-	466	209

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 30/09/2021 RM'000	CUMULATIVE QUARTER 30/09/2021 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	5,928	21,174
- Foreign tax	3,520	29,877
- Under/(Over) provision in prior years	198	(184)
	<hr/>	<hr/>
	9,646	50,867
Deferred taxation recognised in profit or loss		
- Origination and reversal of temporary differences	(3,600)	(10,495)
- Over provision in prior years	(124)	(1,454)
	<hr/>	<hr/>
Tax expense	5,922	38,918

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

B7. STATUS OF CORPORATE PROPOSAL

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

B8. UTILISATION OF PROCEEDS FROM IPO

The utilisation of proceeds from IPO as at 30 September 2021 is as follow:

Purposes	Proposed utilisation RM'000	Actual	Balance unutilised RM'000	Revised timeframe for utilisation from the date of listing
		utilisation as at 30 September 2021 RM'000		
Capital expenditure	142,733	(142,733)	-	within 42 months
Working capital	97,959	(97,959)	-	within 30 months
Defray fees and expenses for IPO and listing	34,308	(34,308)	-	within 3 months
Total	<hr/>	<hr/>	<hr/>	
	275,000	(275,000)	-	

The utilisation of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 25 April 2019 and announcement dated 20 May 2021 on the variation and extension of timeframe for the IPO proceeds utilisation.

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B9. BORROWINGS

	As at 30/09/2021 RM'000	As at 31/12/2020 RM'000
Current		
<u>Secured:</u>		
Bankers' acceptances	3,771	2,742
Bank overdrafts	96,087	82,042
Term loans	170,450	154,890
Revolving credits	457,360	291,945
Hire purchase liabilities	12,636	14,852
	<hr/>	<hr/>
	740,304	546,471
<u>Unsecured:</u>		
Bankers' acceptances	499,899	469,138
Bank overdrafts	16,979	12,879
Term loans	81,771	71,511
Revolving credits	239,496	255,892
Trust receipts	562,808	408,944
	<hr/>	<hr/>
	1,400,953	1,218,364
Total Current	<hr/>	<hr/>
	2,141,257	1,764,835
Non current		
<u>Secured:</u>		
Term loans	568,707	589,621
Hire purchase liabilities	12,775	18,381
<u>Unsecured:</u>		
Term loans	142,835	166,476
Sukuk Mudharabah	199,070	100,000
	<hr/>	<hr/>
Total non current	923,387	874,478
Total borrowings	<hr/>	<hr/>
	3,064,644	2,639,313

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B9. BORROWINGS (CONTINUED)

	As at 30/09/2021 RM'000	As at 31/12/2020 RM'000
Total borrowings		
Bankers' acceptances	503,670	471,880
Bank overdrafts	113,066	94,921
Term loans	963,763	982,498
Revolving credits	696,856	547,837
Trust receipts	562,808	408,944
Hire purchase liabilities	25,411	33,233
Sukuk Mudharabah	199,070	100,000
	<u>3,064,644</u>	<u>2,639,313</u>

The currency profile of borrowings is as follows:

Ringgit Malaysia	1,130,215	1,033,005
Singapore Dollar	480,712	482,161
Indonesia Rupiah	747,099	576,901
US Dollar	94,657	95,322
Vietnamese Dong	574,797	405,811
Philippines Peso	37,164	46,113
	<u>3,064,644</u>	<u>2,639,313</u>

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B10. DERIVATIVES

	As at 30/09/2021		As at 31/12/2020	
	Contract/ Notional Amount RM'000	Fair Value Amount RM'000	Contract/ Notional Amount RM'000	Fair Value Amount RM'000
Non-current liabilities				
Interest rate swap contracts				
- 1 to 3 years	-	-	29,006	(467)
Current liabilities				
Forward foreign exchange contracts	81,018	(263)	86,096	(1,710)
Foreign currency swap contracts	30,610	104	-	-
Interest rate swap contracts	19,010	(295)	30,425	(272)
Derivative financial liabilities	130,638	(454)	145,527	(2,449)

B11. MATERIAL LITIGATION

The Group does not have any material litigation which would materially and adversely affect the financial position of the Group.

B12. DIVIDEND PROPOSED

No dividend was proposed for the quarter ended 30 September 2021.

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B13. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended		Period ended	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(53,418)	22,532	47,416	60,590
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	(1.46)	0.62	1.30	1.66

Note:

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

B14. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report as set out above was approved by the Board in accordance with their resolution dated 23 November 2021.