



**LAY HONG
BERHAD**

(107129-H) Incorporated in Malaysia

GROWTH THROUGH COLLABORATION

ANNUAL REPORT 2018



OUR MISSION

TO PROMOTE

A healthier lifestyle and diet among Malaysians by developing highly nutritious and hygienic products utilizing the highest quality processing standards.

TO BECOME

An increasingly important supplier of processed chicken, chicken related products and eggs by expanding market share, developing new products, and building trust and reliability among consumers.

TO PROVIDE

A caring and rewarding environment for our employees, one which can help fulfill their career goals and inculcate a sense of participation, team spirit and loyalty which will benefit all.

TO WORK

Diligently and consistently to enhance value for our shareholders, to deliver our products fresh on time to our partners and consumers, and to be a responsible corporate citizen.

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BOARD OF DIRECTORS

Yap Hoong Chai
Executive Chairman

Yeap Weng Hong
Executive Director

Yap Chor How
Executive Director

Ng Kim Tian
Executive Director

Yeap Fock Hoong
Non-Independent
Non-Executive Director

Gan Lian Peng
Independent Non-Executive Director

Tan Ooi Jin
Independent Non-Executive Director

Gaku Okada
Non-Independent
Non-Executive Director

Tan Chee Hau
Independent Non-Executive Director

Ryuichi Nitta
(Alternate Director to Gaku Okada)

AUDIT COMMITTEE

Gan Lian Peng
Chairman
Tan Ooi Jin
Tan Chee Hau

NOMINATING COMMITTEE

Gan Lian Peng
Chairman
Tan Ooi Jin
Tan Chee Hau

REMUNERATION COMMITTEE

Gan Lian Peng
Chairman
Yap Hoong Chai
Tan Ooi Jin

COMPANY SECRETARIES

Lee Wee Hee
(MAICSA 0773340)
Wong Yuet Chyn
(MAICSA 7047163)

AUDITORS

Ong Boon Bah & Co
B-10-1 Megan Avenue 1
189 Jalan Tun Razak
50400 Kuala Lumpur

REGISTERED OFFICE

No. 2-1 Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
T 03 62011120
F 03 62013121

SHARE REGISTRAR

**Securities Services
(Holdings) Sdn Bhd**
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
T 03 2084 9000
F 03 2094 9940

CORPORATE OFFICE

No.2 Level 10-12, Wisma Lay Hong
Jalan Empayar, Off Persiaran Sultan
Ibrahim / KU1, 41150 Klang, Selangor
T 03 3343 4888
F 03 3343 8839

PRINCIPAL BANKERS

AmBank (M) Berhad
Bank of China (Malaysia) Berhad
Bank Pertanian Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Stock Name: LAYHONG
Stock No: 9385

WEBSITE

www.layhong.com.my

Group Financial Highlights

RM'000	2018	2017	2016	2015	2014
Revenue	847,802	675,961	645,826	671,701	579,223
Profit after tax *	39,843	19,406	3,816*	19,669	7,186
Total assets	791,232	613,898	552,389	427,374	419,554
Paid-up capital	130,109	121,750	57,750	50,830	49,780
Net assets (NA)	317,453	276,047	241,985	136,799	119,528
NA per share (RM) **	0.50	0.45	0.42	0.27	0.24
Basic earnings per share (sen) ***	5.99	3.02	0.52	3.70	1.44

* After charging a non - cash flow item of a share based expense of RM15,093,000.

** Based on ordinary shares of RM0.20 each after adjusting for the Bonus Issues and Share Split completed in October 2016.

*** Based on weighted average number of ordinary shares of RM0.20 each after adjusting for the Bonus Issues and Share Split completed in October 2016.

Revenue

(RM'000)



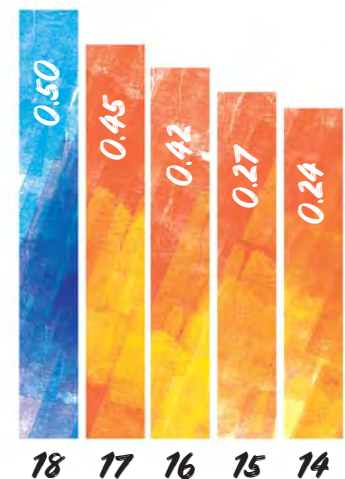
Net Assets

(RM'000)



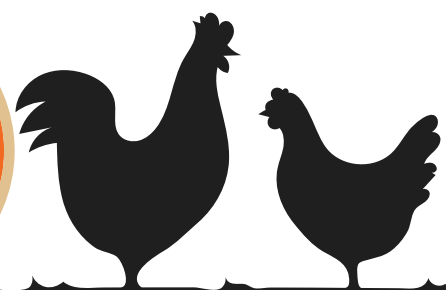
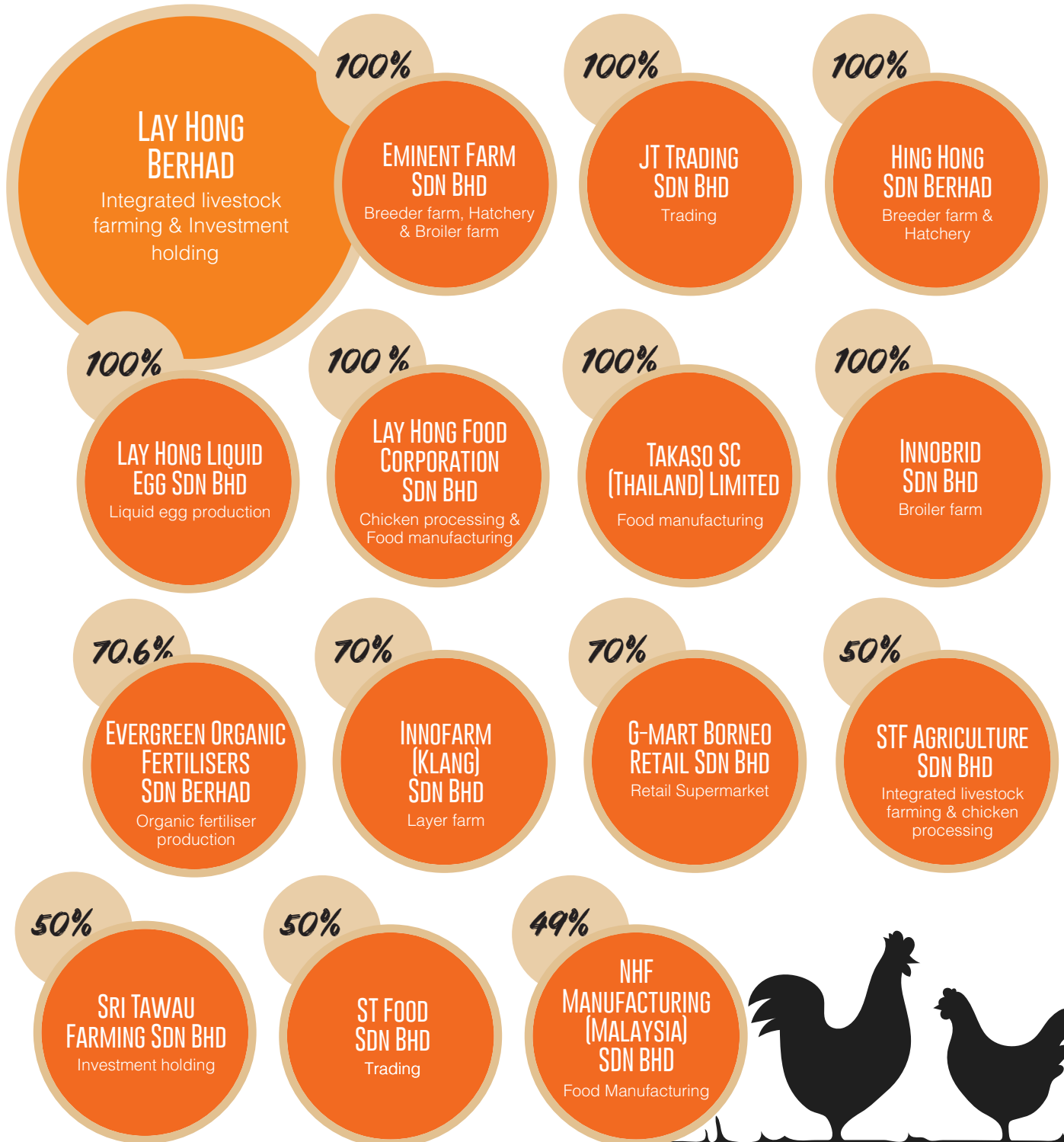
Net Assets Per Share

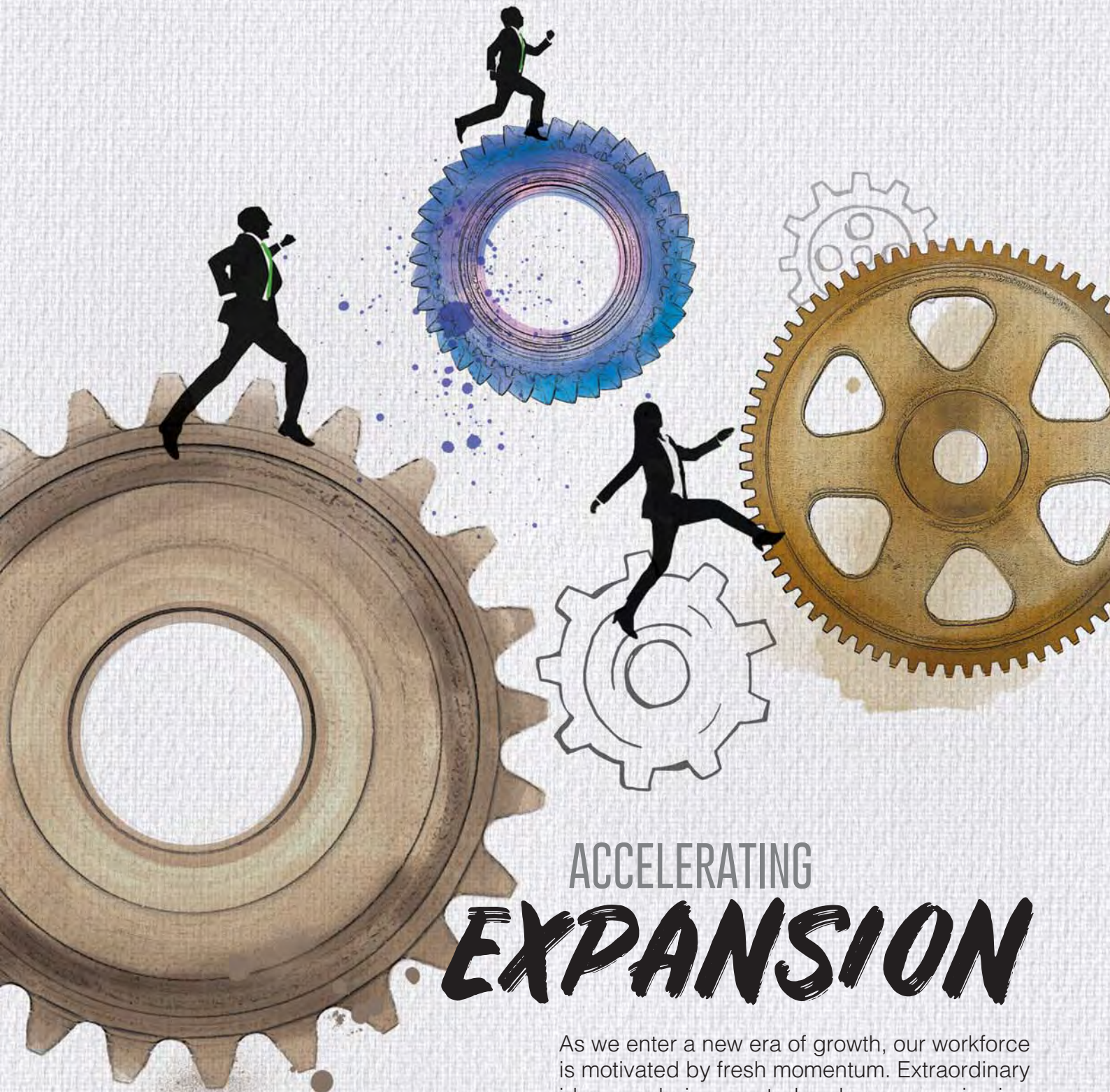
(RM)



Group Structure & Operations

AS AT 25 JUNE 2018





ACCELERATING
EXPANSION

As we enter a new era of growth, our workforce is motivated by fresh momentum. Extraordinary ideas are being created and our expansion is being driven by our vibrant vision of the future.

Management Discussion and Analysis

1. BUSINESS REVIEW

The Group two principal core businesses are primarily involved in Integrated Livestock Farming and Processing (ILFP) and retail operation. The ILFP business which currently accounts for over 80% of the Group's revenue is further broken down into three separate segments namely layer, broiler and food processing. The businesses are carried out primarily in Peninsular Malaysia state of Selangor, Perak, Melaka and Sabah in East Malaysia whereas the retail operation is concentrated only in the state of Sabah.

A) Layer

Total revenue generated from the sale of fresh table eggs for the financial year ended 31st March, 2018 was RM202.57 million compared to that of RM164.93 million recorded in the previous year. The increase of RM37.64 million or 23% was due to the increase in production quantities from the additional two new farms completed during the financial year. One of the farm was built in the vicinity where the existing five modern closed house layers farms are located i.e in Jeram, Kuala Selangor and the other in Jasin, Melaka. With these additions, the aggregated production capacity of eggs per day for the Group have increased from 2.2 million production per day to 3.0 million. The clustering of all the modern farms in a single locality will enable the Group to save on manpower and logistic costs as all the ungraded eggs laid by surrounding farms will be transported to a single distribution centre where fresh eggs are accordingly graded by automated equipment and packed before being distributed nationwide.

The functional eggs branded under the "NUTRIPLUS" brand continue to show greater market acceptance. Revenue generated has recorded an increase from RM64.98 million in the previous year to RM69.27 million in the financial year under review. For wider consumers' choice, the Group has recently added branded fresh kampung eggs also under the NUTRIPLUS brand. Demand to date for it is very encouraging.



MANAGEMENT DISCUSSION AND ANALYSIS

The number of layer farms (Parent stock breeders and layers) owned by the Group to date are as follows:-

Parent Stock Breeder Farm and Hatchery

Location	Capacity per month (Day Old Chick)	Type
1. Lot 1632 & 3, Ijok, Selangor	150,000	Environment controlled houses (ECH)
2. Lot 1640 Ijok, Selangor	32,000	ECH
	182,000	

Layer Farm

Location	Capacity per day (egg)	Type
1. Lot 4857, Kapar, Selangor	180,000	Open house
2. Lot 1954, Jeram, Selangor	270,000	ECH
3. Lot 1555, Jeram, Selangor	450,000	ECH
4. Lot 1868, Jeram, Selangor		
5. Lot 1717-1720, Jasin, Melaka	360,000	ECH/ Open house
6. Lot 1847, Jeram, Selangor	300,000	ECH
7. Lot 2809, Jeram, Selangor	480,000	ECH
8. Lot 1822, Jeram, Selangor	480,000	ECH
9. Lot 4857 & 4858 Kapar, Selangor	180,000	Open house
10. Tuaran, Sabah	90,000	Open house
11. Tamparuli, Sabah	300,000	ECH
	3,090,000	



MANAGEMENT DISCUSSION AND ANALYSIS

B) Broiler

During the financial year under review, the Group produced a total of 36.11 million kilograms of broiler compared to 31.62 million kilograms recorded in the previous year. This represents an increase of 4.49 million kilograms or 14% year on year.

Two new environmental controlled broiler farms equipped with the latest rearing technology have been completed during the said period. One in Peninsular Malaysia and the other is in Sabah. Total additional capacity generated will be 600,000 broilers per 60 days cycle. One more new farm located in the existing vicinity of Tanjung Karang, Kuala Selangor with a capacity of further 450,000 broilers per cycle is under construction and is planned to be fully completed during the current financial year ending 31st March, 2019. With these new capacities coming on stream, the Group will be able to produce up to 4.00 million broilers per 60 days cycle. The planned increase is to meet the rising demand from existing chicken processing operation as well as from the Joint Venture Company with NH Foods Ltd for HALAL chicken meat as its raw material. During the year, the Group also completed partial refurbishment of five units of broiler houses of the older farms in Tanjung Karang, Selangor. This refurbishment exercise will continue for another year until all the remaining old houses are upgraded to satisfactory condition to continue to produce quality broilers.



With the above new facilities added, the Group production facilities have been expanded as follows:

Parent Stock Breeder Farm and Hatchery

Location	Capacity per month (Day Old Chick)	Type
1. Bukit Belimbing / Bukit Rotan, Selangor	1,166,000	ECH
2. Papar, Sabah	900,000	ECH
	2,066,000	

Broiler Farm

Location	Capacity per cycle (No. of Broilers)	Type
1. Tanjung Karang, Selangor	2,308,000	ECH
2. Behrang, Perak, Farm 1	300,000	ECH
3. Behrang, Perak, Farm 2	450,000	ECH
4. Kampung Indai, Sabah	80,000	ECH
5. Kampung Serusup, Sabah	300,000	ECH
6. Tawau, Sabah	100,000	ECH
7. Sandakan, Sabah	210,000	ECH
8. Bongawan, Sabah	50,000	ECH
9. Keningau	100,000	ECH
10. Tamparuli, Sabah	180,000	ECH
	4,078,000	

C) Food Processing

i) Chicken products

For this division, during the financial year under review ended 31st March, 2018, the Group in Peninsular Malaysia generated a total revenue of RM415.12 million compared to that of RM302.84 million recorded in the previous year. The increase of RM112.28 million or 37% was due to the increase in off take of frozen chicken meat by distributors and hypermarkets/Supermarkets nationwide. A portion of the said products sold were sourced from third parties. The downstream products made up of frankfurters, nuggets and fried chicken marketed under the NUTRIPLUS and WISE CHOICE brands continue to receive good response. This can be evidenced from the prominent displays on the shelves of all major hyper/supermarkets.



In Sabah, the Group through its 50% owned subsidiary company STF Agriculture Sdn Bhd, during the said financial year produced and sold 6.56 million kilograms of processed chicken meat compared to that of 6.47 million kilograms recorded in the previous financial year. The increase of 0.09 million kilograms was due to the higher live broilers harvested from the new farm completed in Tamparuli, Sabah. In this region, the Group only does slaughtering on its own live broilers harvested and also does trading and distribution on downstream products imported from its sister company, Lay Hong Food Corporation Sdn Bhd.

ii) Pasteurised Liquid Egg

The Group currently operates one pasteurized liquid egg plant. This plant is located in Meru, Klang and has a capacity to pasteurise up to 400 metric tonnes of customized liquid egg products per month such as egg white, yolk, whole egg, liquid egg with salt or sugar or other ingredients. Currently, approximately twenty (20) percent of the total fresh table eggs produced by the Group are pasteurised into liquid egg and sold to local industrial users and export market. During the financial year ended 31st March, 2018, this segment produced 4.76 million kilograms compared to 4.10 million kilograms in the previous year. The higher quantity was due to new orders secured from Singapore, Brunei, Vietnam and South Korea customers.



To meet rising demand especially from the confectionaries and food caterers in the Southern Region and Singapore, the Company through its fully owned subsidiary company Lay Hong Liquid Egg Sdn Bhd has acquired a newly built factory in Iskander Halal Park, Pasir Gudang, Johor, to set up its second egg processing facility. It is expected it to be fully commissioned with state of the art equipment from Denmark and will commence operation in the forthcoming financial year ending 31st March, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

D) Retail Supermarket

During the financial year ended 31st March, 2018, the Company divested thirty percent (30%) of its shareholdings to a non related party for a total consideration of RM10.75 million. No material gain or losses was crystallised as the shares was transacted based on Net Tangible Assets of the company on transaction date.

The Group currently operates seventeen (17) retail outlets and one (1) distribution centre. It has its presence in all major towns in the state of Sabah such as Kota Kinabalu, Tuaran, Papar, Tenom, Kinarut, Kota Belud, Ranau, Sipitang, Keningau, Semporna, Tamparuli, Balung, Cyber Square, Rugading, Telupid, Pitas and Tambunan. During the financial year, one (1) non performing outlet has been closed and discontinued permanently and one (1) new outlet was opened.

For the financial year ended 31st March, 2018, the retail business recorded a second year of continuing loss of RM1.56 million. The loss was attributed to continue weak consumers' spending after the government's implementation of the 6% goods service tax and minimum wage. The write off of the sunk renovation cost of the non performing outlet closed during the year also contributed to the pre-tax loss.

Following two years of continuing losses in this retail business and taking cognizance of the latest development in the online business, the Board expects the environment going forward to be challenging. However, appropriate measures will be taken and implemented to improve its performance.

(E) JOINT VENTURE WITH NH FOODS LTD, JAPAN

A joint venture company called NHF Manufacturing (Malaysia) Sdn. Bhd. has been incorporated in May 2016 and has since commenced operation. It has been capitalised at RM30.00 million, divided into 30 million ordinary shares of RM1.00 each. Lay Hong Bhd owned 49% or 14.70 million ordinary shares and is represented by two nominee directors. The other 51% is owned by the above. The entire operation is headed by a Japanese expatriate and the daily operation of the Company will be entirely managed by the Japanese team seconded from Japan. Construction of the manufacturing facility



currently located in Selangor Halal Hub, Pulau Indah is in progress and is targeted to be fully operationally by the 4th quarter of the calendar year 2018. The existing seventeen (17) Japanese chicken products already launched in the market under the NIPPON NUTRIPLUS brand, are currently manufactured in the existing Lay Hong Food Corporation Sdn Bhd premises in Tanjong Karang, Kuala Selangor. This temporary operation will be moved completely out when the new manufacturing facility capable of meeting international export standards is completed in the 4th quarter of the calendar year 2018.



MANAGEMENT DISCUSSION AND ANALYSIS

2. FINANCIAL RESULTS AND CONDITIONS

Financial

	2018 RM (Million)	2017 RM (Million)	2016 RM (Million)
Revenue	847.80	675.96	645.82
Profit Before Tax	52.22	21.94	9.94
Profit After Tax	39.84	19.41	3.82*
Total Borrowing	230.52	156.78	157.93
Shareholder Funds	317.45	276.05	241.99
Share Capital	130.11	121.75	57.75
No. of Share as at 31 March **	629.65	608.75	577.50
Net Debts-to-equity ratio	0.70	0.54	0.56
Basic Earnings Per Share (sen) ***	5.99	3.02	0.52
Net asset Per Share (RM) **	0.50	0.45	0.42

* After charging a non - cash flow item of a share based expense of RM15,093,000.

** Based on ordinary shares of RM0.20 each after adjusting for the Bonus Issues and Share Split completed in October 2016.

*** Based on weighted average number of ordinary shares of RM0.20 each after adjusting for the Bonus Issues and Share Split completed in October 2016.

Revenue for the financial year ended 31st March, 2018 recorded an increase from RM675.96 million to RM847.80 million i.e an increase of RM171.84 million or 25% year on year. The increase in revenue were primarily due to the expansion done in the layer and broiler farms both in Peninsular Malaysia and Sabah resulting in the higher quantity of eggs and chicken products being sold.

Profit before tax for the year jumped 138% from RM21.94 million in the previous year to that of RM52.22 million. The increase basically comes from the same reason as above plus the cost savings derived from the recent closure of an old large layer farm in Ijok which has been replaced by modern closed housed farms plus cost efficiencies from central grading and distribution processes and the refurbishments done in the older broiler farms in Tanjong Karang, Selangor where FCR (Feed conversion ratio) had improved.

To fund the above expansions, the Group borrowings have similarly jumped from RM156.78 million to RM230.52 million. Currently, the Group Net Debts-to-equity ratio is quite comfortable at 0.70 times.

The share capital of the Company has increased from RM121.75 million to RM130.11 million due to exercising of the outstanding warrants. The number of warrants exercised to date was 20,897,100 units. Warrants exercised after 31st March, 2018 will be recorded in the forthcoming financial year ending 31st March, 2019.

Net Assets per share attributable to the equity holders of the Company has registered an increase from RM0.45 to RM0.50.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

During the financial ended 31st March, 2018, the Group has aggressively spent RM102.49 million in capital expenditures compared to that of RM 76.77 million in the previous year. The substantial increase in capital expenditures were primarily to ram up the production of fresh table eggs and broilers to meet market demand utilising the up to date commercial farming technology with much reduced manpower. These equipments were mainly sourced from Europe and China. The funding for these expenditures was from a combination of bank borrowings, internal generated funds from profit accrued and the proceeds from warrants exercised by warrants holders.



