



**LAY HONG  
BERHAD**

(107129-H) Incorporated in Malaysia



# 2016

## ANNUAL REPORT



# What's Inside?



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# 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.

## CORPORATE INFORMATION

**AUDIT  
COMMITTEE**

Gan Lian Peng  
Chairman

Tan Ooi Jin

Cheng Chin Hong

**NOMINATING  
COMMITTEE**

Cheng Chin Hong  
Chairman

Gan Lian Peng

**REMUNERATION  
COMMITTEE**

Gan Lian Peng  
Chairman

Yap Hoong Chai

Tan Ooi Jin

**COMPANY  
SECRETARY**

Jenny Wong Chew Boey  
(MAICSA 7006120)

**Board of  
Directors**

**Yap Hoong Chai**  
*Executive Chairman*

**Yeap Weng Hong**  
*Non-Independent  
Executive Director*

**Yap Chor How**  
*Non-Independent  
Executive Director*

**Ng Kim Tian**  
*Non-Independent  
Executive Director*

**Yeap Fock Hoong**  
*Non-Independent  
Non-Executive Director*

**Gan Lian Peng**  
*Independent  
Non-Executive Director*

**Cheng Chin Hong**  
*Independent  
Non-Executive Director*

**Tan Ooi Jin**  
*Independent  
Non-Executive Director*

**Hideki Fujii**  
*Non-Independent  
Non-Executive Director*

**Ryuichi Nitta**  
*Non-Independent  
Non-Executive Director  
(Alternate Director to  
Hideki Fujii)*

**SHARE  
REGISTRAR**

Securities Services  
(Holdings) Sdn Bhd  
Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel No : 03-20849000  
Fax No : 03-20949940

**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  
Tel No : 03-62011120  
Fax No : 03-62013121

**CORPORATE  
OFFICE**

No. 2, Level 10-12  
Wisma Lay Hong  
Jalan Empayar  
Off Persiaran Sultan  
Ibrahim/KU1  
41150 Klang  
Selangor  
Tel No : 03-33434888  
Fax No : 03-33438839

**PRINCIPAL  
BANKERS**

Bangkok Bank Berhad  
Bank of China (Malaysia)  
Berhad  
CIMB Bank Berhad  
Hong Leong Bank Berhad  
Malayan Banking Berhad  
United Overseas Bank  
(Malaysia) Berhad

**STOCK  
EXCHANGE  
LISTING**

Bursa Malaysia  
Securities Berhad  
Main Market  
Stock Name : LAYHONG  
Stock Code : 9385

**WEBSITE**

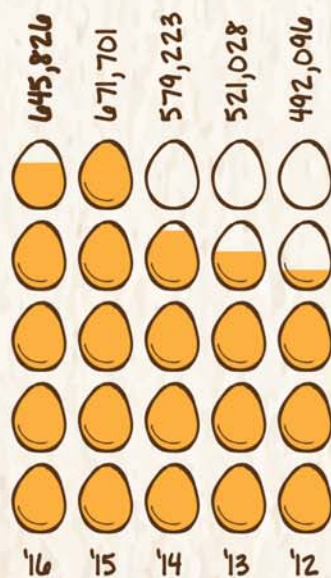
[www.layhong.com.my](http://www.layhong.com.my)

## GROUP FINANCIAL HIGHLIGHTS

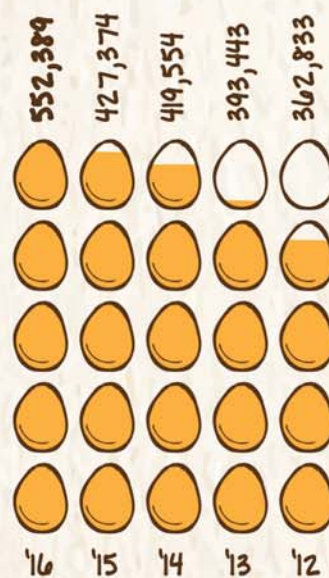
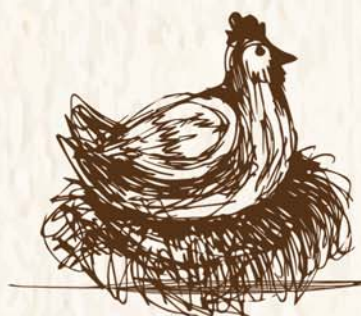
RM'000	2016	2015	2014	2013	2012
Revenue	645,826	671,701	579,223	521,028	492,096
Profit/(Loss) after tax*	3,816*	19,669	7,186	(19,073)	14,847
Total assets	552,389	427,374	419,554	393,443	362,833
Paid-up capital	57,750	50,830	49,780	49,780	49,678
Net assets (NA)	241,985	136,799	119,528	112,234	131,785
NA per share (RM)	4.190	2.691	2.401	2.255	2.653
Basic earnings/(loss) per share – sen	5.15	37.07	14.38	(35.75)	23.55

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

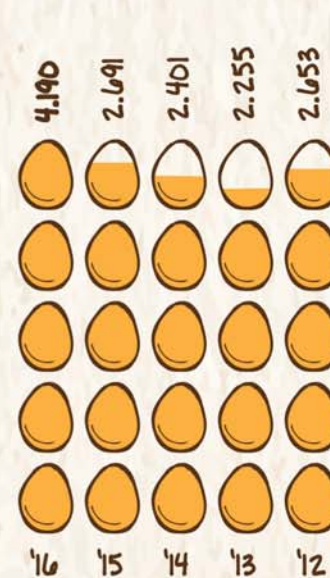
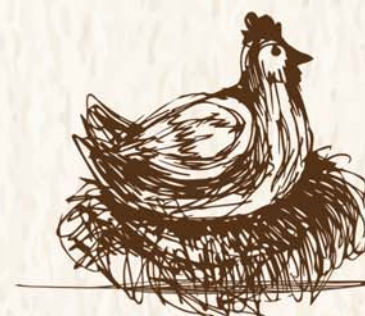
### Five-Year Group Performance



Revenue  
RM ('000)



Total Assets  
RM ('000)



Net Assets Per Share  
RM

## GROUP STRUCTURE &amp; OPERATIONS

As at 21 June 2016

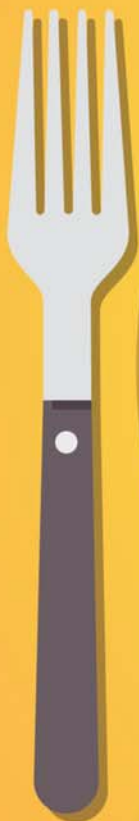


## LAY HONG BERHAD



Do you know?

What is  mega-Ω?



Omega-3 refers to essential fatty acids required by our bodies for proper growth and functioning.

## EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Lay Hong Berhad ("Lay Hong" or the "Group") for the financial year ended 31<sup>st</sup> March 2016.

### *Financial Highlights*

I am pleased to report that for the financial year ended 31<sup>st</sup> March 2016, your Group has performed up to expectations in the integrated poultry business in spite of curtailed spending in the retail segment which saw a downward trend after the implementation of the goods and services tax on 1<sup>st</sup> April, 2015 coupled with the weak ringgit against other foreign currencies.



The Group turned in a commendable profit before tax (PBT) of RM25.03 million on the back of RM645.83 million revenue compared to RM671.70 million and RM27.87 million respectively achieved the previous financial year. Decrease in revenue by RM25.87 million or 3.85% was mainly attributable to the much lower average poultry product prices even though a higher production of table eggs and processed chicken and related chicken products were recorded during the year under review. Further, the cessation of two non-performing supermarket stores coupled with lower overall sales also contributed to lower revenue.

Group profit before tax and before exceptional item also recorded a slight reduction from RM27.87 million in the previous year to RM25.03 million. However, after accounting for a onetime charge of a non-cash flow item of a share based expense of RM15.09 million, the group profit before tax was adjusted to RM9.94 million. This substantial charge was mandatory pursuant to the Malaysian International Financial Standard No 2 for Share Based Payment where fair value of all employee share options granted have to be charged as an expense to the income statement and correspondingly credited to the Group's Shareholders Fund as Share Option Reserve. Upon the option holders exercising the said option, the amount in the Share Option Reserve Account will be transferred to Share Premium Account accordingly. In essence, this was a non-cashflow item and the Group Shareholders Fund will remain intact. During the financial year under review, there were significant upward movements in the Group Shareholders' Funds from RM 136.80 million in the previous year to RM241.98 million. The contributing factors were the 10% or 5,250,000 private placement of ordinary shares at RM5.81 to NH Foods Limited of Japan plus a number of employees exercising their remaining share options in the old scheme which increased the total number of shares in the share capital account from 50,830,000 to 57,750,000 million ordinary shares of par value of RM1.00 each. Since both of the above share subscriptions of new shares were done at a premium, a new share premium

account of RM29.03 million was created during the financial year under review. Further, during the 4<sup>th</sup> quarter, the Group implemented a new Share Option Scheme for eligible directors and employees where a full grant of 5,250,000 new shares was made. Arising from this grant, RM15.09 million in the Share Option Reserve was created that will form part and parcel of the total Group Shareholders' Funds. The Group also carried out its once in five years land and building revaluation exercise where an additional surplus of RM51.79 million was credited as Revaluation Surplus. Resulting from all the above, the net assets per share has enhanced from RM2.69 to RM4.19. Group gearing has also improved significantly from 1.07 times in the previous year to 0.65 times in the current year under review. The above exercises have strongly solidified the entire Group's financial position.





## Executive Chairman's Statement

### Business Review

#### Integrated Livestock Business

For the financial year ended under review, total revenue generated from the integrated livestock business was RM529.09 million compared to RM546.54 million in the previous financial year. The decrease of RM17.45 million or 3.19% was mainly caused by the much lower average poultry product prices even though a higher production of table eggs and processed chicken and related chicken products were recorded. The higher production of processed chicken and related chicken products was attributable to the completion of the upgrading of the existing slaughtering plant and the full completion of a new and dedicated downstream product manufacturing plant built next door. This new plant is now running at 60% capacity and with the plan to introduce new product ranges, the utilisation will be increased gradually. At full capacity, the plant will be able to produce up to 24,000 tonnes of further processed chicken products per annum.

The production of table eggs was also higher at 589 million eggs compared to 576 million eggs in the previous year. The increase of 13 million eggs or 2.26% was due to the full completion of an additional layer farm located in the Mukim of Jeram, Selangor. To date, the Group has a total of ten layer farms of which eight are in the Peninsular Malaysia and two in the state of Sabah. The Group is currently replacing all its old and inefficient production facilities gradually and as a first step, a twenty year old layer farm currently located at Ijok, Selangor will be closed and completely shut down when the last intake cycle is completed in the current financial year. The vacant land



where the farm sits is 34 acres in size and strategically located near the Sungei Buloh residential township in Selangor and will be kept as a land bank for future property development purposes. The loss in production will be compensated by another new farm currently under construction near its existing eight farms all clustered around the vicinity of Jeram, Selangor. This new farm will be automated and equipped with the latest poultry rearing technology. Currently, the Group total production capacity of table eggs is 1.80 million eggs per day and it is the intention of the Board to increase it to 3.00 million eggs per day within the next three years.

The sale of our branded "Nutriplus" range of speciality eggs continue to dominate the market and to date, we can strongly say we command in excess 60 percent of the present market share as our range of speciality eggs can be found in all major hypermarkets, supermarkets and retail stores nationwide. For the liquid egg business, demand continues to increase albeit at a slower pace. During the year, we managed to penetrate a large multinational food company for its manufacturing of mayonnaise business of a major international brand.

#### Retail Supermarkets

Total revenue generated from this segment of business operated solely in the state of Sabah under the "G\*Mart" brand decreased from RM143.77 million in the previous year to RM133.95 million in the current year under review. The decrease in revenue was due to the overall lower consumers' spending after the implementation of the Goods and Services Tax on 1<sup>st</sup> April, 2015 and the weakening ringgit against foreign currencies. Following the fall in demand, the Group quickly reviewed its business plans and implemented a cost reduction exercise and closed two non-performing stores. After the closure of these 2 stores, the chain still operates 16 stores. Even though the contribution to profits is not significant, the Group is using this channel to market its table eggs and poultry products to reach its target customers given the difficult infrastructure and logistic conditions in the state of Sabah. The Group will continue to scout for new locations to replace the closed stores as it needs to complement its synergies with the larger profitable poultry business.



## Executive Chairman's Statement

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### Capital Expenditure

For the year under review, RM30.63 million was expended compared to RM29.20 million in the previous year. Of the total expenditure incurred, a total of RM15.82 million was for eggs production, RM11.58 million for broiler farming and food processing and the balance of RM3.23 million for the retail business. The funding for these capex were from a combination of bank borrowings and internally generated funds.

### Corporate Development

During the year, the Company issued 5,250,000 new ordinary shares through a private placement exercise to NH Foods Limited, Japan. During the same period, NH Foods Limited, Japan went into the equity market to acquire a further 8,000,000 ordinary shares from third parties. Following these two significant transactions, NH Foods Limited, Japan has replaced QL Resources Berhad as the company's new substantial shareholder holding 21.87% of the Group's present issued and paid up capital as at 21<sup>st</sup> June, 2016. We therefore welcome NH Foods Limited into the Group as a new strategic partner. Further to the equity participation, a new joint venture company called NHF Manufacturing (Malaysia) Sdn Bhd with Lay Hong Berhad holding 49% has been incorporated to manufacture various types of specialised chicken products for export and local consumption. NH Foods Limited will hold the other 51% and will be driving the company.

### Prospects

The entry of NH Foods Limited, Japan as a substantial shareholder of the Group is a major milestone in the development and expansion of the Group's chicken products' manufacturing business. The Group is currently reviewing its overall strategies and will capitalize on the global strength of NH Foods Limited to take the company to greater heights in the chicken protein based business.

### Directorate

During the year under review, Messrs Hideki Fujii and Ryuichi Nitta joined the Board as a Non-Executive Non-Independent Director and Alternate Director respectively. Mr Fujii is a corporate representative of NH Foods Limited.

On behalf of the Board, I welcome them and look forward to a synergistic and energising working relationship with NH Foods Limited.

### Dividend

Based on the year's performance, the Group is pleased to recommend a final tax exempt dividend of 5% for the financial ended 31<sup>st</sup> March, 2016 subject to shareholders' approval at the forthcoming Annual General Meeting.

### Appreciation

On behalf of the Board of Directors, I wish to express my sincere gratitude to the management and staff for their dedication, commitment and loyalty to the Group. I would also like to thank our many valued customers, business associates, government and regulatory authorities, bankers and shareholders for their continued support, trust and confidence in the Group.

Last but not least, I also extend my personal thanks to my fellow Directors for their support and distinguished contributions in their respective capacities.

**YAP HOONG CHAI**  
EXECUTIVE CHAIRMAN

Do you know?

Selenium (Se) is a trace mineral that is required by the human body and is of fundamental importance in ensuring good health.



grains



yeast



sea-food



brazil nuts

What is Selenium?

