

LEONG HUP INTERNATIONAL BERHAD

(Company No. 201401022577) (1098663 – D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		30/6/2024	30/6/2023	30/6/2024	30/6/2023
		RM'000	RM'000	RM'000	RM'000
Revenue		2,355,069	2,413,863	4,766,042	4,610,083
Other income		9,647	48,516	33,271	111,087
Operating expenses		(2,146,051)	(2,303,153)	(4,419,559)	(4,486,977)
Profit from operations		218,665	159,226	379,754	234,193
Share of profits of associates		44	138	71	174
Finance costs		(34,157)	(45,719)	(70,352)	(90,438)
Profit before taxation	B5	184,552	113,645	309,473	143,929
Tax expense	B6	(40,404)	(22,869)	(70,398)	(36,192)
Net profit for the financial period		144,148	90,776	239,075	107,737
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss:					
Currency translation differences		(47,965)	69,559	(39,499)	106,801
Other comprehensive income for the financial period		(47,965)	69,559	(39,499)	106,801
Total comprehensive income for the financial period		96,183	160,335	199,576	214,538

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Quarter ended		Period ended	
		30/6/2024	30/6/2023	30/6/2024	30/6/2023
		RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to:					
Owners of the Company		96,495	65,033	153,074	87,175
Non-Controlling Interests		47,653	25,743	86,001	20,562
		<u>144,148</u>	<u>90,776</u>	<u>239,075</u>	<u>107,737</u>
Total comprehensive income attributable to:					
Owners of the Company		59,382	119,373	124,703	166,141
Non-Controlling Interests		36,801	40,962	74,873	48,397
		<u>96,183</u>	<u>160,335</u>	<u>199,576</u>	<u>214,538</u>
Earning per share (sen)					
Basic	B12	2.64	1.78	4.19	2.39
Diluted	B12	2.64	1.78	4.19	2.39

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 2023 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 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2024 RM'000	Audited As at 31/12/2023 RM'000
	Note	
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,681,480	2,730,260
Investment properties	40,738	40,245
Right-of-use assets	406,695	409,308
Intangible assets	102,505	102,512
Investment in associates	1,738	1,674
Other receivables and deposits	31,397	18,256
Amount owing by Associates	26,961	20,582
Deferred tax assets	73,585	76,687
Total Non-Current Assets	3,365,099	3,399,524
Current Assets		
Biological assets	550,303	515,453
Inventories	969,463	978,837
Trade receivables	670,458	729,404
Other receivables and prepaid expenses	178,540	144,766
Non-current asset held for sale	11,650	11,651
Derivative financial assets	761	-
Tax recoverable	28,854	47,444
Cash and bank balances	636,871	699,505
Total Current Assets	3,046,900	3,127,060
TOTAL ASSETS	6,411,999	6,526,584
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,499,684	1,499,684
Merger reserve	(662,966)	(662,966)
Reserve	1,473,212	1,399,988
Equity attributable to owners of the Company	2,309,930	2,236,706
Non-controlling interests	780,239	718,422
TOTAL EQUITY	3,090,169	2,955,128

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited As at 30/6/2024 RM'000	Audited As at 31/12/2023 RM'000
	Note		
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		149,764	146,084
Bank borrowings	B8	711,649	870,771
Lease liabilities		156,481	151,196
Deferred Income		909	1,091
Provision for Asset Retirement Obligation		4,719	5,086
Post-employment benefits obligation		40,420	38,971
Total Non-Current Liabilities		1,063,942	1,213,199
Current Liabilities			
Trade payables		292,314	359,580
Other payables and accrued expenses		335,347	322,535
Bank borrowings	B8	1,559,935	1,587,305
Lease liabilities		29,277	27,994
Derivative financial liabilities	B9	-	2,485
Deferred Income		364	364
Dividend payable		-	43,800
Tax payable		40,651	14,194
Total Current Liabilities		2,257,888	2,358,257
TOTAL LIABILITIES		3,321,830	3,571,456
TOTAL EQUITY AND LIABILITIES		6,411,999	6,526,584
Net assets per share attributable to ordinary equity holders (RM)		0.6329	0.6128

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 2023 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 2024