3. ANTICIPATED OR KNOWN RISKS

3.1 Credit Risk And Default In Payment By Customers

Generally, the credit terms granted to customers ranged from 45 days to 75 days. Our customers have varying degrees of credit risk profiles which exposes the Group to the risk of slow or non-payment by them. In the event that if the customers default on their payments, our operating cash flows, financial condition and results of operation could be materially and adversely affected.

We are aware of our exposure to the above and we mitigate this by putting in place prudent credit management policies in our Group through the application of credit approvals, credit limits and monitoring procedures on an on-going basis. We perform credit evaluation on all our customers and an appropriate credit limit is then allocated to each customer based on our assessment of their risk profile. In addition, we also emphasise on close monitoring and collection of accounts on an on-going or monthly basis to minimise the risk of default.

Although there has been no material collection problem on trade receivables or material bad debts written off in the past, there is no guarantee that all our customers will be able to fulfill their debts obligation as and when the debts become due or that our Group will not encounter collection problem in the near future. Any default or delay in our collection of debts which lead to impairment loss on trade receivables or bad debts may have an impact on our financial performance.

3.2 Foreign Currencies Fluctuation Risk

The Group's major raw materials purchase such as corn and soya bean and 15% of our sales of table egg proceeds are transacted in foreign currencies such as United States of America and Singapore dollars respectively. As such, the Group is exposed to currency fluctuation risk. Any unfavorable fluctuations in foreign exchange rate may have an adverse impact on the Group's financial performance and profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group does not enter into any financial instruments to hedge against any foreign currency as the transactions are not that significant. However for purchases of corn and soya, the Group takes a three (3) to six (6) months position with the local importer who in turn took the currency risk upon himself. The Group will pay a small premium on the risk pass on to them.

Despite our effort to minimise the foreign exchange risk, there can be no assurance that any future significant fluctuations in foreign currency will not have an impact on the financial performance of our Group.

4. FORWARD LOOKING STATEMENT

The Group is an integrated poultry farmer cum food processor. This means the Group has almost everything in-house from animal feed production, breeding of both layer and broiler parent and feed stocks right up to the harvesting of table eggs / broilers to slaughtering and processing of downstream chicken products and the final distribution of all its branded products to the retail market. All the chicken products offered for sale are certified HALAL by approved authorities. The Group also converts its chicken waste to produce organic fertilizer for sale and at the same time conserve the environment.

Moving forward, to maintain its status as a leading producer of eggs and chicken products in Malaysia, the Group would continuously seek new farming and chicken processing methods to reduce cost and increase efficiencies.

The joint venture with NH Foods Ltd, Japan (the largest food processing company in Japan and 4th largest in the world) as our 21% strategic and substantial shareholder will propel the Lay Hong Berhad Group to grow faster both on the domestic front as well as in the “HALAL” international markets.

In view of the above strategic plans put in place plus the alliance with the largest food processing company in Japan, our Directors believe that the prospect of the Group going forward will be bright.

5. DIVIDEND

The Company's Directors would take the following factors into consideration before recommending for dividend payment:

- The financial results of the Group for the financial year.
- The required and expected interest expenses, tax payment, cash flow, and retained earnings.
- The Group projected levels of capital expenditure and other investment plans if any.
- The prevailing interest rate.
- The debt / equity ratio of the Group
- Maintaining of adequate reserves for the further growth of the Group.

After considering the above, the Board of Directors hereby proposed a first and final dividend of 0.5 sen per share for the financial year ended 31st March, 2018. This proposal is pending shareholders' approval at the forthcoming Annual General Meeting of the Company.

Profile of Directors

YAP HOONG CHAI

EXECUTIVE CHAIRMAN
MALAYSIAN, AGED 68, MALE

is a founder member of the Lay Hong Berhad Group. He was appointed to the Board of Directors (“Board”) of the Company on 27 September 1983 and is also a member of the Remuneration Committee. Under his stewardship for the past 35 years, the Group has grown from a small family business into one of Malaysia’s largest and most successful integrated poultry farming and food processing industry. He also sits on the Board of several private limited companies. He has served as a Past President of the Selangor Livestock Association, Egg Division and also the Past Chairman – Layer unit of Federation of Livestock Farmers’ Associations of Malaysia (“FLFAM”). He is the brother of Mr Yeap Weng Hong and Mr Yeap Fock Hoong, and the father of Mr Yap Chor How, who are also Directors of the Company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM150,000 for breaching regulations regarding the company’s response to unusual market activity queries on 2 November 2015 and 19 January 2016. He holds 6,000,000 ordinary shares and 3,000,000 warrants in the Company. He is a director and shareholder in Innofarm Sdn Bhd which is a substantial shareholder of the Company and Mackan Holdings Sdn Bhd which is a major shareholder of certain subsidiary companies of the Group. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself. He has attended all five (5) Board Meetings held during the financial year.

YEAP WENG HONG

EXECUTIVE DIRECTOR
MALAYSIAN, AGED 60, MALE

He was appointed to the Board of the Company on 18 April 1986. He has more than 30 years experience in poultry farming and is currently in-charge of the Group’s farm activities and new projects in West Malaysia. He also sits on the Board of several private limited companies. He is the brother of Mr Yap Hoong Chai and Mr Yeap Fock Hoong, who are also Directors of the Company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM100,000 for breaching regulations regarding the company’s response to unusual market activity queries on 2 November 2015 and 19 January 2016. He holds 4,072,000 ordinary shares and 2,036,000 warrants in the Company. He is a director and shareholder of Mackan Holdings Sdn Bhd which is a major shareholder of certain subsidiary companies of the Group. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself. He has attended all five (5) Board Meetings held during the financial year. He is also appointed as Non Independent and Non Executive Director in PanPages Berhad since October 2017.

YAP CHOR HOW

EXECUTIVE DIRECTOR
MALAYSIAN, AGED 41, MALE

He graduated from University of Melbourne majoring in B.Com (Honours). He joined the Company in 2002 as a Production Executive. In 2005 he was designated to Marketing Director in charge of Nutriplus Egg Division in branding and marketing activities. Nutriplus egg under his supervision flourished to become the leading brand in the market. He has created a strong sales team for the company and currently expanding his role to create channels for our products. On 3 October 2013, he was appointed as an Executive Director of the Company. He started the operations of G-Mart Borneo Retail in 2009 and further expanded the number of stores from initial nine (9) to the present seventeen (17) all over Sabah. With his knowledge in manufacturing, marketing and retailing, he was seconded to be the Chief Executive Officer of this retail business. He is the eldest son of Mr Yap Hoong Chai, the major shareholder and Executive Director and a nephew to Mr Yeap Fock Hoong and Mr Yeap Weng Hong who are presently Directors of the Board of the Company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM150,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He holds 4,597,000 ordinary shares and 2,298,500 warrants in the Company. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself. He has attended all five (5) Board Meetings held during the financial year. He is also serving as an Executive Director in PanPages Berhad since July 2017.

NG KIM TIAN

EXECUTIVE DIRECTOR
MALAYSIAN, AGED 64, MALE

He is a certified public accountant by training and joined the Company on 1 September 2000 as a General Manager. He was re-designated as Finance Director in year 2002 and is currently responsible for the Group's corporate services function inter-alia, treasury, accounting, finance, human resources, and information technology. He was appointed an Executive Director on 3 October 2013. Prior to joining the Company, he was the Chief Financial Officer of a diversified public listed group that has three listed companies in their stable namely Olympia Industries Bhd, Duta Land Berhad (previously known as Mycom Berhad) and Ayer Itam Tin Berhad. From 1986 to 1994, he served as a Group Financial Controller in Lion Land Berhad. From 1976 to 1994, he has served in various capacities in the field of auditing and finance. He started his initial career as an Audit Trainee with an accounting practice. He is not connected with any of the existing controlling or substantial shareholders or directors of the company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM150,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He has no family relationship with any director and/or major shareholders. He does not hold any shares directly in the Company. He has attended all five (5) Board Meetings held during the financial year.

PROFILE OF DIRECTORS

YEAP FOCK HOONG

**NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR**
SINGAPOREAN, AGED 64, MALE

He was appointed to the Board of the Company on 18 January 1994. He has been a commercial airline pilot since 1973 and is currently flying on the B747. He served as an instructor and management roles in the airline. He also sits on the Board of Directors of several private limited companies. He is the brother of Mr Yap Hoong Chai and Mr Yeap Weng Hong, who are also Directors of the Company. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM50,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He holds 120,000 ordinary shares and 60,000 warrants in the Company. He is also a director and shareholder of Mackan Holdings Sdn Bhd which is a major shareholder of certain subsidiary company of the Group. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself. He has attended all five (5) Board Meetings held during the financial year.

GAN LIAN PENG

**INDEPENDENT
NON-EXECUTIVE DIRECTOR**
MALAYSIAN, AGED 67, MALE

He was appointed to the Board of the Company on 3 October, 2013. He was appointed Chairman of Audit Committee on 25 November 2013, Chairman of Remuneration Committee on 26 May 2014 and also Chairman of the Nominating Committee appointed on 15 June 2017. He is a Fellow of the Chartered Association of Certified Accountants, Associate Member of the Institute of Chartered Secretaries and Administrators and Member of the Malaysian Institute of Accountants. He served in various capacities in the auditing, hire purchase and leasing industries. He was Accounts and Administration Manager of a subsidiary of Inchcape Group and Accountant/Credit Control Manager of Tractors Malaysia Berhad. From 1998 to 2001, he was Branch Manager of Asia Commercial Finance Berhad and subsequently as Branch Manager of Affin Bank. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM50,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company. He has attended all five (5) Board Meetings held during the financial year.

TAN CHEE HAU

**INDEPENDENT
NON-EXECUTIVE DIRECTOR**
MALAYSIAN, AGED 50, MALE

He was appointed to the Board of the Company on 15 June 2017. He graduated from RMIT University, Melbourne, Australia with a Bachelor of Business (Accountancy & Finance) with Distinction in 1991, and obtained his Chartered Accountant (CA) membership and Certified Practising Accountant (CPA) membership from Malaysian Institute of Accountants (MIA) and CPA Australia respectively in 1995. He has more than 25 years of experience in Corporate and Debt Restructuring, Corporate Finance, Private Equity and Accounting, and has worked for many companies/firms including as Director & Co-Head of Corporate Finance of an Investment Bank, Head of Corporate Finance in several listed and private companies, Investment Director in a Private Equity company, and Auditor in an International Accounting Firm. He has advised many companies on listings, restructuring, mergers and acquisitions, equity and debt issuance, fund raising, etc. He is presently involved in corporate finance advisory works and held directorships in several private companies. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company. Since his appointment, he has attended four (4) Board Meetings held during the financial year.

TAN OOI JIN

**INDEPENDENT
NON-EXECUTIVE DIRECTOR**
MALAYSIAN, AGED 43, MALE

He was appointed to the Board of the Company on 27 January, 2015. He is a lawyer by qualification and holds a Second Class Honours LLB Bachelor of Laws degree from the University of Newcastle-upon-Tyne, UK and during his years of practice, he focused on the areas of Corporate & Securities and ICT. A former ASEAN scholar, he started his legal career in a medium-sized firm with an international affiliation focusing on Corporate & Securities and ICT. He also advised the Technopreneurs Association of Malaysia (TeAM) and its members including its council members on legal issues and strategy. He was also part of a group of industry leaders which incorporated the National Incubators Network Association (NINA). He currently sits on the Board of Trustees of the 1Utopia Foundation which aims to generate donations whether in cash or in forms of ICT equipment and gadgets to orphanages, schools and underprivileged children. During his tenure as a practitioner, he has advised on various corporate and commercial transactions especially cross border ones and he has also advised the listing of various companies in Malaysia as well as overseas including London, Hong Kong and Singapore and is constantly consulted to assist public-listed companies to recover and unlock their intrinsic value so as to enhance shareholders' investments. He currently sits on the board of a private company involved in circuit manufacturing and whose ultimate holding company is listed on the NASDAQ and is also the Executive Chairman of the Board of Directors of SKH Consortium Berhad. He also holds directorship in Sterling Progress Berhad and Executive Director of Spring Gallery Berhad. He had been publicly reprimanded by Bursa Malaysia Securities Berhad on 20 June 2017 and fined RM50,000 for breaching regulations regarding the company's response to unusual market activity queries on 2 November 2015 and 19 January 2016. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company. He has attended four (4) Board Meetings held during the financial year.

PROFILE OF DIRECTORS

GAKU OKADA

**NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR**
JAPANESE, AGED 50, MALE

He graduated from University of Hosei, Japan with Bachelor of law. He was appointed to the Board of the Company on 1 April 2018. He joined NH Foods Ltd, Japan as Factory Management in year 1991. In year 1999, he worked as Factory Management in NH Foods group in Thailand and promoted to Plant Manager in year 2014. He is currently a Director of NH Group's companies in Thailand, Singapore and some other countries. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company. As he was appointed as Director on 1 April 2018, he has not attended any Board Meeting held during the financial year.

RYUICHI NITTA

**ALTERNATE DIRECTOR TO
MR GAKU OKADA**
JAPANESE, AGED 54, MALE

He graduated from Meiji University School of Agriculture with Bachelor of Agriculture. He was appointed as Alternate Director to Mr Gaku Okada (Non-Independent Non-Executive Director) on 1 April 2018. He was previously an alternate director to Mr Hideki Fujii (ceased from Board on 1 April 2018). He has been consistently engaged in product development at key development functions in Product Development Department and Deli Processed Food Division in NH Foods Ltd., Tokyo and Osaka. And he has been the Managing Director of Thai Nippon Foods Co., Ltd, Thailand a wholly-owned subsidiary of NH Foods Ltd. for 13 years. Currently he is the Chief Executive Officer of NHF Manufacturing (Malaysia) Sdn. Bhd. which is the joint venture company between NH Foods Ltd. and the Company. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in the Company. As he was appointed as Alternate Director on 1 April 2018, he has not attended any Board Meeting held during the financial year.

Profile of Key Senior Management

YAP CHOR WEN

DIRECTOR OF OPERATION/LAY HONG
FOOD CORPORATION SDN BHD
MALAYSIAN/MALE/38

Date of Appointment

- 24 January 2005

Academic/Professional Qualifications

- Bachelor of Science (University of Melbourne, Australia)
- Bachelor of Commerce (University of Melbourne, Australia)

Working Experience

- 2004 – Joined Optus (telco) as Sales & Marketing Trainee
- 2005 – Joined Lay Hong Bhd as Management Trainee
- 2006 – Promoted to Production Manager
- 2009 – Promoted to Operation Manager
- 2011 – Promoted to Head of Operation
- 2015 – Promoted to Director of Operation

Present Directorship

- Listed Entity : Nil
- Other Public Companies : Nil

BONG KIM FUI

GENERAL MANAGER, OPERATIONS/
STF AGRICULTURE SDN BHD
MALAYSIAN/FEMALE/42

Date of Appointment

- 06 October 2003

Academic/Professional Qualifications

- Bachelor In Accountancy (University of Otago, New Zealand)
- Member of Malaysia Institute of Accountant (MIA)

Working Experience

- 1997 – Joined Law & Co as Auditor
- 2001 – Joined Brake Master Industries Sdn Bhd as Accounts Executive
- 2003 – Joined Sri Tawau Farming Sdn Bhd as Accountant
- 2006 – Re-designated to Finance & Administration Manager
- 2009 – Promoted to Operation Manager in STF Agriculture Sdn Bhd
- 2012 – Promoted to General Manager, Operations

Present Directorship

- Listed Entity : Nil
- Other Public Companies : Nil

WONG YEN TIEN

GENERAL MANAGER, OPERATIONS/
G-MART BORNEO RETAIL SDN BHD
MALAYSIAN/MALE/50

Date of Appointment

- 01 August 2014

Academic/Professional Qualifications

Diploma in Retail

Working Experience

- 2003 – Joined Lotus Shanghai as Asst. Operation Head
- 2006 – Joined Giant Retail Sdn Bhd as Senior Manager
- 2014 – Joined ST Food Sdn Bhd as Senior Manager, Operations – 99 Wholesales Business, Sabah
- 2016 – Transferred to G-mart Borneo Retail Sdn Bhd and promoted as General Manager, Operations

Present Directorship

- Listed Entity : Nil
- Other Public Companies : Nil

PROFILE OF KEY SENIOR MANAGEMENT

CHANG SIEW WAH

SENIOR MANAGER - PRODUCTION
(SABAH)/STF AGRICULTURE SDN BHD
MALAYSIAN/MALE/72

Date of Appointment

- 01 October 2004

Academic/Professional Qualifications

- Master of Science Agriculture -
Major in Animal Nutritions and
Biochemistry
- Govind Ballabh Pant University
Of Agriculture & Technology,
India

Working Experience

- 1986 - Joined Teck Guan
Plantations
- 1984 - Joined Desa Intergrated
Food Industries Sdn Bhd
- 2003 - Joined Eng Peng Poultry
Farm Sdn Bhd
- 2004 - Joined Sri Tawau Farming
S/B as Senior Manager -
Production (Sabah)
- 2006 - Transferred to STF
Agriculture S/B as Senior
Manager - Production (Sabah)

Present Directorship

- Listed Entity : Nil
- Other Public Companies : Nil

ONG YONG THYE

SENIOR MANAGER - PURCHASING &
FEEDMILL/LAY HONG BHD
MALAYSIAN/MALE/55

Date of Appointment

- 15 October 1990

Academic/Professional Qualifications

- The Association of Accounting
Technicians
- The Chartered Association of
Certified Accountants
- The Association of International
Accountants

Working Experience

- 1989 - Joined Sri Ternak Wilayah
Sdn. Bhd. as Accounts
Supervisor
- 1990 - Joined Lay Hong Sdn.
Bhd. as Assistant Accountant
- 1997 - Redesignated to
Manager - Purchasing
- 2004 - Promoted to Senior
Manager - Purchasing & Feedmill

Present Directorship

- Listed Entity : Nil
- Other Public Companies : Nil

An illustration of two hands, one from the top right and one from the bottom left, holding a red triangle and a square. The top hand is holding the red triangle, and the bottom hand is holding a square. The hands are rendered in a realistic style with shading and texture. The background is a light, textured grey.

INTEGRATING **INNOVATION**

Our close collaboration with our Japanese strategic partner has yielded positive results. The introduction of unique products with a Japanese flair has reinvigorated our sales performance and paved the way for greater innovation.

Sustainability Statement

INTRODUCTION

This is Lay Hong Berhad's ("Lay Hong" or the "Company") first Sustainability Statement for the financial year ended 31 March 2018. The Board of Directors ("Board") of Lay Hong is committed to continuously update the sustainability progress and engage openly with the Company and its subsidiaries' (the "Group") stakeholders through transparent sustainability reporting. The Group recognises that stakeholder engagement plays an important role to ensure the businesses pursued by the Group is sustainable in the long term. Through Sustainability Statement, the Group provides the stakeholders a better understanding on the Group's approach to sustainability and progress in meeting these commitments.

The Board acknowledges that businesses are not judged solely on its financial performance but also, on its conducts in respect of governance, economic, environment and social aspects in order to sustain in this challenging environment and to create value for its stakeholders on long term sustainable manner. It is, therefore, the Group's fundamental objective to achieve optimum equilibrium between short-term financial performance and its long-term business sustainability and value creation. The Board is committed to promote good sustainability practices and to continuously integrate such practices into its working environment, business processes and strategy making process. As such, the Group is committed to be accountable and transparent in its sustainability performance.

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, the Group's sustainability practices are to ensure that economic, environmental and social risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behaviour to be judged and measured by the public.

SUSTAINABILITY GOVERNANCE & POLICY

The responsibility to promote and embed sustainability practices in the Group lies with the Board and Management. This responsibility includes overseeing the following:

- Stakeholders engagement
- Materiality assessment and identification of sustainability risks and opportunities
- Management of material sustainability risks and opportunities

In the longer term, we will consider the setting-up of a governance structure that will enable the incorporation of the responsibilities for sustainability into the day-to-day operations and further, a materiality assessment and improvement gauge to monitor.

MATERIAL SUSTAINABILITY

Economic

Our shareholders are the ultimate owners of the Group and as such, they are entitled to timely and quality information on the Group's financial performance and position. Apart from the Annual General Meeting where shareholders are encouraged to ask questions to the Board and Executive Management on business operations, and the financial performance and position of the Group, the Group's corporate website at www.layhong.com.my also provide a link on investor relations where quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis when available. The Group is committed to see that not only our shareholders' interests are taken care of but also those of our customers and suppliers.

The Group is in compliance with all relevant laws and regulations governing food safety and quality, including Skim Akriditasi Ladang Ternakan (SALT or Good Farm Practices Scheme) certification for layer and broiler farms, Veterinary Health Mark ("VHM") certification for chilled/frozen chicken, frankfurters & liquid egg, Hazard Analysis and Critical Control Point ("HACCP") certification for liquid egg processing, HALAL certification for chilled chicken, frankfurters, liquid egg & nuggets and Good Manufacturing Practices ("GMP") certification for feedmill. Our high-tech air-chilled chicken processing facilities reduce the hazard of cross contamination and ensure the highest quality chicken products for the consumers.



▼ Sales and marketing of NutriPlus chicken eggs

► Sales and marketing of chicken eggs, chicken cut parts, chicken nuggets, frankfurters and fried chicken

The future and hope for sustainability is the use of new technologies to make business and society more sustainable and in that regard we will endeavor to keep abreast of more technological and bio-technological advances and innovations in the fields of renewable energy, greening, materials, intelligence and electronic systems, transport and food science. We also recognize the need for more bright young people with expertise that can make strong contributions towards sustainable development.

Environment

The Group has in place proper waste treatment facilities at its chicken processing plants to prevent environmental contamination from its production effluents. Wastes from the poultry rearing activity are also recycled into organic fertilisers for use in the agriculture industry, thus reducing environmental contamination and contributing to lesser use of chemical fertilisers. In addition, the Group uses recycled waste paper as raw materials for the paper egg containers used in transporting egg products.

SUSTAINABILITY STATEMENT

Social

We believe in harvesting and nurturing local talent and there is currently more than 1,850 local employees of diverse nationalities for both Peninsular and East Malaysia operations. In addition to sourcing skills and talents from the local pool, We also strive to provide employment opportunities to females. Those in the senior bracket are also not forgotten – approximately 1.7% of the Group's workforce is over the age of 60. In developing and growing our talent pool, we regularly conduct periodical training in poultry farming practices and workplace safety and health. Moreover, we endeavour to embed the high standards required to enhance work quality and to achieve outstanding job performance. We also focus on on-job-training. Initiatives are also taken to actively engage our workplace in curbing farms/plants injuries and to ensure stringent compliance with existing environmental health and safety regulations in all our operations.



At Lay Hong, our male to female employees ratio shows a healthy distribution of 1:1. Our total staff strength as at 31 March 2018 stands at 2,419.

Apart from safety, promoting good health and motivation is an essential part of the Group's responsibility to our employees. Training programs for skill development and improvement are conducted for our employees so that they can execute their roles and responsibilities efficiently as well as for their personal career development. We will continue to focus on human capital development to nurture our employees to their full potential as they are our greatest asset. Every employee is given equal opportunity to rise up in their careers through hard work and dedication. We also place great importance on hiring the right candidate for the right job. As part of our succession planning, we focus continuously on attracting quality talents who best fit our job requirements and complement our work culture.

Donations were made to needy community organisations and institutions, including the Kiwanis Down Syndrome Foundation and Selangor Dayspring Society for Persons with Learning Difficulties. The Group further embarked on a programme partnering with Budhixin Charity Association, Sin Chew Media Corporation and Guang Ming Daily to visit selected needy elderly homes from July to December 2017. Our employees participated in these monthly visits spending fruitful time and providing food and care for the elderly. The objective was to create awareness amongst the elderly in maintaining a healthy lifestyle and to promote awareness on the importance of being relevant and useful society.

The Group's continuing efforts to be a socially conscious corporate citizen, the Group has widened its community services to include contributions to schools in Kuala Selangor and Klang and participated in Sin Chew E-Paper campaign for 113 Chinese Schools in Selangor.



OUR COMMITMENT

As a responsible corporate citizen, we shall persevere to undertake sustainable and responsible practices to add value to sustainable business growth and environmental stewardship.

Corporate Governance Overview Statement

The Board of Directors (“Board”) presents this Statement to provide shareholders and investors with an overview of the application of the Principles set out in the Malaysian Code on Corporate Governance (“MCCG”) by Lay Hong Berhad (“Lay Hong” or the “Company”) and its subsidiaries (the “Group”) and should be read together with the Corporate Governance Report 2017 of Lay Hong (“CG Report”) which accompanies this Annual Report and is also available on Lay Hong’s website at www.layhong.com.my (“Lay Hong’s Website”).

The CG Report provides the details on how Lay Hong has applied each Practice as set out in the MCCG during the financial year ended 31 March 2018 (“FYE 2018”).