# Profile of Directors



**YAP HOONG CHAI**  
Malaysian, Male, aged 66

is the Executive Chairman and a founder member of the Lay Hong Berhad Group. He was appointed to the Board of Directors of Lay Hong Berhad on 27 September 1983 and he was also a member of the Remuneration Committee. Under his stewardship for the past 33 years, the Group has grown from a small family concern into one of Malaysia's largest and most successful integrated poultry farming and food processing Group. He also sits on the Board of Directors 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, who are also Directors of the Company.

He holds 600,000 shares of RM1/- each fully paid in Lay Hong Berhad. 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.



**YAP CHOR HOW**  
Malaysian, Male, aged 39

graduated from University of Melbourne majoring in B.Com (Honours). He joined Lay Hong Berhad 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 operation of G-Mart Borneo Retail in 2009 and further expanded the number of stores from initial nine (9) to the present sixteen (16) all over Sabah.

With his knowledge in manufacturing, marketing and retailing, he is seconded to be the Chief Executive Officer of this retail business. He is the eldest son of Mr Yap Hoong Chai, the Executive Chairman and a nephew to Mr Yeap Fock Hoong and Mr Yeap Weng Hong who are also Directors of the Company.

He holds 459,700 shares of RM1/- each fully paid in Lay Hong Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

## Profile of Directors

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### YEAP WENG HONG

Malaysian, Male, aged 58

is an Executive Director of Lay Hong Berhad. He was appointed to the Board of Directors of Lay Hong Berhad on 18 April 1986. He has more than 26 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 Directors 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 holds 407,200 shares of RM1/- each fully-paid in Lay Hong Berhad. 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.



### NG KIM TIAN

Malaysian, Male, aged 62

a certified public accountant by training joined Lay Hong Berhad on 1 September, 2000 as General Manager. He was re-designated Finance Director in year 2002 and is currently responsible for the group's corporate services function inter-alia, treasury, accounting, human resources, and information technology. He was appointed an Executive Director on 3 October 2013.

Prior to joining Lay Hong Berhad, 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 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 to any of the existing controlling or substantial shareholders or directors of the company.

He holds 122,000 shares of RM1/- each fully-paid in Lay Hong Berhad.



### CHENG CHIN HONG

Malaysian, Male, aged 71

was appointed Independent Non-Executive Director of Lay Hong Berhad on 23 February, 2011. He was also appointed a member of the Audit Committee on 23 February, 2011 and a member of Nominating Committee on 28 May, 2012 and redesignated as Chairman of the Nominating Committee on 8 September 2015. He graduated with a Diploma in Applied Chemistry from Victoria Institute of Technology, Melbourne, Australia.

He joined Monsanto Chemicals in Australia as a Chemist in the Quality Control Lab and later moved to Rothmans (Malaysia) Berhad as a Quality Officer, rising through the ranks to the position of Factory Manager. He has also worked in Federal Cables, Wires & Metal Manufacturing Berhad and the Sampoena Group. He is currently the Chief Executive Officer in Tai Chong Tobacco Sdn Bhd. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in Lay Hong Berhad or its subsidiaries.

## Profile of Directors

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### YEAP FOCK HOONG

Singaporean, Male, aged 62

is a Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 18 January 1994. He has been a commercial pilot since 1973 and currently holds the position of a management pilot for a major 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 holds 12,000 shares of RM1/- each fully-paid in Lay Hong Berhad. 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.



### TAN OOI JIN

Malaysian, Male, aged 41

was appointed Independent Non-Executive Director of Lay Hong Berhad on 27 January 2015. He was appointed a member of the Remuneration Committee on 8 September 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 and its members including its council members on legal issues and strategy. He was also part of the team which incorporated the National Incubators Network Association ("NINA"). He currently sits on the Board of Trustees of the Sterling Progress Berhad (formerly known as 1Utopia Berhad) 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 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 Chairman of the Board of Directors of SKH Consortium Berhad (formerly known as The Media Shoppe Berhad). He also holds directorship in O&C Resources Berhad (formerly known as Takaso Resources Berhad) and Sterling Progress Berhad (formerly known as 1 Utopia Berhad). He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in Lay Hong Berhad or its subsidiaries.



### GAN LIAN PENG

Malaysian, Male, aged 65

was appointed Independent Non-Executive Director of Lay Hong Berhad on 3 October 2013. He was appointed Chairman of Audit Committee on 25 November 2013 and Chairman of Remuneration Committee on 26 May 2014 and also a member of the Nominating Committee appointed on 8 September 2015. 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 Branch Manager of Affin Bank. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in Lay Hong Berhad or its subsidiaries.

## Profile of Directors



### HIDEKI FUJII

Japanese, Male, aged 51

graduated from University of Kitazato, Japan with a Masters of Veterinary Science. He joined Lay Hong Berhad as Non-Independent Non-Executive Director on 7 March 2016. Mr Fujii's expertise are product development and planning functions and also cross-border Mergers and Acquisition transactions in NH Foods Ltd.. Currently, he is serving as the Executive Officer and General Manager of Overseas Business Strategy Department, Corporate Management Division in NH Foods Ltd. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in Lay Hong Berhad or its subsidiaries.



### RYUICHI NITTA

Japanese, Male, aged 52

graduated from Meiji University School of Agriculture with Bachelor of Agriculture. He joined Lay Hong Berhad as Alternate Director to Mr Hideki Fujii (Non-Independent Non-Executive Director) on 7 March 2016. Mr Nitta 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. Currently he is the Managing Director of Thai Nippon Foods Co., Ltd, Thailand, a wholly-owned subsidiary of NH Foods Ltd. He has no family relationship with any director and/or major shareholders. He does not hold any shares, direct or indirect in Lay Hong Berhad or its subsidiaries.



The summary of Directors' attendance at Board meetings is set out on page 119 of this Annual Report. None of the Directors have any conviction for any offence within the past 10 years.

Key senior management comprise of the Executive Chairman and three (3) Executive Directors and their profiles are as stated above.

## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“Board”) of Lay Hong Berhad (“Group”) remains firmly committed in ensuring that high standards of corporate governance are practiced and applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and interest.

This statement sets out the manner in which the Group has applied the Principles of Corporate Governance and the extent of compliance with the recommendations as set out in the Malaysian Code on Corporate Governance 2012 (the “Code”).

### Principle 1 - Establish Clear Roles and Responsibilities

#### 1.1 Roles and Responsibilities of the Board

The Board is responsible for providing stewardship of the Group and directions for management and is collectively responsible and accountable to the Group’s stakeholders for its long term success.

The responsibilities of the Board encompasses the following parameters in setting the vision, purpose and directions of the Group:

- a) Review and approve strategic plans and key business initiatives;
- b) Oversee the conduct of the Group’s business affairs and to evaluate whether the businesses are properly and effectively managed;
- c) Identify principal risks and ensure the implementation of appropriate systems and controls to manage these risks;
- d) Ensure that there are sound succession plans for Board and Senior Management teams;
- e) Develop and implement an investor relations programme or shareholders’ communications policy;
- f) Review the adequacy and integrity of the company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is represented by members of high calibre and comprise of individuals from varied backgrounds with a wide range of relevant business experiences who contribute independent and sound judgement on issues pertaining to strategies, risks, management performance, compliance and resources affecting the Group.

The Board recognizes the overall function and the powers of the Board of Directors as required by Section 131B (1) and 131B(2) of the Companies Act, 1965 (amendments 2007).

Despite the fact that the Group has an Executive Chairman, there is a clear division of responsibilities between the Executive Chairman and the Executive Directors. The Executive Chairman is tasked to ensure efficiency of the organisation and functions of the Board. The Executive Chairman facilitates the effective contribution of all directors and promotes constructive and respectful relations between board members and between board and management. The role of the Executive Directors is to ensure a balance of power and authority and in addition oversee and manage the day to day operations of the Group and carry out the Board’s instructions.

In discharging its fiduciary duties, Board Committees are formed to assist in the effective performance of the Board. The Board delegates specific responsibilities to three (3) Committees, namely:-

1. The Nominating Committee (NC),
2. The Audit Committee (AC), and
3. The Remuneration Committee (RC)

The Board Committees are guided and operate within clearly defined terms of reference. All these Committees are mainly lead by Independent Non-Executive Directors of the Board. Management and third parties are invited to attend or are co-opted to such committee as and when required.

#### 1.2 Code of Business Ethics

The Group has in place Codes of Ethics for Directors and all employees of the Group based on two elements which are fiduciary duties and use of reasonable care, skills and diligence.



## Statement on Corporate Governance

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### Principle 1 - Establish Clear Roles and Responsibilities (cont'd)

#### 1.3 Strategies Promoting Sustainability

The Group recognises the importance of sustainability and its increasing impact on its business. The Group embraced corporate responsibilities as an integral part of carrying out our business and are always mindful of the importance of environmental sustainability and a commitment to be a benefit to the larger society as well as to safeguard the welfare of the employees. Please refer to page 28 for more detailed information.

#### 1.4 Access to Information and Advice

All Directors have unrestricted access to the Company's records and information and receive quarterly detailed financial and operational reports from the Management.

The Non-Executive Directors, especially members of Audit Committee, regularly communicate with the Executive Chairman, Executive Directors and Senior Management, requesting for additional information and clarification as deemed necessary.

Agenda and discussion papers are circulated minimum seven (7) days prior to the Board and Board Committee meetings to allow the Directors and Committee Members to study, evaluate the matters to be discussed and subsequently make effective decisions. Procedures have been established concerning the content, presentation and timely delivery of papers for each meeting of the Board and Board Committee meetings as well as matters arising from such meetings. Actions or updates on all matters arising from any meetings are reported in the subsequent meeting.

In addition, should the Board require specific expertise that is not available and/or is insufficient among its members, the Board has the right to seek assistance from any external expertise and independent professional for advice, at the Company's expense, in order for the Board to carry out its duties and responsibilities professionally.

#### 1.5 Qualified and Competent Company Secretary

The Company Secretary is responsible for advising the Board on issues related to compliance in laws, rules, procedures and regulations affecting the Group as well as the principles of best corporate governance practices.

The Company Secretary is also responsible for advising the directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibitions on dealing in securities and restrictions on disclosure of price-sensitive information.

The duties of the Company Secretary amongst others, are to attend all Board and Board Committee Meetings, ensuring that the proceedings of Board and Board Committee Meetings and decisions made thereof, are accurately and sufficiently recorded and properly kept for the purposes of meeting statutory obligations as well as obligations arising from Bursa Malaysia Listing Requirements or other regulatory requirements, communicating the decisions of the Board for Management's attention and further action, ensuring all appointments and resignation of directors are in accordance with the relevant legislations and the Board Performance Assessment are properly executed.

#### 1.6 Board Charter

The Board is guided by a Charter which was reviewed and adopted on 27 May 2013. The Board Charter sets out the principal role of the Board, the functions, roles, responsibilities and powers of the Board and its various committees.

The Board Charter would act as a source reference and primary induction literature, providing insights to prospective Board members as well as assist the Board in the assessment of its own performance and that of its individual Directors.

The Board Charter will be reviewed periodically and updated in accordance with the needs of the Company and any new regulations. The details of the Board Charter are available for reference at our company website [www.layhong.com.my](http://www.layhong.com.my).

## Statement on Corporate Governance

### Principle 2 - Strengthen Composition of the Board

#### 2.1 Nominating Committee

The Board has in place its Nominating Committee which is responsible for the following functions:-

- (i) Develop criteria to assess the competency of new candidates for the position of Director and design an orientation and training program for new directors.
- (ii) Evaluate the candidate's ability to discharge his responsibilities as Independent Non-Executive Director.
- (iii) Recommend new candidates to fill vacancies on the Board.
- (iv) Review skills, experiences, competencies and diversity in terms of gender, ethnicity and age of Non-Executive Directors.
- (v) Assess the effectiveness of the Board, Board Committees and Directors and the independence of Independent Directors.
- (vi) Review the Board Charter and to recommend any amendments to the Board.

During the financial year, the Committee met to conduct the annual review on the Directors' core competencies, contribution, effectiveness and conduct a review on the independence of the Independent Directors. The Committee also met to discuss the re-election and rotation of existing directors and the appointment of a new director.

The NC comprises two (2) Non-Executive Directors, who are Independent Non-Executive Directors. Members of the NC comprises of the following Board members:-

#### Name of Nominating Committee member

Cheng Chin Hong  
Chairman, Independent Non-Executive Director

Gan Lian Peng  
Member, Independent Non-Executive Director

Procedures relating to the appointment and re-election of Directors are contained in the Company's Articles of Association. At the Annual General Meeting, one third of the Directors retire from office. The Directors who retire every year are those who have been longest in office since their last appointment or election. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

The Board does not have any gender diversity policies and targets or any set measures to meet any targets. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based on merits and are not driven by any racial or gender bias. The NC will consider female candidates as new Director of the Company as and when the opportunity arises.

#### 2.2 Recruitment Process and Annual Assessment

The Board believes in a right composition of board members with a balance of qualifications, skills, experiences and diversity among its board members.

NC is periodically reviewing and making recommendations to the Board on board composition matters and recommendations, inclusive of identification and selection of high calibre candidates who are able to meet the present and future needs of the Company.

The NC is also responsible in undertaking an annual evaluation of Directors, Board committees as well as the performance of the Board as a whole. This evaluation is used as a tool to evaluate the strength, identify the gaps or areas for improvement which may give rise to a need to new recruitments of board members, if necessary.

The Board annual evaluation process is being conducted by cross evaluation among the Board members, of which the criteria of evaluation are predetermined as below:-

- a) Board Structure
- b) Board operation and communication
- c) Board roles and responsibilities
- d) Undertaking of roles and assignments
- e) Mix of roles and knowledge
- f) Commitment of members
- g) Depth of contribution

## Statement on Corporate Governance

### Principle 2 - Strengthen Composition of the Board (cont'd)

#### 2.2 Recruitment Process and Annual Assessment (cont'd)

During the year under review, the NC had conducted an annual assessment on Directors and Board Committees. The assessments carried out by the NC are properly documented.

For the year under review, the Board is satisfied with its current mix of qualifications, skills, experiences, expertise and strength, in the discharge of its duties effectively and that all the Independent Directors comply with the criteria of Independence based on the Listing Requirements.

On 7 March 2016, the Nominating Committee recommended to the Board, the appointment of Mr Hideki Fujii to the Board as Non-Independent Non-Executive Director and the appointment of Mr Ryuichi Nitta as the alternate Director to Mr Hideki Fujii.

#### 2.3 Remuneration Policies

The Board has established a Remuneration Committee ("RC") comprising two (2) Independent Non-Executive Directors and an Executive Chairman. The RC comprise of the following Board members:-

##### Name of Remuneration Committee member

Gan Lian Peng  
Chairman, Independent Non-Executive Director

Yap Hoong Chai  
Member, Executive Chairman

Tan Ooi Jin  
(appointed w.e.f. 8 September 2015)  
Member, Independent Non-Executive Director

##### Executive Directors

The Remuneration framework for Executive Chairman and Executive Directors has an underlying objective of attracting and retaining Executive Directors needed to run the Group successfully.

