



LEONG HUP INTERNATIONAL BERHAD



ANNUAL REPORT
2023

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This report is available at

www.leonghupinternational.com

To access our Annual Report, please download the QR code reader to your smartphone by scanning the image below.



10th
Annual
General
Meeting


Virtual from
LHI's HQ office


Date and time:
31 May 2024,
11.00 a.m.



OVERVIEW OF **LEONG HUP** INTERNATIONAL BERHAD

WHO WE ARE

Established in Malaysia in 1978, Leong Hup International Group is one of the largest fully integrated producers of poultry, eggs and livestock feeds in Southeast Asia. Our operations are spread across Malaysia, Indonesia, Vietnam, Singapore and The Philippines, which are attractive consumer markets with a population of over 540 million people and significant growth potential. As one of Southeast Asia leading pure play integrated poultry operators, our operations span the entire poultry supply chain, encompassing livestock feed production, poultry breeding, broiler farming, layer production, further processed poultry products and quick-service restaurants.

OUR VISION

We aspire to be one of the top integrated poultry operators in the Asian region. We are committed to uphold trust and aim to be an exemplary organisation for safe, quality and affordable food.

OUR MISSION

We aim to be the market leader in providing livestock feed and poultry products. We embrace a culture of innovation and value-adding to enhance quality and productivity. In addition to adopting the latest farm technology, we constantly provide training to our human capital and comply with internationally-prescribed biosecurity standards.

BUSINESS AT A GLANCE

As one of the foremost integrated poultry operators in Southeast Asia, the Group exhibits a robust geographical presence, extending its operations across five key countries in the region: Malaysia, Indonesia, Singapore, Vietnam, and The Philippines.



Malaysia



Indonesia



Singapore



Vietnam



The Philippines

FEEDMILL

We produce feed for grandparent stock, parent stock, broiler chicken, layer chicken, broiler duck, swine, quail, cattle, goat, aquatic animals and certain domestic pets. Our livestock feed has high nutritional value, tailored to the type of livestock and rearing stage. The key brand name we use in Malaysia and Vietnam is "Leong Hup", the key brand name we use in Indonesia is "Malindo", and the key brand name we use in The Philippines is "Top Specs". Other livestock feed brands that we market are "Gymtech", "Diamond Feed" and "Emivest" in Vietnam.

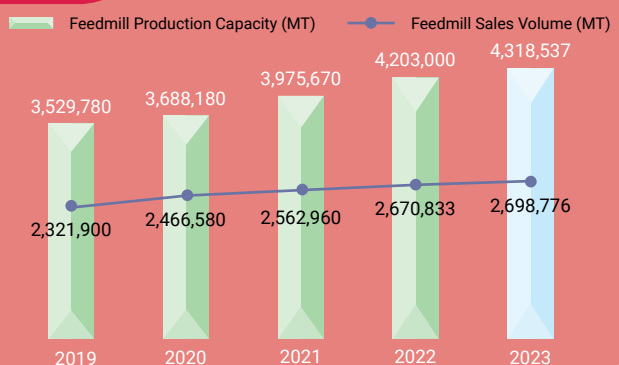
GEOGRAPHY COVERAGE



An expanding Southeast Asian footprint with a growing market share

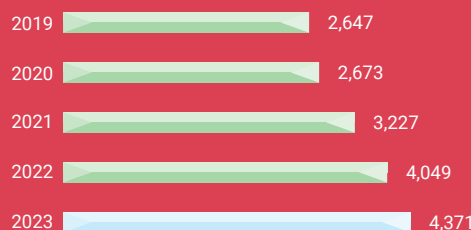
- 5** feedmills in **Malaysia**
- 5** feedmills in **Indonesia**
- 5** feedmills in **Vietnam**
- 1** feedmill in **The Philippines**

OPERATIONAL DATA⁽¹⁾



FINANCIAL PERFORMANCE⁽²⁾ (RM MILLION)

RM4,371
million
Group revenue for
Feedmill segment



Notes:

- (1) For the financial year ended 31 December 2023. Feed sales volume include both internal and external sales.
- (2) Based on group revenue by product segment, as extracted from the audited financial statements of LHI.