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(a) BOARD RESPONSIBILITIES

The roles and responsibilities of the Board and Management, the Board Committees and the individual Directors are set out in the Board Charter which is accessible through Lay Hong’s Website. The Board Charter will be reviewed on an annual basis or more frequently if necessary.

It is the primary governance responsibility of the Board to provide stewardship and directions for the management of the Group. The Board’s responsibilities in respect of the stewardship of the Company include review and approve strategic plans and key business initiatives, corporate governance and internal control frameworks and promote a sound corporate culture which reinforces ethical, prudent and professional behaviour. While the Board sets the platform of strategic planning and policies, the Executive Directors are responsible for implementing the operational and corporate decisions while the Independent Non-Executive Directors ensure corporate accountability by providing unbiased and independent views, advice and judgement and challenging the Management’s assumptions and projections in safeguarding the interests of shareholders and investors.

The Board has defined the roles and responsibilities for its Directors. In discharging their fiduciary responsibilities, the Directors deliberate and review the financial performance, the execution of strategic plans, the principal risks faced and the effectiveness of management mitigation plans, the appraisal of Executive Management and Senior Management, succession plan as well as the integrity of management information and systems of internal control of the Group.

The day-to-day management of the business operations of Lay Hong is led by the Executive Directors and a team of Key Senior Management. The Board is constantly updated the team on the implementation of all business and operational initiatives and significant operational and regulatory challenges faced.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is lead by the Executive Chairman one of the founding members of the Group and with his extensive experience in the business and operations of the Group, he able to ensure the effective functioning of the Board. The roles of the Chairman is defined and set out in the Board Charter and is further explained in the CG Report.

The Chairman facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Board members and between Board and Management. The Board has well-defined descriptions for responsibilities of the Board Chairman, Executive Directors and the individual Board Members. The roles and responsibilities of the Chief Financial Officer is currently carried out by the Executive Director in charge of the Group's corporate services function inter-alia, treasury, accounting, finance, human resources, and information technology.

In furtherance of the above and to ensure orderly and effective discharge of its functions and responsibilities, the Board has established the following Board committees:

- Audit Committee ("AC")
- Nomination Committee ("NC")
- Remuneration Committee ("RC")
- Employees' Share Options Scheme Committee

The Board has defined the terms of reference for each Committee and the Chairman of these respective committees report and update the Board on significant matters and salient matters deliberated in the Committees.

The Board is supported by two (2) External Company Secretaries. Both Company Secretaries of Lay Hong are qualified to act as Company Secretary under Section 235 of the Companies Act 2016, of which one is a Fellow Member and the other, an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators. The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's constitution, Board's policies and procedures as well as compliance with all regulatory requirements, codes, guidance and legislation.

Continuous training is vital for the Directors in discharging their duties effectively. All Directors are encouraged to attend appropriate external training programmes to gain insight and keep abreast with developments and issues relevant to the Group's business, especially in the areas of corporate governance and regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The external training programmes, seminars and/or conferences attended by the Directors in office at the end of FYE 2018 were as follows:

No.	Name	Training Programmes/Seminars/Conferences
1.	Yap Hoong Chai	- 7 th Indian River Asia Association Meeting, Hong Kong (15-18 October 2017)
2.	Yeap Weng Hong	NIL
3.	Yap Chor How	- 7 th Indian River Asia Association Meeting, Hong Kong (15-18 October 2017)
4.	Ng Kim Tian	- Advocacy Session on Corporate Disclosure, KL (27 September 2017) - Corporate Governance Briefing Sessions : MCCG Reporting & CG Guide, KL (15 March 2018)
5.	Yeap Fock Hoong	- Day-Old-Chick Quality Symposium 2017, Thailand (4-8 July 2017) - Layer Management and Nutrition Symposium 2017, Penang (1-4 August 2017) - Asia Pacific Poultry Conference 2018, Bangkok (26-27 March 2018)
6.	Gan Liang Peng	- Advocacy Session on Corporate Disclosure, KL (27 September 2017) - Corporate Governance Briefing Sessions : MCCG Reporting & CG Guide, KL (15 March 2018)
7.	Tan Ooi Jin	NIL
8.	Tan Chee Hau	- Embedding Sustainability Reporting into Risk Management Framework by Protiviti Singapore & Baker Tilly, KL (15 August 2017) - Director's Mandatory Accreditation Programme (MAP) by Bursa Malaysia, KL (25 September 2017) - Market Outlook Q4 2017 & Beyond by CIMB Securities, KL (7 October 2017) - 2017 Business and Tax Seminar by Baker Tilly, KL (9 November 2017) - National Automotive Policy 2018 Briefing by Malaysia International Trade and Industry (MITI) and Malaysia Automotive Institute (MAI), KL (28 February 2018) - Trade Finance in the New Era Seminar by Alliance Bank, KL (12 April 2018)
9.	Gaku Okada	- Mandatory Accreditation Programme, KL (3-4 September 2018)
10.	Ryuichi Nitta	- Roundtable Session of Halal Industry held by MITI & HDC, KL (5 May 2017) - Study Group for "Attitude of president part 1" & Seminar of "Efforts of strategic CSR" (15 January 2018) - Exhibition of NH Foods group (16-17 January 2018) - Study Group for "Attitude of president part 2" (27 March 2018)

The Board (via the NC and with assistance of the Company Secretary) continuously evaluate and determine the training needs of the Directors to build their knowledge so that they can be up-to-date with the development of the Group's business and industry that may affect their roles and responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(b) BOARD COMPOSITION

Lay Hong is led and managed by a diverse and experienced Board of Directors with a mix of suitably qualified and experienced professionals that are relevant to the business to carry out its responsibilities in an effective and competent manner.

The current Board is drawn from different ethnic, cultural and socio-economic backgrounds and their ages range from 41 to 68 years to ensure that diverse viewpoints are considered in the decision making process.

The profile of each Director is set out in pages 14 to 18 of this Annual Report.

The Board currently has nine members including three Independent Directors. The Board takes cognizance of the recommendation that at least half of the Board comprise of independent directors and although the Board has not made any decision at this juncture, going forward, the Board will review and deliberate on the merits of the recommendation vis a vis, the Group's size, structure and dynamics during the coming financial year.

During the FYE 2018, the Board through its NC conducted an annual review of the Board's size, composition and balance and concluded that the Board's dynamics are healthy and effective. The present members of the Board possess the appropriate skills, experience and qualities to steer the Group forward. The NC is also satisfied that the existing structure, size, composition, current mix of skills, competence, knowledge, experience and qualities of the existing Board members are appropriate to enable the Board to carry out its responsibilities effectively. The Board will continue to monitor and review the Board size and composition and will nominate new members as and when the need arises.

The Board has also adopted the best practices for assessing the independence of Independent Directors annually and the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. When the Board retains an Independent Director who has served in that capacity for more than nine (9) years, the Board would justify its decision and seek shareholders' approval. The re-election of Directors provides an opportunity for shareholders to renew their mandate conferred to the Directors. The Constitution of the Company provides that all directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire but shall be eligible to offer themselves for re-election at the Annual General Meeting ("AGM"). The above provisions are adhered to by the Board at every AGM.

At the forthcoming 2018 AGM, Mr Yap Chor How, Mr Ng Kim Tian and Mr Yeap Fock Hoong are due to retire by rotation under Article 71 of the Articles of Association and being eligible have offered themselves for re-election. Mr Gaku Okada is due to retire by rotation under Article 72 of the Articles of Association and being eligible has offered himself for re-election. Following the NC's review on the performance of the five Directors and having noted their significant and valued contributions to the Board, the NC has recommended their re-election to the Board and the Board has concurred with such recommendation and is recommending that shareholders re-elect the said Directors at the forthcoming 2018 AGM.

(c) REMUNERATION

The Board (via the RC) will ensure that the Group's levels of remuneration commensurate with the skills and responsibilities expected of Senior Management as well as the Directors and that it must be sufficient to attract and retain talent needed to run the Group successfully. The Board, as a whole, determines the remuneration of the Directors and each individual Director is required to abstain from discussing his/her own remuneration.

The RC is guided by market norms and industry practices when making recommendations for the compensation and benefits of Directors and Senior Management. The RC's recommended remuneration for Directors and Senior Management is subject to the Board's approval as it is the ultimate responsibility of the Board to approve the remuneration of the Directors and Senior Management.

In relation to the fees and allowances for the Non-Executive Directors, it will be presented at the AGM for shareholders' approval.

The Board decided to disclose the remuneration of Directors in bands instead of on a named basis pursuant to the Main Market Listing Requirements of Bursa Securities. The Board is of the opinion that detailed disclosure of individual Director's remuneration will not have a significant effect on the stakeholders' evaluation of the Group's governance.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(a) AUDIT COMMITTEE

The AC currently comprises of three members, all of whom are Independent Directors. The AC Chairman is Mr Gan Lian Peng. Although none of the current members of the AC is a former key audit partner involved in auditing the Group, the Group does not have the policy as stipulated in Practice 8.2 that the said key audit partner observed a cooling-off period of at least two years before being appointed a member of the AC. Nevertheless, the Board shall incorporate the said policy into the terms of reference of the AC in 2018.

The AC has policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors.

Prior to the commencement of the annual audit, the AC will seek confirmation from the external auditors as to their independence. This confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the Independence Guidelines of the Malaysian Institute of Accountants.

Further details on the work performed by AC in furtherance of its oversight role are set out in the AC Report on page 31 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(b) RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

During FYE 2018, the Board and AC were assisted by the Executive Directors and its Finance Department to maintain its risk management system, which is reviewed and updated constantly to safeguard shareholders' investments and the Group's assets.

The Group's internal audit function has been outsourced to an external consultant which reports directly to the AC.

The internal audit function currently reviews and appraises the risk management and internal control processes of the Group. The Statement on Risk Management and Internal Control set out on page 36 of this Annual Report provides an overview of the Group's approach to ensure the effectiveness of the risk management and internal processes within the Group.

Going forward, the Board has restructured its risk management and internal control processes with the establishment of the AC.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(a) COMMUNICATION WITH STAKEHOLDERS

Lay Hong is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis.

(b) CONDUCT OF GENERAL MEETINGS

As stated earlier, the Board recognises the importance of communications with its shareholders and will take additional measures to encourage shareholders' participation at general meetings as recommended by the MCCG.

This includes the Chairman highlighting to shareholders and proxy holders, their right to speak up at general meetings, the conduct of poll voting for all resolutions tabled at general meetings and a review of the performance of the Group during the AGMs.

To ensure effective participation of and engagement with shareholders at the AGM in 2017, all Directors, including members of AC, NC and RC, attended and participated in said AGM.

In line with the best CG practice, the Notice of the 34th AGM and Annual Report are sent out to shareholders at least 28 days before the date of the meeting to allow sufficient time for shareholders to consider the proposed resolutions to be tabled at the AGM.

This CG Overview Statement was approved by the Board of Directors of the Company on 25 June 2018.

Audit Committee Report

MEMBERS OF AUDIT COMMITTEE

The Audit Committee (“AC” or the “Committee”) of Lay Hong Berhad (“Lay Hong” or the “Company”) is comprised wholly of Non-Executive Directors as follows:

Gan Lian Peng

Chairman, *Independent Non-Executive Director*

Tan Ooi Jin

Member, *Independent Non-Executive Director*

Tan Chee Hau

Member, *Independent Non-Executive Director*

Mr Gan Lian Peng is a member of the Malaysian Institute of Accountants.

Mr Gan Lian Peng meets the requirement of Paragraph 15.09 (1)(c)(i) of Main Market Listing Requirements in that he is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

SECRETARY

The secretary to the AC are the Company Secretary of the Company.

TERMS OF REFERENCE

The AC has discharged its function and carried out its duties as set out in the Terms of Reference (“TOR”).

The detailed TOR of the AC outlining the composition, duties and functions, authority and procedures of the AC are published and available on the Company’s website at www.layhong.com.my.

AUDIT COMMITTEE REPORT

MEETINGS AND MINUTES

Attendance at Meetings

The record of attendance of the members of the AC for meetings held during the financial year ended 31 March 2018 (“FYE 2018”) are as follows:

AC Member	Designation	Number of Committee Meetings held during directors’ tenure of office	Number of Committee Meetings attended
Gan Lian Peng	Independent Non-Executive Director	5	5
Tan Ooi Jin	Independent Non-Executive Director	5	4
Tan Chee Hau	Independent Non-Executive Director	4	4

The quorum of the meeting is two (2).

Meetings

The AC will meet at least four (4) times a year although additional meetings may be called at any time at the discretion of the Committee. The record of attendance of the members of the AC is shown above.

The meetings are pre-scheduled and are timed just before the Company’s Board of Directors’ (“Board”) meetings. The Agenda carries matters that need to be deliberated, reviewed or decided on and reported to the Board. Notices and AC papers are circulated to all members prior to the meeting with sufficient time allocated for them to prepare themselves for deliberation on the matters being raised.

If the need arises, the Chairman has the discretion to call for the attendance of Management, internal auditors and external auditors during such meetings.

During its AC meetings, the AC shall review the risk management and internal control processes, the Interim and Year-end Financial Report, the Internal and External Audit Plans and Reports, Related Party Transactions/Recurrent Related Party Transactions (“RRPT”), and all other areas within the scope of responsibilities of the AC under its TOR.

Minutes

The Company Secretary shall be the Secretary of the AC which shall provide the necessary administrative and secretarial services for the effective functioning of the Committee. The minutes of the meetings are circulated to the Committee and to all members of the Board.

SUMMARY OF ACTIVITIES

In respect of the FYE 2018, the AC in discharging its duties and functions carried out activities which are summarised broadly as follows:

a) Internal Audit

The AC is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the systems of internal control.

The Company engaged Messrs. Bridge Corporate Advisory Sdn Bhd (“Bridge Corporate”) as outsources Internal Auditors to carry out the internal audit function of the Company and its subsidiaries (“Group”) for the FYE 2018.

The internal auditor reports directly to the AC on a quarterly basis by presenting its Internal Audit Reports during the AC meetings, whereby relevant issues identified in the Internal Audit Reports will be discussed with the Management in the meeting. Rectification work, if necessary will be performed and follow-up will be carried out by internal auditor for the purpose of reporting at the subsequent AC meeting.

On 29 May 2017, Bridge Corporate tabled a report for AC’s review covering the latest audit review of JT Trading Sdn Bhd in respect of sales & cash handling management and inventory & stock management.

On 28 August 2017, Bridge Corporate tabled a report for AC’s review covering the latest audit review of Lay Hong Food Corporation Sdn Bhd in respect of production variance of primary processing.

The reports outlined the audit objective, scope of work, timeline, summary of tests and results, summary of effective controls, summary list of finding, detail findings together with the Internal Auditors’ recommendations and the Management’s response.

FYE 2018, the cost incurred for internal audit function was RM 32,175.

b) Financial Reporting

In overseeing and discharging its responsibilities in respect of financial reporting, the AC:

- i. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The 1st, 2nd, 3rd and 4th Quarter Interim Financial Reports were tabled at the AC meetings held on 28 August 2017, 14 November 2017, 26 February 2018 and 28 May 2018;
- ii. Ensured the quarterly reports and Audited Financial Statements (“AFS”) were prepared in compliance with applicable Financial Reporting Standards (“FRSs”) in Malaysia and the Requirements of the Companies Act 2016 Malaysia while the quarterly reports took into consideration Paragraph 9.22 including Appendix 9B of the Listing Requirements;

Reviewed the various Board’s Policies and Procedures, Board Charter, procedures for RRPT;

AUDIT COMMITTEE REPORT

- iii. Reviewed the External Auditors' Audit Plan ("Audit Plan") for the FYE 2018 which covered the engagement and reporting requirements, audit approach, areas of audit emphasis, significant events during the financial year, communication with the management, engagement team, the reporting and deliverables as well as the proposed audit fees;
- iv. Reviewed the External Auditors' audit findings and recommendations and the AFS for the FYE 2018 on 25 June 2018;
- v. Reviewed proposed renewal of shareholders' mandate for RRPT entered into by the Company and its subsidiaries during its AC meetings on 25 June 2018;
- vi. Considered the performance of External Auditors, reviewed the independence of External Auditors and recommended to the Board for re-appointment;
- vii. To ensure the integrity of the financial information, received assurance from the Executive Directors and Executive Director in charge of Finance, that:-
 - Appropriate accounting policies had been adopted and applied consistently;
 - The going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
 - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the FRSs;
 - Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under FRSs and Listing Requirements; and
 - The consolidated AFS and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.
- viii. Reviewed the AC Report, CG Overview Statement, CG Report and Statement on Risk Management and Internal Control for publication in the 2018 Annual Report; and
- ix. Reviewed the Statement on Risk Management and Internal Control together with the Internal Auditors and External Auditors and received assurance from the Executive Directors and Executive Director in charge of Finance that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the Statement to the Board.

c) External Audit

Messrs Ong Boon Bah & Co. ("OBB") is the External Auditors for the Group, except for Lay Hong Development Sdn Bhd and Takaso SC (Thailand) Limited. OBB led by their engagement partner presented their External Audit Plan for FYE 2018 on 26 February 2018 and had declared and confirmed that they were independent and would be independent throughout their audit engagement.

Subsequent to the FYE 2018, the AC met with the External Auditors in the absence of Management on two occasions during 26 February 2018 and 25 June 2018. The AC had the opportunity to assess the co-operation extended by the Management to the External Auditors, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources in the Group's Finance Department.

There were no areas of major concern raised by OBB that warranted escalation to the Board. The External Auditors were also informed by the AC that should there be any significant incidents or matters detected in the course of their audits or reviews which warrant their knowledge or intervention, it shall be reported to the AC accordingly.

The non-audit fees paid to the External Auditors was RM6,000 for the FYE 2018. The non-audit fees were in respect of services rendered in respect of tax compliance, review of the Statement on Risk Management and Internal Control.

The AC carried out an assessment of the performance and suitability of OBB based on the quality of services and relationship with Management, AC, Internal auditors and Board. The AC has been generally satisfied with the independence, performance and suitability of OBB based on the assessment and are recommending to the Board and shareholders for approval for the re-appointment of OBB as External Auditors for the Financial Year Ending 31 March 2019.

CG PRACTICES

Apart from discharging its duties with respect to the internal audit, financial reporting and external audit, the AC also reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the principles and spirit set out in the Malaysian Code on CG, other applicable laws, rules, directives and guidelines.

The AC discussed and reviewed the CG Overview Statement and CG Report for the FYE 2018.

This statement was approved by the Board on 25 June 2018.

Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) which requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets, the Board of Directors of Lay Hong Berhad is pleased to present the following Statement on Risk Management and Internal Control.

BOARD’S RESPONSIBILITY

The Board acknowledges its responsibility for the adequacy and integrity of the Group’s system of internal controls. The system of internal controls, by its nature, can only provide reasonable and not absolute assurance against any material loss or fraud. It is also recognised that risks cannot be completely eliminated. As such, the systems and procedures put in place are aimed at minimising and managing risks.

RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an ongoing process in identifying, evaluating and managing significant risks faced by the Group; that the process has been in place up to the date of this statement; that this process is reviewed by the Board and is in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.

Risk Management Committee is in place to identify key risks facing the Group and to formulate appropriate measures to address those risks. The Risk Management Committee comprises the Executive Chairman and senior management team and is supported by a sub-committee comprising operational managers of major departments. During the year, all major risks that have an impact on the Group such as market, economic, legislative and financial risks, have been identified, prioritised and monitored closely on an on- going basis. The risk assessment process includes areas of protection of livestock against adverse climatic conditions and diseases as well as recruitment and retention of employees and the impairment of receivables.

The internal audit function reports directly to the Audit Committee. The internal audit function reviews critical business processes and identifies internal control gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process. The results of audits and recommendations for improvement were tabled at the Audit Committee meetings for discussion and assessment. Key and significant issues were reported to the Board by the Chairman of the Audit Committee for further actions and continuous monitoring by management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL

Internal audit plays a critical role in the objective assessment of the Group's business processes by providing the Audit Committee with reasonable independent assurance on the effectiveness and integrity of the Group's system of risk management and internal control. The key elements of the Group's internal control system are described below:-

- **Organisation Structure**

The Group has in place an organisation structure with key responsibilities clearly defined for the Board, Committees of the Board and executive management of the Group's operating units.

- **Standard Operation Policies**

Standard operating policies and procedures that document how transactions are captured and recorded where internal controls are applied exist for all Group's major subsidiaries.

- **Board Approval**

All major decisions require the final approval of the Board and are only made after appropriate in-depth analysis. The Board receives regular and comprehensive information in relation to all businesses within the Group.

- **Monthly Executive Committee Meeting**

Monthly Executive Committee meetings are held and are attended by all Executive Directors and senior management to discuss the Group's operational matters.

- **Detailed Budgeting Process**

Detailed annual budgets are prepared by the finance department and approved by the Board. The monitoring of actual performance against what is budgeted is performed on a timely basis. When major variances are observed, further investigation is performed and follow-up management actions are taken where necessary.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW BY THE EXTERNAL AUDITORS

As required by paragraph 15.23 of Bursa Securities MMLR, the external auditors have conducted a limited assurance review on this Statement on Risk Management and Internal Control for inclusion in this Annual Report. Their limited assurance engagement was performed in accordance with ISAE3000 (Revised 2015), Assurance Engagement other than Audits or Review of Historical Financial Information and Audit and Assurance Practice Guide (“AAPG”) 3 and Guidance for Auditors on the Review of Directors’ Statement on Internal Control.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material aspects, in accordance with disclosure required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate. AAPG3 does not require the external auditors to consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk and control system.

CONCLUSION

The Board is of the view that the system of risk management and internal control in place throughout the Group for the year under review, and up to the date of approval of this Statement, is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group’s operations.

Implementation measures are continuously taken to strengthen the system of risk management and internal control so as to safeguard shareholders’ investments and the Group’s assets.

This statement is made in accordance with the resolution of the Board dated 28 June 2018.

Statement of Directors' Responsibility in Relation to the Financial Statements

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year so as to give a true and fair view of the financial position of the Group and of the Company and the results and cash flows of the Group and of the Company as at end of the financial year.

During the preparation of the financial statements for the financial year ended 31 March 2018, the directors have ensured that:

- the Group and the Company have adopted appropriate accounting policies and are consistently applied;
- judgement and estimates that are prudent and reasonable have been used;
- all applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia have been complied with;
- the accounting and other records required by the Act are properly kept and disclosed with reasonable accuracy at any time, the financial position of the Group and of the Company which enable them to ensure the financial statements comply with the Act; and
- the financial statements have been prepared on the going concern basis.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities and material misstatements, as described more fully in the corporate governance section of this report. Such system, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

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Directors' Report

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of integrated livestock farming and investment holding.

The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiary companies during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the financial year	39,843,415	25,195,501
Net profit attributable to:		
Owners of the Company	36,689,840	25,195,501
Non-controlling interests	3,153,575	-
	39,843,415	25,195,501

DIVIDEND

Dividends declared and paid by the Company since the end of the previous year are as follows:

	RM
A final tax exempt dividend of 0.5 sen per ordinary in respect of the preceding year ended 31 March 2017 was paid on 8 November 2017	3,043,750

The Board of Directors recommends a final dividend of 0.5 sen per share amounting to approximately RM3.15 million, based on the number of outstanding shares in issue at the end of the year, for the year ended 31 March 2018. The proposed dividend is subject to Shareholders' approval at the forthcoming Annual General Meeting. The entitlement date for the final dividend shall be determined by the Board of Directors. The financial statements for the current year do not reflect this proposed final dividend. Such dividend will be accounted for in the Shareholders' equity as an appropriation of retained earnings in the year ending 31 March 2019 when approved by Shareholders.

DIRECTORS' REPORT

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from 608,750,000 to 629,647,100 by way of issuance of 20,897,100 new ordinary shares via the exercise of Warrants 2016/2021 at the exercise price of RM0.40 per ordinary share.

The Company did not issue debentures during the financial year.

DIRECTORS OF THE COMPANY

The Directors who served during the financial year until the date of this report are:

Yap Hoong Chai*	
Yeap Weng Hong*	
Yeap Fock Hoong*	
Ng Kim Tian*	
Yap Chor How*	
Gan Lian Peng	
Tan Ooi Jin	
Tan Chee Hau	
Gaku Okada	(Appointed on 1 April 2018)
Ryuichi Nitta	(Resigned as Alternate Director to Hideki Fujii and Appointed as Alternate Director to Gaku Okada on 1 April 2018)
Hideki Fujii	(Resigned on 1 April 2018)

* Who is also Director of the subsidiary company(ies)

DIRECTORS OF THE SUBSIDIARIES

The name of the Directors of the subsidiaries who served during the financial year until the date of this report are:

Yip Kim Hoong	
Chin Boon Kim	(Appointed on 22 March 2018)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 33 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest, except as disclosed in Note 38 to the financial statements.