The remuneration of the Executive Chairman and Executive Directors consists of basic salary, other emoluments and benefits customary to the Group which are made available as appropriate.

The Group operates a bonus scheme for all its employees including Executive Directors. The performances of the Group along with assessment of the individual's performance form the criteria for the scheme.

##### Non-Executive Directors

The Non-Executive Directors' remuneration comprises annual fees that reflect their expected roles and responsibilities. The Company obtained approval from the shareholders at the last AGM held on 14 September 2015 to pay the Directors Fees to the Non-Executive Directors for the financial year ended 31 March 2015.

##### Details of Directors' Remuneration

Remuneration paid or payable or otherwise made available to all Directors of the Company and Group who have served during the financial year ended 31 March 2016 is presented on page 92 of the Annual Report.

### Principle 3 - Reinforce Independence

#### 3.1 Assessment on Independence of Director

The Independent Non-Executive Director should be persons of calibre and integrity, who collectively provide skills and competencies to ensure the effectiveness of the Board. The criteria for independence set out under Rule 1.01 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR") also form the basis for evaluation of independence of non-executive director. Independence broadly encapsulates independence from management and the absence of conflict of interest which could interfere with the Independence Director's judgement and ability to contribute to the Board's deliberations, or which could interfere with the Director's ability to act in the best interest of the Company.

## Statement on Corporate Governance

### Principle 3 - Reinforce Independence (cont'd)

#### 3.1 Assessment on Independence of Director (cont'd)

The Board conducts annual reviews in respect of the independence of each and every Director using peer evaluation questionnaires, each Director making immediate declaration over their interests and assessment of each Independent Director's performance. The Board has determined from the annual assessment carried out that all the three Independent Non-Executive Directors serving on the Board and Board Committees remain objective and independent in expressing their views and their participation in deliberations and decisions.

#### 3.2 Tenure of Independent Directors

The Board has adopted the recommendation of the Code that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon the completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as non-independent director or to obtain shareholders' approval in the event it retains as an independent.

#### 3.3 Shareholders' Approval for the re-appointment of Independent Director

For the financial year under review, none of the current independent Board members have served the Company for more than nine (9) years cumulatively.

#### 3.4 Separate of positions of Chairman and Executive Directors

To ensure balance of authority, increased accountability and a greater capacity for independent decision making, the roles of the Chairman and the Executive Directors are distinct and separate with a clear division of responsibilities between the Chairman and the Executive Directors.

The Executive Chairman's role includes leading the Board in the oversight of management and is involved in day to day policy making and directions of the Group. The Board does not comprise of a majority of independent directors and further, although the Executive Chairman is not an independent director which is a deviation from Recommendation 3.5 of the

Code. Decisions reached at meetings reflect the consensus of the whole Board and not the views of any individual or group.

The Executive Directors are primarily responsible for the day-to-day operations of the Group, which includes implementation of policies, and strategies adopted by the Board. The Executive Directors are responsible for communicating matters relating to the Group's business to the Board. The Executive Director's knowledge of the Group's business and affairs contributes significantly towards the attainment of the Group's goals and objectives.

#### 3.5 Composition of the Board

As at end of the financial year, the Board comprises nine (9) members:-

- a) One (1) Executive Chairman
- b) Three (3) Executive Directors
- c) Two (2) Non-Independent Non-Executive Directors
- d) Three (3) Independent Non-Executive Directors

The Code stipulates that at least one-third of its Board members must be made up of Independent Non-Executive Directors. The Group's Board balance is achieved with the presence of three (3) Independent Non-Executive Directors.

The Board recognizes Mr Yap Hoong Chai as Executive Chairman is not in compliance with the best practice. However, Mr Yap Hoong Chai is one of the founding member of the Group and with his extensive experience in operations of the Group, he is able to lead the Board and ensure the effective functioning of the Board.

All three (3) Non-Executive Directors are Independent as defined in the Bursa Securities MMLR. The Independent Directors are:-

- a) Gan Lian Peng
- b) Cheng Chin Hong
- c) Tan Ooi Jin

The Board is of the view that the current size of the Board is appropriate and views that the Board composition has the right mix of skills, experience and strength in qualities that are relevant to the business which enable the Board to carry out its responsibilities in an effective and competent manner.

## Statement on Corporate Governance

### Principle 4 - Foster Commitment

#### 4.1 Commitment of the Board Members

The Directors are committed with sufficient time to carry out their duties during their tenure of services. The Board meets on a quarterly basis, with additional meetings being convened when necessary to address issues deemed urgent. The Board met on seven (7) occasions during the year ended 31 March 2016 and the details of attendance at Board Meetings held during the financial year are set out in page 119 of the Annual Report.

All the Directors have complied with the minimum attendance at Board meetings of at least 50% attendance as stipulated by the Bursa Securities MMLR during the financial year.

The Independent Non-Executive Directors are required to declare to the Board detail of their significant business and interest, of which the said Director would be required to abstain from decision voting should the subject resolution involve any chances of conflict of interest with his existing business and interest, direct or indirectly.

The Executive Directors are however required to declare to the Board all other significant business and interests and to indicate broadly the time spent on such commitments, other than the time spent on the Company.

All the Directors are required to advise the Board of any subsequent changes on such commitments declared.

#### 4.2 Training

The Board encourages Directors to continuously upgrade their knowledge and expertise, whether through training programmes provided in-house or conducted by external trainers. Some of the Directors have from time to time also attended various relevant training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment save and except for Mr Gan Lian Peng, Mr Ng Kim Tian, Mr Yeap Fock Hoong, Mr Yeap Weng Hong and Mr Cheng Chin Hong due to a clash in

timing between work commitment and the relevant and appropriate courses. All Directors have completed Mandatory Accreditation Programme as stipulated in MMLR.

During the financial period under review, the training programmes attended by the Directors were as follow:

1. Yap Hoong Chai
  - 28 January 2016 - Nipponham Foods Ltd. Kanto Plant and Headquarters for Research and Development Visit and Briefing, Tokyo, Japan.
  - 29 January 2016 - Nipponham Foods Ltd. Annual Products Exhibition in Chiba, Japan.
  - 14 March 2016 - 16 March 2016 - Ceva Poultry Vaccinology Summit (Barcelona)
2. Yap Chor How
  - 15 April 2015 - Lloyd's Register Quality Assurance ("LRQA") Training (ISO 9001:2015- What does it mean for your organization & how to go with certification or transition?)
  - 14 August 2015 - LRQA Training (ISO 9001: 2015- What's It All About Then?)
  - 28 January 2016 - Nipponham Foods Ltd. Plant and Headquarters for Research and Development Visit and Briefing, Tokyo, Japan.
  - 29 January 2016- Nipponham Foods Ltd. Annual Products Exhibition in Chiba, Japan.
3. Tan Ooi Jin
  - 28 January 2016 - Nipponham Foods Ltd. Kanto Plant and Headquarters for Research and Development Visit and Briefing, Tokyo, Japan.
  - 29 January 2016 - Nipponham Foods Ltd. Annual Products Exhibition in Chiba, Japan.
  - 18 March 2016 - Automatic Exchange Of Information (AEOL) Briefing - Organised by Crowe Horwath Malaysia
4. Hideki Fujii
  - Mandatory Accreditation Program
5. Ryuichi Nitta (Alternate Director: Hideki Fujii)
  - Mandatory Accreditation Program

## Statement on Corporate Governance

### Principle 5 - Uphold Integrity in Financial Reporting

#### 5.1 Compliance with Applicable Financial Reporting Standards

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by ensuring the financial statements and quarterly announcements are prepared in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards.

The Board is assisted by the AC in reviewing the appropriateness of accounting policies applied by the Group, as well as, changes in these policies.

The AC also assists the Board in overseeing the financial reporting process and ensuring the quality of the financial reporting by the Group. The AC reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements, before approving them to be announced to the public within the stipulated time frame.

In reviewing all the published annual and quarterly financial statements during the financial year, the Directors took due care and reasonable steps to ensure compliance with the applicable accounting standards in all material aspects. For this purpose, the Directors are updated and briefed by the external auditors on current accounting practices, recommended best practices, and applicable financial reporting standards and IC Interpretation, minimum once a year.

A statement by the Directors of their responsibilities for preparing the financial statements is set out under the Statement on Directors' Responsibility on page 36 of this Annual Report.

#### 5.2 Assessment of Suitability and Independence of External Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors through the AC. The AC meets with the external auditors at least twice a year to discuss their audit plan and audit findings in relation to the Group's financial results. The AC also hold private sessions with the External Auditors without the presence of Executive Directors and Management to discuss the audit findings and any other observations that may have arisen during the audit

process. An assurance is provided by the External Auditors via their report to the AC, confirming their independence through the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirement.

The External Auditors are invited to attend the Company's Annual General Meeting (AGM) and are available to answer shareholders' queries on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.

For the year under review, two (2) sessions and dialogues were conducted to exchange views and opinions between the both parties in relation to the financial reporting of the Group.

The AC recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders in general meetings whilst their remuneration is determined by the Board. The role of the AC is further described in the Audit Committee Report on page 23 to 25 in the Annual Report.

The AC assesses the independence of the External Auditors based on, amongst others, the following:

- a. Review the independence and objectivity of the external auditors and the services provided, including non-audit services; and
- b. Ensure the Company's major shareholders and/or Directors do not have any interest in the audit firm prior to its engagement, vice versa.
- c. Review the quality of services, sufficient of resources, communication and interaction and audit planning.

### Principle 6 - Recognise and Manage Risks

#### 6.1 Framework to Manage Risks

The Board is responsible to ensure that financial statements prepared for each financial year give a true and fair view of the Group's state of affairs. The Directors take due care and reasonable steps to ensure that the requirements of accounting standards are fully met. Quarterly financial results are reviewed by the Audit Committee and approved by the Board of Directors prior to their release to Bursa Malaysia.

## Statement on Corporate Governance

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 36 of this Annual Report.

### 6.2 Internal Audit Function

The Code requires the Board to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The Statement of Risk Management and Internal Control set out on pages 26 to 27 of this Annual Report provides an overview of the state of risk management and internal control within the Group.

### Principle 7 - Ensure timely and high quality disclosure

#### 7.1 Corporate Disclosure Policy

The Board complies with corporate disclosure requirements set out by Bursa Malaysia Securities Berhad and follows the main forms of information disclosure:

- a. Continuous disclosure – which is its core disclosure obligation and primary method of informing the market and shareholders.
- b. Periodical disclosure – in the form of full year and quarterly reporting of financial results and major investments, capital expenditure and funding activities proposed by the Company and the Annual Report.
- c. Specific information disclosure – as and when required, of administrative and corporate developments, usually in the form of Bursa releases.

All information made available to Bursa Malaysia Securities Berhad is immediately available to shareholders, stakeholders and the public on the Company's Investor Relations section of the website: [www.layhong.com.my](http://www.layhong.com.my).

While the Board endeavours to keep its shareholders as much informed as possible, the Board must ensure that confidential information is handled properly by authorised personnel to avoid leakage and improper use of such information and as such, the Group has always abided by the legal and regulatory framework governing the release of materials and price-sensitive information.

#### 7.2 Leverage on Information Technology for Effective Dissemination of Information

The Board has established a dedicated section in the Company's website for corporate information on the Company's announcements, financial information, annual reports, share prices and analysts' reports which are accessible by shareholders, stakeholders and general public. The website is the key communication channel for the Company to reach its shareholders and general public.

The website has a dedicated section for Investor Relations which includes a corporate newsroom, as well as Company's IR contact which shareholders and general public may direct their enquiries through the provided communication channels including telephone and e-mail.

### Principle 8 - Strengthen relationship between Company and Shareholders

#### 8.1 Shareholder Participation at General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders. The Board is committed to provide shareholders with comprehensive, timely information about the Group's activities and performance to enable easy investment decisions for the shareholders and investors.

Shareholders are notified of the meeting and provided with a copy of the Notice of AGM and Annual Report 21 days before the meeting. At each AGM, the shareholders are encouraged to attend and to use the opportunity to ask questions on resolutions being proposed during the meeting and also on the progress, performance and future prospects of the Company. The Chairman and Board members, with the assistance of the External Auditors are available to respond and provide explanations in the question and answer session.

## Statement on Corporate Governance

### 8.2 Encourage poll voting

There were no substantive resolutions put forth for shareholders' approval at the previous AGM held on 14 September 2015. As such, all resolutions tabled for shareholders' approval were voted by a show of hands.

Nevertheless, the Company will be conducting poll voting for the forthcoming AGM to comply with Paragraph 8.29(A)(1) of the MMLR.

### 8.3 Communication and Engagements with Shareholders

Information on the Group's activities is provided in the Annual Report and Financial Statements in hard copy, which are despatched to shareholders. Dialogues are also held by the Group with investment analysts and fund managers to keep them abreast of corporate and financial developments within the Group.

The Company also encourages the shareholders and investors to access online the Company's Annual Report and all up to date announcements from time to time, which are available at both Bursa Securities website and the company's website at [www.layhong.com.my](http://www.layhong.com.my)

## COMPLIANCE STATEMENT

### STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE

The Board has taken necessary practical and appropriate steps to comply with the requirements of MMLR of Bursa Malaysia in relation to applications of principles and adoption of best practises of good corporate governance as set out in the MCCG 2012. The Group will continue to review its governance principles and recommendations in pursuit of achieving the highest level of transparency, accountability and integrity.

This statement was made in accordance with a resolution of the Board dated 21 June 2016.

## OTHER INFORMATION

### Executive Share Options ("ESOS") Scheme

1,670,000 number of ordinary shares were exercised under the ESOS scheme during the financial year.

### Non-Audit Fees

Non-audit fees payable to the external auditors for the financial year ended 31 March 2016 was RM19,329.

### Revaluation Policy on Landed Properties

The Group has adopted a policy to revalue its land and buildings at least once in every five years.

A revaluation exercise was carried out on 1 March 2016 by Irhamy & Co, an independent professional valuer on the basis of open market values on existing use basis.

The next revaluation will be in 2021.

### Material Contracts

There were no material contracts made by the Group involving Directors and major shareholders during or at the end of the financial year, other than those disclosed in the financial statements.

### Utilisation of Proceeds Raised from Private Placement

As at 31 March 2016, the proceeds of approximately RM30,502,500 raised by the Company from its private placement exercise have been utilized as follows:-

Descriptions	Utilisation		Balance Unutilised (RM'000)
	Amount Approved (RM'000)	as at 30 June 2016 (RM'000)	
Working Capital	30,310	30,310	0
Share issue expenses	193	193	0
Total	30,503	30,503	0



## AUDIT COMMITTEE REPORT

The Board of Directors of Lay Hong Berhad (“the Group”) is pleased to present the Audit Committee Report for the financial year ended 31 March 2016.