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 January 2024	1,499,684	(662,966)	27,515	11,097	1,361,376	2,236,706	718,422	2,955,128
Comprehensive income:								
Net profit for the financial period	-	-	-	-	153,074	153,074	86,001	239,075
Other comprehensive income:								
Currency translation differences	-	-	(28,371)	-	-	(28,371)	(11,128)	(39,499)
Total other comprehensive income	-	-	(28,371)	-	-	(28,371)	(11,128)	(39,499)
Total comprehensive Income	-	-	(28,371)	-	153,074	124,703	74,873	199,576
Transactions with owners:								
Dividend paid	-	-	-	-	(47,450)	(47,450)	(13,018)	(60,468)
Issuance of share in subsidiary	-	-	-	-	-	-	400	400
Changes in equity interest in subsidiaries	-	-	-	-	(4,029)	(4,029)	(438)	(4,467)
Share options lapsed	-	-	-	(11,097)	11,097	-	-	-
	-	-	-	(11,097)	(40,382)	(51,479)	(13,056)	(64,535)
Balance as at 30 June 2024	1,499,684	(662,966)	(856)	-	1,474,068	2,309,930	780,239	3,090,169

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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 January 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 period	-	-	-	-	87,175	87,175	20,562	107,737
Other comprehensive income:								
Currency translation differences	-	-	78,966	-	-	78,966	27,835	106,801
Total other comprehensive income	-	-	78,966	-	-	78,966	27,835	106,801
Total comprehensive income	-	-	78,966	-	87,175	166,141	48,397	214,538
Transactions with owners:								
Dividend paid	-	-	-	-	(65,700)	(65,700)	(5,653)	(71,353)
Changes in equity interest in subsidiaries	-	-	-	-	-	-	(280)	(280)
Share options lapsed	-	-	-	(130)	130	-	-	-
	-	-	-	(130)	(65,570)	(65,700)	(5,933)	(71,633)
Balance as at 30 June 2023	1,499,684	(662,966)	67,374	11,179	1,190,214	2,105,485	626,995	2,732,480

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 2023 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 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	Period ended	
	30/6/2024	30/6/2023
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	309,473	143,929
Adjustments for: non-cash items	224,915	226,323
Operating profit before working capital changes	534,388	370,252
<u>Net Movement In:</u>		
Inventories	45,247	38,776
Biological assets	(1,675)	(8,678)
Receivables	3,652	(61,218)
Payables	(160,744)	(92,124)
Net cash from operations	420,868	247,008
Tax paid	(20,318)	(38,560)
Net cash flow from operating activities	400,550	208,448
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from disposal of property, plant and equipment	895	1,259
Proceeds from disposal of right-of-use assets	308	-
Interest income received	7,478	7,282
Addition of property, plant and equipment	(110,728)	(94,767)
Addition of investment properties	(574)	-
Addition of right-of-use assets	(12,525)	(188)
Additional acquisition of subsidiary from non-controlling interest	(4,468)	(280)
Placement of fixed deposit pledged	8,571	(867)
Withdrawal of fixed deposit with more than 3 months maturity	25,087	51,510
Net cash flow from investing activities	(85,956)	(36,051)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	CUMULATIVE QUARTER	
	Period ended	
	30/6/2024	30/6/2023
	RM'000	RM'000
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Finance costs paid	(69,384)	(90,226)
Proceeds from term loans	26,226	41,215
Repayments of term loans	(112,512)	(142,681)
Repayments of sukuk	(34,000)	-
Net repayment of short term borrowings	(26,022)	59,408
Repayment of hire purchase liabilities	(6,284)	(6,012)
Repayment of lease liabilities	(14,674)	(17,443)
Issuance of shares in subsidiary	400	-
Dividend paid	(104,268)	(71,353)
Net cash flow from financing activities	(340,518)	(227,092)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(25,924)	(54,695)
Effect of exchange translation differences	(3,618)	17,417
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	627,270	556,052
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	597,728	518,774
Cash and cash equivalents comprise the following:		
Cash and bank balances	636,871	687,584
Bank overdrafts	(4,009)	(109,705)
	632,862	577,879
Less:		
Fixed deposits pledged as collateral	(13,341)	(25,519)
Fixed deposits of more than 3 months maturity period	(21,793)	(33,586)
	597,728	518,774

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 2023 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 2024

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 2023. 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 2023.