Overview of Leong Hup International Berhad

LIVESTOCK

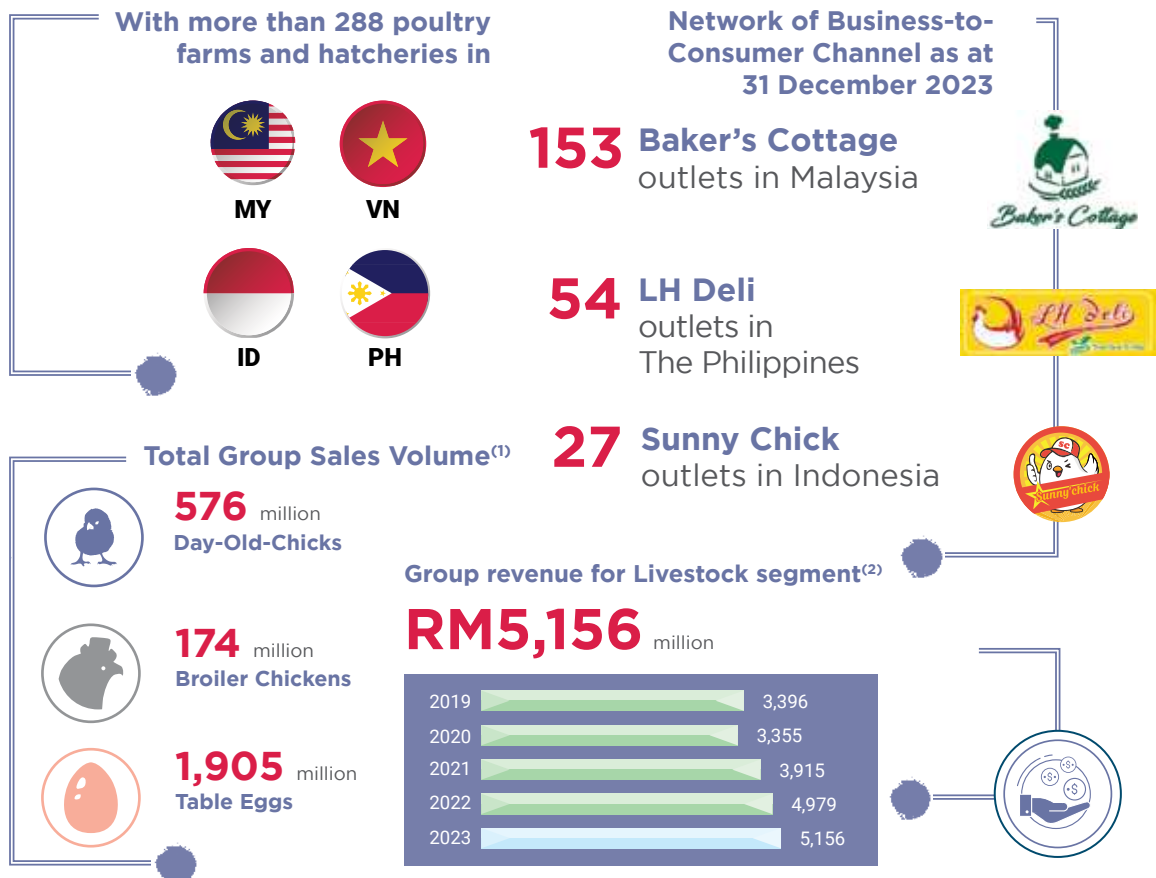
Our Livestock Business is vertically integrated and, in combination with our Feedmill Business, covers the entire poultry value chain. Our integrated “Farm-to-Plate” business model operations began in Malaysia, where our headquarters remain. Today, we have expanded and operate in four other fast-growing countries in Southeast Asia, namely Indonesia, Singapore, Vietnam and The Philippines.

We are among the market leaders for prime quality day-old-chicks (“DOC”) including parent stock DOC, broiler DOC and layer DOC.

In Malaysia, Indonesia, Vietnam and The Philippines, we produce and distribute broiler chickens for the consumption in our respective domestic markets. We also export broiler chickens from Malaysia into Singapore. In Malaysia, our table egg production is operated by our subsidiary, Teo Seng Capital Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

The processing of poultry and food processing complements our livestock upstream business and adds value to our upstream live chicken production. “Ayam A1”, “SunnyGold”, “SAFA”, “Ciki Wiki” and “Sobat” are some of the well-known brands that we carry for our food processing products like sausages, frankfurters, nuggets, chicken tempura, frozen seafood, frozen meat and marinated meat in Malaysia, Singapore and Indonesia.

As part of the Group’s strategy of downward integration, we have a fast-growing chain of quick service restaurants (“QSR”), Baker’s Cottage in Malaysia, LH Deli in The Philippines and Sunny Chick in Indonesia, serving quality ready-to-eat poultry products at outstanding value directly to consumers.











Notes:

- (1) For the financial year ended 31 December 2023. Figures for broiler DOC, broiler chickens reflect the total of DOC and broiler chickens supplied internally and sold externally. All table eggs are sold to third parties.
- (2) Based on group revenue by product segment, as extracted from the audited financial statements of LHI.