### COMPOSITION, MEETINGS AND ATTENDANCE

The Audit Committee of the Company currently comprises of three (3) members of the Board of Directors of which all are Independent Non-Executive Directors. The Chairman of the Audit Committee is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

#### **Gan Lian Peng**

Chairman, Independent Non-Executive Director

#### **Tan Ooi Jin**

Independent Non-Executive Director  
(Appointed w.e.f. 8 September 2015)

#### **Cheng Chin Hong**

Independent Non-Executive Director

#### **Dato’ Dr Abdul Aziz Bin Mangkat**

Independent Non-Executive Director  
(Resigned on 31 August 2015)

During the financial year ended 31 March 2016, five (5) Audit Committee Meetings were held. The attendance of each Audit Committee member is tabulated as follows:-

	<b>ATTENDANCE</b>
Gan Lian Peng	5/5
Tan Ooi Jin (Appointed w.e.f. 8 September 2015)	2/2
Cheng Chin Hong	5/5
Dato’ Dr Abdul Aziz Bin Mangkat (Resigned on 31 August 2015)	3/3

### TERMS OF REFERENCE

The terms of reference of the Audit Committee was updated to incorporate amendments made by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) in January 2008, and adopted by the Board of Directors on 1 April 2008 and are set out as follow:

#### 1. MEMBERSHIP

The Board of Directors shall elect an Audit Committee comprising of three (3) members from amongst its members with majority being Independent Directors one of which must be a member of the Malaysian Institute of Accountants(MIA). If not, then he must have at least 3 years working experience and have passed the examination specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or he must be a member of one of the Association of Accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967 or to fulfill such other requirements as prescribed or approved by Bursa Malaysia. No Alternate Director is to be appointed as a member of the Audit Committee. The members of an Audit Committee shall elect a Chairman from among their numbers who shall be an Independent Director.

#### 2. AUTHORITY AND RESPONSIBILITIES

The Audit Committee shall have explicit authority to discharge any matter within its terms of reference. As such the Committee shall encompass the following with specific duties to review and report the same to the Board of Directors:

##### (a) Financial Review

- The quarterly results and year-end financial statements, prior to recommendation to the Board of Directors on its release and adoption, focusing particularly on any changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements;

## Audit Committee Report

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### 2. AUTHORITY AND RESPONSIBILITIES (cont'd)

#### (b) External Audit

- The audit plan, evaluation of the system of internal controls;
- Any management letter and management responses and the audit report with the external auditors;
- Any matters the external auditors may wish to discuss in the absence of management or Executive Directors;
- The Statement of Risk Management and Internal Control for inclusion in the Annual Report;
- The assistance provided by the employees to the external auditors;
- Any letter of resignation from the external auditors of the Company;
- Whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- Recommend the nomination of a person or persons as external auditors;

#### (c) Internal Audit

- The adequacy of the scope, functions, competency and resources of the internal audit function who reports directly to the Audit Committee and that it has the necessary authority to carry out its work;
- Process the results of the internal audit programmes or investigations undertaken and ensure whether or not appropriate and corrective actions are taken based on the recommendations of the internal audit function;
- The performance of the internal audit function and decide on their remuneration;

#### (d) Related Party Transactions

- Any related party transactions and conflicts of interest situations that may arise within Group including any transactions, procedures or courses of misconduct that raises questions or compromises management integrity;

### 4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the following actions were carried out by the Audit Committee:

- (a) Met five (5) times and minutes of each meeting were recorded by the Company Secretary and distributed to each member of the Committee and the Board;
- (b) Reviewed the External Auditors' Audit Plan 2016 on the nature and scope of audit work;
- (c) Reviewed the unaudited quarterly financial statements of the Group and recommend the same for approval by the Board;
- (d) Reviewed the announcements of the unaudited financial results for all the quarters before recommending them for the Board's approval, upon being satisfied that the financial reporting standards and disclosure requirements by Bursa Malaysia Securities Berhad had been adhered to;
- (e) Reviewed the related party transactions and the shareholders' circular in relation to the recurrent related party transactions;
- (f) Reviewed the Group's Internal Audit Plan and ascertain its resources were adequate;
- (g) Reviewed the internal control weaknesses, risk issues, and recommendations proposed by Group Internal Audit and ensured that corrective actions were taken;
- (h) Reviewed the Statement of Risk Management and Internal Control for disclosure in the Annual Report;
- (i) Convened meetings with External Auditors without presence of Management and Executive Directors;

## Audit Committee Report

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### 5. SUMMARY OF ACTIVITIES OF GROUP INTERNAL AUDIT

The primary function of the Group Internal Audit is to assist the Audit Committee in discharging its duties and responsibilities. Its role was to undertake systematic and independent review of the adequacy and integrity of the internal control system, manage key risk areas, provide assurance that the system continues to operate satisfactorily, effectively and is in compliance with the Group's established policies and standard operating procedures.

For the financial year ended 31 March 2016, the Group Internal Audit carried out various audits and follow-up audits on various operating units in accordance with the approved Internal Audit Plan in respect of Lay Hong Berhad and its subsidiaries.

Internal Audit reports incorporating audit recommendations and management responses with regards to audit findings were presented to the Audit Committee and the Management of the respective operating units. Improved procedures and practices were recommended to strengthen internal controls and follow up audits were carried out to assess the status of implementation.

The internal audit function of the Group was outsourced to Bridge Corporate Advisory Sdn Bhd for the financial year ended 31 March 2016. Four (4) audit reports were issued during the financial year under review. Costs incurred for the internal audit function amounted to RM55,975.00 for the financial year ended 31 March 2016.

### Statement on Executive Share Option Scheme

The Executive Share Option Scheme ("ESOS") is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 September 2005. The ESOS was implemented on 23 November 2005 for a period of five (5) years from the date of implementation, and was further extended by another five (5) years until 10 November 2015.

During the financial year, the Company's shareholders have approved the Share Issuance Scheme ("SIS") at an Extraordinary General Meeting held in 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 on page 31 of the Annual Report.

The names of the employees and Directors granted options to subscribe for ordinary shares of RM1.00 is as disclosed on page 32 and 33 of the Annual Report.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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### INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 minimizing 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 ongoing 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 provision for doubtful receivables.

The internal audit function reports directly to the Audit Committee. Four (4) reports on the internal audit findings and its follow up reports were issued to the Audit Committee during the year. 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.

### 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:-

- **Organization 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.

## Statement on Risk Management and Internal Control

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### INTERNAL CONTROL (cont'd)

- 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.

### REVIEW OF EFFECTIVENESS

The Board has received assurance from the Executive Chairman and Group Finance Director that the system of risk management and internal control for the financial year under review is operating adequately and effectively. The Board is satisfied with the procedures outlined above and the Board will continue to review the effectiveness of the Group's risk management and internal control system.

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditor has reviewed this Statement on Risk Management and Internal Control. Based on their review, they have reported to the Board that nothing had come to their attention that caused them to believe that this Statement on Risk Management and Internal Control is inconsistent with their understanding with the procedures adopted by the Board in the review of the effectiveness of the internal controls.

This statement is made in accordance with the resolution of the Board dated 21 June 2016.

## CORPORATE SOCIAL RESPONSIBILITIES STATEMENT

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Lay Hong Berhad Group is a proponent of open and transparent business practices that are based on moral and ethical values. The Group's Corporate Social Responsibilities ("CSR") initiatives, having undergone the process of process planning and consideration are assimilated into the way the Group functions as a business entity, thus delivering sustainable values.

### FOOD SAFETY AND QUALITY

The Group is in compliance with all relevant laws and regulations governing food safety and quality, including Skim Akreditasi 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.

### ENVIRONMENT

The Group has in place proper waste treatment facilities at its chicken processing plant to avoid environmental contamination from its production effluents. Wastes from the Group's 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.

### WORKPLACE

The Group believes in local talent – the Group currently employs more than 500 local employees of diverse nationalities for both in Peninsular and East Malaysia operations. In addition to the sourcing of skills and talents from the local pool, the Group also strives to provide employment opportunities to females. Those in the senior bracket are also not forgotten – approximately less than 2% 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 and workplace safety and health. Moreover, we endeavor to embed the high standards required to enhance work quality and to achieve outstanding job performance. We also focus on on-job-training coaching. Initiatives are also taken to actively engage our workplace in curbing farms/plants injuries and to ensure stringent compliance with existing environment health and safety regulations in all our operations.

At Lay Hong, our male to female employees ratio shows a healthy distribution of 6:4. Our total staff strength as at 31 March 2016 stands at 2,242.

### COMMUNITY

Donations made to needy community organisations and institutions, including the Kiwanis Down Syndrome Foundation and the Selangor Dayspring Society for Persons with Learning Difficulties.

# Financial Statements

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## 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 2016.

### PRINCIPAL ACTIVITIES

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

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	3,815,667	20,501,240
Net profit attributable to:		
Owners of the Company	2,727,225	20,501,240
Non-controlling interests	1,088,442	-
	3,815,667	20,501,240

### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors proposed a final tax-exempt dividend of 5.0% amounting to RM3,028,750, subject to the approval of members at the forthcoming Annual General Meeting.

### 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

During the financial year, the Company increased its issued and paid up ordinary share capital from RM50,830,000 to RM57,750,000 with the allotment of 1,670,000 new ordinary shares of RM1.00 each at par under the Executive Share Option Scheme (ESOS) and 5,250,000 shares to NH Foods Ltd through a private placement scheme at an issue price of RM5.81 per share.



**DIRECTORS**

The Directors who have held office since the date of the last report and at the date of this report are:

Yap Hoong Chai	
Yeap Weng Hong	
Yeap Fock Hoong	
Dato' Dr. Abdul Aziz bin Mangkat	(Resigned on 31 August 2015)
Cheng Chin Hong	
Ng Kim Tian	
Yap Chor How	
Gan Lian Peng	
Tan Ooi Jin	
Hideki Fujii	(Appointed on 7 March 2016)
Ryuichi Nitta (Alternate to Hideki Fujii)	(Appointed on 7 March 2016)

**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 30 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 30 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 Executive Share Option Scheme and Share Issuance Scheme.

**EXECUTIVE SHARE OPTION SCHEME**

The Lay Hong Berhad Executive Share Option Scheme (ESOS) is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 September 2005. The ESOS was implemented on 23 November 2005 for a period of 5 years from the date of implementation, and was further extended by another 5 years until 10 November 2015.

**SHARE ISSUANCE SCHEME**

During the financial year, 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 15 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 290,000 ordinary shares of RM1.00 each.

## Directors' Report

### SHARE ISSUANCE SCHEME (cont'd)

The names of employees granted options to subscribe for 290,000 or more ordinary shares of RM1.00 each is as follows:

Name	← Number of Share Options →			At 31 March 2016
	At 1 April 2015	Granted	Exercised	
1. Ong Yong Thye	-	295,000	-	295,000
2. Seow Chin Wei	-	295,000	-	295,000
3. Chee Kah Heng	-	295,000	-	295,000
4. Cheah Chang Shuoh	-	295,000	-	295,000
5. Bong Kim Fui	-	295,000	-	295,000
6. Kong Yin Fah	-	295,000	-	295,000
7. Lim Guek Boh	-	290,000	-	290,000
8. Lee Poh Tiak	-	290,000	-	290,000
9. Tan Huay	-	290,000	-	290,000
10. Oh Tan Hwa	-	290,000	-	290,000
11. Lim Yen Fung	-	290,000	-	290,000
12. Foo Nyuk Pow	-	290,000	-	290,000
13. Thu Kum Wan	-	290,000	-	290,000
14. Goh Siew Hong	-	290,000	-	290,000
15. Gan Pei Leng	-	290,000	-	290,000
16. Lee Kheng Pai	-	290,000	-	290,000

Details of options granted to Directors are disclosed in the section on Directors' Interest in this 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 Shares of RM1.00 Each →			At 31 March 2016
	At 1 April 2015	Bought	Sold	
<b>The Company</b>				
<b>Direct Interest</b>				
Yap Hoong Chai	600,000	-	-	600,000
Yeap Fock Hoong	12,000	-	-	12,000
Yeap Weng Hong	407,200	-	-	407,200
Yap Chor How	459,700	-	-	459,700
Ng Kim Tian	122,000	-	-	122,000

## Directors' Report

### DIRECTORS' INTERESTS (cont'd)

	← Number of Ordinary Shares of RM1.00 Each →			
	At 1 April 2015	Bought	Sold	At 31 March 2016
<b>Indirect Interest</b>				
Yap Hoong Chai *	21,741,266	-	(124,300)	21,616,966
Hideki Fujii +	-	13,250,000	-	13,250,000
Ryuichi Nitta (Alternate to Hideki Fujii) <sup>+</sup>	-	13,250,000	-	13,250,000

\* Deemed interested in 2,716,966 shares held by spouse, children, siblings, spouse of sibling and 18,900,000 shares by virtue of Innofarm Sdn Bhd which holds 32.73% equity interest in Lay Hong Berhad.

+ Deemed interested in 13,250,000 shares by virtue of NH Foods Ltd which holds 22.94% equity interest in Lay Hong Berhad.

	← Number of Ordinary Shares of RM1.00 Each →			
	At 1 April 2015	Bought	Sold	At 31 March 2016

#### Subsidiary Companies:

##### Evergreen Organic Fertilisers Sdn Berhad

<b>Indirect Interest</b>				
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

<b>Indirect Interest</b>				
Yap Hoong Chai	500,001	-	-	500,001
Yeap Fock Hoong	500,001	-	-	500,001
Yeap Weng Hong	500,001	-	-	500,001

### SHARE ISSUANCE SCHEME

Name	← Number of Share Options →			
	At 1 April 2015	Granted	Exercised	At 31 March 2016
Ng Kim Tian	-	300,000	-	300,000

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.

**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 debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; 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 debts or to make an allowance for doubtful debts 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.

## Directors' Report

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### OTHER STATUTORY INFORMATION (cont'd)

In the opinion of the Directors:

- (a) except as disclosed in the financial statements, the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 June 2016.

**YAP HOONG CHAI**  
Director  
Klang, Selangor Darul Ehsan

**YEAP WENG HONG**  
Director

**STATEMENT BY DIRECTORS**

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Pursuant to Section 169(15) of the Companies Act, 1965

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 financial statements set out on pages 39 to 106 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Securities Malaysia Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 June 2016.

**YAP HOONG CHAI**  
Director  
Klang, Selangor Darul Ehsan

**YEAP WENG HONG**  
Director

**STATUTORY DECLARATION**

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Pursuant to Section 169(16) of the Companies Act, 1965

I, NG KIM TIAN, being the Director primarily responsible for the financial management of LAY HONG BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 39 to 106 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 21 June 2016.