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 2023, except for the adoption of the following new standards, amendments to standards and interpretations during the current financial period:

- Amendment to MFRS 16 Leases – Lease Liabilities in a Sale and Leaseback
- Amendments to MFRS 101 – Non-current Liabilities with Covenants
- Amendments to MFRS 7 and MFRS 107 – Supplier Finance Arrangements

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

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:

A2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Amendments in issue but not yet effective (Continued)

Standards	Effective for annual period beginning on or after
Amendments to MFRS 121 – Lack of Exchangeability	1 January 2025
Amendments to MFRS 7 and MFRS 9 - Classification and Measurement of Financial Instruments	1 January 2026
MFRS 18 - Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 - Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 2023 in their report dated 25 April 2024.

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.

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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 second single tier dividend of 1.30 sen per ordinary share amounting to RM47.45 million in respect of financial year ending 31 December 2024 was paid on 27 May 2024.

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 June 2024				
Revenue from sales of goods:				
- external customers	1,367,993	984,177	-	2,352,170
- inter-segment	-	305,787	(305,787)	-
Revenue from sales of goods	1,367,993	1,289,964	(305,787)	2,352,170
Revenue from other sources				2,899
Total revenue				<u>2,355,069</u>
EBITDA	145,311	151,911	(777)	296,445
Depreciation and amortisation	(60,898)	(17,409)	527	(77,780)
	84,413	134,502	(250)	218,665
Share of profit of associates				44
Finance costs				(34,157)
Profit before taxation				<u>184,552</u>
Tax expense				(40,404)
Profit for the financial period				<u>144,148</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 June 2023				
Revenue from sales of goods:				
- external customers	1,323,121	1,087,495	-	2,410,616
- inter-segment	-	434,413	(434,413)	-
Revenue from sales of goods	1,323,121	1,521,908	(434,413)	2,410,616
Revenue from other sources				3,247
Total revenue				<u>2,413,863</u>
EBITDA	84,811	142,519	11,341	238,671
Depreciation and amortisation	(56,059)	(17,028)	(6,358)	(79,445)
	28,752	125,491	4,983	159,226
Share of profit of associates				138
Finance costs				(45,719)
Profit before taxation				<u>113,645</u>
Tax expense				(22,869)
Profit for the financial period				<u>90,776</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 June 2024				
Revenue from sales of goods:				
- external customers	2,683,757	2,076,452	-	4,760,209
- inter-segment	-	628,878	(628,878)	-
Revenue from sales of goods	2,683,757	2,705,330	(628,878)	4,760,209
Revenue from other sources				5,833
Total revenue				<u>4,766,042</u>
EBITDA	224,257	316,471	(3,662)	537,066
Depreciation and amortisation	(123,294)	(35,079)	1,061	(157,312)
	100,963	281,392	(2,601)	379,754
Share of profits of associates				71
Finance costs				(70,352)
Profit before taxation				<u>309,473</u>
Tax expense				(70,398)
Profit for the financial period				<u>239,075</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 June 2023				
Revenue from sales of goods:				
- external customers	2,522,506	2,081,031	-	4,603,537
- inter-segment	-	884,117	(884,117)	-
Revenue from sales of goods	2,522,506	2,965,148	(884,117)	4,603,537
Revenue from other sources				6,546
Total revenue				4,610,083
EBITDA	90,730	291,701	8,649	391,080
Depreciation and amortisation	(115,421)	(33,835)	(7,631)	(156,887)
	(24,691)	257,866	1,018	234,193
Share of profits of associates				174
Finance costs				(90,438)
Profit before taxation				143,929
Tax expense				(36,192)
Profit for the financial period				107,737

Geographical segment

	Revenue		EBITDA	
	Quarter ended 30/6/2024 RM'000	Quarter ended 30/6/2023 RM'000	Quarter ended 30/6/2024 RM'000	Quarter ended 30/6/2023 RM'000
Malaysia	571,618	587,393	101,304	125,158
Singapore	204,331	210,122	15,622	27,423
Vietnam	467,179	561,463	43,847	21,734
Indonesia	942,711	912,227	108,570	51,241
Philippines	166,331	139,411	27,102	13,115
	2,352,170	2,410,616	296,445	238,671

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A9. SEGMENTAL INFORMATION (CONTINUED)

Geographical segment (Continued)