Overview of Leong Hup International Berhad

AWARDS

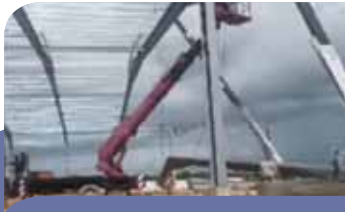
The Group has won numerous awards in the past nine years, such as:

 <p>2015</p>	<ul style="list-style-type: none"> • Blue Rated Program for Pollution Control, Evaluation, and Rating (PROPER) for Company Performance to Manage Environment by the Ministry of Environment and Forestry of the Republic of Indonesia • Singapore Prestige Brand Award – Established Brands by the Singapore’s Association of Small & Medium Enterprises
 <p>2016</p>	<ul style="list-style-type: none"> • Top Parent Flock Award by Cobb-Vantress, USA • Outstanding Feed Product Innovation by Vietstock Exhibition
 <p>2017</p>	<ul style="list-style-type: none"> • The BrandLaureate Best Brands in Product Branding (Consumer Eggs) by The World Brands Foundation • Best of the Best Award by Forbes Indonesia
 <p>2018</p>	<ul style="list-style-type: none"> • Outstanding Industry Achievement – ASEAN by the Department of Veterinary Sciences Malaysia • The Trusted Company in The Best Product Quality by the Indonesian Achievement Centre
 <p>2019</p>	<ul style="list-style-type: none"> • The BrandLaureate World Best Brands in Consumer – Integrated Poultry, Egg & Livestock Feed Solutions by The World Brands Foundation
 <p>2020</p>	<ul style="list-style-type: none"> • Malaysia Integrated Poultry Market Leadership Award by Frost & Sullivan Asia-Pacific Best Practices Award
 <p>2021</p>	<ul style="list-style-type: none"> • Member of The Edge Billion Ringgit Club 2021
 <p>2023</p>	<ul style="list-style-type: none"> • Blue Rated Program for Pollution Control, Evaluation, and Rating (PROPER) for Company Performance to Manage Environment by the Ministry of Environment and Forestry of the Republic of Indonesia • Best Poultry Feed Producer Award by Vietstock Exhibition endorsed by The Ministry of Agriculture and Rural Development in Vietnam.

What Differentiates Us

- Fully integrated Farm-to-Plate business model
- Geographically diversified
- One of the largest producers in fast-growing ASEAN consumer markets with rising poultry consumption
- Leading “pure-play” poultry producer, with strong economies of scale and significant market share in most product segments
- Experienced senior management, supported by seasoned country managers and prominent investors
- Robust historical financial growth and performance, underpinned by a strong track record

EVENTS HIGHLIGHT



Initial phase construction underway for a slaughtering plant in Yong Peng, Malaysia.



Baker's Cottage was honoured as the 'Most Preferred Mooncake Brand' by AEON members. Voted for the traditional flavours and quality, this award highlights Baker's Cottage's commitment to customer satisfaction.

CORPORATE SOCIAL RESPONSIBILITY

MALAYSIA



Baker's Cottage Junior Table Tennis League 2023

Organised by Persatuan Ping Pong Daerah Petaling (PJTTA) and proudly sponsored by Baker's Cottage, the event was at Dewan Ping Pong Baker's Cottage in SMK Damansara Jaya, Petaling Jaya, Selangor. The tournament consisted of four rounds, which took place between September and December 2023.



Experience joyous moments at the Orang Asli Settlement

Our visit to the Orang Asli Settlement provided an opportunity to connect with the indigenous community, learnt about their way of life, and donated cakes as a gesture of support and appreciation. It was a meaningful experience that left a lasting impact on us all.



Walk A Child To School Charity Project 2023

Baker's Cottage of Leong Hup Malaysia Group joined forces with other entities to donate 1,307 pairs of school shoes, underlining the importance of proper footwear for student attendance and well-being.

SINGAPORE



Woodlands Community Food Bank Support Initiative

Provided support to the Food Bank for Low-Income Families through the beneficiary of Woodlands Constituency Office @ Woodlands Community Club.

THE PHILIPPINES



37th International Coastal Cleanup (ICC)

Leong Hup (Philippines) Inc. is committed to environmental conservation and contributed significantly to the effort by mobilizing a team of volunteers who worked with Local Government to collect and document waste at Morong, Bataan.

INDONESIA



Stunting Prevention and Nutrition Improvement Programme

In Indonesia, we contributed to the Government's 'Stunting Prevention and Nutrition Improvement Program' by donating eggs as part of our support to tackle stunting.