**NG KIM TIAN**

Before me,

**YAM CHEOK WAN (No. B022)**  
Commissioner for Oaths  
Selangor Darul Ehsan

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAY HONG BERHAD

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### Report on the Financial Statements

We have audited the financial statements of LAY HONG BERHAD, which comprise the statements of financial position as at 31 March 2016 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 106.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2016 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Independent Auditors' Report to the Members of Lay Hong Berhad

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### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) we have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 5 to the financial statements;
- (c) we are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes;
- (d) the independent auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### Other Reporting Responsibilities

The supplementary information set out in Note 41 to the financial statements on page 106 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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

**LIM KOK BENG**  
588/02/17 (J)  
Chartered Accountant

Kuala Lumpur  
21 June 2016



## STATEMENTS OF FINANCIAL POSITION

As at 31 March 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3	307,938,925	243,512,372	110,961,644	69,135,923
Investment properties	4	2,000,000	-	-	-
Investments	5	194,075	194,075	21,996,648	22,964,625
Intangible assets	6	2,600,071	3,193,052	-	-
Deferred tax assets	7	3,277,003	3,496,684	144,717	-
		<b>316,010,074</b>	250,396,183	<b>133,103,009</b>	92,100,548
<b>Current assets</b>					
Biological assets	8	26,072,171	26,116,831	16,472,800	14,547,422
Inventories	9	68,733,271	65,535,342	8,669,924	7,931,428
Trade receivables	10	69,769,490	65,804,071	13,921,574	12,736,834
Other receivables	11	20,622,853	9,886,556	12,298,641	1,889,118
Due from subsidiary companies	12	-	-	91,920,648	73,522,734
Short term investment	13	27,602,814	5,048,526	27,602,814	5,025,072
Cash and bank balances	14	23,577,882	4,586,783	18,983,037	396,592
		<b>236,378,481</b>	176,978,109	<b>189,869,438</b>	116,049,200
<b>TOTAL ASSETS</b>		<b>552,388,555</b>	427,374,292	<b>322,972,447</b>	208,149,748

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

## Statements of Financial Position

As at 31 March 2016

			Group		Company
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	15	57,750,000	50,830,000	57,750,000	50,830,000
Other reserves	16	112,997,151	18,254,731	86,509,824	8,927,643
Retained earnings	17	71,237,385	67,714,486	42,709,017	21,368,198
		<b>241,984,536</b>	<b>136,799,217</b>	<b>186,968,841</b>	<b>81,125,841</b>
Non-controlling interests		24,959,889	24,023,507	-	-
<b>Total equity</b>		<b>266,944,425</b>	<b>160,822,724</b>	<b>186,968,841</b>	<b>81,125,841</b>
<b>Non-current liabilities</b>					
Loan and borrowings	18	30,553,126	37,113,014	6,811,834	6,968,628
Deferred tax liabilities	7	30,275,055	25,503,858	8,597,876	7,356,292
		<b>60,828,181</b>	<b>62,616,872</b>	<b>15,409,710</b>	<b>14,324,920</b>
<b>Current liabilities</b>					
Trade payables	19	69,003,441	63,622,387	30,159,447	25,483,097
Other payables	20	24,947,145	29,191,212	7,639,622	8,470,829
Due to subsidiary companies	21	-	-	17,150,112	22,473,633
Current tax liability		3,292,635	2,425,737	1,816,955	1,738,335
Loan and borrowings	18	127,372,728	108,695,360	63,827,760	54,533,093
		<b>224,615,949</b>	<b>203,934,696</b>	<b>120,593,896</b>	<b>112,698,987</b>
<b>Total liabilities</b>		<b>285,444,130</b>	<b>266,551,568</b>	<b>136,003,606</b>	<b>127,023,907</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>552,388,555</b>	<b>427,374,292</b>	<b>322,972,447</b>	<b>208,149,748</b>

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 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	23	645,826,371	671,700,806	237,690,827	282,844,994
Cost of sales		(533,362,225)	(548,491,312)	(208,533,955)	(245,949,101)
Gross profit		112,464,146	123,209,494	29,156,872	36,895,893
Other operating income	24	9,953,160	5,460,139	36,212,194	1,294,004
Selling and distribution expenses		(69,302,913)	(65,896,828)	(14,958,595)	(14,624,115)
Administrative expenses		(20,425,950)	(26,238,081)	(9,485,119)	(12,515,925)
Other expense - share based		(15,093,000)	-	(15,093,000)	-
Profit from operations	25	17,595,443	36,534,724	25,832,352	11,049,857
Finance costs	26	(7,659,902)	(8,670,330)	(3,299,907)	(3,234,305)
Profit before tax		9,935,541	27,864,394	22,532,445	7,815,552
Tax expenses	27	(6,119,874)	(8,195,005)	(2,031,205)	(3,047,689)
Net profit for the financial year		3,815,667	19,669,389	20,501,240	4,767,863
Other comprehensive income, net of tax					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Revaluation of property, plant and equipment		53,935,827	-	34,225,230	-
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale financial assets		74,030	128,469	74,030	127,556
Exchange differences on translation of foreign operations		-	21,796	-	-
Other comprehensive income, net of tax		54,009,857	150,265	34,299,260	127,556
Total comprehensive income for the financial year		57,825,524	19,819,654	54,800,500	4,895,419

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 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
<b>Net profit attributable to:</b>					
Owners of the Company		2,727,225	18,605,255	20,501,240	4,767,863
Non-controlling interests		1,088,442	1,064,134	-	-
		<b>3,815,667</b>	<b>19,669,389</b>	<b>20,501,240</b>	<b>4,767,863</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		54,593,776	18,744,824	54,800,500	4,895,419
Non-controlling interests		3,231,748	1,074,830	-	-
		<b>57,825,524</b>	<b>19,819,654</b>	<b>54,800,500</b>	<b>4,895,419</b>
<b>Earnings per share attributable to equity holders to the Company (sen)</b>					
Basic	28	5.15	37.07		
Diluted	28	5.04	36.90		

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

## STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2016

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		
<b>As at 1 April 2014</b>	49,780,000	-	-	19,572,187	48,396	243,754	49,883,906	119,528,243	22,790,495	142,318,738	
Total comprehensive income for the financial year	-	-	-	-	11,100	128,469	18,605,255	18,744,824	1,074,830	19,819,654	
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(1,749,175)	-	-	1,749,175	-	-	-	
Dividends to owners of the Company	-	-	-	-	-	-	(2,523,850)	(2,523,850)	-	(2,523,850)	
Accretion of non-controlling interest	-	-	-	-	-	-	-	-	158,182	158,182	
Issue of ordinary shares pursuant to ESOS (Note 15)	1,050,000	-	-	-	-	-	-	1,050,000	-	1,050,000	
<b>Balance at 31 March 2015</b>	50,830,000	-	-	17,823,012	59,496	372,223	67,714,486	136,799,217	24,023,507	160,822,724	
Net profit for the financial year	-	-	-	-	-	-	2,727,225	2,727,225	1,088,442	3,815,667	
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(815,055)	-	-	815,055	-	-	-	
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	(766,321)	(766,321)	
Accretion of non-controlling interest	-	-	-	-	-	-	(450,957)	(450,957)	450,957	-	
Acquisition of additional equity interest in subsidiary company	-	-	-	-	(59,496)	-	-	-	(980,000)	(980,000)	
Transferred to distributable reserve on realisation of foreign currency translation reserve	-	-	-	-	-	(372,080)	372,080	-	-	-	
Transferred to distributable reserve on realisation of fair value reserve	-	-	-	51,792,521	-	74,030	-	51,866,551	2,143,306	54,009,857	
Other comprehensive income	-	-	-	-	-	-	-	-	(1,000,002)	(1,000,002)	
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	
Issue of ordinary shares pursuant to ESOS (Note 15)	1,670,000	3,777,000	-	-	-	-	-	5,447,000	-	5,447,000	
Issue of private placement	5,250,000	25,252,500	-	-	-	-	-	30,502,500	-	30,502,500	
Share-based payment transactions	-	-	15,093,000	-	-	-	-	15,093,000	-	15,093,000	
<b>Balance at 31 March 2016</b>	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	

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

## Statements of Changes In Equity

For the Financial Year Ended 31 March 2016

Company	Non-Distributable				Distributable		Total RM
	Share Capital RM	Share Premium RM	Share Option Reserve RM	Revaluation Reserve RM	Fair Value Reserve RM	Retained Earnings RM	
<b>As at 1 April 2014</b>	49,780,000	-	-	8,820,835	242,179	18,861,258	77,704,272
Total comprehensive income for the financial year	-	-	-	-	127,556	4,767,863	4,895,419
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(262,927)	-	262,927	-
Dividends to owners of the Company	-	-	-	-	-	(2,523,850)	(2,523,850)
Issue of ordinary shares pursuant to ESOS (Note 15)	1,050,000	-	-	-	-	-	1,050,000
<b>Balance at 31 March 2015</b>	50,830,000	-	-	8,557,908	369,735	21,368,198	81,125,841
Net profit for the financial year	-	-	-	-	-	20,501,240	20,501,240
Transfer to distributable reserve on realisation of revaluation reserve	-	-	-	(469,844)	-	469,844	-
Transfer to distributable reserve on realisation of fair value reserve	-	-	-	-	(369,735)	369,735	-
Other comprehensive income	-	-	-	34,225,230	74,030	-	34,299,260
Issue of ordinary shares pursuant to ESOS (Note 15)	1,670,000	3,777,000	-	-	-	-	5,447,000
Issue of private placement	5,250,000	25,252,500	-	-	-	-	30,502,500
Share-based payment transactions	-	-	15,093,000	-	-	-	15,093,000
<b>Balance at 31 March 2016</b>	57,750,000	29,029,500	15,093,000	42,313,294	74,030	42,709,017	186,968,841

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

## STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 March 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Cash Flows from Operating Activities</b>					
Profit before tax		9,935,541	27,864,394	22,532,445	7,815,552
Adjustments for:					
Amortisation of intangible assets	6	28,654	27,781	-	-
Depreciation of property, plant and equipment	3	21,210,642	22,216,302	6,227,424	5,985,154
Dividend income		(819)	(461)	(33,000,630)	(461)
Change in fair value of investment properties	4	(111,306)	-	-	-
Deposit forfeited		-	150,000	-	-
Net (gain)/loss on disposal of property, plant and equipment		(2,354,227)	840,471	(2,334,019)	925,031
Gain on disposal of a subsidiary company	5 (c)	(1,102,100)	-	(152,907)	-
Property, plant and equipment written off	25	144,356	1,059,310	128,193	1,018,903
Impairment on property, plant and equipment		-	1,841,259	-	1,841,259
Interest expense	26	7,659,902	8,670,330	3,299,907	3,234,305
Interest income	24	(64,467)	(18,796)	(15,313)	-
Goodwill and other investment written off		567,200	334,904	-	-
Equity settled share-based payment transaction	25	15,093,000	-	15,093,000	-
Net unrealised foreign exchange loss/(gains)		653,975	50,873	-	(10,891)
Net (reversal)/impairment losses on trade receivables		(593,830)	(204,934)	27,656	40,898
Bad debts written off	25	480,337	-	-	-
Changes in fair value of financial asset		74,030	128,469	74,030	127,556
Operating profit before working capital changes		51,620,888	62,959,902	11,879,786	20,977,306
Increase in inventories and biological assets		(3,303,023)	(4,575,047)	(2,663,875)	(3,522,118)
Increase in trade and other receivables		(15,329,755)	(7,286,351)	(11,621,919)	(2,329,866)
Increase in trade and other payables		404,229	4,192,410	3,845,143	2,831,138
Increase in intercompany balances		-	-	8,503,534	2,422,329
Cash generated from operations		33,392,339	55,290,914	9,942,669	20,378,789
Interest paid		(7,659,902)	(8,670,330)	(3,299,907)	(3,234,305)
Net tax paid		(6,416,317)	(1,847,542)	(3,993,764)	(713,116)
Net cash inflow from operating activities		19,316,120	44,773,042	2,648,998	16,431,368

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

## Statements of Cash Flows

For the Financial Year Ended 31 March 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>Cash Flows from Investing Activities</b>					
Investment by non-controlling interest		-	158,182	-	-
Additional acquisition of intangible assets	6	(2,500)	-	-	-
Additional investment in subsidiary companies		-	-	-	(161,750)
Purchase of property, plant and equipment	3 (c)	(23,355,482)	(23,293,121)	(7,905,009)	(4,647,270)
Proceeds from disposal of property, plant and equipment		4,001,886	3,072,180	3,981,679	70,987
Proceeds from disposal of a subsidiary company	5 (c)	1,733,312	-	1,895,884	-
Interest received		64,467	18,796	15,313	-
Increase in deposits pledged to licensed banks		(14,682)	(13,782)	-	-
Dividend received		819	461	660	461
Dividend paid to Non-controlling interest		(1,000,002)	-	-	-
<b>Net cash outflow from investing activities</b>		<b>(18,572,182)</b>	<b>(20,057,284)</b>	<b>(2,011,473)</b>	<b>(4,737,572)</b>
<b>Cash Flows from Financing Activities</b>					
Net drawdown and repayment of bankers' acceptances		6,351,000	(2,554,000)	4,023,000	(1,546,000)
Proceeds from issue of ordinary shares		35,949,500	1,050,000	35,949,500	1,050,000
Net drawdown and repayment of revolving credit facilities		6,500,000	(2,500,000)	6,500,000	(2,500,000)
Net repayment of term loans		(6,721,501)	(2,834,687)	(2,429,031)	(2,277,007)
Net repayment of finance lease liabilities		(6,974,901)	(7,190,296)	(1,859,954)	(1,935,956)
Dividends paid to owners of the parent		-	(2,523,850)	-	(2,523,850)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>35,104,098</b>	<b>(16,552,833)</b>	<b>42,183,515</b>	<b>(9,732,813)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>35,848,036</b>	<b>8,162,925</b>	<b>42,821,040</b>	<b>1,960,983</b>
<b>Exchange differences arising from retranslation of financial statements in foreign currency</b>		<b>-</b>	<b>21,796</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents at Beginning of the Financial Year</b>		<b>(3,780,637)</b>	<b>(11,965,358)</b>	<b>(670,295)</b>	<b>(2,631,278)</b>
<b>Cash and Cash Equivalents at End of the Financial Year</b>	14	<b>32,067,399</b>	<b>(3,780,637)</b>	<b>42,150,745</b>	<b>(670,295)</b>

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



## NOTES TO THE FINANCIAL STATEMENTS

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31 March 2016

### 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. 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan 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. 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 21 June 2016.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements comply with the requirements of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods on or after 1 April 2015 as described fully in Note 2.3.

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) Subsidiary companies and basis of consolidation

###### (i) Investment in subsidiary companies

Subsidiary companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entities.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statements of profit or loss and other comprehensive income.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (a) Subsidiary companies and basis of consolidation (cont'd)

###### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the reporting date. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiary companies are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill on the statements of financial position. The accounting policy for goodwill is set out in Note 2.2(b). Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in statements of profit or loss and other comprehensive income on the date of acquisition.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary companies' equity since then.

###### (iii) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (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 the statements of profit or loss and other comprehensive income 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.

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 statements of profit or loss and other comprehensive income during the financial year in which they are incurred.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

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

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

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

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

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 the statements of profit or loss and other comprehensive income 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.

##### (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.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (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.

##### (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, 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.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (f) Inventories (cont'd)

###### (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.

##### (g) Leases

###### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group 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 the statements of profit or loss and other comprehensive income 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 statements of profit or loss and other comprehensive income 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.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (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.