	Revenue		EBITDA	
	Period ended		Period ended	
	30/6/2024	30/6/2023	30/6/2024	30/6/2023
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,155,829	1,181,639	205,931	247,119
Singapore	414,348	414,747	35,364	48,350
Vietnam	938,870	1,048,371	73,776	45,774
Indonesia	1,917,567	1,692,470	174,474	22,333
Philippines	333,595	266,310	47,521	27,504
	4,760,209	4,603,537	537,066	391,080
	Total non-current assets		Total borrowing	
	as at		as at	
	30/6/2024	31/12/2023	30/6/2024	31/12/2023
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,561,758	1,556,076	781,539	798,335
Singapore	324,280	326,168	263,691	266,052
Vietnam	460,410	491,190	418,745	518,203
Indonesia	604,794	642,985	612,874	736,731
Philippines	281,914	267,580	194,735	138,755
	3,233,156	3,283,999	2,271,584	2,458,076

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 period ended 30 June 2024, the Group acquired property, plant and equipment amounting to RM121.3 million (period ended 30 June 2023: RM100.3 million) and disposed property, plant and equipment amounting to RM1.2 million (period ended 30 June 2023: RM0.44 million).

(ii) Revaluation

There were no revaluation of property, plant and equipment for the period ended 30 June 2024 (period ended 30 June 2023: RM Nil).

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A11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The announcement dated 5 August 2022, 9 August 2022, 5 September 2022, 14 October 2022, 19 December 2022, 31 January 2023, 22 December 2023 and 9 January 2024 refer. On 22 December 2023, Leong Hup Feedmill Malaysia Sdn. Bhd. (“LFM”), a wholly-owned subsidiary of Leong Hup International Berhad (“the Company”) 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 maintains its finding of price-fixing infringement with imposition of financial penalty of RM157,470,027.02 on LFM.

The Company and LFM strongly believe that the allegation of the aforesaid infringement is without merit. In consultation with its external legal counsels, LFM had on 9 January 2024 appealed the Decision via the filing of the Notice of Appeal with the Competition Appeal Tribunal (“Tribunal”) and applied for a stay of the Decision. The Company is awaiting decision on the application for stay from the Tribunal after the hearing on 12 June 2024.

A12. CAPITAL COMMITMENTS

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

	As at 30/6/2024 RM'000
Acquisition of property, plant and equipment:	
- approved by Directors and contracted	35,899

A13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group in current financial quarter except for the increase in ownership interest in the following indirect subsidiaries:

No	Subsidiaries	% Increase in Ownership Interest	% of Ownership Interest After Change
i)	New Soon Teng Poultry Sdn Bhd	30%	100%
ii)	Prestige Fortune Sdn Bhd	5%	60%

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 except for the Proposed establishment of an Employees Share Option Scheme (“ESOS”) of up to 5% of the total number of the issued ordinary shares of the Company (excluding treasury shares, if any) at any point in time over the ESOS period or extended ESOS period for the eligible persons of LHI Group had on 18 July 2024 become effective. The Company had on 19 July 2024 offered a total of 47,810,000 ESOS Options to the eligible directors and employees of LHI Group.

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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	
	30/6/2024	30/6/2023	30/6/2024	30/6/2023
	RM'000	RM'000	RM'000	RM'000
Associated companies:				
Interest income	458	273	867	540
Companies controlled by Lau family*:				
Sales of goods	185,879	185,708	358,368	358,004
Management fee received/receivable	-	17	-	37
Rental received/receivables	2,379	1,748	3,403	3,002
Interest receivables	7	67	63	113
Purchases of goods	(97,807)	(60,784)	(254,243)	(125,933)
Transportation charges paid/payable	(3,357)	(3,774)	(6,708)	(7,071)
Purchases of sundries paid/payable	(2,432)	(1,206)	(5,107)	(2,918)
Rental paid/payables	(842)	(729)	(1,587)	(1,515)
Purchase of property, plant and equipment	(44)	(4)	(46)	(6)
Royalty fee paid/payable	-	-	(1,908)	(1,809)
Companies controlled by Nam family^:				
Transportation charges paid/payable	(2,469)	(2,293)	(5,150)	(4,736)

* 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 %
	30/6/2024 RM'000	30/6/2023 RM'000		30/6/2024 RM'000	30/6/2023 RM'000	
Revenue:						
Livestock and poultry related products						
	1,367,993	1,323,121	3.4%	2,683,757	2,522,506	6.4%
Feedmill	984,177	1,087,495	(9.5%)	2,076,452	2,081,031	(0.2%)
Others	2,899	3,247	(10.7%)	5,833	6,546	(10.9%)
	<u>2,355,069</u>	<u>2,413,863</u>	(2.4%)	<u>4,766,042</u>	<u>4,610,083</u>	3.4%
EBITDA:						
Livestock and poultry related products						
	145,311	84,811	71.3%	224,257	90,730	147.2%
Feedmill	151,911	142,519	6.6%	316,471	291,701	8.5%
Others	(777)	11,341	(106.9%)	(3,662)	8,649	(142.3%)
	<u>296,445</u>	<u>238,671</u>	24.2%	<u>537,066</u>	<u>391,080</u>	37.3%

Livestock and poultry related products

a) Individual Quarter

The Group's revenue from sales of livestock and poultry related products increased by 3.4% from RM1,323.1 million in the financial quarter ended ("FQE") 30 June 2023 to RM1,368.0 million in the FQE 30 June 2024.