Neither during nor at the end of the financial year, the Company was a party, to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Share Issuance Scheme.

DIRECTORS' REMUNERATIONS

Details of directors' remuneration are set out in Note 33 to the financial statements.

SHARE ISSUANCE SCHEME

The Company's shareholders have approved the Share Issuance Scheme (SIS) at an Extraordinary General Meeting held on 18 May 2015. The SIS was implemented on 12 January 2016 to grant share options to eligible Directors and employees of the Company.

The salient features and other terms of the SIS are disclosed in Note 16 to the financial statements.

The names of employees granted options to subscribe the ordinary shares is as follows:

Name	← Number of Ordinary share →			At 31 March 2018
	At 1 April 2017	Granted	Exercised	
1. Ong Yong Thye	1,450,000	-	-	1,450,000
2. Bong Kim Fui	1,950,000	-	-	1,950,000
3. Kong Yin Fah	1,450,000	-	-	1,450,000
4. Lim Guek Boh	1,400,000	-	-	1,400,000
5. Lee Poh Tiak	1,400,000	-	-	1,400,000
6. Tan Huay	1,900,000	-	-	1,900,000
7. Oh Tan Hwa	1,900,000	-	-	1,900,000
8. Lim Yen Fung	1,900,000	-	-	1,900,000
9. Foo Nyuk Pow	1,400,000	-	-	1,400,000
10. Goh Siew Hong	1,900,000	-	-	1,900,000
11. Gan Pei Leng	1,400,000	-	-	1,400,000
12. Lee Kheng Pai	1,900,000	-	-	1,900,000
13. Lim Hui Shean	1,300,000	-	-	1,300,000

Details of options granted to Directors are disclosed in the section on Directors' Interest in this report.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	← Number of Ordinary share →			
	At 1 April 2017	Bought	Sold	
The Company				
Direct Interest				
Yap Hoong Chai	6,000,000	-	-	6,000,000
Yeap Fock Hoong	120,000	-	-	120,000
Yeap Weng Hong	4,072,000	-	-	4,072,000
Yap Chor How	4,597,000	-	-	4,597,000
Indirect Interest				
Yap Hoong Chai *	215,202,660	-	140,100	215,062,560

* Deemed interested in 26,062,560 shares held by spouse, children, siblings, spouse of sibling and 189,000,000 shares by virtue of Innofarm Sdn Bhd which holds 4.15% and 30.01% respectively equity interest in Lay Hong Berhad.

	← Number of Ordinary Shares →			
	At 1 April 2017	Bought	Sold	
Subsidiary Companies:				
Evergreen Organic Fertilisers Sdn Berhad				
Indirect Interest				
Yap Hoong Chai	147,000	-	-	147,000
Yeap Fock Hoong	147,000	-	-	147,000
Yeap Weng Hong	147,000	-	-	147,000
Sri Tawau Farming Sdn Bhd				
Indirect Interest				
Yap Hoong Chai	500,001	-	-	500,001
Yeap Fock Hoong	500,001	-	-	500,001
Yeap Weng Hong	500,001	-	-	500,001

DIRECTORS' INTERESTS (cont'd)

Yap Hoong Chai, Yeap Fock Hoong and Yeap Weng Hong by virtue of their interests in shares in the Company are also deemed interested in shares of all the Company's subsidiary companies to the extent the Company has an interest.

Other than as stated above, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

In the previous financial year, the Company's shareholders have approved the 304,375,000 free Warrants 2016/2021 on 14 October 2016.

The terms and conditions of Warrants 2016/2021 are disclosed in Note 16 to the financial statements.

	← Number of Warrants →				
	As at 1 April 2017	Acquired	Exercised	Transferred/ Disposed	As at 31 March 2018
The Company					
Direct Interest					
Yap Hoong Chai	3,000,000	-	-	-	3,000,000
Yeap Fock Hoong	60,000	-	-	-	60,000
Yeap Weng Hong	2,036,000	-	-	-	2,036,000
Yap Chor How	2,298,500	-	-	-	2,298,500
Indirect Interest					
Yap Hoong Chai *	107,654,830	11,000	-	400	107,665,430

* Deemed interested in 13,165,430 warrants held by spouse, children, siblings, spouse of sibling and 94,500,000 warrants by virtue of Innofarm Sdn Bhd which holds 4.64% and 33.34% respectively equity interest in Lay Hong Berhad.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

Before the statements of financial position and the statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad receivables and the making of allowance for doubtful receivables and satisfied themselves that all known bad receivables had been written off and that adequate allowance had been made for doubtful receivables; and
- (b) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render if necessary to write off any receivables or to make an allowance for doubtful receivables in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

As at the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

Except as disclosed in the financial statements, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company in financial year in which this report is made.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act 2016.

SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

AUDITORS' REMUNERATIONS

Details of auditors' remuneration are disclosed in Note 27 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant events during the financial year are as disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Ong Boon Bah & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board, as approved by the Board in accordance with a resolution of the Directors dated 28 June 2018.

YAP HOONG CHAI

Director
Klang, Selangor Darul Ehsan

YEAP WENG HONG

Director

Statement by Directors

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, YAP HOONG CHAI and YEAP WENG HONG, being two of the Directors of LAY HONG BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 55 to 145 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of their financial performance for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 June 2018.

YAP HOONG CHAI

Director
Klang, Selangor Darul Ehsan

YEAP WENG HONG

Director

Statutory Declaration

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, NG KIM TIAN, being the Director primarily responsible for the financial management of LAY HONG BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 55 to 145 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed NG KIM TIAN in Klang,
Selangor Darul Ehsan on 28 June 2018.

NG KIM TIAN

Before me,

Commissioner for Oaths
Selangor Darul Ehsan

Independent Auditors' Report

TO THE MEMBERS OF LAY HONG BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LAY HONG BERHAD, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 145.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LAY HONG BERHAD

Key Audit Matters (cont'd)

The Key Audit Matters	How the matters was addressed in our audit
<p><u>Valuation of biological assets</u></p> <p><i>Refer to Notes to the financial statements - Note 2.2(e)(i,ii,iii) (Significant accounting policies) and Note 8 (Biological assets)</i></p> <p>At 31 March 2018, the value of breeders and layers held as biological assets of the Group was approximately RM7.3 million and RM32.6 million respectively.</p> <p>The net realisable value of the biological assets may be lower than their carrying amount.</p> <p>The biological assets may be at the risk of being overstated as it involves judgement and estimation uncertainty and is based on expectations relating to future sales and demands.</p>	<p>Our audit procedures included the following:</p> <p>We performed net realisable value test on the carrying amount of biological assets to determine any impairment loss;</p> <p>We reviewed the computation of net realisable value of the biological assets prepared by the management, which is the estimated future revenue less estimated rearing costs over the remaining lifespan of the biological assets; and</p> <p>We also assessed the reasonableness of key estimates and assumptions used in arriving at the estimated future revenue and future rearing costs.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>
<p><u>Existence and Valuation of Inventories</u></p> <p><i>Refer to Notes to the financial statements - Note 2.2(f)(i,ii,iii,iv) (Significant accounting policies) and Note 9 (Inventories)</i></p> <p>Total inventories of RM91.7 million represents 12% of total assets of the Group. These inventories consist of broilers, eggs, raw materials and processed and frozen products.</p> <p>Valuation of the inventories is at the lower of cost and net realisable value and is determined by using the weighted average method.</p> <p>The inventories may be at the risk of being overstated as it involves judgement and estimation uncertainty and is based on expectations relating to future sales and demands.</p>	<p>Our audit procedures included the following:</p> <p>We performed net realisable value test to ensure that inventories are stated at the lower of cost and net realisable value and test checked the costing of the weighted average method;</p> <p>We observed physical inventories count to ensure existence; and</p> <p>We also considered and assessed the adequacy of allowance for slow moving, damaged and obsolete inventories.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LAY HONG BERHAD

Key Audit Matters (cont'd)

The Key Audit Matters	How the matters was addressed in our audit
<p><u>Impairment of Trade Receivables</u></p> <p><i>Refer to Notes to the financial statements - Note 2.2(l)(m) (Significant accounting policies) and Note 10 (Trade receivables)</i></p> <p>As at 31 March 2018, trade receivables that had been past due but not impaired amounted to RM26.1 million.</p> <p>The Group recognised impairment losses on trade receivables amounting to RM5.6 million based on specific known facts or circumstances or abilities of customers to pay.</p> <p>Assessing the net recoverability of trade receivables included a review of credit worthiness and past collection history of receivables involving significant management judgement.</p> <p>The trade receivables may be at the risk of overstatement arising from the inadequacy of impairment.</p>	<p>Our audit procedures included the following:</p> <p>We evaluated and tested key control within the credit control process including credit approvals and credit limit review;</p> <p>We assessed the recoverability of significant past due and material receivables with reference to the past repayment trends, customers credit profiles, post year end receipts and discussion with management on the recoverability of amount outstanding; and</p> <p>We reviewed the management's assessment based on analysis of historical payment trends and payment after year end.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>
<p><u>Revenue</u></p> <p><i>Refer to Notes to the financial statements - Note 2.2(k)(i,ii,iii,iv,v) (Significant accounting policies) and Note 25 (Revenue)</i></p> <p>The Group reported revenue of RM848 million (2017: RM676 million), an increase of RM172 million. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and that the revenue can be measured reliably. The main stream of revenue is as disclose in the Note 25 (Revenue).</p> <p>Revenue recognition is highly dependent on the accuracy of the transactions recognised and recorded.</p>	<p>Our audit procedures included the following:</p> <p>We tested the operating effectiveness of internal control procedure implemented as well as test of details to ensure the accurate processing of revenue transactions;</p> <p>We assessed sales invoices as well as credit notes issued, both before and after the year end date to assess whether the revenue was recognised in the correct period;</p> <p>We tested the sales transactions as recorded to duly acknowledged customer delivery orders for ascertaining the validity of sales; and</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LAY HONG BERHAD

Key Audit Matters (cont'd)

The Key Audit Matters	How the matters was addressed in our audit
<i>Revenue (cont'd)</i>	We evaluated the adequacy of the financial statements disclosure on revenue in accordance with accounting standards. Based on the above procedures performed, we noted no significant exceptions.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LAY HONG BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LAY HONG BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We also provide the Directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that we were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

Kuala Lumpur

WONG SOO THIAM
01315/12/2018 J
Chartered Accountant

Statements of Financial Position

AS AT 31 MARCH 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	442,031,846	368,328,902	165,847,519	138,159,118
Investment properties	4	5,939,581	4,139,581	-	-
Investments	5	13,368,841	1,142,857	59,568,286	56,842,535
Intangible assets	6	4,326,605	2,579,997	-	-
Deferred tax assets	7	3,659,547	3,065,811	140,012	879,488
Due from subsidiary companies	12	-	-	29,831,896	20,094,834
		469,326,420	379,257,148	255,387,713	215,975,975
Current assets					
Biological assets	8	39,964,183	33,698,896	24,872,736	20,952,432
Inventories	9	91,671,795	82,202,761	12,883,520	9,561,922
Trade receivables	10	141,025,049	76,722,379	75,854,097	15,745,418
Other receivables	11	33,563,457	32,349,896	19,759,929	15,839,870
Due from subsidiary companies	12	-	-	89,836,719	63,937,633
Due from an associate company	13	1,587	10,257	1,587	3,317
Short term investment	14	5,452,011	1,672,355	3,877,564	150,000
Cash and bank balances	15	10,227,085	7,984,222	3,727,542	3,812,961
		321,905,167	234,640,766	230,813,694	130,003,553
TOTAL ASSETS		791,231,587	613,897,914	486,201,407	345,979,528

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	130,108,840	121,750,000	130,108,840	121,750,000
Other reserves	17	73,061,402	72,809,376	47,492,520	47,963,074
Retained earnings	18	114,283,074	81,487,260	58,295,200	35,672,895
		317,453,316	276,046,636	235,896,560	205,385,969
Non-controlling interests		39,451,986	26,110,252	-	-
Total equity		356,905,302	302,156,888	235,896,560	205,385,969
Non-current liabilities					
Loan and borrowings	19	86,019,276	41,613,756	39,390,980	23,624,827
Long term payables	20	1,128,020	1,128,020	-	-
Deferred tax liabilities	7	35,724,121	32,703,565	11,547,438	10,247,663
		122,871,417	75,445,341	50,938,418	33,872,490
Current liabilities					
Trade payables	21	121,009,266	84,662,941	74,805,787	37,729,788
Other payables	22	43,830,614	36,136,096	12,943,291	13,311,989
Due to subsidiary companies	23	-	-	25,820,052	4,646,056
Due to an associate company	13	51,641	94,958	-	-
Current tax liability		2,066,348	234,631	1,637,382	-
Loan and borrowings	19	144,496,999	115,167,059	84,159,917	51,033,236
		311,454,868	236,295,685	199,366,429	106,721,069
Total liabilities		434,326,285	311,741,026	250,304,847	140,593,559
TOTAL EQUITY AND LIABILITIES		791,231,587	613,897,914	486,201,407	345,979,528

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	25	847,802,072	675,961,327	391,854,118	253,645,068
Purchase of goods and changes in inventories		(688,436,241)	(551,289,260)	(329,946,667)	(222,490,422)
Gross profit		159,365,831	124,672,067	61,907,451	31,154,646
Other operating income	26	10,505,971	5,894,880	6,274,828	3,952,184
Selling and distribution expenses		(77,793,311)	(73,594,376)	(18,612,827)	(16,949,668)
Administrative expenses		(28,789,110)	(26,923,443)	(11,948,016)	(12,402,966)
Profit from operations	27	63,289,381	30,049,128	37,621,436	5,754,196
Finance costs	28	(10,067,353)	(7,584,908)	(4,994,809)	(3,338,153)
Share of loss from an associate company		(1,005,293)	(521,218)	-	-
Profit before tax		52,216,735	21,943,002	32,626,627	2,416,043
Tax (expenses) / income	29	(12,373,320)	(2,537,460)	(7,431,126)	1,291,697
Net profit for the financial year		39,843,415	19,405,542	25,195,501	3,707,740
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets		3,213	(3,213)	-	-
Exchange differences on translation of foreign operations		(601,463)	1,100,746	-	-
Other comprehensive income, net of tax		(598,250)	1,097,533	-	-
Total comprehensive income for the financial year		39,245,165	20,503,075	25,195,501	3,707,740

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
<hr/>					
Net profit attributable to:					
Owners of the Company		36,689,840	18,255,179	25,195,501	3,707,740
Non-controlling interests		3,153,575	1,150,363	-	-
		39,843,415	19,405,542	25,195,501	3,707,740
<hr/>					
Total comprehensive income attributable to:					
Owners of the Company		36,091,590	19,352,712	25,195,501	3,707,740
Non-controlling interests		3,153,575	1,150,363	-	-
		39,245,165	20,503,075	25,195,501	3,707,740
<hr/>					
Earnings per share attributable to equity holders of the Company (sen)					
Basic	30	5.99	3.02		
Diluted	30	4.88	2.41		
<hr/>					

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Group	Attributable to owners of the Company										Total Equity RM
	Non-Distributable					Distributable					
	Share Capital RM	Share Premium RM	Share Option Reserve RM	Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Fair Value Reserve RM	Retained Earnings RM	Total RM	Non-controlling Interests RM	Total Equity RM	
As at 1 April 2016	57,750,000	29,029,500	15,093,000	68,800,478	-	74,173	71,237,385	241,984,536	24,959,889	266,944,425	
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(3,197,849)	-	-	3,197,849	-	-	-	
Transferred to distributable realisation of fair value reserve	-	-	-	-	-	(74,030)	74,030	-	-	-	
Net profit for the financial year	-	-	-	-	-	-	18,255,179	18,255,179	1,150,363	19,405,542	
Other comprehensive income	-	-	-	-	1,100,746	(3,213)	-	1,097,533	-	1,097,533	
Transactions with owners of the Company	60,875,000	(52,696,151)	-	-	-	-	(8,178,849)	-	-	-	
Issue of bonus shares (Note 16)	-	-	-	-	-	-	(8,178,849)	-	-	-	
Expenses from issue of bonus shares	-	(348,528)	-	-	-	-	(54,584)	(403,112)	-	(403,112)	
Dividends (Note 31)	-	-	-	-	-	-	(3,043,750)	(3,043,750)	-	(3,043,750)	
Issuance of new SIS shares (Note 16)	3,125,000	15,031,250	-	-	-	-	-	18,156,250	-	18,156,250	
Transfer to share premium for SIS options exercised	-	8,983,929	(8,983,929)	-	-	-	-	-	-	-	
Total transactions with owners of the Company	64,000,000	(29,029,500)	(8,983,929)	-	-	-	(11,277,183)	14,709,388	-	14,709,388	
Balance at 31 March 2017	121,750,000	-	6,109,071	65,602,629	1,100,746	(3,070)	81,487,260	276,046,636	26,110,252	302,156,888	

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Group	Attributable to owners of the Company									
	Non-Distributable					Distributable				
	Share Capital	Share Option Reserve	Revaluation Reserve	Currency Translation Reserve	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interests	Total	Total Equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 31 March 2017	121,750,000	6,109,071	65,602,629	1,100,746	(3,070)	81,487,260	276,046,636	26,110,252	302,156,888	
Transfer from/(to) distributable reserve on realisation of revaluation reserve	-	-	850,276	-	-	(850,276)	-	-	-	-
Net profit for the financial year	-	-	-	-	-	36,689,840	36,689,840	3,153,575	39,843,415	
Partial disposal of investment in a subsidiary company	-	-	-	-	-	-	-	10,754,069	10,754,069	
Other comprehensive income	-	-	-	(601,463)	3,213	-	(598,250)	-	(598,250)	
Acquisition of additional equity interest in subsidiaries company	-	-	-	-	-	-	-	(565,910)	(565,910)	
Transactions with owners of the Company	8,358,840	-	-	-	-	-	8,358,840	-	8,358,840	
Arising from conversion of warrants	-	-	-	-	-	(3,043,750)	(3,043,750)	-	(3,043,750)	
Dividends (Note 31)	-	-	-	-	-	-	-	-	-	
Total transactions with owners of the Company	8,358,840	-	-	-	-	(3,043,750)	5,315,090	-	5,315,090	
Balance at 31 March 2018	130,108,840	6,109,071	66,452,905	499,283	143	114,283,074	317,453,316	39,451,986	356,905,302	

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Company	Share Capital RM	Share Premium RM	Non-Distributable		Fair Value Reserve RM	Distributable Retained Earnings RM	Total Equity RM
			Option Reserve RM	Revaluation Reserve RM			
Balance at 1 April 2016	57,750,000	29,029,500	15,093,000	42,313,294	74,030	42,709,017	186,968,841
Net profit for the financial year	-	-	-	-	-	3,707,740	3,707,740
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(459,291)	-	459,291	-
Transfer to distributable reserve on realisation of fair value reserve	-	-	-	-	(74,030)	74,030	-
Issue of bonus shares	60,875,000	(52,696,151)	-	-	-	(8,178,849)	-
Expenses from issue of bonus shares	-	(348,528)	-	-	-	(54,584)	(403,112)
Dividends (Note 31)	-	-	-	-	-	(3,043,750)	(3,043,750)
Issuance of new SIS shares	3,125,000	15,031,250	-	-	-	-	18,156,250
Transfer to share premium for SIS options exercised	-	8,983,929	(8,983,929)	-	-	-	-
Balance at 31 March 2017	121,750,000	-	6,109,071	41,854,003	-	35,672,895	205,385,969
Net profit for the financial year	-	-	-	-	-	25,195,501	25,195,501
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(470,554)	-	470,554	-
Arising from conversion of warrants	8,358,840	-	-	-	-	-	8,358,840
Dividends (Note 31)	-	-	-	-	-	(3,043,750)	(3,043,750)
Balance at 31 March 2018	130,108,840	-	6,109,071	41,383,449	-	58,295,200	235,896,560

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows from Operating Activities					
Profit before tax		52,216,735	21,943,002	32,626,627	2,416,043
Adjustments for:					
Amortisation of intangible assets	6	20,074	20,074	-	-
Depreciation of property, plant and equipment	3	27,275,872	23,342,664	8,986,786	7,274,359
Dividend income		(9,449)	(4,435)	(9,414)	(4,394)
Net (gain)/loss on disposal of property, plant and equipment		(198,119)	387,427	(9,587)	(75,402)
Loss on disposal of a subsidiary company	5 (d)	21,480	-	170,726	-
Gain on disposal of investment properties		-	(15,000)	-	-
Property, plant and equipment written off	27	378,865	77,727	56,582	-
Reversal of impairment on property, plant and equipment		(1,163,890)	-	(1,163,890)	-
Interest expense	28	10,067,353	7,584,908	4,994,809	3,338,153
Interest income	26	(106,146)	(80,278)	(2,671)	(1,241)
Negative goodwill		-	(96,767)	-	-
Net unrealised foreign exchange loss/(gains)		353,515	(382,964)	302,382	(343,771)
Net impairment/(reversal) losses on trade receivables		259,294	353,064	989,666	(168)
Bad receivables written off	27	747,040	70,851	10,334	-
Changes in fair value of financial asset		-	(3,213)	-	-
Fair value gain on quoted investment		3,213	-	-	-
Changes in fair value on quoted investment		(1,277)	-	(1,277)	-
Share of losses from an associated company	5 (b)	1,005,293	521,218	-	-
Operating profit before working capital changes		90,869,853	53,718,278	46,951,073	12,603,579
Increase in inventories and biological assets		(15,734,321)	(21,096,215)	(7,241,902)	(5,371,630)
Increase in trade and other receivables		(69,481,382)	(15,733,824)	(67,670,741)	(2,681,513)
Increase in trade and other payables		44,040,842	27,976,468	36,707,301	13,242,708
(Decrease)/Increase in associate		(34,647)	84,701	1,730	(3,317)
(Decrease)/Increase in intercompany balances		-	-	(14,462,152)	(4,615,875)
Cash generated from/(used in) operations		49,660,345	44,949,408	(5,714,691)	13,173,952
Interest paid		(10,067,353)	(7,584,908)	(4,994,809)	(3,338,153)
Net tax paid		(5,509,486)	(5,803,212)	(1,414,872)	(1,949,863)
Net cash inflow/(outflow) from operating activities		34,083,506	31,561,288	(12,124,372)	7,885,936

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows from Investing Activities					
Additional acquisition of intangible assets	6	(1,384,802)	-	-	-
Net cash outflow from acquisition of subsidiary companies	5 (e)	(965,200)	(8,477,372)	(415,200)	(33,375,887)
Investment in an associate		(13,230,000)	(1,470,000)	(13,230,000)	(1,470,000)
Purchase of property, plant and equipment	3 (c)	(70,536,308)	(50,816,823)	(9,937,162)	(14,269,699)
Proceeds from disposal of property, plant and equipment		347,807	523,530	10,584	151,887
Proceeds from disposal of a subsidiary company	5 (d)	10,750,000	-	10,750,000	-
Proceeds from disposal of investment properties		-	315,000	-	-
Purchase of investment properties		-	(741,901)	-	-
Interest received		106,146	80,278	2,671	1,241
Dividend received		9,449	4,435	9,414	4,394
Net cash outflow from investing activities		(74,902,908)	(60,582,853)	(12,809,693)	(48,958,064)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows from Financing Activities					
Net drawdown/(repayment) of bankers' acceptances		18,404,066	3,791,000	15,233,000	(1,545,000)
Proceeds from issuance of ordinary shares		8,358,840	17,753,138	8,358,840	17,753,138
(Repayment)/Drawdown of onshore foreign currency trade loan		(1,469,512)	1,469,512	-	-
Net drawdown/(repayment) of revolving credit facilities		13,500,000	(8,000,000)	13,500,000	(8,000,000)
Net drawdown/(repayment) of term loans		22,872,907	(7,831,650)	(1,008,074)	(2,399,424)
Net repayment of finance lease liabilities		(5,930,509)	(7,573,229)	(2,640,164)	(2,063,354)
Dividends paid to owners of the parent		(3,043,750)	(3,043,750)	(3,043,750)	(3,043,750)
Increase in deposits pledged to licensed banks		(14,929)	(15,399)	-	-
Net cash inflow/(outflow) from financing activities		52,677,113	(3,450,378)	30,399,852	701,610
Net Increase/(Decrease) in Cash and Cash Equivalents		11,857,711	(32,471,943)	5,465,787	(40,370,518)
Effect of foreign exchange rate changes		(264,515)	(46,735)	-	-
Cash and Cash Equivalents at Beginning of the Financial Year		(451,279)	32,067,399	1,780,227	42,150,745
Cash and Cash Equivalents at End of the Financial Year	15	11,141,917	(451,279)	7,246,014	1,780,227

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 MARCH 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas 50480 Kuala Lumpur and its principal place of business is located at No.2, Level 10-12, Wisma Lay Hong, Jalan Empayar, Off Persiaran Sultan Ibrahim/ KU1, 41150 Klang, Selangor Darul Ehsan.