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 the statements of profit or loss and other comprehensive income 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 the statements of profit or loss and other comprehensive income 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 statements of profit or loss and other comprehensive income 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.



## Notes to the Financial Statements

31 March 2016

### 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 statements of profit or loss and other comprehensive income 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 statements of profit or loss and other comprehensive income.

##### (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 2016

### 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 the statements of profit or loss and other comprehensive income for the year.

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

Foreign Currencies	2016 RM	2015 RM
Euro (EUR)	4.4310	4.0153
Singapore Dollar (SGD)	2.9060	2.6990
United State Dollar (USD)	3.9170	3.7160
Renminbi (CNY)	0.6056	-

##### (iii) Foreign currency translation

For inclusion in the Group's financial statement, 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 the balance sheet 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.

##### (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 statements of profit or loss and other comprehensive income 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.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (k) Revenue recognition (cont'd)

###### (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 preparation basis using the effective interest rate applicable.

###### (iv) Rental income

Rental income is accounted for on a straight-line basis when services are rendered.

###### (v) Management fees

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

##### (l) Financial assets

Financial assets are recognised in the financial statements when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent measurement of financial assets depends on the classification of the financial assets which are determined at initial recognition.

The Group and the Company determine the classification of their financial assets at initial recognition and the categories include loans and receivables and available for sale financial assets.

###### (i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statements of profit or loss and other comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

###### (ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any other category.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (l) Financial assets (cont'd)

##### (ii) Available-for-sale financial assets (cont'd)

Investments in equity instruments that do not have a quoted market price in an active market and those whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value, with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses from hedged items attributable to hedge risks of fair value hedges which are recognised in profit and loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest income using the effective interest method is recognised as profit or loss. Dividends on an available-for-sale equity financial instrument is recognised in profit or loss when the Company's right to receive the payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment losses.

All financial assets, except those measured at fair value through profit or loss are subject to review for impairment.

##### (m) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities within the scope of FRS 139 are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group and the Company has not designated any financial liabilities as at fair value through profit and loss. The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gain and losses are recognised in the statements of profit or loss and other comprehensive income when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statements of profit or loss and other comprehensive income.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (n) 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.

##### (o) 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. 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 the statements of profit or loss and other comprehensive income 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 the statements of profit or loss and other comprehensive income as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (o) 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 the statements of profit or loss and other comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

Proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

##### (p) 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 the statements of profit or loss and other comprehensive income 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.

##### (q) 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).

##### (r) 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.

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 Summary of significant accounting policies (cont'd)

##### (r) Share capital and share issuance expenses (cont'd)

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.

##### (s) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

##### (t) 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.

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

At the date of authorisation for issue of these financial statements, the following new FRSs and Amendments to FRSs were issued but not yet effective and have not been applied by the Group and the Company:

##### Effective for financial periods beginning on or after 1 January 2016:

Amendments to FRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 10	Consolidated Financial Statements: Investment Entities: Applying the Consolidation Exception
Amendments to FRS 12	Disclosure of Interests in Other Entities: Investment Entities: Applying the Consolidation Exception
FRS 14	Regulatory Deferral Accounts
Amendments to FRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to FRS 116	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 128	Investment in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception
Amendments to FRS 138	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Consolidated Financial Statements: Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 - 2014 Cycle

## Notes to the Financial Statements

31 March 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

At the date of authorisation for issue of these financial statements, the following new FRSs and Amendments to FRSs were issued but not yet effective and have not been applied by the Group and the Company: (cont'd)

##### 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

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

FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
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In November 2014, MASB issued a final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous version of FRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

##### 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 Ventures: Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

#### 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 2 September 2014, 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 2017.

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 2018. 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.



## Notes to the Financial Statements

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31 March 2016

### 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% 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 balance sheet date.

## Notes to the Financial Statements

31 March 2016

### 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 debtor and default or significant delay in payment.

##### (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.

## Notes to the Financial Statements

31 March 2016

### 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
<b>2016</b>									
<b>Cost/Valuation</b>									
At 1 April 2015									
Cost	3,169,485	1,240,776	868,551	67,704,733	176,487,390	22,625,352	30,365,635	4,313,547	306,775,469
Valuation	23,154,999	11,725,593	626,066	99,098,757	-	-	-	-	134,605,415
Reclassification	4,577,800	(4,189,683)	749,658	(906,387)	2,089,761	(1)	(2,321,152)	3	-
	30,902,284	8,776,686	2,244,275	165,897,103	178,577,151	22,625,351	28,044,483	4,313,550	441,380,884
Additions	692,141	-	-	4,832,552	4,488,506	3,321,110	1,880,083	15,421,302	30,635,694
Disposal of a subsidiary company	-	-	-	-	(1,656,867)	-	(4,638)	-	(1,661,505)
Adjustment for revaluation surplus	43,911,231	5,156,658	350,103	21,621,693	-	-	-	-	71,039,685
Disposals	-	-	-	(3,545,129)	(917,686)	(2,102,894)	-	-	(6,565,709)
Transfers	(164,070)	110,672	256,559	(2,005,956)	9,256,094	-	(121,452)	(9,226,691)	(1,894,844)
Write off	-	-	-	-	-	(275,878)	(19,890)	-	(295,768)
At 31 March 2016	75,341,586	14,044,016	2,850,938	186,800,263	189,747,198	23,567,689	29,778,586	10,508,161	532,638,437
<b>Accumulated depreciation</b>									
At 1 April 2015	-	942,369	158,398	64,423,064	104,982,205	15,746,730	9,774,487	-	196,027,253
Reclassification	-	174,154	4,777	(131,221)	1,291,586	3	(1,339,300)	-	-
Charge for the financial year	-	171,141	129,409	4,878,140	11,680,988	2,696,253	1,654,711	-	21,210,642
Disposal of a subsidiary company	-	-	-	-	(337,943)	-	(4,420)	-	(342,363)
Adjustment for revaluation surplus	-	834,510	7,805	10,195,644	-	-	-	-	11,037,959
Disposals	-	-	-	(2,413,248)	(401,907)	(2,102,894)	-	-	(4,918,050)
Transfers	-	-	-	8,167	-	-	(13,944)	-	(5,777)
Write off	-	-	-	-	-	(147,685)	(3,727)	-	(151,412)
At 31 March 2016	-	2,122,174	300,389	76,960,546	117,214,929	16,192,408	10,067,807	-	222,858,253
<b>Accumulated impairment loss</b>									
At 1 April 2015/ 31 March 2016	-	-	-	-	1,841,259	-	-	-	1,841,259
<b>Net carrying amounts</b>									
Cost	3,861,626	1,351,448	1,125,110	43,597,898	70,691,010	7,375,281	19,710,779	10,508,161	158,221,313
Valuation	71,479,960	10,570,393	1,425,439	66,241,819	-	-	-	-	149,717,612
At 31 March 2016	75,341,586	11,921,842	2,550,549	109,839,717	70,691,010	7,375,281	19,710,779	10,508,161	307,938,925

## Notes to the Financial Statements

31 March 2016

### 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
<b>2015</b>									
<b>Cost/Valuation</b>									
At 1 April 2014									
Cost	1,512,649	1,240,776	868,551	59,410,311	170,826,408	20,341,790	25,449,252	4,918,398	284,568,135
Valuation	23,154,999	11,725,593	626,066	98,199,763	-	-	-	-	133,706,421
	24,667,648	12,966,369	1,494,617	157,610,074	170,826,408	20,341,790	25,449,252	4,918,398	418,274,556
Additions	1,656,836	-	-	8,037,343	4,512,564	2,634,928	5,183,945	7,165,762	29,191,378
Disposals	-	-	-	(1,284,380)	(2,903,477)	(351,366)	(207,646)	-	(4,746,869)
Transfers	-	-	-	2,440,453	-	5,330,160	-	(7,770,613)	-
Write off	-	-	-	-	(1,278,265)	-	(59,916)	-	(1,338,181)
At 31 March 2015	26,324,484	12,966,369	1,494,617	166,803,490	176,487,390	22,625,352	30,365,635	4,313,547	441,380,884
<b>Cost</b>									
Valuation	3,169,485	1,240,776	868,551	67,704,733	176,487,390	22,625,352	30,365,635	4,313,547	306,775,469
	23,154,999	11,725,593	626,066	99,098,757	-	-	-	-	134,605,415
	26,324,484	12,966,369	1,494,617	166,803,490	176,487,390	22,625,352	30,365,635	4,313,547	441,380,884
<b>Accumulated depreciation</b>									
At 1 April 2014	-	924,182	158,398	59,243,204	92,494,621	13,674,441	8,429,194	-	174,924,040
Charge for the financial year	-	18,187	-	5,254,014	13,157,743	2,380,141	1,400,780	-	22,210,865
Disposals	-	-	-	(74,154)	(420,799)	(307,852)	(31,413)	-	(834,218)
Write off	-	-	-	-	(254,725)	-	(24,146)	-	(278,871)
Exchange differences	-	-	-	-	5,365	-	72	-	5,437
At 31 March 2015	-	942,369	158,398	64,423,064	104,982,205	15,746,730	9,774,487	-	196,027,253
<b>Cost</b>									
Valuation	-	7,464	3,978	12,716,147	104,982,205	15,746,730	9,774,487	-	143,231,011
	-	934,905	154,420	51,706,917	-	-	-	-	52,796,242
	-	942,369	158,398	64,423,064	104,982,205	15,746,730	9,774,487	-	196,027,253
<b>Accumulated impairment loss</b>									
At 1 April 2014	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	1,841,259	-	-	-	1,841,259
At 31 March 2015	-	-	-	-	1,841,259	-	-	-	1,841,259
<b>Net carrying amounts</b>									
Cost	3,169,485	1,233,312	864,573	54,988,586	69,663,926	6,878,622	20,591,148	4,313,547	161,703,199
Valuation	23,154,999	10,790,688	471,646	47,391,840	-	-	-	-	81,809,173
At 31 March 2015	26,324,484	12,024,000	1,336,219	102,380,426	69,663,926	6,878,622	20,591,148	4,313,547	243,512,372

## Notes to the Financial Statements

31 March 2016

### 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, Fittings and Renovations RM	Capital Work-In- Progress RM	Total RM
<b>2016</b>								
<b>Cost/Valuation</b>								
At 1 April 2015								
Cost	1,656,836	187,481	9,044,222	56,717,955	9,566,018	5,986,012	2,204,934	85,363,458
Valuation	11,820,000	332,644	44,227,691	-	-	-	-	56,380,335
	13,476,836	520,125	53,271,913	56,717,955	9,566,018	5,986,012	2,204,934	141,743,793
Additions	692,141	-	117,596	518,490	2,466,956	559,865	8,110,673	12,465,721
Revaluation surplus	30,725,000	455,866	11,212,493	-	-	-	-	42,393,359
Disposals	-	-	(3,545,129)	(917,686)	(2,021,885)	-	-	(6,484,700)
Transfers	-	-	1,608,319	3,956,079	-	(115,302)	(5,449,096)	-
Write off	-	-	-	-	(275,878)	(770)	-	(276,648)
At 31 March 2016	44,893,977	975,991	62,665,192	60,274,838	9,735,211	6,429,805	4,866,511	189,841,525
<b>Cost</b>								
At 1 April 2015	2,348,977	-	2,367,830	60,274,838	9,735,211	6,429,805	4,866,511	86,023,172
Valuation	42,545,000	975,991	60,297,362	-	-	-	-	103,818,353
	44,893,977	975,991	62,665,192	60,274,838	9,735,211	6,429,805	4,866,511	189,841,525
<b>Accumulated depreciation</b>								
At 1 April 2015	-	43,820	20,998,649	38,536,072	7,369,863	3,818,207	-	70,766,611
Charge for the financial year	-	7,336	1,518,317	3,129,975	1,087,852	483,944	-	6,227,424
Adjustment for revaluation	-	44,835	4,985,247	-	-	-	-	5,030,082
Disposals	-	-	(2,413,248)	(401,907)	(2,021,885)	-	-	(4,837,040)
Transfers	-	-	8,167	-	-	(8,167)	-	-
Write off	-	-	-	-	(147,685)	(770)	-	(148,455)
At 31 March 2016	-	95,991	25,097,132	41,264,140	6,288,145	4,293,214	-	77,038,622
<b>Cost</b>								
At 1 April 2015	-	-	314,687	41,264,140	6,288,145	4,293,214	-	52,160,186
Valuation	-	95,991	24,782,445	-	-	-	-	24,878,436
	-	95,991	25,097,132	41,264,140	6,288,145	4,293,214	-	77,038,622
<b>Accumulated impairment loss</b>								
At 1 April 2015/ 31 March 2016	-	-	-	1,841,259	-	-	-	1,841,259
<b>Net carrying amounts</b>								
Cost	2,348,977	-	2,053,143	17,169,439	3,447,066	2,136,591	4,866,511	32,021,727
Valuation	42,545,000	880,000	35,514,917	-	-	-	-	78,939,917
At 31 March 2016	44,893,977	880,000	37,568,060	17,169,439	3,447,066	2,136,591	4,866,511	110,961,644

## Notes to the Financial Statements

31 March 2016

### 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, Fittings and Renovations RM	Capital Work-In- Progress RM	Total RM
<b>2015</b>								
<b>Cost/Valuation</b>								
At 1 April 2014								
Cost	-	187,481	2,675,014	52,350,783	8,733,567	4,996,252	2,627,111	71,570,208
Valuation	11,820,000	332,644	44,227,691	-	-	-	-	56,380,335
	11,820,000	520,125	46,902,705	52,350,783	8,733,567	4,996,252	2,627,111	127,950,543
Additions	1,656,836	-	6,329,155	4,116,760	890,986	989,760	2,291,168	16,274,665
Disposals	-	-	-	(1,149,252)	(58,535)	-	-	(1,207,787)
Transfers	-	-	40,053	2,673,292	-	-	(2,713,345)	-
Write off	-	-	-	(1,273,628)	-	-	-	(1,273,628)
At 31 March 2015	13,476,836	520,125	53,271,913	56,717,955	9,566,018	5,986,012	2,204,934	141,743,793
<b>Cost</b>								
Valuation	1,656,836	187,481	9,044,222	56,717,955	9,566,018	5,986,012	2,204,934	85,363,458
	11,820,000	332,644	44,227,691	-	-	-	-	56,380,335
	13,476,836	520,125	53,271,913	56,717,955	9,566,018	5,986,012	2,204,934	141,743,793
<b>Accumulated depreciation</b>								
At 1 April 2014	-	36,484	19,672,880	35,354,561	6,678,098	3,505,928	-	65,247,951
Charge for the financial year	-	7,336	1,325,769	3,589,470	750,300	312,279	-	5,985,154
Disposals	-	-	-	(153,234)	(58,535)	-	-	(211,769)
Write off	-	-	-	(254,725)	-	-	-	(254,725)
At 31 March 2015	-	43,820	20,998,649	38,536,072	7,369,863	3,818,207	-	70,766,611
<b>Cost</b>								
Valuation	-	3,195	485,030	38,536,072	7,369,863	3,818,207	-	50,212,367
	-	40,625	20,513,619	-	-	-	-	20,554,244
	-	43,820	20,998,649	38,536,072	7,369,863	3,818,207	-	70,766,611
<b>Accumulated impairment loss</b>								
At 1 April 2014	-	-	-	-	-	-	-	-
Additions	-	-	-	1,841,259	-	-	-	1,841,259
At 31 March 2015	-	-	-	-	-	-	-	1,841,259
<b>Net carrying amounts</b>								
Cost	1,656,836	184,286	8,559,192	16,340,624	2,196,155	2,167,805	2,204,934	33,309,832
Valuation	11,820,000	292,019	23,714,072	-	-	-	-	35,826,091
At 31 March 2015	13,476,836	476,305	32,273,264	16,340,624	2,196,155	2,167,805	2,204,934	69,135,923

## Notes to the Financial Statements

31 March 2016

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

(a) Freehold land, leasehold land and buildings of certain subsidiary companies with net carrying amounts of RM60,082,870 (2015: RM60,798,925 based on year 2016 valuation for comparison purpose) have been pledged to financial institutions as security for borrowings as disclosed in Note 18.