The higher revenue was due mainly to significant increases in average selling price and sales volume of DOC and boiler chickens in Indonesia. The higher revenue was also contributed by higher average selling price and sales volume of DOC in Philippines.

EBITDA increased by 71.3%, due primarily to improved margins in Indonesia and Philippines.

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 6.4% from RM2,522.5 million in the financial period ended ("FPE") 30 June 2023 to RM2,683.8 million in the FPE 30 June 2024.

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

EBITDA increased by 147.2%, due primarily to improved margins in Indonesia due to higher selling prices of DOC and broiler chickens.

Feedmill

a) Individual Quarter

The Group's revenue from Feedmill decreased by 9.5% from RM1,087.5 million in the FQE 30 June 2023 to RM984.2 million in the FQE 30 June 2024. The decrease was due primarily to lower average selling price and sales volume in Vietnam and Malaysia as well as lower sales volume in Indonesia.

Notwithstanding the decrease in revenue, EBITDA improved by 6.6% as the Group benefits from expansion of margins in all countries due mainly to lower raw material costs.

b) Cumulative Quarter

The Group's revenue from feedmill decreased by 0.2% from RM2,081.0 million in the FPE 30 June 2023 to RM2,076.5 million in the FPE 30 June 2024. The decrease was mainly from Vietnam but the impact was mitigated by higher revenue contribution from Indonesia and Philippines.

Notwithstanding the decrease in revenue, EBITDA improved by 8.5% as the Group benefits from expansion of margins in all countries due mainly to lower raw material costs.

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B2. COMPARATIVE WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	INDIVIDUAL QUARTER		
	Quarter ended		Changes %
	30/6/2024 RM'000	31/3/2024 RM'000	
Revenue	2,355,069	2,410,973	(2.3%)
Profit from operations	218,665	161,089	35.7%
Profit before taxation	184,552	124,921	47.7%

The Group's revenue dropped by 2.3% in comparison with the immediate preceding quarter, due to lower feed revenue in all countries as the Group passed on lower raw material costs to customers.

Notwithstanding the decrease in Group revenue, the Group's profit before taxation increased by 47.7% from RM124.9 million in FQE 31 March 2024 to RM184.6 million in FQE 30 June 2024, due primarily to higher margin from higher average selling price of DOC and broiler chickens in Indonesia as well as higher feedmill margins.

B3. PROSPECTS

While Malaysia and Singapore's results normalise from prior year's extraordinary performance, Indonesia, Vietnam and Philippines continues to strengthen and improve. 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		Period ended	
	30/6/2024	30/6/2023	30/6/2024	30/6/2023
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of right-of-use assets	10,826	10,625	20,817	21,444
Bad debt write off/(recovered)	211	(233)	249	(818)
Depreciation of :				
-investment properties	53	67	81	118
-property, plant and equipment	66,900	68,753	136,414	135,325
Expense recognised in respect of defined benefit plan	1,876	2,003	3,765	3,674
Farmer incentives and contract grower	29,648	30,226	58,901	54,447
Fair value losses/(gains) on derivative financial instruments	186	(4,870)	(2,342)	(8,501)
Foreign exchange (gains)/losses	(1,165)	(140)	(2,980)	3,396
Losses/(Gains) on disposal of :				
-property, plant and equipment	(446)	(251)	286	(815)
-right-of-use assets	(11)	-	(33)	-
Gain on termination of leases	(15)	-	(24)	-
Government grant	(553)	(251)	(1,561)	(1,344)
Government subsidies	-	(15,291)	(9,177)	(43,893)
Impairment losses/(Reversal of impairment):				
-trade receivables	599	(370)	2,867	436
-other receivables	3	(186)	2	(473)
-inventories	167	-	147	-
Interest expense	34,157	45,719	70,352	90,438
Interest income	(3,754)	(3,765)	(7,478)	(7,282)
Packing materials	6,150	5,084	11,235	9,710
Property, plant and equipment written off	582	422	1,261	620
Promotional and marketing expenses	2,191	2,070	4,326	4,243
Rental expense	2,026	551	3,335	2,462
Rental income	(676)	(549)	(1,379)	(1,169)
Travelling expenses	3,520	3,297	6,597	6,462