Blood donation event occurred in FYE 2023

In 2023, PT Malindo Feedmill Tbk organised multiple blood donation programmes, resulting in the production of a total of 464 blood bags for Indonesian Red Cross (Palang Merah Indonesia/"PMI") for necessary processing and treatment.



Assistance for victims of the Mount Semeru earthquake

PT Malindo Feedmill Tbk donated eggs in coordination with the Regional Disaster Management Agency to assist the victims of the Mount Semeru eruption in East Java.

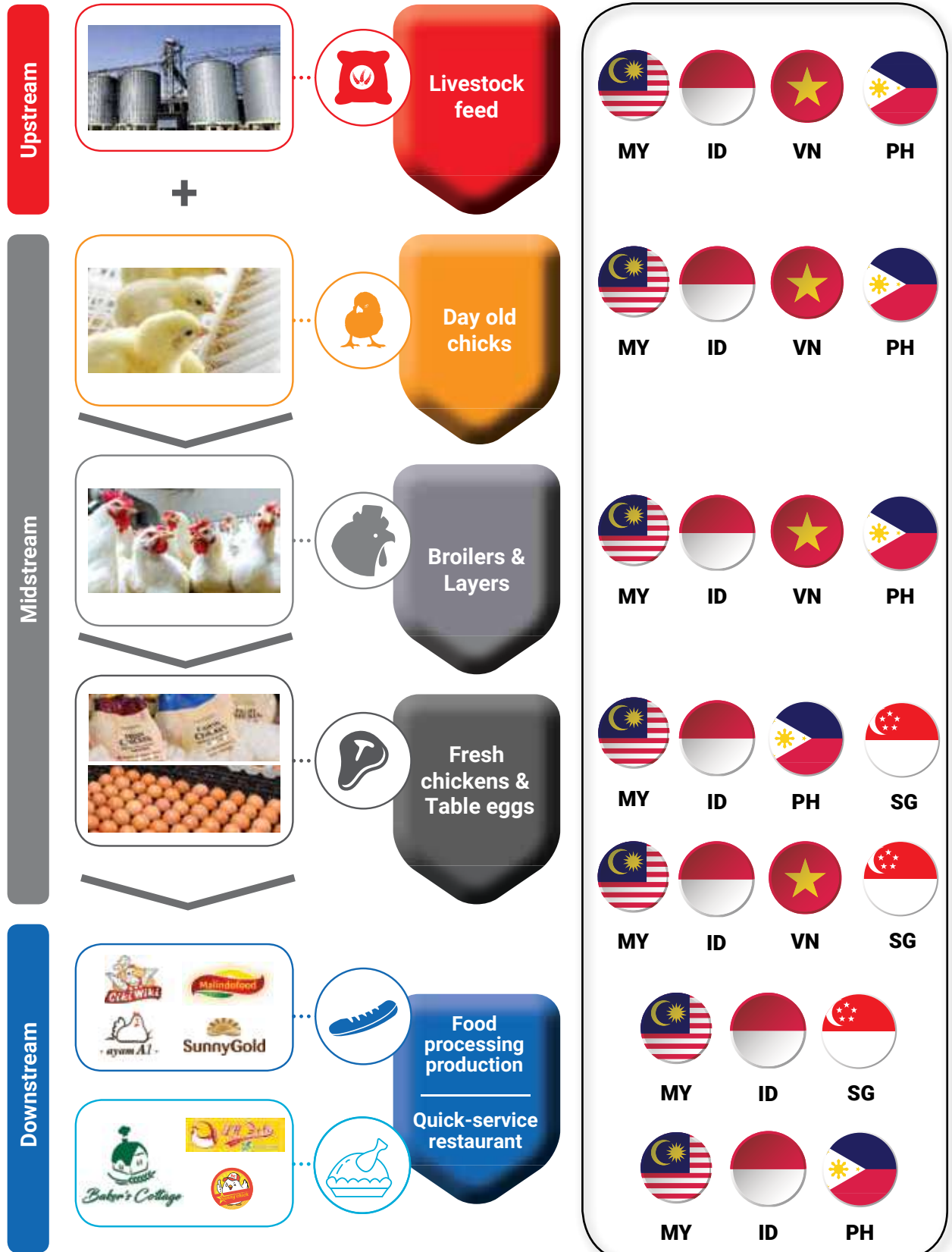
OUR VALUE CHAIN

The "Farm-To-Plate" Integrated Business Model of Leong Hup International

Leong Hup International Berhad and subsidiaries (the "Group") are primarily involved in the Feedmill business (upstream) and Livestock business (midstream and downstream).