The principal activities of the Company are that of integrated livestock farming and investment holding. The principal activities of its subsidiary companies are as disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of the principal activities of the Company and of its subsidiary companies during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 June 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with the requirements of the Companies Act 2016 and applicable Financial Reporting Standards ("FRSs") in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies described below.

The financial statements are prepared in Ringgit Malaysia ("RM").

2.2 Summary of significant accounting policies

(a) Basic of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considered it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basic of consolidation (cont'd)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 April 2011

For acquisitions on or after 1 April 2011, the Group measures the costs of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expenses as incurred.

Acquisitions between 1 April 2006 and 31 March 2011

For acquisitions between 1 April 2006 and 31 March 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 31 March 2006

For acquisitions prior to 31 March 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basic of consolidation (cont'd)

(iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, the such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associate

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basic of consolidation (cont'd)

(v) Associate (cont'd)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

(b) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 2.2(h).

(ii) Research and development costs

All research costs are recognised in profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which do not meet these criteria are expensed when incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(b) Intangible assets (cont'd)

(ii) Research and development costs (cont'd)

Development costs, considered to have finite useful lives, are stated at cost less any accumulated impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. The development costs are amortised when the future economic benefits starts flowing to the Group. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each reporting date. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h).

(c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, freehold land is stated at cost/valuation. All other property, plant and equipment are stated at cost/valuation less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h).

Freehold and leasehold land is stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Buildings are stated at revalued amount, which is the fair value at the date of the revaluation less accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professional qualified valuers.

Revaluations on land and buildings are performed once in every five years.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Property, plant and equipment (cont'd)

A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land is not depreciated as it has an infinite life. Leased assets are depreciated over shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Capital work-in-progress comprises office space, expenditure incurred on the installation of construction and extension of buildings, plant and machinery which are in progress/under construction as at year end. Capital work-in-progress are not depreciated as these assets are not yet available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2% - 10%
Plant and machinery	3% - 20%
Motor vehicles	20%
Office equipment	10% - 20%
Furniture and fittings	5% - 20%
Renovations	10%

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

Each year an amount equal to the depreciation charge for the year on the surplus on revaluation of relevant assets is transferred from revaluation reserve to retained earnings. Upon the disposal of a revalued asset, the attributable revaluation surplus (net of depreciation, where applicable) is transferred from revaluation reserve to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(e) Biological assets

Livestocks comprise breeders and layers and are stated at the lower of cost or amortised cost and net realisable value.

(i) Layer breeders

Cost includes cost of parent stock plus all attributable costs to the point of lay at week 22. The total estimated economic useful life of breeders is 72 weeks and accordingly, the cost is amortised over the breeder's estimated economic life of 50 weeks.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Biological assets (cont'd)

(ii) Broiler breeders

Cost includes cost of parent stock plus all attributable costs to the point of lay at week 24. The total estimated economic useful life of breeders is 65 weeks and accordingly, the cost is amortised over the breeder's estimated economic life of 41 weeks.

(iii) Layers

Cost includes cost of pullet plus all attributable costs including relevant overheads in breeding the pullet to the point of lay at week 21. The total estimated economic life of layers is 77 weeks and accordingly, the cost is amortised over the layer's estimated economic life of 56 weeks.

(f) Inventories

(i) Livestocks

Livestocks comprise broilers held for trading and is stated at the lower of cost or amortised cost and net realisable value. Costs include purchase costs and other directly attributable costs of acquisition.

(ii) Broilers

Cost is stated at lower of cost and net realisable value. Cost of broilers include direct production costs and appropriate production overheads.

(iii) Eggs, organic fertilisers, packing materials, raw materials, processed and frozen products

Eggs, organic fertilisers, packing materials, raw materials, processed and frozen products are stated at the lower of cost and net realisable value. Cost of eggs, organic fertilisers, packing materials, processed and frozen products include direct production costs and appropriate production overheads and is determined on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

(iv) Trading merchandise

Trading merchandise are valued at the lower of cost and net realisable value. Cost comprises the weighted average cost of merchandise arrived at using the first-in first-out method. Weighted average cost includes related charges incurred in purchasing such merchandise.

Net realisable value is arrived at after due allowances made for obsolete or slow moving inventories.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(g) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group or the Company all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and any accumulated impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for lease assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

(iii) Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(h) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(h) Impairment of non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The goodwill acquired in a business combination is allocated to CGU that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro-rata basis.

Impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reversed the effect of that event.

Impairment losses, if any, recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss has been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Income taxes (cont'd)

Deferred tax is provided for, using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as income or an expense and included in profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Where there is a change in the carrying amount of asset arising from revaluation, the tax effects of the asset revaluation are credited or charged to equity. Where amounts are transferred from revaluation surplus to retained earnings, the related deferred tax is also transferred. Upon the disposal of the related asset, the attributable portion of the tax effect arising from revaluation is credited or charged to profit or loss.

(j) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(j) Foreign currencies (cont'd)

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the date of transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year.

The principal closing rate used in translating of every unit of foreign currency amounts are as follows:

Foreign Currencies	2018 RM	2017 RM
Euro (EUR)	4.7621	4.7226
Singapore Dollar (SGD)	2.9494	3.1643
United State Dollar (USD)	3.8630	4.4290
Renminbi (CNY)	0.6157	0.6413

(iii) Foreign currency translation

For inclusion in the Group's financial statements, all assets and liabilities of foreign subsidiary company that is functional currency other than Ringgit Malaysia are translated into Ringgit Malaysia at the exchange rates ruling at reporting date. The trading results of foreign subsidiary company are translated into Ringgit Malaysia using the average exchange rates for the financial year.

Exchange differences due to such currency translation are recognised in other comprehensive income and accumulated in the foreign currency translation account. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation shall be reclassified from equity to the profit and loss account when the gain or loss on disposal is recognised.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(k) Revenue recognition (cont'd)

(i) Sale of goods

Revenue from the sale of goods is measured at fair values of the consideration received or receivable, net of returns and discounts and is recognised in the profit or loss when significant risks and rewards of ownership has been transferred to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate applicable.

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease term.

(v) Management fees

Management fees are recognised on an accrual basis when services are rendered.

(l) Financial instrument

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the financial statements when, and only when, the Group and the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(I) Financial instrument (cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specially designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables, refundable deposits and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment as described in Note 2.2(m).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Financial instrument (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it, is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or it expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Impairment of financial assets

All financial assets (except for investment in subsidiary companies) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivable is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

(n) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care and other employee related expenses are charged to profit or loss as and when incurred.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(n) Employee benefits (cont'd)

(iii) Share-based compensation

The Lay Hong Berhad's Share Issuance Scheme ("SIS"), an equity-settled, share-based compensation plan, allows the Group's executives to acquire ordinary shares of the Company. FRS 2, Share-based Payments requires the total fair value of share options granted to executives be recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the estimate of the number of options that are expected to become exercisable on vesting date is revised. The impact of the revision of original estimates, if any, is recognised in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

When the option are exercised, the Company issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(o) Borrowing costs

Borrowing costs are capitalised as part of a qualifying assets if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets for its intended use or sales are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy as described in Note 2.2(l).

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(q) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(r) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Group and the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The Group and the Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or of the Company. The Group and the Company does not recognise contingent asset but discloses its existence when inflows of economic benefits are probable, but not virtually certain.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other component. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(t) Related parties

Related parties in these financial statements, refer to corporations which have common Directors and/or common shareholders (whether holding shares in their own rights or indirectly held) with the Group and the Company who participate in commercial and financial decisions of both such corporations and the Company.

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group and the Company adopted the following new FRSs, Amendments to FRSs and Issue Committee (IC) Interpretation, issued by Malaysian Accounting Standards Board ("MASB") which are mandatory for annual financial periods beginning on or after 1 January 2017.

Effective for financial periods beginning on or after 1 January 2017:

Amendments to FRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to FRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to FRS Standards 2014 - 2016 Cycle

Amendments to FRS 12	Disclosure of Interests in Other Entities
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The adoption of these new and revised FRSs did not result in significant changes in the accounting policies of the Group and of the Company and have no significant effect on the financial performance or position of the Group and of the Company.

At the date of authorisation for issue of these financial statements, the following new FRSs, Amendments to FRSs and Issue Committee (IC) Interpretation have been issued by the MASB but are not yet effective and have not been applied by the Group and the Company.

Effective for financial periods beginning on or after 1 January 2018:

Amendments to FRS 2	Share-based payment: Classification and Measurement of Share-based Payment Transactions
Amendments to FRS 4	Insurance Contracts: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts
Amendments to FRS 140	Investment Property: Transfers of Investment Property
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd)

Effective for financial periods beginning on or after 1 January 2018 (cont'd):

Annual Improvements to FRS Standards 2014 - 2016 Cycle

Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 128	Investment in Associates or Joint Venture

Deferred to a date to be determined by the MASB:

Amendments to FRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associates or Joint Venture
Amendments to FRS 128	Investment in Associates and Joint Venture: Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

The Group and the Company have not adopted the new FRSs, amendments to FRSs and IC Interpretation that have been issued but not yet effective and will adopt these standards when they became effective. The adoption of the above standards and interpretations is not expected to have a material impact on the financial statements in the period of initial application.

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer ("Transitioning Entities").

On 28 October 2015, Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 March 2019. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening accumulated losses/retained earnings.

As a result, the Group and the Company will not be adopting the above FRSs, interpretations and amendments for annual periods beginning on or after 1 January 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 6.

(b) Impairment of property, plant and equipment

The Group assess at each reporting date the carrying amount of its property, plant and equipment. The Group carries out the impairment test based on value-in-use of the CGU to which the plant and equipment are allocated, and estimate the expected future cash flow from the CGU and choose a suitable discount rate to calculate the present value of the cash flows. As for its property, the Group had performed an impairment review to ensure the market value of the properties have not declined significantly more than would be expected as a result of passage of time or normal use.

(c) Impairment of investments

At reporting date, management determines whether the carrying amount of its investments are impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts.

In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The discount rate applied is 7.5% - 7.9% whereas the growth rates used to project cash flows for the following year approximate the performances of the investment based on the latest approved budgets. The growth rates used to extrapolate the cash flows beyond the following year reflect a progressive decline to a rate lower than industry average.

Based on management's review, the investments of the Group are not impaired as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Critical accounting estimates and judgements (cont'd)

(d) Depreciation of property, plant and equipment

The cost of property, plant and equipment except for freehold land and capital work in progress is depreciated on a straight-line basis over the assets' economic useful lives up to its residual value. Management reviews the remaining useful lives of these plant and machinery to be within 10 to 20 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(e) Deferred tax assets

Deferred tax assets are recognised for all the unused tax losses and unutilised capital allowances to the extent that it is probable that future taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgment is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

(f) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that the receivables is impaired. To determine whether there is objective evidence of the impairment, the Group considers factors such as probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Critical accounting estimates and judgements (cont'd)

(g) Fair value measurements

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. The assets and liabilities carried at fair value are categorised into different levels of the fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: unobservable inputs for the asset or liability.

(h) Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9.

(i) Biological assets

The cost of layers, layer breeders and broiler breeders are amortised to write off such cost to their net realisable values over their economic egg-laying lives. Management estimates the economic useful lives of these livestock is 77, 72 and 65 weeks respectively. This is common life expectancies applied in the layer industry. Changes in the expected mortality rates of layers could impact the economic useful lives and future amortisation charges could be revised. Details of biological assets are disclosed in Note 8.

(j) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. Details of tax expense/(income) are disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture, Fittings and Renovations RM	Capital Work-In- Progress RM	Total RM
2018									
Cost/Valuation									
At 1 April 2017	86,474,783	15,095,014	2,893,368	207,235,933	217,300,666	26,440,604	33,530,218	25,566,057	614,536,643
Additions	859,192	-	400,983	4,438,501	17,634,222	3,576,456	3,889,737	71,681,331	102,480,422
Reclassification	(1)	18,133,215	72,005	6,921,124	30,571,338	(31,765)	546,935	(56,247,087)	(34,236)
Disposals	-	-	-	-	-	(1,174,285)	(29,150)	-	(1,203,435)
Transfers (Note 4)	-	-	-	-	-	-	-	(1,800,000)	(1,800,000)
Write off	-	-	-	(754,815)	(369,897)	(77,379)	(297,141)	-	(1,499,232)
Exchange differences	(146,384)	-	-	-	-	(5,702)	(4,161)	(183,774)	(340,021)
At 31 March 2018	87,187,590	33,228,229	3,366,356	217,840,743	265,136,329	28,727,929	37,636,438	39,016,527	712,140,141
Accumulated depreciation									
At 1 April 2017	-	2,306,049	349,815	82,859,239	128,983,096	18,090,668	11,777,615	-	244,366,482
Reclassification	-	-	-	(1)	1	(31,765)	(2,471)	-	(34,236)
Charge for the financial year	-	347,000	178,932	6,781,699	14,694,575	3,222,447	2,051,219	-	27,275,872
Disposals	-	-	-	-	-	(1,050,794)	(2,953)	-	(1,053,747)
Write off	-	-	-	(622,000)	(369,897)	(77,378)	(51,092)	-	(1,120,367)
Exchange differences	-	-	-	-	-	(2,556)	(522)	-	(3,078)
At 31 March 2018	-	2,653,049	528,747	89,018,937	143,307,775	20,150,622	13,771,796	-	269,430,926
Accumulated impairment losses									
At 1 April 2017	-	-	-	-	1,841,259	-	-	-	1,841,259
Reversal	-	-	-	-	(1,163,890)	-	-	-	(1,163,890)
At 31 March 2018	-	-	-	-	677,369	-	-	-	677,369
Net carrying amounts									
At 31 March 2018	87,187,590	30,575,180	2,837,609	128,821,806	121,151,185	8,577,307	23,864,642	39,016,527	442,031,846

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group (cont'd)	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture, Fittings and Renovations RM	Capital Work-In- Progress RM	Total RM
2017									
Cost/Valuation									
At 1 April 2016	75,341,586	14,044,016	2,850,937	186,800,263	189,747,198	23,567,690	29,778,586	10,508,161	532,638,437
Additions	7,100,945	1,217,430	-	7,817,835	5,023,564	3,956,101	4,468,027	47,185,024	76,768,926
Acquisition of a subsidiary company	3,492,175	-	-	-	-	136,036	10,902	4,897,723	8,536,836
Reclassification	116,854	(166,432)	42,431	(13,039)	(41,334)	(40,004)	41,340	3	(60,181)
Disposals	-	-	-	-	(733,702)	(1,227,472)	(652,861)	-	(2,614,035)
Transfers (Note 4)	-	-	-	12,630,874	23,415,467	-	(10,117)	(37,733,904)	(1,697,680)
Write off	-	-	-	-	(110,527)	-	(112,377)	-	(222,904)
Exchange differences	423,223	-	-	-	-	48,253	6,718	709,050	1,187,244
At 31 March 2017	86,474,783	15,095,014	2,893,368	207,235,933	217,300,666	26,440,604	33,530,218	25,566,057	614,536,643
Accumulated depreciation									
At 1 April 2016	-	2,122,174	300,389	76,960,546	117,214,929	16,192,408	10,067,807	-	222,858,253
Reclassification	-	(26,379)	19,232	(64,762)	(2,700)	(18,505)	32,933	-	(60,181)
Charge for the financial year	-	210,254	30,194	5,963,455	12,328,367	2,976,152	1,834,242	-	23,342,664
Acquisition of a subsidiary company	-	-	-	-	-	31,767	2,471	-	34,238
Disposals	-	-	-	-	(448,580)	(1,128,022)	(126,476)	-	(1,703,078)
Write off	-	-	-	-	(108,920)	-	(36,257)	-	(145,177)
Exchange differences	-	-	-	-	-	36,868	2,895	-	39,763
At 31 March 2017	-	2,306,049	349,815	82,859,239	128,983,096	18,090,668	11,777,615	-	244,366,482
Accumulated impairment losses									
At 1 April 2016/ 31 March 2017	-	-	-	-	1,841,259	-	-	-	1,841,259
Net carrying amounts									
At 31 March 2017	86,474,783	12,788,965	2,543,553	124,376,694	86,476,311	8,349,936	21,752,603	25,566,057	368,328,902

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work-In- Progress RM	Total RM
2018								
Cost/Valuation								
At 1 April 2017	48,809,236	2,193,421	69,749,647	76,175,133	10,734,978	6,907,758	9,261,688	223,831,861
Additions	27,246	-	919,455	1,871,808	1,778,201	153,664	30,818,502	35,568,876
Disposals	-	-	-	-	(171,912)	(1,150)	-	(173,062)
Reclassification	-	-	7,583,321	18,996,834	-	70,933	(26,651,088)	-
Write off	-	-	(485,824)	(369,897)	(38,709)	-	-	(894,430)
At 31 March 2018	48,836,482	2,193,421	77,766,599	96,673,878	12,302,558	7,131,205	13,429,102	258,333,245
Accumulated depreciation								
At 1 April 2017	-	119,280	26,977,189	44,863,388	7,062,313	4,809,314	-	83,831,484
Charge for the financial year	-	32,787	2,128,623	4,986,509	1,293,062	545,805	-	8,986,786
Disposals	-	-	-	-	(171,912)	(153)	-	(172,065)
Write off	-	-	(429,243)	(369,897)	(38,708)	-	-	(837,848)
At 31 March 2018	-	152,067	28,676,569	49,480,000	8,144,755	5,354,966	-	91,808,357
Accumulated impairment losses								
At 1 April 2017	-	-	-	1,841,259	-	-	-	1,841,259
Reversal	-	-	-	(1,163,890)	-	-	-	(1,163,890)
At 31 March 2018	-	-	-	677,369	-	-	-	677,369
At 31 March 2018	48,836,482	2,041,354	49,090,030	46,516,509	4,157,803	1,776,239	13,429,102	165,847,519

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company (cont'd)	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work-In- Progress RM	Total RM
2017								
Cost/Valuation								
At 1 April 2016	44,893,977	975,991	62,665,192	60,274,838	9,735,211	6,429,805	4,866,511	189,841,525
Additions	3,915,259	1,217,430	1,280,087	677,430	1,557,749	467,573	25,432,790	34,548,318
Disposals	-	-	-	-	(557,982)	-	-	(557,982)
Reclassification	-	-	5,804,368	15,222,865	-	10,380	(21,037,613)	-
At 31 March 2017	48,809,236	2,193,421	69,749,647	76,175,133	10,734,978	6,907,758	9,261,688	223,831,861
Accumulated depreciation								
At 1 April 2016	-	95,991	25,097,132	41,264,140	6,288,145	4,293,214	-	77,038,622
Charge for the financial year	-	23,289	1,880,057	3,599,248	1,255,665	516,100	-	7,274,359
Disposals	-	-	-	-	(481,497)	-	-	(481,497)
At 31 March 2017	-	119,280	26,977,189	44,863,388	7,062,313	4,809,314	-	83,831,484
Accumulated impairment losses								
At 1 April 2016 / 31 March 2017	-	-	-	1,841,259	-	-	-	1,841,259
Net carrying amounts								
At 31 March 2017	48,809,236	2,074,141	42,772,458	29,470,486	3,672,665	2,098,444	9,261,688	138,159,118

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (a) Freehold land, leasehold land and buildings with net carrying amounts of RM71,622,929 (2017: RM81,058,812) have been pledged to financial institutions as security for borrowings as disclosed in Note 19.
- (b) The net carrying amounts of property, plant and equipment held under finance lease arrangements are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Motor vehicles	13,991,670	8,204,498	4,195,919	3,676,952
Office equipment	606,072	1,707,044	589,566	553,789
Furniture and fittings	961,735	-	-	-
Plant and machinery	9,957,488	16,092,647	4,544,232	4,628,182
Building	-	3,492,426	-	-

- (c) Acquisition of property, plant and equipment during the financial year were made by the following means:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash	70,536,308	50,816,823	9,937,162	14,269,699
Finance lease	10,899,680	8,245,278	4,587,280	2,571,794
Term loans	21,044,434	17,706,825	21,044,434	17,706,825
	102,480,422	76,768,926	35,568,876	34,548,318

NOTES TO THE
FINANCIAL STATEMENTS

31 MARCH 2018

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(d) Land and buildings carried at fair value

The land and buildings of the Group and of the Company were revalued on 1 March 2016 by Irhamy & Co, an independent professional valuer. Fair value is determined by reference to open market values on an existing use basis.

The fair value of land and buildings (at valuation) of the Group and of the Company are categorised as follows:-

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
2018				
Leasehold land	-	14,175,000	-	14,175,000
Freehold land	-	73,003,156	-	73,003,156
Buildings	-	94,795,000	-	94,795,000
	-	181,973,156	-	181,973,156
Group				
2017				
Leasehold land	-	14,175,000	-	14,175,000
Freehold land	-	73,003,156	-	73,003,156
Buildings	-	94,795,000	-	94,795,000
	-	181,973,156	-	181,973,156

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(d) Land and buildings carried at fair value (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Company				
2018				
Leasehold land	-	880,000	-	880,000
Freehold land	-	42,545,000	-	42,545,000
Buildings	-	35,514,917	-	35,514,917
	-	78,939,917	-	78,939,917
Company				
2017				
Leasehold land	-	880,000	-	880,000
Freehold land	-	42,545,000	-	42,545,000
Buildings	-	35,514,917	-	35,514,917
	-	78,939,917	-	78,939,917

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 March 2018 and 31 March 2017.
- (ii) Level 2 fair value of land and buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The property valuers provide the fair value of the land and buildings (at valuation) of the Group and of the Company on every five years.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Leasehold land	8,891,977	6,275,113	450,410	457,683
Freehold land	10,771,991	13,583,277	4,792,479	4,792,479
Buildings	65,045,706	69,853,936	22,395,156	24,666,177
	84,709,674	89,712,326	27,638,045	29,916,339

NOTES TO THE
FINANCIAL STATEMENTS

31 MARCH 2018

4. INVESTMENT PROPERTIES

Group	RM
Valuation	
At 1 April 2016	2,000,000
Additions	741,901
Transfer from property, plant and equipment (Note 3)	1,697,680
Disposals	(300,000)
<hr/>	
At 31 March 2017	4,139,581
Transfer from property, plant and equipment (Note 3)	1,800,000
<hr/>	
At 31 March 2018	5,939,581

Net carrying amount

At 31 March 2018	5,939,581
<hr/>	
At 31 March 2017	4,139,581

Group	2018 RM	2017 RM
Analysed as:		
At fair value:		
Leasehold buildings	5,939,581	4,139,581

Investment properties comprise residential and commercial properties that are leased to third parties.

The following are recognised in profit or loss in respect of investment properties:

	2018 RM	2017 RM
Rental income	57,532	56,842
Direct operating expenses	(150,459)	(58,548)
<hr/>		
	(92,927)	(1,706)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

4. INVESTMENT PROPERTIES (cont'd)

Fair value measurement

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 March 2018 and 31 March 2017.
- (ii) Level 2 fair value of leasehold buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The property valuers provide the fair value of the leasehold buildings (at valuation) of the Group on every five years basis.

Buildings of the Group were revalued on 1 March 2016 by Irhamy & Co, an independent professional valuer. Fair value is determined by reference to open market values on an existing use basis.

5. INVESTMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(a) Subsidiary companies				
Unquoted shares at cost	-	-	44,748,614	55,254,140
(b) Investment in associate				
Unquoted shares at cost	14,700,000	1,470,000	14,700,000	1,470,000
Share of post - acquisition results	(1,526,511)	(521,218)	-	-
	13,173,489	948,782	14,700,000	1,470,000
(c) Other investments				
Quoted shares at cost in Malaysia	5,885	5,885	2,799	2,799
Accumulated impairment losses	(3,533)	(4,810)	(1,127)	(2,404)
	2,352	1,075	1,672	395
Club membership, at cost	193,000	193,000	118,000	118,000
Total investments	13,368,841	1,142,857	59,568,286	56,842,535
Market value of shares, quoted in Malaysia	3,344	3,480	1,672	1,740

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. INVESTMENTS (cont'd)

Details of the subsidiary companies of which are audited by Ong Boon Bah & Co as follows:

Name of Company	Country of Incorporation	Effective Interest Held (%)		Principal Activities
		2018	2017	
Hing Hong Sdn Berhad	Malaysia	100	100	Breeder farm & hatchery
Innofarm (Klang) Sdn Bhd	Malaysia	70	70	Layer farm
Evergreen Organic Fertilisers Sdn Berhad	Malaysia	70.6	70.6	Organic fertiliser production
Sri Tawau Farming Sdn Bhd + and its subsidiary	Malaysia	50	50	Investment holding
ST Food Sdn Bhd *	Malaysia	50	50	Trading
Innobrid Sdn Bhd	Malaysia	100	97	Broiler farm
G-mart Borneo Retail Sdn Bhd	Malaysia	70	100	Retail supermarket
Eminent Farm Sdn Bhd	Malaysia	100	100	Breeder farm, hatchery & broiler farm
Lay Hong Liquid Egg Sdn Bhd	Malaysia	100	100	Liquid egg production
Lay Hong Food Corporation Sdn Bhd	Malaysia	100	100	Chicken processing & food manufacturing
STF Agriculture Sdn Bhd *	Malaysia	50	50	Integrated livestock farming & chicken processing
JT Trading Sdn Bhd	Malaysia	100	100	Trading
Takaso SC (Thailand) Limited #	Thailand	100	100	Food manufacturing
Lay Hong Development Sdn Bhd #	Malaysia	100	100	Not yet commenced operations

+ Equity interest of 50% plus one special rights ordinary share

* Holding in equity by subsidiary company

The financial statements of the subsidiary companies as at 31 March 2018 not audited by Ong Boon Bah & Co.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. INVESTMENTS (cont'd)

(d) Partial disposal of G-Mart Borneo Retail Sdn Bhd

During the financial year, the Company disposed of 30% equity interest in G-Mart Borneo Retail Sdn Bhd for a total cash consideration of RM 10,750,000.