(b) The net carrying amounts of property, plant and equipment held under finance lease arrangements are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Motor vehicles	7,310,883	6,614,519	3,362,193	2,087,575
Office equipment	2,474,563	3,079,592	767,316	312,999
Plant and machinery	18,577,684	15,100,313	5,293,389	1,295,476

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash	23,355,482	23,293,121	7,905,009	4,647,270
Finance lease	7,280,212	5,898,257	4,560,712	1,427,634
Inter-company transfer	-	-	-	10,199,761
	30,635,694	29,191,378	12,465,721	16,274,665

### 4. INVESTMENT PROPERTIES

Group	RM
<b>Cost/Valuation</b>	
At 1 April 2014	-
Additions	-
At 31 March 2015	-
Reclassification from property, plant and equipment	1,888,694
Changes in fair value recognised in profit or loss (Note 24)	111,306
At 31 March 2016	2,000,000
<b>Net carrying amount</b>	
At 31 March 2016	2,000,000
At 31 March 2015	-

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

## Notes to the Financial Statements

31 March 2016

### 4. INVESTMENT PROPERTIES (cont'd)

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

	2016 RM	2015 RM
Rental income	92,000	-
Direct operating expenses	(65,405)	-
	<b>26,595</b>	<b>-</b>

Buildings of the Group were revalued in the financial year ended 31 March 2016 by the Directors based on a valuation exercise carried out during the financial year by an independent professional valuer using the open market value basis.

#### Valuation process applied by the Group for fair value

The fair value of investment properties was estimated by independent valuation surveyors using the comparison method which entails critical analysis of recent transactions and evidence of values of similar properties in the neighbourhood and making adjustment for differences in location, size and shape of land, age and condition of building, tenure, title restrictions and taking into consideration the present replacement cost of the building structure.

### 5. INVESTMENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>(a) Subsidiary companies</b>				
Unquoted shares at cost	-	-	21,878,253	22,846,230
<b>(b) Other investments</b>				
Quoted shares at cost in Malaysia	5,885	5,885	2,799	2,799
Accumulated impairment losses	(4,810)	(4,810)	(2,404)	(2,404)
	<b>1,075</b>	<b>1,075</b>	<b>395</b>	<b>395</b>
<b>Club Membership, at cost</b>	<b>193,000</b>	<b>193,000</b>	<b>118,000</b>	<b>118,000</b>
<b>Total investments</b>	<b>194,075</b>	<b>194,075</b>	<b>21,996,648</b>	<b>22,964,625</b>
Market value of shares quoted in Malaysia	2,912	2,368	1,456	1,184



## Notes to the Financial Statements

31 March 2016

### 5. INVESTMENTS (cont'd)

Details of the subsidiary companies are as follows:

Name of Company	Country of Incorporation	Share Capital	Effective Interest Held (%)		Principal Activities
			2016	2015	
Hing Hong Sdn Berhad	Malaysia	2,000,000	100	100	Poultry farming
Innofarm (Klang) Sdn Bhd	Malaysia	400,000	70	70	Poultry farming
Evergreen Organic Fertilisers Sdn Berhad	Malaysia	500,000	70.6	70.6	Processing and marketing of chicken dung as fertiliser
Sri Tawau Farming Sdn Bhd <sup>+</sup> and its subsidiary	Malaysia	1,000,002	50	50	Investment holding and trading
ST Food Sdn Bhd*	Malaysia	3,000,000	46.7	43.3	Food and beverage and retail minimarkets
Innobrid Sdn Bhd	Malaysia	4,000,000	97	97	Poultry farming
G-mart Borneo Retail Sdn Bhd	Malaysia	6,000,000	100	100	Retail supermarket
Eminent Farm Sdn Bhd	Malaysia	1,000,000	100	100	Poultry farming
Lay Hong Liquid Egg Sdn Bhd	Malaysia	900,000	100	100	Manufacturing and sales of liquid egg
Lay Hong Food Corporation Sdn Bhd	Malaysia	4,000,000	100	100	Food manufacturing
STF Agriculture Sdn Bhd *	Malaysia	12,205,000	50	51	Integrated poultry farming and processing of chicken
JT Trading Sdn Bhd	Malaysia	2,000,000	100	100	Trading
Oz Food Solutions Company Ltd	Vietnam	2,155,393	-	51	Food manufacturing

<sup>+</sup> Equity interest of 50% plus one special rights ordinary share

<sup>\*</sup> Holding in equity by subsidiary company

## Notes to the Financial Statements

31 March 2016

### 5. INVESTMENTS (cont'd)

#### (c) Disposal of Oz Food Solutions Company Ltd

During the financial year, the Company disposed of its entire equity in Oz Food Solutions Company Ltd for a total cash consideration of RM1,895,884.

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

	2016 RM
<b>Group</b>	
Property, plant and equipment	1,319,142
Inventories	149,754
Trade and other receivables	175,874
Cash and bank balances	162,572
Trade and other payables	(247,237)
Non-controlling interest	(766,321)
Net assets of Oz Food Solutions Company Ltd	793,784
Cash consideration	1,895,884
Expenses on disposal	-
Gain on disposal to the Group (Note 24)	1,102,100
<u>Cash inflow arising from disposal</u>	
Cash consideration	1,895,884
Cash and cash equivalents of subsidiary disposed of	(162,572)
Net cash inflow on disposal	1,733,312
<b>Company</b>	
Cash consideration	1,895,884
Net cash inflow on disposal	1,895,884
Cost of investment	(1,742,977)
Gain on disposal to the Company (Note 24)	152,907

## Notes to the Financial Statements

31 March 2016

### 6. INTANGIBLE ASSETS

	Goodwill RM	Development Costs RM	Total RM
<b>Group Cost</b>			
At 1 April 2014	3,448,923	811,917	4,260,840
Written off		(673,013)	(673,013)
At 31 March 2015	3,448,923	138,904	3,587,827
Additions	-	2,500	2,500
Transferred from property, plant and equipment	-	6,150	6,150
At 31 March 2016	<b>3,448,923</b>	<b>147,554</b>	<b>3,596,477</b>
<b>Accumulated impairment losses and amortisation</b>			
At 1 April 2014	172,800	532,303	705,103
Additions	150,000	27,781	177,781
Written off	-	(488,109)	(488,109)
At 31 March 2015	322,800	71,975	394,775
Additions	567,200	28,654	595,854
Transferred from property, plant and equipment	-	5,777	5,777
At 31 March 2016	<b>890,000</b>	<b>106,406</b>	<b>996,406</b>
<b>Net carrying amount</b>			
At 31 March 2016	<b>2,558,923</b>	<b>41,148</b>	<b>2,600,071</b>
At 31 March 2015	3,126,123	66,929	3,193,052

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.

#### 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:

	2016	2015
Budgeted gross margin	5.0%	5.0%
Growth rate	6.0%	6.0%
Discount rate	7.5%	7.5%

## Notes to the Financial Statements

31 March 2016

### 6. INTANGIBLE ASSETS (cont'd)

#### Impairment Test for Goodwill (cont'd)

#### Key assumptions used in value-in-use calculations (cont'd)

##### (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 internal resource efficiency improvements, 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 approximate the CGU's average cost of funds.

In assessing goodwill impairment, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the units to materially deviate from their recoverable amounts.

### 7. DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 April	22,007,174	17,999,707	7,356,292	6,760,054
Recognised in profit or loss (Note 27)	(1,075,022)	4,007,467	(2,041,179)	596,238
Recognised in equity	6,065,900	-	3,138,046	-
At 31 March	26,998,052	22,007,174	8,453,159	7,356,292
Presented after offsetting as follows:				
Deferred tax liabilities	30,275,055	25,503,858	8,597,876	7,356,292
Deferred tax assets	(3,277,003)	(3,496,684)	(144,717)	-
	26,998,052	22,007,174	8,453,159	7,356,292

## Notes to the Financial Statements

31 March 2016

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

	Accelerated Capital Allowances RM	Revaluation Reserve RM	Others RM	Total RM
<b>Deferred Tax Liabilities of the Group:</b>				
At 1 April 2014	19,373,061	7,415,031	49,782	26,837,874
Recognised in profit or loss	(762,901)	(582,411)	11,296	(1,334,016)
At 31 March 2015	18,610,160	6,832,620	61,078	25,503,858
Recognised in profit or loss	1,246,929	(3,047,640)	506,008	(1,294,703)
Recognised in equity	-	6,065,900	-	6,065,900
At 31 March 2016	<b>19,857,089</b>	<b>9,850,880</b>	<b>567,086</b>	<b>30,275,055</b>

### Deferred Tax Liabilities of the Company:

At 1 April 2014	5,151,550	2,888,551	-	8,040,101
Recognised in profit or loss	(598,891)	(87,642)	2,724	(683,809)
At 31 March 2015	4,552,659	2,800,909	2,724	7,356,292
Recognised in profit or loss	(281,766)	(1,611,972)	(2,724)	(1,896,462)
Recognised in equity	-	3,138,046	-	3,138,046
At 31 March 2016	<b>4,270,893</b>	<b>4,326,983</b>	<b>-</b>	<b>8,597,876</b>

	Unutilised Tax Losses and Unabsorbed Capital Allowances RM	Others RM	Total RM
<b>Deferred Tax Assets of the Group:</b>			
At 1 April 2014	(7,774,211)	(1,063,956)	(8,838,167)
Recognised in profit or loss	4,859,618	481,865	5,341,483
At 31 March 2015	(2,914,593)	(582,091)	(3,496,684)
Recognised in profit or loss	227,210	(7,529)	219,681
At 31 March 2016	<b>(2,687,383)</b>	<b>(589,620)</b>	<b>(3,277,003)</b>

## Notes to the Financial Statements

31 March 2016

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

	Unutilised Tax Losses and Unabsorbed Capital Allowances RM	Others RM	Total RM
<b>Deferred Tax Assets of the Company:</b>			
At 1 April 2014	(1,286,304)	6,257	(1,280,047)
Recognised in profit or loss	1,286,304	(6,257)	1,280,047
At 31 March 2015	-	-	-
Recognised in profit or loss	-	(144,717)	(144,717)
At 31 March 2016	-	(144,717)	(144,717)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unutilised tax losses	5,556,113	5,438,114	-	-

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.

Deferred tax assets have not been recognised in respect of unutilised tax losses as it is not probable that future taxable profit will be available against which they can be utilised based on the current plan of the respective companies.

### 8. BIOLOGICAL ASSETS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>At cost:</b>				
Layer breeders	793,966	769,944	-	-
Broiler breeders	4,131,654	5,039,940	-	-
Layers	21,146,551	20,306,947	16,472,800	14,547,422
	26,072,171	26,116,831	16,472,800	14,547,422

## Notes to the Financial Statements

31 March 2016

### 9. INVENTORIES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>At cost:</b>				
Livestocks	6,976,412	6,962,578	-	-
Eggs	3,044,678	2,481,126	1,445,331	1,090,587
Raw materials	12,854,731	11,153,425	4,305,062	3,969,364
Organic fertilisers	723,753	719,880	-	-
Processed and frozen products	14,463,233	14,648,718	-	-
Retail merchandise	21,110,569	21,394,966	-	-
Trading items	1,052,595	921,507	-	-
Consumables and packing materials	8,507,300	7,253,142	2,919,531	2,871,477
	<b>68,733,271</b>	<b>65,535,342</b>	<b>8,669,924</b>	<b>7,931,428</b>

### 10. TRADE RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables				
Third parties	74,767,230	71,395,641	13,990,128	12,777,732
Allowance for impairment losses	(4,997,740)	(5,591,570)	(68,554)	(40,898)
	<b>69,769,490</b>	<b>65,804,071</b>	<b>13,921,574</b>	<b>12,736,834</b>

The Group's normal credit term for trade receivables ranges from 45 days to 75 days after the month of invoicing (2015: 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 2016

### 10. TRADE RECEIVABLES

#### Ageing analysis of trade receivables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Neither past due nor impaired	65,141,062	61,043,318	13,321,641	12,392,554
Up to 90 days past due not impaired	1,356,758	1,976,156	245,923	142,045
More than 90 days past due not impaired	3,271,670	2,784,597	354,010	202,235
	4,628,428	4,760,753	599,933	344,280
Impaired	4,997,740	5,591,570	68,554	40,898
	74,767,230	71,395,641	13,990,128	12,777,732

Trade receivables that are neither past due nor impaired are creditworthy debtors 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 RM4,628,428 (2015: RM4,760,753) and RM599,933 (2015: RM344,280) 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Secured past due and not impaired trade receivables	959,147	1,005,645	25,793	25,793
Unsecured past due and not impaired trade receivables	3,669,281	3,755,108	574,140	318,487
	4,628,428	4,760,753	599,933	344,280

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 April 2015	5,591,570	5,796,504	40,898	-
Charge for the financial year	408,789	749,766	29,156	40,898
Reversal of impairment losses	(1,002,619)	(954,700)	(1,500)	-
At 31 March 2016	4,997,740	5,591,570	68,554	40,898



## Notes to the Financial Statements

31 March 2016

### 11. OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables				
Sundry receivables	5,221,306	2,779,750	4,014,753	774,058
Deposits	12,867,578	4,358,151	7,341,891	234,241
Prepayments	2,197,272	2,500,278	941,997	880,819
Tax recoverable	336,697	248,377	-	-
	<b>20,622,853</b>	<b>9,886,556</b>	<b>12,298,641</b>	<b>1,889,118</b>

Included in deposits is an amount of RM850,000 (2015: Nil) being deposit paid to purchase the entire issued and paid up share capital of a foreign company for a total consideration of RM8,500,000 and deposits paid to suppliers in advance amounting to RM6,006,172 (2015: Nil).

### 12. DUE FROM SUBSIDIARY COMPANIES

	Company	
	2016 RM	2015 RM
Subsidiary companies		
Trade	30,059,667	22,593,317
Non-trade	61,860,981	50,929,417
	<b>91,920,648</b>	<b>73,522,734</b>

The amounts due from subsidiary companies are unsecured, interest-free (2015: interest free) and are repayable in cash on demand, except for trade transactions which are subject to normal trade credit terms.