Regional geographical presence:

across value chain in each of the target markets



VALUE-CREATING BUSINESS MODEL

AS AT 31 DECEMBER 2023

OUR CAPITALS



Financial

Shareholders' funds
RM2.96 billion

Total Borrowings
RM2.46 billion

Total Assets
RM6.53 billion

Strong operating cash flows and relationship with financial institutions



Manufactured

Fully-integrated poultry operations and scalable operations comprising:

16 feedmills and **288** poultry farms and hatcheries

5 Southeast Asian Countries

153 Baker's Cottage outlets

54 LH Deli outlets

27 Sunny Chick outlets



Natural

Operating Sites
774

Land Area
297,244,446 sq. ft.



Human

No. of Employees
12,931

Versatile and talented workforce



Intellectual

Culture centered on values utilization of technology and automation in business processes to **implement our strategy capacity to embrace change**

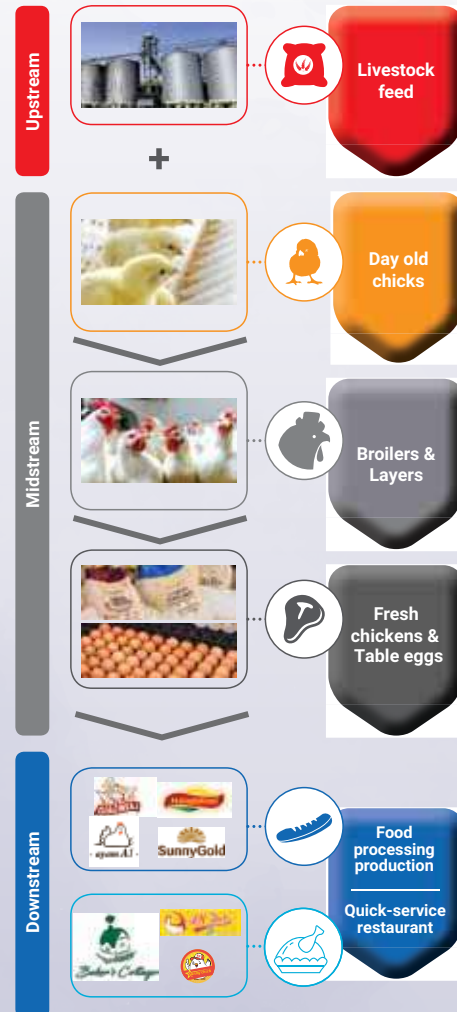


Social

- **Solid rapport** with government bodies
- **Resilient supply chain**
- **Extensive market coverage**

BUSINESS ACTIVITIES

Our business model encompasses 5 major Southeast Asian countries, with a farm-to-plate approach fully integrated from the upstream to the downstream. This allows us to leverage economies of scale, creating sustained value for our stakeholders.



Value-Creating Business Model

PRIMARY OUTPUT

- Robust poultry value chain producing safe, quality and affordable poultry and essential proteins for the growing population (see pages 11 to 13 for the Group's Value-Creation Strategies and pages 40 to 58 for the Group's Sustainability efforts for further information)
- Waste generated is managed and treated responsibly (see pages 46 to 47, Sustainability Statement for further information).

OUTCOME⁽¹⁾

Revenue increased by **5.5%** year-on-year to **RM9.54** billion

Shareholders' fund increased by **14.1%** to **RM2.96** billion

Total assets decreased by **0.9%** to **RM6.53** billion

99.0% Group's flocks that managed in closed-house system

	Volume sold ⁽²⁾ (million)	YoY growth
DOC (chick)	575.9	3.9%
Broiler chickens (birds)	173.6	13.2%
Table eggs (eggs)	1,905.2	9.6%
Feed (kg)	2,698.8	1.0%

Natural

9,570,070 kWh

Of solar power generated for farms, feedmill plants, factories and hatcheries

Human

25.0%

Women
workforce

Intellectual

1,716 Animal Feed Formulation

5,475 Total Man-Days
Of Employee Training

Social

RM78.96 million **14,450** Suppliers partnered
Direct Taxes Paid

21,439 Customers served⁽³⁾

Notes:

(1) For the financial year ended 31 December 2023.

(2) Feed sales volume include both internal and external sales. Figures for broiler DOC and broiler chickens reflect the total of DOC and broiler chickens supplied internally and sold externally. All table eggs are sold to third parties.





(3) Excludes the retail outlets customers.

Value-Creating Business Model

STAKEHOLDER ENGAGEMENT

The success and sustainability of our business are built upon the pillars of trust and accountability with our stakeholders. The Group endeavours to keep an open line of communication with our stakeholders to manage and address the interests, expectations and concerns of our stakeholder groups.