The disposal has the following effects on the financial position and results of the Group and the Company:

	2018 RM
Group	
Sales proceeds	10,750,000
Less: Net assets disposed	(10,754,069)
	(4,069)
Less: Unamortised goodwill (Note 6)	(17,411)
Loss on disposal to the Group (Note 27)	(21,480)
Company	
Sales proceeds	10,750,000
Less: 30% of cost of investment	(10,920,726)
Loss on disposal to the Company (Note 27)	(170,726)

(e) Acquisition of subsidiary companies

(i) Acquisition of additional equity interest in subsidiaries

In the previous financial year, Lay Hong Berhad subscribed additional 32,000,000 shares in G-mart Borneo Retail Sdn Bhd (G-Mart), a wholly owned subsidiary of the Group by capitalising the sum of RM32,000,000 being part of the total amount of RM32,048,312 owing by G-Mart and by way of assignment of debts from certain subsidiary companies to the Group.

During the financial year, the Company acquired additional 120,000 ordinary shares in Innobrid Sdn Bhd for a total cash consideration of RM415,200, thus the Group's effective equity interest in Innobrid Sdn Bhd increasing from 97% to 100%.

Sri Tawau Farming Sdn Bhd acquired an additional 200,000 shares in ST Food Sdn Bhd for a total cash consideration of RM550,000, thus raising the Group's effective equity interest in ST Food Sdn Bhd from 43.33% to 50.00%.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. INVESTMENTS (cont'd)

(e) Acquisition of subsidiary companies (cont'd)

(ii) Acquisition of new subsidiaries

In the previous financial year, Lay Hong Berhad acquired 100% interest in Takaso SC (Thailand) Limited with the subscription of 20,000,000 shares in Takaso SC (Thailand) Limited for a cash consideration of RM8,500,000. The acquisition had the following effect on the Group's assets and liabilities on acquisition date :

	2017 RM
<hr/>	
Group	
Property, plant and equipment	8,502,598
Cash and cash equivalent	22,628
Trade and other receivables	139,608
Trade and other payables	(68,067)
<hr/>	
Net asset acquired	8,596,767
Negative goodwill	(96,767)
<hr/>	
Purchase consideration	8,500,000
Cash and cash equivalent acquired	(22,628)
<hr/>	
Net cash outflow	8,477,372
<hr/>	

The effects of the acquisition of the subsidiary to the current year financial results of the Group are as follows :

	RM
<hr/>	
Revenue	-
Cost of sales	-
<hr/>	
Gross profit	-
Other operating income	112
Administration expenses	(317,583)
<hr/>	
Loss from operations / loss before tax	(317,471)
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NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. INVESTMENTS (cont'd)

(e) Acquisition of subsidiary companies (cont'd)

(ii) Acquisition of new subsidiaries (cont'd)

In the previous financial year, Lay Hong Berhad acquired 100% interest in Lay Hong Development Sdn Bhd with the subscription of 2 shares in Lay Hong Development Sdn Bhd for a cash consideration of RM2. The acquisition had the following effect on the Group's assets and liabilities on acquisition date :

	2017 RM
Group	
Cash and cash equivalent	2
Net asset acquired	2
Consideration paid	2
Cash and cash equivalent acquired	(2)
Net cash inflow	-

The effects of the acquisition of the subsidiary to the current year financial results of the Group are as follows :

	RM
Revenue	-
Cost of sales	-
Gross profit	-
Other operating income	-
Administration expenses	(4,829)
Loss from operations / loss before tax	(4,829)

(f) Investment in associate

During the year, Lay Hong Berhad subscribed an additional 13,230,000 ordinary shares in NHF Manufacturing (Malaysia) Sdn Bhd for a total cash consideration of RM13,230,000, thus increasing the total number of shares held in NHF Manufacturing (Malaysia) Sdn Bhd from 1,470,000 to 14,700,000 ordinary shares, the Group's effective equity interest in NHF Manufacturing (Malaysia) Sdn Bhd remain at 49%.

NOTES TO THE
FINANCIAL STATEMENTS

31 MARCH 2018

5. INVESTMENTS (cont'd)

(f) Investment in associate (cont'd)

Details of the associate is as follows:

Name of Company	Country of Incorporation	Effective Interest Held (%)		Principal Activities
		2018	2017	
NHF Manufacturing (Malaysia) Sdn Bhd #	Malaysia	49	49	Food manufacturing

The financial statements of the associate company as at 31 March 2018 not audited by Ong Boon Bah & Co.

6. INTANGIBLE ASSETS

	Goodwill RM	Development Costs RM	Total RM
Group Cost			
At 1 April 2016/1 April 2017	2,881,723	147,554	3,029,277
Additions	399,291	1,384,802	1,784,093
Disposal	(17,411)	-	(17,411)
At 31 March 2018	3,263,603	1,532,356	4,795,959
Accumulated impairment losses and amortisation			
At 1 April 2016	322,800	106,406	429,206
Additions	-	20,074	20,074
At 31 March 2017	322,800	126,480	449,280
Additions	-	20,074	20,074
At 31 March 2018	322,800	146,554	469,354
Net carrying amount			
At 31 March 2018	2,940,803	1,385,802	4,326,605
At 31 March 2017	2,558,923	21,074	2,579,997

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

6. INTANGIBLE ASSETS (cont'd)

The goodwill arising on consolidation is attributable to the acquisition of Sri Tawau Farming Sdn Bhd, Innobrid Sdn Bhd, G-mart Borneo Retail Sdn Bhd, ST Food Sdn Bhd and JT Trading Sdn Bhd.

Goodwill has been allocated to the Group's CGU according to the subsidiary companies concerned.

Development costs consists of raw material cost, packing cost and man power cost for development of products.

Impairment Test for Goodwill

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for each of the CGU's value-in-use calculations are:

	2018	2017
Budgeted gross margin	4.5% - 5.5%	4.5% - 5.5%
Growth rate	6.0%	6.0%
Discount rate	7.5% - 7.9%	7.5% - 7.9%

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements or deficiency, market and economic conditions.

(ii) Growth rate

The weighted average growth rates used are consistent with the long-term average growth rate for the industry.

(iii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

NOTES TO THE
FINANCIAL STATEMENTS

31 MARCH 2018

7. DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 April	29,637,754	26,998,052	9,368,175	8,453,159
Recognised in profit or loss (Note 29)	2,426,820	2,639,702	2,039,251	915,016
At 31 March	32,064,574	29,637,754	11,407,426	9,368,175
Presented after offsetting as follows:				
Deferred tax liabilities	35,724,121	32,703,565	11,547,438	10,247,663
Deferred tax assets	(3,659,547)	(3,065,811)	(140,012)	(879,488)
	32,064,574	29,637,754	11,407,426	9,368,175

	Accelerated Capital Allowances RM	Revaluation Reserve RM	Others RM	Total RM
Deferred Tax Liabilities of the Group:				
At 1 April 2016	19,857,089	9,850,880	567,086	30,275,055
Recognised in profit or loss	2,761,771	(320,819)	(12,442)	2,428,510
At 31 March 2017	22,618,860	9,530,061	554,644	32,703,565
Recognised in profit or loss	3,355,977	(335,421)	-	3,020,556
At 31 March 2018	25,974,837	9,194,640	554,644	35,724,121

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

7. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

	Accelerated Capital Allowances RM	Revaluation Reserve RM	Others RM	Total RM
Deferred Tax Liabilities of the Company:				
At 1 April 2016	4,270,893	4,326,983	-	8,597,876
Recognised in profit or loss	1,794,811	(145,024)	-	1,649,787
At 31 March 2017	6,065,704	4,181,959	-	10,247,663
Recognised in profit or loss	1,448,905	(149,130)	-	1,299,775
At 31 March 2018	7,514,609	4,032,829	-	11,547,438

	Unutilised Tax Losses and Unabsorbed Capital Allowances RM	Others RM	Total RM
Deferred Tax Assets of the Group:			
At 1 April 2016	(2,687,383)	(589,620)	(3,277,003)
Recognised in profit or loss	910,285	(699,093)	211,192
At 31 March 2017	(1,777,098)	(1,288,713)	(3,065,811)
Recognised in profit or loss	(1,391,731)	797,995	(593,736)
At 31 March 2018	(3,168,829)	(490,718)	(3,659,547)

Deferred Tax Assets of the Company:

At 1 April 2016	-	(144,717)	(144,717)
Recognised in profit or loss	-	(734,771)	(734,771)
At 31 March 2017	-	(879,488)	(879,488)
Recognised in profit or loss	-	739,476	739,476
At 31 March 2018	-	(140,012)	(140,012)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

7. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

Deferred tax assets not recognised are in respect of the following items:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised tax losses	5,206,400	5,206,400	-	-

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

8. BIOLOGICAL ASSETS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At cost:				
Layer breeders	1,231,590	1,087,933	246,863	164,361
Broiler breeders	6,104,904	5,478,467	-	-
Layers	32,627,689	27,132,496	24,625,873	20,788,071
	39,964,183	33,698,896	24,872,736	20,952,432

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

9. INVENTORIES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At cost:				
Livestocks	9,516,140	8,263,203	-	-
Eggs	5,032,379	4,143,404	2,401,755	2,007,288
Raw materials	11,631,704	16,594,845	4,738,976	4,276,469
Organic fertilisers	1,145,176	811,240	-	-
Processed and frozen products	21,131,915	16,802,525	-	-
Retail merchandise	30,344,793	26,151,728	-	-
Trading items	964,982	1,052,350	-	-
Consumables and packing materials	11,904,706	8,383,466	5,742,789	3,278,165
	91,671,795	82,202,761	12,883,520	9,561,922
Inventories recognised in profit or loss	688,436,241	551,289,060	329,946,667	222,490,422
Inventories written off	-	89,203	-	-

10. TRADE RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables				
Third parties	146,635,147	82,073,183	76,912,149	15,813,804
Impairment losses	(5,610,098)	(5,350,804)	(1,058,052)	(68,386)
	141,025,049	76,722,379	75,854,097	15,745,418

The Group's normal credit term for trade receivables ranges from 45 days to 75 days after the month of invoicing (2017: 45 days to 75 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group has no significant concentration of credit risk that may arise from exposures to a single receivable or to groups of receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

10. TRADE RECEIVABLES (cont'd)

Ageing analysis of trade receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Neither past due nor impaired	114,933,141	71,741,063	55,611,849	14,649,801
Up to 90 days past due not impaired	18,726,573	1,716,295	17,052,342	325,564
More than 90 days past due not impaired	7,365,335	3,265,021	3,189,906	770,053
	26,091,908	4,981,316	20,242,248	1,095,617
Impaired	5,610,098	5,350,804	1,058,052	68,386
	146,635,147	82,073,183	76,912,149	15,813,804

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group and the Company. None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group and the Company have trade receivables amounting to RM26,091,908 (2017: RM4,981,316) and RM20,242,248 (2017: RM1,095,617) respectively that are past due at the reporting date and not impaired. The analysis of secured and unsecured past due and not impaired trade receivables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Secured past due and not impaired trade receivables	1,206,726	272,157	-	-
Unsecured past due and not impaired trade receivables	24,885,182	4,709,159	20,242,248	1,095,617
	26,091,908	4,981,316	20,242,248	1,095,617

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

10. TRADE RECEIVABLES (cont'd)

Ageing analysis of trade receivables (cont'd)

The movement in the impairment losses on trade receivables during the financial year were:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 April	5,350,804	4,997,740	68,386	68,554
Charge for the financial year	1,606,897	516,851	1,000,000	2,832
Reversal of impairment losses	(1,347,603)	(163,787)	(10,334)	(3,000)
At 31 March	5,610,098	5,350,804	1,058,052	68,386

11. OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables				
Sundry receivables	13,180,633	15,674,780	7,142,036	5,381,831
Deposits	16,894,990	10,758,729	11,305,976	7,114,159
Prepayments	2,908,984	2,732,240	1,311,917	1,004,259
Tax recoverable	578,850	3,184,147	-	2,339,621
	33,563,457	32,349,896	19,759,929	15,839,870

Included in deposits of the Group and of the Company are amount of RM6,937,477 (2017: RM5,322,420) being deposits paid to suppliers in advance.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

12. DUE FROM SUBSIDIARY COMPANIES

	Company	
	2018	2017
	RM	RM
Subsidiary companies		
Trade	30,724,774	22,765,244
Non-trade	88,943,841	61,267,223
	119,668,615	84,032,467

The amounts due from subsidiary companies arose mainly from inter-company trade transactions, advances and payments made on behalf are unsecured, interest-free (2017: interest free) and are repayable in cash on demand except for trade transactions which are subject to normal trade credit terms.

Analysed by:

	Company	
	2018	2017
	RM	RM
<u>Non-current assets</u>		
Non trade	29,831,896	20,094,834
<u>Current assets</u>		
Trade	30,724,774	22,765,244
Non trade	59,111,945	41,172,389
Total	89,836,719	63,937,633
	119,668,615	84,032,467

Amount due from subsidiary companies amounting to RM8.50 million (2017: RM2.83 million) are subordinated to financial institutions as securities for credit facilities granted to certain subsidiary companies as disclosed in Note 19.

13. DUE FROM/(TO) AN ASSOCIATE COMPANY

The amount due from/(to) an associate company which arose mainly from advances and payments made on behalf is unsecured, interest free (2017: interest free) and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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14. SHORT TERM INVESTMENT

The amount represents investment in short-term fixed income unit trust fund which provides a stream of monthly income by investing in money market and fixed income instruments. Interest received from the investment is exempted from tax.

Short term investment is highly liquid which have an insignificant risk of changes in value which attracts a weighted average effective interest rate at the reporting date of 3.58% (2017: 3.25%).

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(a) Other investments				
Quoted shares at fair value in Malaysia	170,000	150,000	170,000	150,000
(b) Short term investment				
Unit trust fund, at fair value	5,282,011	1,522,355	3,707,564	-
Total investments	5,452,011	1,672,355	3,877,564	150,000
Market value of quoted shares in Malaysia	170,000	202,000	170,000	202,000

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash on hand and at banks	9,730,342	7,502,408	3,727,542	3,812,961
Deposits with a licensed bank	496,743	481,814	-	-
Cash and bank balances	10,227,085	7,984,222	3,727,542	3,812,961
Short term investment (Note 14)	5,452,011	1,672,355	3,877,564	150,000
Less: Bank overdrafts (Note 19)	(4,040,436)	(9,626,042)	(359,092)	(2,182,734)
Deposits pledged to a licensed bank	11,638,660	30,535	7,246,014	1,780,227
	(496,743)	(481,814)	-	-
Cash and cash equivalents	11,141,917	(451,279)	7,246,014	1,780,227

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

15. CASH AND CASH EQUIVALENTS (cont'd)

The deposits with a licensed bank of the Group amounting to RM496,743 (2017: RM481,814) have been pledged to a licensed bank for banking facilities used by a subsidiary company. This balance of the deposits as at reporting date has a weighted average effective interest rate of 3.10% (2017: 3.30%).

The deposits with a licensed bank as at the end of the financial year have a maturity of 365 days (2017: 365 days).

16. SHARE CAPITAL

	Group and the Company		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
At 1 April	608,750,000	121,750,000	57,750,000	57,750,000
Issued during the financial year				
- Pursuant to SIS	-	-	3,125,000	3,125,000
- Bonus issue	-	-	60,875,000	60,875,000
- Share split	-	-	487,000,000	-
- Conversion of Warrants 2016/2021	20,897,100	8,358,840	-	-
At 31 March	629,647,100	130,108,840	608,750,000	121,750,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company increased its issued and paid-up share capital from 608,750,000 to 629,647,100 by way of issuance of 20,897,100 new ordinary shares via the exercise of Warrants 2016/2021 at the exercise price of RM0.40 per ordinary share.

Salient features of the Share Issuance Scheme ("SIS")

The Company's SIS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 18 May 2015. The SIS was implemented on 12 January 2016 and is to be in force for a period of 5 years from the date of implementation.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

16. SHARE CAPITAL (cont'd)

Salient features of the Share Issuance Scheme ("SIS") (cont'd)

The salient features of the SIS are as follows:

- (a) the maximum number of new ordinary shares which may be available under the SIS shall not exceed in aggregate fifteen percent (15%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the SIS and subject always to the following:
 - (i) the allocation of new shares to the Directors of the Company under the SIS must have been approved by the shareholders of the Company in a general meeting; and
 - (ii) the number of new ordinary shares allotted to any individual Eligible Person must not exceed ten percent (10%) of the aggregate shares available under the scheme where the Eligible Person, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company.
- (b) the SIS shall be in force for a period of five (5) years, unless terminated earlier or extended in accordance with the terms of By Laws of the SIS. The Scheme may be extended for a further period of up to a maximum of five (5) years at the discretion of the Board upon the recommendation of the Option Committee.
- (c) the subscription price shall be the higher of the following:
 - (i) the volume weighted average market price of the shares for the five (5) market days immediately preceding the offer date, with a discount of not more than ten percent (10%) at the Option Committee's discretion; or
 - (ii) the par value of the shares.
- (d) the new ordinary shares to be issued and allotted upon the exercise of any SIS option will upon issue and ordinary allotment rank pari passu in all respects with the existing issued ordinary shares of the Company except that the new ordinary shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment.

Information with respect to the number of options granted under the SIS is as follows:

Grant date	Exercise price RM	Number of Options Over Ordinary Shares					At 31 March 2018
		At 1 April 2017	Granted	Bonus issue	Exercised	Lapsed	
12 Jan 2016	0.58	21,250,000	-	-	-	-	21,250,000

* The SIS options were granted on 12 January 2016 and will expire on 11 January 2021.

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16. SHARE CAPITAL (cont'd)

Salient features of the Share Issuance Scheme ("SIS") (cont'd)

Fair value of the SIS options granted is as follow:

The fair value of the SIS options has been measured by an external valuer using the Black-Scholes formula. The inputs used in the measurement of the fair value at grant date of the SIS options were as follows:

	12 Jan 2016
Fair value at grant date (RM)	2.87
Share price at grant date (RM)	6.75
Exercise price (RM)	5.81
Expected volatility (%)	40.57
Expected life (years)	5.00
Risk free rate (%)	3.70
Expected dividend yield (%)	0.74

The expected life of the SIS options is based on historical experience and general option holder behaviour. The expected volatility has been based on an evaluation of the historical volatility of the Company's share price. No other features of the option grant were incorporated into the measurement of fair value.

Warrants 2016/2021

The Company had issued 304,375,000 units 5 years warrants 2016/2021 ("Warrant 2016/2021") pursuant to the Lay hong Berhad Free Warrant Issue of one (1) warrant for every two (2) subdivided shares held by the Entitled Shareholders after the bonus issue and share split at issue price of RM0.20 per warrant. The Warrant 2016/2021 were in registered form and are constituted by the Deed Poll dated 28 September 2016. The Warrants 2016/2021 were admitted to the official list of the Exchange on the Main Market 14 October 2016.

The movements in these warrants during the financial year are as follows:

	Number of warrants
At 1 April 2016	-
Allotted during the year	304,375,000
At 31 March 2017	304,375,000
Exercised during the year	(20,897,100)
At 31 March 2018	283,477,900

NOTES TO THE FINANCIAL STATEMENTS

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16. SHARE CAPITAL (cont'd)

Warrants 2016/2021 (cont'd)

The salient terms of the warrants are as follows:

- (i) The warrants were issued in registered form and constituted by a Deed Poll executed on 28 September 2016. For the purpose of trading of the warrants on Bursa Securities, a board lot of warrants shall be 100 warrants carrying the right to subscribe for 100 ordinary shares of RM0.20 each in the Company;
- (ii) The exercise price is RM0.40 per ordinary share of RM0.20 each of the Company and each warrant will entitle the registered holder to subscribe for 1 new ordinary share in the Company during the exercise period;
- (iii) The exercise period is for a period of 5 years commencing on and including the date of allotment of this warrants. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid;
- (iv) The new ordinary shares to be issued pursuant to the exercise of this warrants will, upon allotment and issuance, rank pari passu in all respects with the existing ordinary shares of the Company, save and except that the holders of the new ordinary shares of the Company shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is on or before the date of allotment of the ordinary shares of the Company pursuant to the exercise of the warrants;
- (v) In the case of a members' voluntarily winding up, or a compromise or arrangement between the Company and its members or any class of them (whether or not in connection with a scheme for reconstruction or amalgamation), every warrant holder as evidenced in the Record of Depositors shall be treated as having the right to subscribe for new ordinary shares of the Company in accordance with the terms and conditions of the Deed Poll, at any time within 6 weeks after passing of such resolution for a members' voluntarily winding up of the Company, or within 6 weeks after the granting of the court order in respect of the compromise or arrangement; and
- (vi) The warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants for new ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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17. OTHER RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Share option reserve	6,109,071	6,109,071	6,109,071	6,109,071
Revaluation reserve	66,452,905	65,602,629	41,383,449	41,854,003
Foreign currency translation reserve	499,283	1,100,746	-	-
Fair value reserve	143	(3,070)	-	-
	73,061,402	72,809,376	47,492,520	47,963,074

The nature and purpose of each category of reserves are as follows:

(i) Share option reserve

Share option reserve comprises the share-based payment transaction under the SIS plan. The SIS was implemented on 12 January 2016 to grant share options to eligible Directors and employees of the Company.

The salient features and other terms of the SIS are disclosed in Note 16 to the financial statements.

(ii) Revaluation reserve

Revaluation reserve of the Group arises from the revaluation surplus of land and buildings net of deferred taxation.

(iii) Foreign currency translation reserve

Foreign currency translation reserve comprises exchange differences arising from the translation of the financial statement of a foreign operation whose functional currency is different from that of the Group's presentation currency, and exchange differences arising from monetary items which form part of the Group's net investment in a foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(iv) Fair value reserve

Fair value reserve represents the cumulative fair value changes for available-for-sale financial assets until they are disposed off or impaired.

NOTES TO THE FINANCIAL STATEMENTS

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18. RETAINED EARNINGS

Retained earnings represent distributable reserves and is distributable by way of dividends.

Under the single-tier system which is fully effective from 1 January 2014, the Company is allowed to distribute in full its retained earnings. Dividend paid under the single-tier system are tax exempt in the hands of the shareholders.