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 30/6/2024 RM'000	CUMULATIVE QUARTER 30/6/2024 RM'000
Current tax recognised in profit or loss:		
- Malaysian income tax	13,778	24,887
- Foreign tax	26,376	41,394
- Overprovision in prior years	(1,848)	(2,086)
	38,306	64,195
Deferred taxation recognised in profit or loss:		
- Origination and reversal of temporary differences	(201)	4,335
- Under/(Over) provision in prior years	267	(164)
	38,372	68,366
Real Property Gain Tax	73	73
Withholding tax	1,959	1,959
Tax expense	40,404	70,398

B7. STATUS OF CORPORATE PROPOSAL

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

B8. BORROWINGS

	As at 30/6/2024 RM'000	As at 31/12/2023 RM'000
Current		
<u>Secured:</u>		
Bank overdrafts	4,009	1,541
Term loans	165,437	159,050
Revolving credits	349,905	441,908
Hire purchase liabilities	6,048	8,090
	525,399	610,589

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B8. BORROWINGS (CONTINUED)

	As at 30/6/2024 RM'000	As at 31/12/2023 RM'000
Current		
<u>Unsecured:</u>		
Bankers' acceptances	265,456	237,062
Bank overdrafts	-	1,879
Term loans	48,217	59,450
Revolving credits	199,977	157,007
Trust receipts	457,886	487,318
Sukuk Mudharabah	63,000	34,000
	1,034,536	976,716
Total Current	1,559,935	1,587,305
Non current		
<u>Secured:</u>		
Term loans	438,533	522,379
Hire purchase liabilities	4,497	7,340
<u>Unsecured:</u>		
Term loans	65,554	74,797
Sukuk Mudharabah	203,065	266,255
Total non current	711,649	870,771
Total borrowings	2,271,584	2,458,076
Total borrowings		
Bankers' acceptances	265,456	237,062
Bank overdrafts	4,009	3,420
Term loans	717,741	815,676
Revolving credits	549,882	598,915
Trust receipts	457,886	487,318
Hire purchase liabilities	10,545	15,430
Sukuk Mudharabah	266,065	300,255
	2,271,584	2,458,076

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B8. BORROWINGS (CONTINUED)

	As at 30/6/2024 RM'000	As at 31/12/2023 RM'000
The currency profile of borrowings is as follows:		
Ringgit Malaysia	781,539	798,335
Singapore Dollar	263,692	266,052
Indonesia Rupiah	579,769	704,573
US Dollar	41,411	48,682
Vietnamese Dong	410,438	501,679
Philippines Peso	194,735	138,755
	2,271,584	2,458,076

B9. DERIVATIVES

As at 30 June 2024, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	As at 30/6/2024		As at 31/12/2023	
	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	117,807	761	-	-
Derivative financial assets	117,807	761	-	-
Current liabilities				
Forward foreign exchange contracts	-	-	179,848	(2,485)
Derivative financial liabilities	-	-	179,848	(2,485)

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B9. DERIVATIVES (CONTINUED)

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2023:

- (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.

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

On 25 April 2024, the Board had declared a single-tier dividend of 1.30 sen per ordinary share amounting to RM47.45 million in respect of the financial year ending 31 December 2024, paid on 27 May 2024 to depositors registered in the Records of Depositors at close of business on 15 May 2024. (Previous corresponding period ended 30 June 2023: 1.8 sen per ordinary share amounting to RM65.7 million in respect of financial year ended 31 December 2023)

B12. EARNING PER SHARES (“EPS”)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/6/2024	Quarter ended 30/6/2023	Period ended 30/6/2024	Period ended 30/6/2023
Profit attributable to equity holders of the Company (RM'000)	96,495	65,033	153,074	87,175
Number of ordinary shares in issue ('000)	3,650,000	3,650,000	3,650,000	3,650,000
Basic and diluted EPS (sen)	2.64	1.78	4.19	2.39

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 previous financial quarter until its expiry on 10 April 2024. 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 August 2024.