The Group's engagement activities with fellow stakeholders are summarised as follows:

Stakeholder Groups	How we engage ⁽¹⁾
Government agencies, law enforcers and regulators 	<ul style="list-style-type: none"> Regular dialogues and written communications with relevant agencies and ministries Proactive participation in industry meetings and government sponsored panel discussions on current developments, outlook and issues faced by the poultry industry Representation in industrial bodies including Federation of Livestock Farmers Association of Malaysia and other equivalent country-specific bodies
Customers & end-consumers 	<ul style="list-style-type: none"> Face-to-face interactions Feedback channels including customer hotline and surveys Online and social media platforms
Employees 	<ul style="list-style-type: none"> One-on-one interactions between staff and line managers Staff events Performance reviews and exit interviews
Local community 	<ul style="list-style-type: none"> Ongoing interaction with communities via corporate social responsibility initiatives and local stakeholders' needs assessment Direct engagement around community concerns via personal interactions, meetings and public feedback channels Communicating through digital and media releases
Suppliers 	<ul style="list-style-type: none"> Engagement with suppliers throughout our procurement and vendor application process Face-to-face interactions
Investors 	<ul style="list-style-type: none"> Our corporate website serves as a key information platform Annual and interim results presentations One-on-one virtual engagements and non-deal roadshows with analysts and investors to provide updates on financial and corporate developments Site visits Electronic announcements (including email alerts on company's announcements) Editorial and selected social media coverage in the financial media Incorporating elements of integrated reporting in Annual Report

Note:

(1) See page 42 under Sustainability Statement - Stakeholder Engagement

Value-Creating Business Model

OUR VALUE CREATION

(a) Developing poultry operations that span diverse geographical locations within Southeast Asia

Related key capitals

Financial	Manufactured	Natural	Human	Intellectual	Social
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Activities and processes to create value

- Enhance production output to improve efficiency and capture a larger market share in each operational market
- Prioritize operational and commercial excellence to facilitate the expansion of geographical diversification endeavors
- Enhance the local poultry supply chain and deepen localization within the poultry value chain framework
- Continued dedication to internal talent cultivation and the creation of local job opportunities

Outcomes and value created

- Sustained poultry supply to bolster domestic food security
- Boost the adoption of protein consumption within the expanding population
- Support local economies through the creation of jobs and other beneficial multiplier effects
- Attract a varied workforce and retain skilled employees

Highlights

Indonesia Broiler Farm in Serdang 6

In Indonesia, the construction of two closed houses at the Serdang 6 broiler farm was finalized in Q2 2023, with operations commencing in Q3 2023. The investment for this project amounted to RM2.1 million (Rp7.1 billion). These two houses have a capacity of 100,000 broiler chickens per cycle, estimating an annual production of 600,000 broiler chickens.



The Philippines feedmill warehouse in Tarlac

The development of the raw material warehouse for the feedmill in Tarlac, The Philippines commenced in Q1 2024, with an allocated budget of approximately RM12.8 million. Upon completion, this warehouse will have the capability to accommodate an extra 15,000 metric tons of feeds, thereby expanding the current warehouse capacity by 35%.



The Philippines conversion of broiler to PS farm in Orani

In The Philippines, the transformation of an old broiler farm into a PS farm in Orani, Bataan, commenced operations in March 2023. The total investment was RM12.2 million. This project houses 62,000 birds and had increased the production output by 18%.



The Philippines expansion of 2nd Pelleting line in Tarlac

The expansion of the second pelleting line at the existing Tarlac feedmill was completed in Q3 2023. The total investment was RM4.3 million. Following completion, the capacity has been elevated to 28,000 metric tons per month.



Value-Creating Business Model

(b) Consistently reinforcing the Group’s business model for future growth through downstream expansion

Related key capitals					
Financial	Manufactured	Natural	Human	Intellectual	Social
Activities and processes to create value					
<ul style="list-style-type: none"> Expand downstream along the poultry value chain to enhance proximity to consumers. Broaden business-to-consumer (“B2C”) channels in Malaysia (Baker’s Cottage), The Philippines (LH Deli), and Indonesia (Sunny Chick). Expand the variety of value-driven and convenient ready-to-eat (“RTE”) and ready-to-cook (“RTC”) poultry products to cater to mass consumption. 					
Outcomes and value created					
<ul style="list-style-type: none"> Enhance the Farm-to-Plate growth strategy. Maximize the profitability of poultry products throughout the value chain in accordance with demand and supply conditions. Increase brand awareness and build trust among consumers. 					
Highlights					
<ul style="list-style-type: none"> As of 31 December 2023, we had 153 Baker’s Cottage outlets, 54 LH Deli outlets and 27 Sunny Chick outlets Innovative retail concept offering roast/fried chickens, set meals, pastries, and desserts to cater to local markets Utilized delivery applications and social media platforms to broaden retail outreach and increase attractiveness among youthful and urban consumers 					
					