19. LOAN AND BORROWINGS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current				
Secured:				
Bank overdrafts	3,681,344	7,443,308	-	-
Bankers' acceptances	47,134,066	43,963,000	-	-
Onshore foreign currency loan	-	1,469,512	-	-
Term loans	10,974,207	7,084,758	6,595,046	1,122,273
Finance lease liabilities (Note 24)	8,054,290	7,462,747	2,911,779	2,167,229
	69,843,907	67,423,325	9,506,825	3,289,502
Unsecured:				
Bank overdrafts	359,092	2,182,734	359,092	2,182,734
Bankers' acceptances	58,794,000	43,561,000	58,794,000	43,561,000
Term loans	-	-	-	-
Revolving credit	15,500,000	2,000,000	15,500,000	2,000,000
	74,653,092	47,743,734	74,653,092	47,743,734
	144,496,999	115,167,059	84,159,917	51,033,236

NOTES TO THE
FINANCIAL STATEMENTS

31 MARCH 2018

19. LOAN AND BORROWINGS (cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current				
Secured:				
Term loans	68,556,602	28,528,710	32,973,041	18,409,454
Finance lease liabilities (Note 24)	17,462,674	13,085,046	6,417,939	5,215,373
	86,019,276	41,613,756	39,390,980	23,624,827
Total Borrowings				
Bank overdrafts (Note 15)	4,040,436	9,626,042	359,092	2,182,734
Bankers' acceptances	105,928,066	87,524,000	58,794,000	43,561,000
Onshore foreign currency loan	-	1,469,512	-	-
Term loans	79,530,809	35,613,468	39,568,087	19,531,727
Revolving credit	15,500,000	2,000,000	15,500,000	2,000,000
Finance lease liabilities (Note 24)	25,516,964	20,547,793	9,329,718	7,382,602
	230,516,275	156,780,815	123,550,897	74,658,063
Maturity of borrowings (excluding finance lease liabilities):				
Within one year	136,442,709	107,704,312	81,248,138	48,866,007
More than 1 year and less than 2 years	13,525,449	7,803,768	8,927,313	4,646,392
More than 2 years and less than 5 years	26,408,807	11,326,181	17,571,629	8,056,225
5 years or more	28,622,346	9,398,761	6,474,099	5,706,837
	204,999,311	136,233,022	114,221,179	67,275,461

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

19. LOAN AND BORROWINGS (cont'd)

The weighted average effective interest rate at the balance sheet date for borrowings, excluding finance lease liabilities were as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Bank overdrafts	8.10	7.82	8.06	7.70
Bankers' acceptances	4.72	4.57	4.64	4.50
Onshore foreign currency loan	-	3.15	-	-
Term loans	6.28	6.00	5.79	5.56
Revolving credit	5.26	5.01	5.26	5.01

The credit facilities of the Company are secured by way of negative pledge on the assets of the Company.

The credit facilities of the subsidiary companies are secured by way of corporate guarantees from the Company and a corporate shareholder, fixed charges on certain landed properties as disclosed in Note 3, deposits as disclosed in Note 15, and amount due from subsidiary companies of RM8.50 million (2017: RM2.83 million) as disclosed in Note 12.

20. LONG TERM PAYABLES

The long term payables of the Group represents the amount due to a related company and a corporate shareholder which arose mainly from advances and payments made on behalf is unsecured, interest free (2017: interest free) and repayable after the next twelve months.

21. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 days to 90 days (2017: 30 days to 90 days).

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FINANCIAL STATEMENTS

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22. OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other payables				
Sundry payables	30,027,758	21,215,595	10,080,077	5,183,625
Accruals	13,802,856	14,920,501	2,863,214	8,128,364
	43,830,614	36,136,096	12,943,291	13,311,989

23. DUE TO SUBSIDIARY COMPANIES

	Company	
	2018	2017
	RM	RM
Subsidiary companies		
Trade	3,851,788	1,288,629
Non-trade	21,968,264	3,357,427
	25,820,052	4,646,056

The amounts due to subsidiary companies arose mainly from inter-company trade transactions, advances and payments made on behalf are unsecured, interest-free (2017: interest free) and are repayable in cash on demand, except for trade transaction which are subject to normal trade credit terms and an amount of RM3,303,750 (2017: RM3,979,883) in non-trade transaction is subject to 3.75% to 5.00% (2017: 3.75% to 5.00%) interest per annum.

NOTES TO THE FINANCIAL STATEMENTS

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24. FINANCE LEASE LIABILITIES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Future minimum lease payments				
Not later than 1 year	9,341,368	8,492,707	3,364,382	2,539,871
Later than 1 year and not later than 2 years	7,279,852	6,148,272	2,849,526	2,272,526
Later than 2 years and not later than 5 years	11,634,436	7,999,207	4,075,100	3,346,654
Later than 5 years	-	26,238	-	26,238
	28,255,656	22,666,424	10,289,008	8,185,289
Less: Future finance charges	(2,738,692)	(2,118,631)	(959,290)	(802,687)
Present value of finance leases (Note 19)	25,516,964	20,547,793	9,329,718	7,382,602
Analysis of present value of finance lease liabilities:				
Not later than 1 year	8,054,290	7,462,747	2,911,779	2,167,229
Later than 1 year and not later than 2 years	6,459,745	5,543,909	2,563,676	2,034,952
Later than 2 years and not later than 5 years	11,002,929	7,515,064	3,854,263	3,154,348
Later than 5 years	-	26,073	-	26,073
	25,516,964	20,547,793	9,329,718	7,382,602
Analysed as:				
Amount due within 12 months (Note 19)	8,054,290	7,462,747	2,911,779	2,167,229
Amount due after 12 months (Note 19)	17,462,674	13,085,046	6,417,939	5,215,373
	25,516,964	20,547,793	9,329,718	7,382,602

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

24. FINANCE LEASE LIABILITIES (cont'd)

Other information on financial risks of finance lease liabilities are disclosed as follows:

	Type	2018 %	2017 %	Maturity
Group				
Finance lease liabilities	Fixed	2.43 - 4.05	2.43 - 4.05	2018 to 2023
Company				
Finance lease liabilities	Fixed	2.43 - 3.81	2.43 - 3.80	2018 to 2023

25. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Eggs	202,567,380	164,929,756	198,244,214	163,815,078
Livestocks	30,159,355	28,667,675	4,613,009	3,904,385
Ready feed	-	58,004	93,115,450	78,442,792
Processed and frozen products	415,119,855	302,841,197	87,093,000	-
Trading	26,652,112	24,291,992	-	-
Others	32,947,540	30,274,098	8,788,445	7,482,813
Retail supermarket	140,355,830	124,898,605	-	-
	847,802,072	675,961,327	391,854,118	253,645,068

NOTES TO THE FINANCIAL STATEMENTS

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26. OTHER OPERATING INCOME

Included in other operating income of the Group and of the Company are the following:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Gain on disposal of property, plant and equipment	203,169	-	9,587	75,402
Rental income:				
- Subsidiary company	-	-	3,600	3,600
- Associate company	92,580	61,720	92,580	61,720
- Others	2,608,564	2,343,076	-	-
Corporate guarantee fee from subsidiary company	-	-	817,040	817,040
Dividend from unquoted investments	380	333	380	333
Dividend from quoted investments	9,069	4,102	9,034	4,061
Interest income	106,146	80,278	2,671	1,241
Insurance claim	43,640	2,313	-	2,215
Management fees from subsidiary companies:				
- Current year	-	-	1,266,000	1,086,000
- Under charge in prior years	-	-	-	100,000
Reversal of impairment losses on trade receivables	1,347,603	163,787	10,334	3,000
Gain on disposal of unquoted investment	-	215,018	-	215,018
Gain on fair value on quoted investment	8,115	-	8,115	-
Negative goodwill	-	96,767	-	-
Gain on foreign exchange:				
- Realised	75,290	1,124,219	-	1,115,895
- Unrealised	837	387,823	-	3 43,771
Sale of scrap	1,088,683	414,684	192,773	122,888
Project Management fees	3,800,000	-	3,800,000	-
Change in fair value on quoted investment	1,277	-	1,277	-
Others	1,120,618	1,000,760	61,437	-
	10,505,971	5,894,880	6,274,828	3,952,184

NOTES TO THE FINANCIAL STATEMENTS

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27. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors' fees:				
- Current year	395,500	196,000	305,500	196,000
- Under provision in prior years	109,500	12,000	109,500	12,000
Auditors' remuneration:				
- Current year	154,109	146,256	35,000	35,000
- (Over)/Under provision in prior years	(250)	5,500	-	3,500
- Others	6,000	6,000	6,000	6,000
Internal auditors' remuneration	15,875	57,715	-	-
Amortisation of intangible assets	20,074	20,074	-	-
Depreciation of property, plant and equipment	27,275,872	23,342,664	8,986,786	7,274,359
Property, plant and equipment written off	378,865	77,727	56,582	-
Loss on disposal of property, plant and equipment	5,050	387,427	-	-
Loss on disposal of partial subsidiary company (Note 5)	21,480	-	170,726	-
Hire of plant and machinery	1,543,409	758,015	344,501	132,533
Loss on foreign exchange:				
- Realised	160,919	137,127	86,099	-
- Unrealised	354,352	4,859	302,382	-
Impairment losses on trade receivables	1,606,897	516,851	1,000,000	2,832
Bad receivables written off	747,040	70,851	10,334	-
Inventories written off	-	89,203	-	-
Rental expenses:				
- Third parties	11,034,854	4,492,752	1,313,629	1,101,242

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

28. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expenses on:				
- Bank borrowings	8,589,032	6,090,258	4,314,841	2,718,864
- Finance lease liabilities	1,401,908	1,248,781	505,913	414,643
- Subsidiary company	-	-	174,055	204,646
- Others	76,413	245,869	-	-
	10,067,353	7,584,908	4,994,809	3,338,153

29. TAX EXPENSES/(INCOME)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax expenses for the financial year	9,298,423	2,678,240	5,202,564	-
(Over)/Under provision in prior years	648,077	(2,780,482)	189,311	(2,206,713)
	9,946,500	(102,242)	5,391,875	(2,206,713)
Deferred tax (Note 7):				
Relating to origination and reversal of deferred tax	2,978,928	3,445,629	2,127,591	826,796
(Over)/Under provision of tax in prior year	(552,108)	(805,927)	(88,340)	88,220
	2,426,820	2,639,702	2,039,251	915,016
	12,373,320	2,537,460	7,431,126	(1,291,697)

NOTES TO THE FINANCIAL STATEMENTS

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29. TAX EXPENSES/(INCOME) (cont'd)

A reconciliation of tax expenses/(income) applicable to profit before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	52,216,735	21,943,002	32,626,627	2,416,043
Tax at statutory tax rate of 24% (2017: 24%)	12,532,015	5,266,321	7,830,390	579,850
Income not subject to tax	-	(23,224)	-	-
Incremental chargeable income exempted from tax	(1,212,719)	-	(1,002,651)	-
Expenses not deductible for tax purposes	1,180,260	1,124,295	502,416	246,946
Under/(Over) provision in prior years:				
- Income tax	648,077	(2,780,482)	189,311	(2,206,713)
- Deferred tax	(552,108)	(714,304)	(88,340)	88,220
Utilisation of reinvestment allowance	(463,475)	(368,614)	-	-
Utilisation of previously unrecognised deferred tax asset	-	(91,624)	-	-
Share of results of associate	241,270	125,092	-	-
Tax expenses/(income) for the financial year	12,373,320	2,537,460	7,431,126	(1,291,697)

30. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares assuming full conversion of outstanding SIS and Warrants.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

30. EARNINGS PER SHARE (cont'd)

	2018	Group
	RM	2017
		RM
Profit attributable to ordinary equity holders of the Company	36,689,840	18,255,179
Weighted average number of ordinary shares in issue after effect of bonus issue and share split (basic)	612,814,915	604,888,681
Effect of conversion of outstanding SIS	12,889,604	16,352,913
Effect of conversion of outstanding Warrants	125,410,654	136,464,106
Weighted average number of ordinary shares in issue (diluted)	751,115,173	757,705,700
Basic earnings per share (sen)	5.99	3.02
Diluted earnings per share (sen)	4.88	2.41

The average market value of the Company's shares for the purpose of calculating the dilutive effects of the SIS was based on quoted market prices during which the options were outstanding.

31. DIVIDEND

	Group and Company
	2018
	2017
	RM
	RM
Recognised during the financial year:	
Dividend on ordinary shares:	
Final single tier dividend of 0.5 sen (2017: 5 sen) per ordinary share	3,043,750
	3,043,750

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FINANCIAL STATEMENTS

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32. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages and bonus	57,919,591	51,493,730	15,226,781	14,238,105
Defined contribution plans	5,479,099	5,057,168	1,457,891	1,529,437
Other employee benefits	17,902,834	14,651,931	5,564,892	4,391,860
	81,301,524	71,202,829	22,249,564	20,159,402

Included in employee benefits expense are Directors' remuneration (excluding Directors' fees and benefits-in-kind) as follows (further disclosed in Note 33):

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors' remuneration	3,464,304	2,810,587	3,464,304	2,810,587

33. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	3,464,304	2,810,587	3,464,304	2,810,587
Fees	253,500	98,333	253,500	98,333
Benefits-in-kind	45,400	45,400	45,400	45,400
	3,763,204	2,954,320	3,763,204	2,954,320

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33. DIRECTORS' REMUNERATION (cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-executive: Fees	251,500	113,667	161,500	113,667
Total	4,014,704	3,067,987	3,924,704	3,067,987

Analysis of Directors' remuneration excluding benefits-in-kind:

Executive Directors	3,717,804	2,908,920	3,717,804	2,908,920
Non-executive Directors	251,500	113,667	161,500	113,667
Total	3,969,304	3,022,587	3,879,304	3,022,587

The number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2018	2017
Executive Directors:		
RM900,001 - RM1,100,000	1	1
RM700,001 - RM900,000	1	-
RM500,001 - RM700,000	2	2
RM300,001 - RM500,000	-	1
Non-Executive Directors:		
RM50,001 - RM150,000	1	-
Below RM50,000	5	6

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34. OPERATING LEASE ARRANGEMENTS

The lease commitment as at reporting date is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Future minimum rentals payments:				
Not later than 1 year	8,794,054	7,628,178	841,904	730,900
Later than 1 year and not later than 5 years	9,647,406	11,732,984	234,135	595,500
Later than 5 years	1,890,204	1,978,264	50,250	86,250
	20,331,664	21,339,426	1,126,289	1,412,650

35. CAPITAL COMMITMENTS

The Group and the Company have the following commitments:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Approved and contracted for - Property, plant and equipment	38,836,000	23,405,000	13,920,000	8,816,000
Approved but not contracted for - Property, plant and equipment	11,793,000	33,337,000	388,000	21,897,000

36. CONTINGENT LIABILITIES

Unsecured	Company	
	2018 RM	2017 RM
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiary companies	104,656,112	78,664,553

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

37. SEGMENT INFORMATION

Group

The primary reporting format is based on business segments.

The Group is organised into two major business segments, namely:

- (i) Integrated livestock farming; and
- (ii) Retail supermarket

No segment information by geographic area is presented as the Group operates predominantly in Malaysia.

2018	Integrated livestock farming	Retail supermarket	Elimination	Consolidated
Revenue				
External sales	707,446,242	140,355,830	-	847,802,072
Inter-segment sales	23,219,295	-	(23,219,295)	-
	730,665,537	140,355,830	(23,219,295)	847,802,072
Results				
Profit/(Loss) from operations	64,853,718	(1,564,337)	-	63,289,381
Finance costs				(10,067,353)
Share of loss of associate				(1,005,293)
				52,216,735
Tax expense				(12,373,320)
Profit for the financial year				39,843,415
Other information				
Total segment assets	726,006,542	65,225,045	-	791,231,587
Total segment liabilities	403,714,484	30,611,801	-	434,326,285
Depreciation and amortisation	27,295,946	-	-	27,295,946
Capital expenditure	97,971,493	4,508,929	-	102,480,422
Non-cash expenses other than depreciation and amortisation	1,582,053	-	-	1,582,053

NOTES TO THE
FINANCIAL STATEMENTS

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37. SEGMENT INFORMATION (cont'd)

2017	Integrated livestock farming	Retail supermarket	Elimination	Consolidated
Revenue				
External sales	551,062,722	124,898,605	-	675,961,327
Inter-segment sales	19,553,761	-	(19,553,761)	-
	570,616,483	124,898,605	(19,553,761)	675,961,327
Results				
Profit/(Loss) from operations	31,443,328	(1,394,200)	-	30,049,128
Finance costs				(7,584,908)
Share of loss of associate				(521,218)
				21,943,002
Tax expense				(2,537,460)
Profit for the financial year				19,405,542
Other information				
Total segment assets	555,835,920	58,061,994	-	613,897,914
Total segment liabilities	289,525,927	22,215,099	-	311,741,026
Depreciation and amortisation	21,476,287	1,886,451	-	23,362,738
Capital expenditure	72,641,845	4,127,081	-	76,768,926
Non-cash expenses other than depreciation and amortisation	539,916	-	-	539,916

NOTES TO THE FINANCIAL STATEMENTS

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38. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties refer to entities in which a Director or a substantial shareholder of the Company or of its subsidiaries or person connected to such Director or substantial shareholder has an interest. Significant transactions undertaken with related parties are as follows:

	Company	
	2018	2017
	RM	RM
<hr/>		
Purchases from subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	14,487,590	14,860,067
- Hing Hong Sdn Berhad	4,533,528	3,917,255
- STF Agriculture Sdn Bhd	660,600	-
- JT Trading Sdn Bhd	8,861	8,931
Sales to subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	12,469,591	12,092,357
- Innobrid Sdn Bhd	40,232,423	26,850,398
- Evergreen Organic Fertilisers Sdn Berhad	-	360,000
- Eminent Farm Sdn Bhd	39,794,251	39,029,840
- Hing Hong Sdn Berhad	1,756,134	1,583,489
- Lay Hong Liquid Egg Sdn Bhd	20,665,107	19,843,420
- Lay Hong Food Corporation Sdn Bhd	1,697,834	1,780,579
- STF Agriculture Sdn Bhd	1,379,962	1,124,668
- JT Trading Sdn Bhd	10,194,162	8,515,959
Management fees receivable from subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	120,000	220,000
- Evergreen Organic Fertilisers Sdn Berhad	36,000	36,000
- Hing Hong Sdn Berhad	30,000	30,000
- Eminent Farm Sdn Bhd	180,000	180,000
- Lay Hong Food Corporation Sdn Bhd	360,000	360,000
- STF Agriculture Sdn Bhd	360,000	180,000
- Lay Hong Liquid Egg Sdn Bhd	180,000	180,000
Rental income receivable from a subsidiary company:		
- Evergreen Organic Fertilisers Sdn Berhad	3,600	3,600
Rental income receivable from an associate:		
- NHF Manufacturing (Malaysia) Sdn Bhd	92,580	61,720
Corporate guarantee fee:		
- STF Agriculture Sdn Bhd	817,040	817,040
<hr/>		

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 31 March 2018/2017 are disclosed in Note 12, 13, and Note 23.

(a) Compensation of key management personnel

The members of key management are also the Directors of the Company. Directors remuneration is disclosed in Note 33.

39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, foreign currency risk, liquidity risk, credit risk and market risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions. The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long-term interest-bearing assets as at 31 March 2018. The investments in financial assets, if any are mainly short term in nature and they are not held for speculative purposes.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on effective interest rates of financial assets and financial liabilities are disclosed in their respective notes.

Interest rate sensitivity analysis

The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings as disclosed in Note 19. Under the current interest rate environment, management anticipates that any changes in interest rate in the near term are not expected to have a significant impact on the Group's and the Company's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

(a) Interest rate risk (cont'd)

Interest rate sensitivity analysis (cont'd)

At the reporting date, if interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's and the Company's profit or loss net of tax for the year ended 31 March 2018 and 2017 would have been RM1,516,554 (2017: RM595,767) and RM469,493 (2017: RM283,701) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate of loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Foreign exchange risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euro (EUR), United States Dollars (USD), Singapore Dollars (SGD), Renminbi (CNY), Brunei Dollars (BRD), Pound (GBP). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptance level.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Net Financial Assets/(Liabilities) held in Non- Functional Currencies	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Euro	4,221,496	208,629	4,138,918	(29,654)
United States Dollars	1,344	3,724,179	135,437	2,780,745
Singapore Dollars	1,631,043	820,537	776,055	834,045
Renminbi	222,144	929,910	180,281	929,910
Brunei Dollars	-	5,451	-	-
Pound	(4,975)	-	(4,975)	-
Total	6,071,052	5,688,706	5,225,716	4,515,046

The Group and the Company are mainly exposed to the foreign currency of United States Dollar, Singapore Dollar, Renminbi and Euro Dollar.

The following table details the sensitivity of the Group's and the Company's profit or loss after tax to a 5% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies, with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

(b) Foreign exchange risk (cont'd)

		Group		Company	
		2018 RM Increase/ (Decrease)	2017 RM Increase/ (Decrease)	2018 RM Increase/ (Decrease)	2017 RM Increase/ (Decrease)
Effects on profit after taxation					
EUR/RM	- strengthened 5% (2017: 5%)	160,417	7,928	157,279	(1,127)
	weakened 5% (2017: 5%)	(160,417)	(7,928)	(157,279)	1,127
USD/RM	- strengthened 5% (2017: 5%)	51	141,519	5,147	105,668
	weakened 5% (2017: 5%)	(51)	(141,519)	(5,147)	(105,668)
SGD/RM	- strengthened 5% (2017: 5%)	61,980	31,180	29,490	31,694
	weakened 5% (2017: 5%)	(61,980)	(31,180)	(29,490)	(31,694)
CNY/RM	- strengthened 5% (2017: 5%)	8,441	35,337	6,851	35,337
	weakened 5% (2017: 5%)	(8,441)	(35,337)	(6,851)	(35,337)
BRD/RM	- strengthened 5% (2017: 5%)	-	207	-	-
	weakened 5% (2017: 5%)	-	(207)	-	-
GBP/RM	- strengthened 5% (2017: 5%)	(189)	-	(189)	-
	weakened 5% (2017: 5%)	189	-	189	-

(c) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital market and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on undiscounted contractual repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Carrying amount RM	Contractual cash flow RM	On demand or within one year RM	From two to five years RM	More than five years RM
Group					
2018					
Financial liabilities:					
Trade payables	121,009,266	121,009,266	121,009,266	-	-
Other payables	43,830,614	30,027,758	30,027,758	-	-
Due to an associate company	51,641	51,641	51,641	-	-
Bank overdrafts	4,040,436	4,040,436	4,040,436	-	-
Bankers' acceptances	105,928,066	105,928,066	105,928,066	-	-
Finance lease liabilities	25,516,964	28,255,656	9,341,368	18,914,288	-
Term loans	79,530,809	104,622,192	14,954,551	34,025,071	55,642,570
Revolving credit	15,500,000	15,500,000	15,500,000	-	-
Total undiscounted financial liabilities	395,407,796	409,435,015	300,853,086	52,939,359	55,642,570
2017					
Financial liabilities:					
Trade payables	84,662,941	84,662,941	84,662,941	-	-
Other payables	36,136,096	21,215,595	21,215,595	-	-
Due to an associate company	94,958	94,958	94,958	-	-
Bank overdrafts	9,626,042	9,626,042	9,626,042	-	-
Bankers' acceptances	87,524,000	87,524,000	87,524,000	-	-
Onshore foreign currency loan	1,469,512	1,469,512	1,469,512	-	-
Finance lease liabilities	20,547,793	22,666,424	8,492,707	14,147,479	26,238
Term loans	35,613,468	41,688,154	7,860,942	27,621,390	6,205,822
Revolving credit	2,000,000	2,000,000	2,000,000	-	-
Total undiscounted financial liabilities	277,674,810	270,947,626	222,946,697	41,768,869	6,232,060

NOTES TO THE
FINANCIAL STATEMENTS

31 MARCH 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

(c) Liquidity risks (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Carrying amount RM	Contractual cash flow RM	On demand or within one year RM	From two to five years RM	More than five years RM
Company					
2018					
Financial liabilities:					
Trade payables	74,805,787	74,805,787	74,805,787	-	-
Other payables	12,943,291	10,080,077	10,080,077	-	-
Due to subsidiary companies	25,820,052	25,820,052	25,820,052	-	-
Bank overdrafts	359,092	359,092	359,092	-	-
Bankers' acceptances	58,794,000	58,794,000	58,794,000	-	-
Finance lease liabilities	9,329,718	10,289,008	3,364,382	6,924,626	-
Term loans	39,568,087	52,226,528	8,192,154	21,633,417	22,400,957
Revolving credit	15,500,000	15,500,000	15,500,000	-	-
Total undiscounted financial liabilities	237,120,027	247,874,544	196,915,544	28,558,043	22,400,957
2017					
Financial liabilities:					
Trade payables	37,729,788	37,729,788	37,729,788	-	-
Other payables	13,311,989	5,183,625	5,183,625	-	-
Due to subsidiary companies	4,646,056	4,646,056	4,646,056	-	-
Bank overdrafts	2,182,734	2,182,734	2,182,734	-	-
Bankers' acceptances	43,561,000	43,561,000	43,561,000	-	-
Finance lease liabilities	7,382,602	8,185,289	2,539,871	5,619,180	26,238
Term loans	19,531,727	21,932,322	1,116,420	19,066,382	1,749,520
Revolving credit	2,000,000	2,000,000	2,000,000	-	-
Total undiscounted financial liabilities	130,345,896	125,420,814	98,959,494	24,685,562	1,775,758

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (cont'd)

(d) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

(e) Market risks

Market risk is the risk that changes in market price (other than interest rates) that will affect the Group's financial position and cash flows.

The Group has no significant exposure to other market risk.

40. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL"):
 - Held for trading ("HFT"); and
- (c) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM
2018			
Financial Assets			
Group			
Trade and other receivables	174,009,656	174,009,656	-
Amount due from an associate company	1,587	1,587	-
Short term investment	5,452,011	-	5,452,011
Cash and cash equivalents	10,227,085	10,227,085	-
	189,690,339	184,238,328	5,452,011

NOTES TO THE
FINANCIAL STATEMENTS

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40. FINANCIAL INSTRUMENTS (cont'd)

Categories of Financial Instruments (cont'd)

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM
Company			
Trade and other receivables	95,614,026	95,614,026	-
Amount due from subsidiary companies	119,668,615	119,668,615	-
Amount due from an associate company	1,587	1,587	-
Short term investment	3,877,564	-	3,877,564
Cash and cash equivalents	3,727,542	3,727,542	-
	222,889,334	219,011,770	3,877,564
Financial Liabilities			
Group			
Trade and other payables	(164,839,880)	(164,839,880)	-
Loans and borrowings	(230,516,275)	(230,516,275)	-
Amount due to an associate company	(51,641)	(51,641)	-
Long term payables	(1,128,020)	(1,128,020)	-
	(396,535,816)	(396,535,816)	-
Company			
Trade and other payables	(87,749,078)	(87,749,078)	-
Amount due to subsidiary companies	(25,820,052)	(25,820,052)	-
Loans and borrowings	(123,550,897)	(123,550,897)	-
	(237,120,027)	(237,120,027)	-

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

40. FINANCIAL INSTRUMENTS (cont'd)

Categories of Financial Instruments (cont'd)

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM
2017			
Financial Assets			
Group			
Trade and other receivables	105,888,128	105,888,128	-
Amount due from an associate company	10,257	10,257	-
Short term investment	1,672,355	-	1,672,355
Cash and cash equivalents	7,984,222	7,984,222	-
	115,554,962	113,882,607	1,672,355
Company			
Trade and other receivables	29,245,667	29,245,667	-
Amount due from subsidiary companies	84,032,467	84,032,467	-
Amount due from an associate company	3,317	3,317	-
Short term investment	150,000	-	150,000
Cash and cash equivalents	3,812,961	3,812,961	-
	117,244,412	117,094,412	150,000
Financial Liabilities			
Group			
Trade and other payables	(120,799,037)	(120,799,037)	-
Loans and borrowings	(156,780,815)	(156,780,815)	-
Amount due to an associate company	(94,958)	(94,958)	-
Long term payables	(1,128,020)	(1,128,020)	-
	(278,802,830)	(278,802,830)	-
Company			
Trade and other payables	(51,041,777)	(51,041,777)	-
Amount due to subsidiary companies	(4,646,056)	(4,646,056)	-
Loans and borrowings	(74,658,063)	(74,658,063)	-
	(130,345,896)	(130,345,896)	-

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

40. FINANCIAL INSTRUMENTS (cont'd)

Determination of fair values

(a) Financial instruments carried at amortised cost

The aggregate net carrying amounts of financial assets and financial liabilities which are not carried at fair values of the Group and of the Company are represented as follows:

31 March 2018	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial assets					
Quoted shares in Malaysia	5	2,352	3,344 ⁺	1,672	1,672 ⁺
Due from subsidiary companies	12	-	-	119,668,615	*
Due from an associate company	13	1,587	*	1,587	*
Financial liabilities					
Due to subsidiary companies	23	-	-	25,820,052	*
Due to an associate company	13	51,641	*	-	-
Term loans	19	79,530,809	79,574,364	39,568,087	39,568,087
Finance lease liabilities	24	25,516,964	27,898,658	9,329,718	9,338,224
31 March 2017					
Financial assets					
Quoted shares in Malaysia	5	1,075	3,480 ⁺	395	1,740 ⁺
Due from subsidiary companies	12	-	-	84,032,467	*
Due from an associate company	13	10,257	-	3,317	-
Financial liabilities					
Due to subsidiary companies	23	-	-	4,646,056	*
Due to an associate company	13	94,958	*	-	-
Term loans	19	35,613,468	35,654,953	19,531,727	19,531,727
Finance lease liabilities	24	20,547,793	20,457,649	7,382,602	7,369,213

⁺ Market value as at financial year end

^{*} It is not practical to estimate the fair values of amounts due from/(to) subsidiary companies and associate company due principally to a lack of fixed repayment terms entered into by the parties involved.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

40. FINANCIAL INSTRUMENTS (cont'd)

Determination of fair values (cont'd)

(a) Financial instruments carried at amortised cost (cont'd)

No disclosure is made for unquoted shares because of lack of market information and the assumptions used in valuation models to value these investments cannot be reasonably determined.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments.

(i) Cash and cash equivalents, trade and other receivables/payables and short term borrowings.

The carrying amounts of trade receivables and payables subject to normal trade credit terms approximate fair values.

The carrying amounts of cash and cash equivalents, other receivables/payables and short term borrowings approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Marketable securities

The fair value of quoted shares is determined by reference to the stock exchange quoted market bid prices at the close of the business on the reporting date.

(iii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

NOTES TO THE
FINANCIAL STATEMENTS

31 MARCH 2018

40. FINANCIAL INSTRUMENTS (cont'd)

Determination of fair values (cont'd)

(b) Financial instruments carried at fair value

The following table shows an analysis of the financial instruments carried at fair value by level of fair value hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
As at 31 March 2018				
Financial assets:				
Investment properties	-	1,700,000	-	1,700,000
Quoted investment	170,000	-	-	170,000
Marketable securities	5,282,011	-	-	5,282,011
As at 31 March 2017				
Financial assets:				
Investment properties	-	1,700,000	-	1,700,000
Quoted investment	202,000	-	-	202,000
Marketable securities	1,522,355	-	-	1,522,355
Company				
As at 31 March 2018				
Financial assets:				
Quoted investment	170,000	-	-	170,000
Marketable securities	3,707,564	-	-	3,707,564
As at 31 March 2017				
Financial assets:				
Quoted investment	202,000	-	-	202,000

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

40. FINANCIAL INSTRUMENTS (cont'd)

Determination of fair values (cont'd)

(b) Financial instruments carried at fair value (cont'd)

The fair value measurement hierarchies used to measure financial assets carried at fair value in the statements of financial position as at 31 March 2018 are as follows:

- (i) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
- (iii) Level 3 : Inputs for the asset or liability that are not based on observable market data (unabsorbed inputs).

The Group and the Company do not have any financial liabilities carried at fair value nor any instruments classified as Level 1, Level 2 and Level 3 as at 31 March 2018.

41. CAPITAL MANAGEMENT

The Group's primary objective in managing its capital is to maximise the Group's value by optimising its capital structure and enhancing capital efficiency while maintaining a sufficient level of liquidity. The Group targets a capital structure of an optimal mix of debts and equity in order to achieve an efficient cost of capital while maintaining financial flexibility for its business requirement and investing for future growth. The Group regularly reviews and manage its capital structure in accordance to the changes in economic conditions and its future business plan.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Total loans and borrowings (Note 19)	230,516,275	156,780,815	123,550,897	74,658,063
Less : Cash on hand and at banks (Note 15)	(9,730,342)	(7,502,408)	(3,727,542)	(3,812,961)
Net debt	220,785,933	149,278,407	119,823,355	70,845,102
Total equity	317,453,316	276,046,636	235,896,560	205,385,969
Debt-to-equity ratio	0.70	0.54	0.51	0.34

The Group did not breach any gearing requirements during the financial years ended 31 March 2018 and 31 March 2017.

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31 MARCH 2018

41. CAPITAL MANAGEMENT (cont'd)

No changes were made in the objectives, policies or processes in regards to the Group's management of its capital structure during the year ended 31 March 2018 and 31 March 2017.

42. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 8 May 2017, the Company announced that it has entered into a Shares Sale Agreement with PanPages Berhad to dispose of 11,400,000 ordinary shares representing 30% equity interest in G-Mart Borneo Retail Sdn Bhd for a total cash consideration of RM10,750,000. The Proposed Disposal has been completed on 20 June 2017 on receipt of full payment of the remaining balance sum amounting to RM9,750,000.00 from Panpages Berhad.

Analysis of Shareholdings

AS AT 29 JUNE 2018

Issued & Fully Paid-up Capital : 653,339,100 ordinary shares
 Class of Shares : Ordinary Shares
 Voting Rights : One vote per ordinary share

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNT BELONGING TO THE SAME PERSON)

NAME OF ACCOUNTS HOLDERS	NO. OF SHARES HELD	PERCENTAGE (%)
1. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NH FOODS LTD	132,500,000	20.28
2. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (001 THIRD PARTY)	65,000,000	9.95
3. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	50,000,000	7.65
4. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	33,900,000	5.19
5. TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	15,000,000	2.30
6. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSF)	13,863,100	2.12
7. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR INNOFARM SDN BHD (MY3045)	13,500,000	2.07
8. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHAN SWEE YING (MY2512)	12,075,200	1.85
9. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG YING YING (CHE3060M)	11,628,090	1.78
10. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (MARGIN)	11,600,000	1.78
11. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SOON PENG	11,000,000	1.68
12. CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	10,963,100	1.68
13. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	10,500,000	1.61
14. YAYASAN GURU TUN HUSSEIN ONN	10,000,000	1.53
15. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)	8,980,000	1.37

ANALYSIS OF SHAREHOLDINGS

AS AT 29 JUNE 2018

NAME OF ACCOUNTS HOLDERS	NO. OF SHARES HELD	PERCENTAGE (%)
16. KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GREEN PACKET HOLDINGS LTD	8,686,200	1.33
17. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG YING YING (6000665)	8,000,000	1.22
18. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND	7,620,000	1.17
19. MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KON TEK YOONG	7,000,000	1.07
20. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	6,436,900	0.99
21. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP HOONG CHAI (YAP2110M)	6,000,000	0.92
22. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	5,648,000	0.86
23. CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	5,530,200	0.85
24. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD PMB INVESTMENT BERHAD FOR MAJLIS AMANAH RAKYAT	5,000,000	0.77
25. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHOR HOW (YAP2107M)	4,248,000	0.65
26. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	4,050,000	0.62
27. KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	4,000,000	0.61
28. MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	3,996,800	0.61
29. DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR KUMPULAN SENTIASA CEMERLANG SDN BHD (TSTAC/CLNT)	3,683,000	0.56
30. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SYED MOHD YUSOF BIN TUN SYED NASIR	3,500,000	0.54
TOTAL	493,908,590	75.60

ANALYSIS OF SHAREHOLDINGS

AS AT 29 JUNE 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHARES
1-99 (*)	139	3,310	0.00
100 - 1,000	386	248,310	0.04
1,001 - 10,000	1,051	5,972,160	0.91
10,001 - 100,000	738	23,482,330	3.60
100,001 - 32,666,954 (**)	211	342,232,990	52.38
32,666,955 AND ABOVE (***)	4	281,400,000	43.07
TOTAL	2,529	653,339,100	100

Remark : * less than 0.01%

: ** less than 5% of issued holdings

: *** 5% and above of issued holdings

LIST OF SUBSTANTIAL SHAREHOLDERS

NAME OF SUBSTANTIAL SHAREHOLDERS	DIRECT	NO. OF SHARES HELD		%
		%	INDIRECT	
1. Innofarm Sdn Bhd	189,000,000	28.93	-	-
2. NH Foods Ltd	132,500,000	20.28	-	-

LIST OF DIRECTORS' SHAREHOLDINGS

NAME OF DIRECTORS	DIRECT	NO. OF SHARES HELD		%
		%	INDIRECT	
1. Yap Hoong Chai	6,000,000	0.92	215,042,560	32.91(*)
2. Yap Chor How	4,597,000	0.70	-	-
3. Yeap Weng Hong	4,072,000	0.63	-	-
4. Ng Kim Tian	-	-	-	-
5. Yeap Fock Hoong	120,000	0.02	-	-
6. Gaku Okada	-	-	-	-
7. Ryuichi Nitta (Alternate to Gaku Okada)	-	-	-	-
8. Gan Lian Peng	-	-	-	-
9. Tan Ooi Jin	-	-	-	-
10. Tan Chee Hau	-	-	-	-

Remark : (*) Deemed interested in 26,042,560 shares held by his spouse, children, siblings and spouse of sibling and 189,000,000 shares by virtue of Innofarm Sdn Bhd which holds 28.93% equity interest in Lay Hong Berhad.

Analysis of Warrant Holdings

AS AT 29 JUNE 2018

No. of Warrant holders : 259,785,900
 Exercise Price of Warrants : RM0.40
 Exercise Period of Warrants : 14 October 2016 to 13 October 2021
 Voting Rights in the Meeting
 of Warrant Holders : One vote per warrant holder on a show of hands
 One vote per warrant on a poll
 Number of Warrant Holders : 786

LIST OF 30 LARGEST WARRANT ACCOUNT HOLDERS (WITHOUT AGGREGATING WARRANT FROM DIFFERENT WARRANT ACCOUNTS BELONGING TO THE SAME REGISTERED WARRANT HOLDER)

NAME OF ACCOUNTS HOLDERS	NO. OF WARRANTS HELD	PERCENTAGE (%)
1. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NH FOODS LTD	66,250,000	25.50
2. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (001 THIRD PARTY)	32,500,000	12.51
3. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	23,700,000	9.12
4. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (6000830)	20,000,000	7.70
5. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHONG SWEE	15,895,200	6.12
6. CHAN SWEE YING	11,665,900	4.49
7. KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GREEN PACKET HOLDINGS LTD	9,335,000	3.59
8. TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	7,500,000	2.89
9. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG LOONG MEN	7,001,500	2.70
10. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM POH YIT	6,186,400	2.38
11. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG YING YING (CHE3060M)	5,814,045	2.24
12. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (MARGIN)	5,800,000	2.23
13. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	5,000,000	1.92
14. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG YING YING (6000665)	4,000,000	1.54
15. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP HOONG CHAI (YAP2110M)	3,000,000	1.15

ANALYSIS OF WARRANT HOLDINGS

AS AT 29 JUNE 2018

NAME OF ACCOUNTS HOLDERS	NO. OF WARRANTS HELD	PERCENTAGE (%)
16. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHOR HOW (YAP2107M)	2,124,000	0.82
17. BEH YONG HOCK	2,062,600	0.79
18. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH LEE YIN	1,738,500	0.67
19. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEAH CHANG SHUOH (LAYHONG)	1,275,000	0.49
20. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHEE KAH HENG (LAYHONG)	1,275,000	0.49
21. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR SEOW CHIN WEI (LAYHONG)	1,275,000	0.49
22. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR THU KUM WAN (LAYHONG)	1,250,000	0.48
23. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SHOR YEE	1,197,000	0.46
24. LIM YOKE SIM	1,161,500	0.45
25. YEAP WENG HONG	1,036,000	0.40
26. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP WENG HONG (MARGIN)	1,000,000	0.38
27. BAN SENG GUAN SDN BHD	948,000	0.36
28. CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH YONG HOCK (471286)	890,500	0.34
29. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH YONG HOCK (MARGIN)	815,400	0.31
30. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR ONG TIONG BEE	769,500	0.30
TOTAL	242,466,045	93.33

ANALYSIS OF WARRANT HOLDINGS

AS AT 29 JUNE 2018

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	NO. OF WARRANT HELD	% OF WARRANT
1-99 (*)	134	2,935	0.00
100 - 1,000	76	35,300	0.01
1,001 - 10,000	273	1,844,240	0.71
10,001 - 100,000	241	6,529,580	2.52
100,001 - 12,989,294 (**)	57	93,028,645	35.81
12,989,294 AND ABOVE (***)	5	158,345,200	60.95
TOTAL	786	259,785,900	100

Remark : * less than 0.01%
: ** less than 5% of issued holdings
: *** 5% and above of issued holdings

LIST OF DIRECTORS' WARRANT HOLDINGS

NAME OF DIRECTORS	NO. OF WARRANT HELD			
	DIRECT	%	INDIRECT	%
1. Yap Hoong Chai	3,000,000	1.15	141,185,430	54.35
2. Yap Chor How	2,298,500	0.88	-	-
3. Yeap Weng Hong	2,036,000	0.78	-	-
4. Ng Kim Tian	-	-	-	-
5. Yeap Fock Hoong	60,000	0.02	-	-
6. Gaku Okada	-	-	-	-
7. Ryuichi Nitta (Alternate to Gaku Okada)	-	-	-	-
8. Gan Lian Peng	-	-	-	-
9. Tan Ooi Jin	-	-	-	-
10. Tan Chee Hau	-	-	-	-

Remark : (*) Deemed interested in 18,365,430 warrants held by his spouse, children, siblings and spouse of sibling and 122,820,000 warrants by virtue of Innofarm Sdn Bhd which holds 42.28% equity interest in Lay Hong Berhad.

List of Top Ten Properties

AS AT 31ST MARCH 2018

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition/ Revaluation
Lot No. 559 Mukim of Ijok Kuala Selangor	Vacant Land	34	Freehold	-	31,156	01/03/2016
NT. No. 043081625 Tamparuli, Sabah	Layer Farm	9	Leasehold Feb 2037	6	12,843	01/03/2016
No. 2, Level 10-12, Wisma Lay Hong, Jalan Empayar Off Persiaran Sultan Ibrahim/KU1, 41150 Klang	Corporate Office	31,212 sq. ft.	Freehold	9	11,897	01/03/2016
Lot Nos. 739/40 & 741 Mukim Api-Api Kuala Selangor	Breeder Farm	15	Freehold	2-15	10,777	01/03/2016
Lot Nos. 1717/8/9 & 1720 Mukim of Ayer Panas Jasin, Melaka	Layer Farm & Fertiliser Plant & Building	40	Freehold	1-33	9,779	01/03/2016
Lot No. 4857 Mukim of Jeram Kuala Selangor	Layer Farm & Feedmill	25	Freehold	1-34	8,852	01/03/2016
Lot No. 2809, Mukim of Jeram Kuala Selangor	Layer Farm	5	Freehold	1-2	8,352	29/05/2014 SPA date
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farm & Hatchery	19	Freehold	2-20	7,697	01/03/2016
Lot No 832 Mukim Hujung Permatang Kuala Selangor	Broiler Farm	5	Freehold	1	6,813	26/10/2016 SPA date
CL No. 015580104 (KKIP) Kota Kinabalu, Sabah	Corporate Office & Feedmill & Warehouse	3	Leasehold Dec 2096	7-15	6,289	01/03/2016

The Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT The Thirty-Fourth Annual General Meeting (“34th AGM”) of LAY HONG BERHAD will be held at The Ballroom III, Ground Floor, Premiere Hotel, Bandar Bukit Tinggi 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on Friday, 28 September 2018 at 11.30 a.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and Auditors thereon. **(Please refer to the Explanatory Note 7)**
2. To approve the payment of a Final Single Tier Dividend of 0.5 sen per ordinary share for the financial year ended 31 March 2018. **Ordinary Resolution 1**
3. To approve the payment of Directors’ Fees of RM314,250.00 and benefit of RM45,400.00 respectively for the financial year ended 31 March 2018. **Ordinary Resolution 2**
4. To re-elect the following Directors who are retiring under Article 71 of the Company’s Articles of Association:-
 - (i) Mr Yap Chor How **Ordinary Resolution 3**
 - (ii) Mr Ng Kim Tian **Ordinary Resolution 4**
 - (iii) Mr Yeap Fock Hoong **Ordinary Resolution 5**
5. To re-elect Mr Gaku Okada who is retiring under Article 72 of the Company’s Articles of Association. **Ordinary Resolution 6**
6. To re-appoint Messrs Ong Boon Bah & Co. as Auditors to hold office until the conclusion of the next Annual General Meeting (“AGM”) of the Company at a remuneration to be fixed by the Directors. **Ordinary Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Ordinary Resolutions with or without modifications or amendments:-

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Proposed Renewal of Existing Shareholders' Mandate")** **Ordinary Resolution 8**

"THAT pursuant to paragraph 10.09 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") approval be and is hereby given to the Company and/or its subsidiary companies ("Lay Hong Group") to enter into and give effect to specified Recurrent Related Party Transactions of a revenue or trading nature and with classes of those related parties as specified in Section 2.4 of the Circular to Shareholders dated 31 July 2018 subject further to the following:-

- i. That the transactions are in the ordinary course of business and are on terms that are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;
- ii. That the transactions are made on an arm's length basis and on normal commercial terms; and
- iii. That disclosure shall be made in the Annual Report of a breakdown of the aggregate value of all transactions conducted pursuant to the Proposed Renewal of Existing Shareholders' Mandate during the financial year, based on the following information:-
 - the type of the Recurrent Related Party Transactions made; and
 - the names of the Related Parties involved in each type of the Recurrent Related Party Transactions entered into and their relationships with the Company.
- iv. That such approvals shall only continue to be in force until:-
 - the conclusion of the next AGM of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
 - the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of Companies Act 2016); or
 - revoked or varied by resolution passed by the shareholders in general meeting;whichever is earlier.

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this Ordinary Resolution.”

8. **Authority To Issue Shares Pursuant to Sections 75 and 76 of The Companies Act 2016** **Ordinary Resolution 9**

“**THAT** subject always to the Companies Act 2016, and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next AGM of the Company.”

9. To transact any other business for which due notice shall have been given in accordance with the Company’s Articles of Association and/or the Companies Act 2016.

BY ORDER OF THE BOARD

LEE WEE HEE (MAICSA 0773340)
WONG YUET CHYN (MAICSA 7047163)
Company Secretaries

Selangor Darul Ehsan
Date: 31 July 2018

Notes:-

1. Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy or attorney (or in the case of a corporation, to appoint a representative) to attend and vote in his/her stead. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. A member may appoint up to two (2) proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy.

NOTICE OF ANNUAL GENERAL MEETING

3. The instrument appointing a proxy will not be treated as valid unless the instrument and the power of attorney or other authority (if any) under which the instrument is signed or a notarially certified copy of that power or authority, is or are deposited at the registered office of the Company, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
4. Where a member is an exempt authorised nominee which holds ordinary shares on the Company for multiple beneficial owners in one securities account ("Omnibus Account") there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 September 2018, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in this Notice will be put to vote by way of poll.

Explanatory Notes on Ordinary Business

7. The audited financial statements are laid in accordance with Section 340(1) (a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.
8. **Notice of Dividend Entitlement and Payment**

Notice is also hereby given that subject to the approval of the shareholders at the forthcoming 34th AGM, a Final Single Tier Dividend of 0.5 sen per share will be paid on 15 November 2018 to the shareholders whose names appear in the Record of Depositors at the close of business on 22 October 2018.

A depositor shall qualify for entitlement only in respect of:-

- a) shares transferred to the Depositors' Securities Account before 4.00 p.m. on 22 October 2018 in respect of ordinary transfers; and
- b) shares bought on Bursa Securities on a cum entitlement basis according to the Paragraphs of Bursa Securities.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Special Business

9. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

The proposed Resolution 8, if passed, will authorize the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company. Please refer to the Section 2.4 of the Circular to Shareholders dated 31 July 2018, which is dispatched together with the Company's Annual Report 2018, for more information.

10. Authority To Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Resolution 9, is proposed for the purpose of granting a renewed general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act. The Ordinary Resolution 9, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at any time in their absolute discretion without convening a General Meeting. The authorisation, unless revoked or varied by the Company at a General Meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no shares had been issued and allotted since the general mandate granted to the Directors at the last AGM held on 28 September 2017 and this authority will lapse at the conclusion of the 34th AGM of the Company.

The general mandate if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

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Form of Proxy



LAY HONG BERHAD
(107129-H) Incorporated in Malaysia

CDS ACCOUNT NO.																				
NO. OF SHARES HELD																				

I/We
(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration No.....)

of
(FULL ADDRESS)

being a member/members of **LAY HONG BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No	% of Shareholding to be Represented
Address		

and/or failing him/her

Name of Proxy	NRIC No./Passport No	% of Shareholding to be Represented
Address		

or failing him, the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the 34th Annual General Meeting ("34th AGM") of the Company to be held at The Ballroom III, Ground Floor, Premiere Hotel, Bandar Bukit Tinggi 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on **Friday, 28 September 2018** at **11.30 a.m.** and at any adjournment thereof.

ORDINARY RESOLUTIONS	FOR	AGAINST
1. Payment of Final Single Tier Dividend		
2. Payment of Directors' Fees and Benefit		
3. Re-election of Mr Yap Chor How		
4. Re-election of Mr Ng Kim Tian		
5. Re-election of Mr Yeap Fock Hoong		
6. Re-election of Mr Gaku Okada		
7. Re-appointment of Auditors		
8. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party		
9. Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this day of 2018.

.....
Signature(s) of member(s)

Notes:-

1. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Central Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ('omnibus account') there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.
6. To be valid the proxy form duly completed must be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 September 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 34th AGM.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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AFFIX
60 CENTS
STAMP

The Company Secretaries
LAY HONG BERHAD (107129-H)
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

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www.layhong.com.my



**LAY HONG
BERHAD**

(107129-H) Incorporated in Malaysia

No. 2-1 Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur

T 03 62011120
F 03 62013121