Value-Creating Business Model

(c) Optimising capital expenditure and resource allocation

Related key capitals					
Financial	Manufactured	Natural	Human	Intellectual	Social
Activities and processes to create value					
<ul style="list-style-type: none"> Continuously review and adjust capital expenditure in response to changing market conditions. Strategically allocate resources to automate processes in feedmill and farm operations. Invest in to closed-house systems that are more resource-efficient and environmentally friendly. Implement technology-enabled flock management and digitally integrate flock harvest with the ERP system. 					
Outcomes and value created					
<ul style="list-style-type: none"> Optimise operational efficiency, growth rate, and labor-to-output ratio for feedmill and farm operations. Reduce bird stress, mortality rate, and the risk of disease transmission through improved biosecurity measures, automated controls for feeding and climate management. 					
Highlights					
<ul style="list-style-type: none"> Repayment of above RM500 million borrowings and lowered the Group's net gearing to 0.6 times. This provides the Group with greater financial stability, flexibility, and opportunities for growth and value creation in the future. Progress towards renewable energy adoption by implementing solar systems at our farm and central packing stations. Continuous capital expenditure in broiler farm upgrades resulted in 99.0% closed house farming system throughout the Group's internal farms. More robust up-to-date information and control days sales outstanding for faster cash conversion cycle and improved working capital management. 					
					
					

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lau Chia Nguang

Non-Independent Executive Chairman

Tan Sri Dato' Lau Eng Guang

Non-Independent Executive Director

Tan Sri Lau Tuang Nguang

Non-Independent Executive Director

Datuk Lau Joo Hong

Non-Independent Executive Director

Lau Joo Han

Non-Independent Executive Director

Lau Joo Keat

Non-Independent Executive Director

Low Han Kee

Senior Independent Non-Executive Director

Datin Paduka Rashidah Binti Ramli

Independent Non-Executive Director

Chu Nyet Kim

Independent Non-Executive Director

Goh Wen Ling

Independent Non-Executive Director

Tay Tong Poh

Independent Non-Executive Director

AUDIT AND RISK COMMITTEE

Committee Chairman

Low Han Kee

Committee Member

Chu Nyet Kim

Goh Wen Ling

NOMINATION COMMITTEE

Committee Chairman

Tay Tong Poh

Committee Member

Chu Nyet Kim

REMUNERATION COMMITTEE

Committee Chairperson

Goh Wen Ling

Committee Member

Datin Paduka Rashidah Binti Ramli

Low Han Kee

SUSTAINABILITY COMMITTEE

Committee Chairman

Datuk Lau Joo Hong

Committee Member

Tan Sri Dato' Lau Eng Guang

Tay Tong Poh

KEY SENIOR MANAGEMENT

Lau Chia Nguang

Executive Chairman

Tan Sri Dato' Lau Eng Guang

Group Business Strategist

Tan Sri Lau Tuang Nguang

Group Chief Executive Officer

Datuk Lau Joo Hong

*Group Chief Operating Officer /
Chief Executive Officer of
Vietnam operations*

Lau Joo Han

*Chief Executive Officer of
Malaysia operations*

Lau Joo Keat

Country Head of Indonesia operations

Lau Jui Peng

Group Breeder Chief Executive Officer

Lau Joo Heng

*Chief Executive Officer of
The Philippines operations*

Lau Joo Hwa

*Chief Executive Officer of
Singapore operations*

Chew Eng Loke

Group Chief Financial Officer

COMPANY SECRETARIES

Lum Sow Wai (MAICSA 7028519)

(SSM PC NO. 202008002373)

Tan Lai Kai (MIA 41018)

(SSM PC NO. 202008002788)

Te Hock Wee (MAICSA 7054787)

(SSM PC NO. 202008002124)

AUDITORS

PricewaterhouseCoopers PLT

(LLP0014401-LCA & AF 1146)

Chartered Accountants

Level 10, Menara TH 1 Sentral,

Jalan Rakyat,

Kuala Lumpur Sentral,

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Wilayah Persekutuan.

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Fax : +603-2173 1288

CORPORATE WEBSITE

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REGISTERED OFFICE

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E-mail: info@my.tricorglobal.com

HEAD/MANAGEMENT OFFICE

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58000 Kuala Lumpur,

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+603-7980 3817

Fax : +603-7980 0040

E-mail: info@lhhb.com

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd

Registration No. 197101000970
(11324-H)

Unit 32-01, Level 32, Tower A,

Vertical Business Suite,

Avenue 3, Bangsar South,

No. 8, Jalan Kerinchi,

59200 Kuala Lumpur,

Wilayah Persekutuan.

Tel : +603-2783 9299

Fax : +603-2783 9222

E-mail: is.enquiry@my.tricorglobal.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Date of Listing : 16 May 2019

Stock Name : LHI

Stock Code : 6633

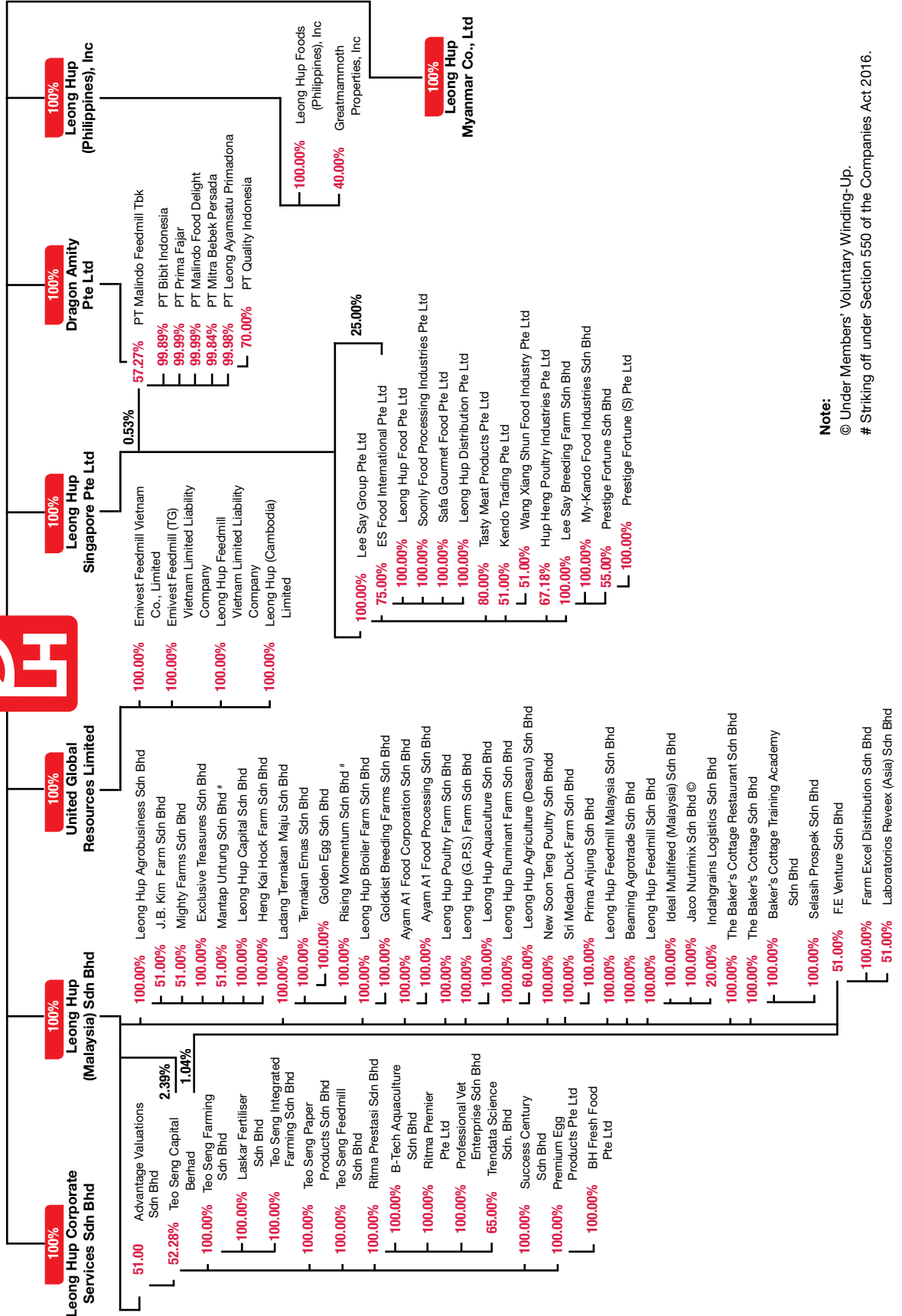
Stock Sector : Consumer Products & Services

Sub-sector : Agricultural Products

GROUP CORPORATE STRUCTURE

AS AT 31 MARCH 2024

Leong Hup International Berhad



Note:
 © Under Members' Voluntary Winding-Up.
 # Striking off under Section 550 of the Companies Act 2016.