Amount due from subsidiary companies amounting to RM5.61 million (2015: RM4.48 million) are subordinated to financial institutions as securities for credit facilities granted to certain subsidiary companies as disclosed in Note 18.

### 13. 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 balance sheet date of 5.03% (2015: 3.69%).

## Notes to the Financial Statements

31 March 2016

### 14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash on hand and at banks	23,111,467	4,135,268	18,983,037	396,592
Deposits with a licensed bank	466,415	451,515	-	-
Cash and bank balances	23,577,882	4,586,783	18,983,037	396,592
Short term investment (Note 13)	27,602,814	5,048,526	27,602,814	5,025,072
Less: Bank overdrafts (Note 18)	(18,646,882)	(12,964,431)	(4,435,106)	(6,091,959)
Deposits pledged to a licensed bank	32,533,814 (466,415)	(3,329,122) (451,515)	42,150,745 -	(670,295) -
Cash and cash equivalents	32,067,399	(3,780,637)	42,150,745	(670,295)

The deposits with a licensed bank of the Group amounting to RM466,415 (2015: RM451,515) have been pledged to a licensed bank for banking facilities used by a subsidiary company. This balance of the deposits as at balance sheet date has a weighted average effective interest rate of 3.30% (2015: 3.30%).

The deposits with a licensed bank as at the end of the financial year have a maturity of 365 days (2015: 365 days).

### 15. SHARE CAPITAL

	Group and Company Number of Ordinary Shares of RM1.00 each	
	2016 RM	2015 RM
<b>Authorised share capital</b>		
At 1 April/31 March	100,000,000	100,000,000
<b>Issued and fully paid</b>		
At 1 April	50,830,000	49,780,000
Issued during the financial year		
- Pursuant to private placement*	5,250,000	-
- Pursuant to ESOS <sup>+</sup>	1,670,000	1,050,000
At 31 March	57,750,000	50,830,000

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.

\* Private placement of 5,250,000 new shares to NH Foods Ltd at RM5.81 per share.

+ 1,670,000 shares to eligible staff under the ESOS scheme which expired on 10 November 2015.

## Notes to the Financial Statements

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31 March 2016

### 15. SHARE CAPITAL (cont'd)

#### 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.

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.

## Notes to the Financial Statements

31 March 2016

### 15. SHARE CAPITAL (cont'd)

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

Grant date	Exercise price RM	At 1 April 2015 RM	Number of Options Over Ordinary Shares of RM1.00 Each			At 31 March 2016 RM
			Granted RM	Exercised RM	Lapsed RM	
12 Jan 2016	5.81	-	5,250,000	-	-	5,250,000

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

#### Fair value of the SIS options granted during the year

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:

	2016	2015
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	-
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.

### 16. OTHER RESERVES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Share premium	29,029,500	-	29,029,500	-
Share option reserve	15,093,000	-	15,093,000	-
Revaluation reserve	68,800,478	17,823,012	42,313,294	8,557,908
Foreign currency translation reserve	-	59,496	-	-
Fair value reserve	74,173	372,223	74,030	369,735
	<b>112,997,151</b>	<b>18,254,731</b>	<b>86,509,824</b>	<b>8,927,643</b>

## Notes to the Financial Statements

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31 March 2016

### 16. OTHER RESERVES (cont'd)

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

#### (i) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

#### (ii) 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 15 to the financial statements.

#### (iii) Revaluation reserve

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

#### (iv) 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.

#### (v) 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.

### 17. RETAINED EARNINGS

The Company is currently under the single tier income tax system in accordance with the requirements of the Finance Act 2007. Under the system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders.

## Notes to the Financial Statements

31 March 2016

### 18. LOAN AND BORROWINGS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Current</b>				
Secured:				
Bank overdrafts	14,211,776	6,872,472	-	-
Bankers' acceptances	38,627,000	36,299,000	-	-
Term loans	6,662,610	6,975,251	974,380	919,043
Finance lease liabilities (Note 22)	6,834,325	6,377,101	1,816,363	1,442,516
	<b>66,335,711</b>	<b>56,523,824</b>	<b>2,790,743</b>	<b>2,361,559</b>
Unsecured:				
Bank overdrafts	4,435,106	6,091,959	4,435,106	6,091,959
Bankers' acceptances	45,106,000	41,083,000	45,106,000	41,083,000
Term loans	1,495,911	1,496,577	1,495,911	1,496,575
Revolving credit	10,000,000	3,500,000	10,000,000	3,500,000
	<b>61,037,017</b>	<b>52,171,536</b>	<b>61,037,017</b>	<b>52,171,534</b>
	<b>127,372,728</b>	<b>108,695,360</b>	<b>63,827,760</b>	<b>54,533,093</b>
<b>Non-current</b>				
Secured:				
Term loans	17,579,772	22,492,055	1,754,035	2,741,828
Finance lease liabilities (Note 22)	12,973,354	13,125,048	5,057,799	2,730,889
	<b>30,553,126</b>	<b>35,617,103</b>	<b>6,811,834</b>	<b>5,472,717</b>
Unsecured:				
Term loans	-	1,495,911	-	1,495,911
	<b>30,553,126</b>	<b>37,113,014</b>	<b>6,811,834</b>	<b>6,968,628</b>
<b>Total Borrowings</b>				
Bank overdrafts (Note 14)	18,646,882	12,964,431	4,435,106	6,091,959
Bankers' acceptances	83,733,000	77,382,000	45,106,000	41,083,000
Term loans	25,738,293	32,459,794	4,224,326	6,653,357
Revolving credit	10,000,000	3,500,000	10,000,000	3,500,000
Finance lease liabilities (Note 22)	19,807,679	19,502,149	6,874,162	4,173,405
	<b>157,925,854</b>	<b>145,808,374</b>	<b>70,639,594</b>	<b>61,501,721</b>

## Notes to the Financial Statements

31 March 2016

### 18. LOAN AND BORROWINGS (cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Maturity of borrowings (excluding finance lease liabilities):</b>				
Within one year	120,541,631	102,318,259	62,011,398	53,090,577
More than 1 year and less than 2 years	6,990,010	8,074,433	1,045,838	2,482,813
More than 2 years and less than 5 years	4,875,109	10,866,414	708,196	1,690,651
5 years or more	5,711,425	5,047,119	-	64,275
	<b>138,118,175</b>	<b>126,306,225</b>	<b>63,765,432</b>	<b>57,328,316</b>

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

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Bank overdrafts	7.91	8.02	7.80	7.87
Bankers' acceptances	4.89	4.90	4.90	4.90
Term loans	6.87	7.11	6.37	6.41
Revolving credit	5.14	5.19	5.14	5.19

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 14, and amount due from subsidiary companies of RM5.61 million (2015: RM4.48 million) as disclosed in Note 12.

### 19. 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 (2015: 30 days to 90 days).

## Notes to the Financial Statements

31 March 2016

### 20. OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables				
Sundry payables	15,790,339	15,886,830	3,746,230	2,762,717
Accruals	9,156,806	13,304,382	3,893,392	5,708,112
	<b>24,947,145</b>	<b>29,191,212</b>	<b>7,639,622</b>	<b>8,470,829</b>

Included in sundry payables is an amount of RM148,020 (2015: RM128,018) due to a corporate shareholder. The amount which arose mainly from advance and payment made on behalf is unsecured, non-interest bearing and repayable in cash on demand.

### 21. DUE TO SUBSIDIARY COMPANIES

	Company	
	2016 RM	2015 RM
Subsidiary companies		
Trade	3,642,891	6,599,476
Non-trade	13,507,221	15,874,157
	<b>17,150,112</b>	<b>22,473,633</b>

The amounts due to subsidiary companies are unsecured, interest-free and are repayable in cash on demand, except an amount of RM4,625,425 in non-trade is subject to 3.75% to 5.00% interest per annum

Trade transactions are subject to normal trade credit terms.



## Notes to the Financial Statements

31 March 2016

### 22. FINANCE LEASE LIABILITIES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Future minimum lease payments</b>				
Not later than 1 year	7,875,463	7,450,822	2,180,303	1,688,404
Later than 1 year and not later than 2 years	6,490,715	7,841,279	1,915,626	1,201,393
Later than 2 years and not later than 5 years	7,354,659	6,212,032	3,431,484	1,639,113
Later than 5 years	218,977	109,345	218,977	109,345
	<b>21,939,814</b>	21,613,478	<b>7,746,390</b>	4,638,255
Less: Future finance charges	<b>(2,132,135)</b>	(2,111,329)	<b>(872,228)</b>	(464,850)
Present value of finance leases (Note 18)	<b>19,807,679</b>	19,502,149	<b>6,874,162</b>	4,173,405
<b>Analysis of present value of finance lease liabilities:</b>				
Not later than 1 year	6,834,325	6,377,101	1,816,363	1,442,516
Later than 1 year and not later than 2 years	5,943,945	5,776,732	1,663,840	1,062,799
Later than 2 years and not later than 5 years	6,815,962	7,243,833	3,180,512	1,563,607
Later than 5 years	213,447	104,483	213,447	104,483
	<b>19,807,679</b>	19,502,149	<b>6,874,162</b>	4,173,405
<b>Analysed as:</b>				
Amount due within 12 months (Note 18)	6,834,325	6,377,101	1,816,363	1,442,516
Amount due after 12 months (Note 18)	12,973,354	13,125,048	5,057,799	2,730,889
	<b>19,807,679</b>	19,502,149	<b>6,874,162</b>	4,173,405

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

	Type	2016		2015	
		%	%	%	Maturity
<b>Group</b>					
Finance lease liabilities	Fixed	2.43 - 4.05	2.43 - 4.05	2016 to 2023	
<b>Company</b>					
Finance lease liabilities	Fixed	2.43 - 3.80	2.43 - 3.80	2016 to 2023	

## Notes to the Financial Statements

31 March 2016

### 23. REVENUE

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Eggs	151,048,412	163,975,292	150,509,602	168,474,253
Livestocks	25,221,638	28,660,138	5,623,257	5,021,108
Ready feed	631,490	19,571,280	76,216,423	104,884,543
Processed and frozen products	288,798,578	273,153,256	-	-
Trading	22,236,643	23,000,228	-	-
Others	23,936,883	19,566,226	5,341,545	4,465,090
Retail supermarket	133,952,727	143,774,386	-	-
	<b>645,826,371</b>	<b>671,700,806</b>	<b>237,690,827</b>	<b>282,844,994</b>

### 24. OTHER OPERATING INCOME

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Gain on disposal of property, plant and equipment	2,354,227	95,553	2,334,019	-
Rental income:				
- Others	1,087,198	836,871	3,600	-
Dividend from unquoted investments	-	-	32,999,970	-
Dividend from quoted investments	819	461	660	461
Interest income	64,467	18,796	15,313	-
Insurance claim	268,250	59,617	188,250	1,238
Management fees from subsidiary companies	-	-	176,000	1,011,000
Reversal of impairment losses on trade receivables	1,002,619	954,700	1,500	-
Gain on disposal of unquoted investment	-	-	72,298	-
Gain on disposal of a subsidiary company	1,102,100	-	152,907	-
Changes in fair value of investment properties	111,306	-	-	-
Gain on foreign exchange:				
- Realised	250,293	249,103	181,906	185,130
- Unrealised	19,253	30,171	-	10,891

## Notes to the Financial Statements

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### 25. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors' fees:				
- Current year	200,000	232,000	200,000	200,000
- Under provision in prior years	4,000	24,000	4,000	24,000
Auditors' remuneration:				
- Current year	117,834	116,498	31,500	28,000
- Under provision in prior years	4,500	18,198	3,500	5,000
- Others	6,000	6,000	6,000	6,000
Internal auditors' remuneration	55,975	66,905	-	20,000
Amortisation of intangible assets	28,654	27,781	-	-
Depreciation of property, plant and equipment	21,210,642	22,216,302	6,227,424	5,985,154
Deposit forfeited	-	150,000	-	-
Equity settled share-based payment transaction	15,093,000	-	15,093,000	-
Property, plant and equipment written off	144,356	1,059,310	128,193	1,018,903
Loss on disposal of property, plant and equipment	-	936,024	-	925,031
Hire of plant and machinery	633,566	540,920	73,130	73,896
Loss on foreign exchange:				
- Realised	77,763	32,414	-	-
- Unrealised	673,228	81,044	624,770	-
Impairment losses on trade receivables	408,789	749,766	29,156	40,898
Impairment on property, plant and equipment	-	1,841,259	-	1,841,259
Bad debts written off	480,337	-	-	-
Rental expenses:				
- Third parties	3,308,207	8,879,231	739,276	668,874
- A subsidiary	-	-	-	30,000
Goodwill and other investment written off	567,200	334,904	-	-

### 26. FINANCE COST

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest expenses on:				
- Bank borrowings	6,375,797	7,072,818	2,728,581	2,953,049
- Finance lease liabilities	1,225,196	1,366,004	336,225	277,142
- Subsidiary company	-	-	235,101	4,114
- Others	58,909	231,508	-	-
	<b>7,659,902</b>	<b>8,670,330</b>	<b>3,299,907</b>	<b>3,234,305</b>

## Notes to the Financial Statements

31 March 2016

### 27. TAX EXPENSES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Tax expenses for the financial year	7,066,676	3,900,419	3,614,482	2,223,401
Under provision in prior years	128,220	287,119	457,902	228,050
	<b>7,194,896</b>	<b>4,187,538</b>	<b>4,072,384</b>	<b>2,451,451</b>
Deferred tax (Note 7):				
Relating to origination and reversal of deferred tax	1,203,345	1,458,922	-	285,417
Changes in tax rates	(701,409)	-	(193,728)	-
Derecognition of deferred tax asset	-	-	(729,751)	-
(Over)/Under provision of tax in prior year	(1,576,958)	2,548,545	(1,117,700)	310,821
	<b>(1,075,022)</b>	<b>4,007,467</b>	<b>(2,041,179)</b>	<b>596,238</b>
	<b>6,119,874</b>	<b>8,195,005</b>	<b>2,031,205</b>	<b>3,047,689</b>

A reconciliation of income tax expenses 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	9,935,541	27,864,394	22,532,445	7,815,552
Tax at statutory tax rate of 24% (2015: 25%)	2,080,954	6,966,099	5,407,787	1,953,888
Income not subject to tax	-	-	(7,919,993)	-
Effect of changes in tax rates on opening balance of deferred tax	(701,409)	-	(193,728)	-
Expenses not deductible for tax purposes	7,238,150	1,215,056	5,396,937	554,930
Under/(Over) provision in prior years:				
- Income tax	128,220	287,119	457,902	228,050
- Deferred tax	(1,576,958)	2,548,545	(1,117,700)	310,821
Utilisation of reinvestment allowance	(287,058)	-	-	-
Utilisation of previously unrecognised deferred tax asset	(762,025)	(2,821,814)	-	-
Tax expenses for the financial year	<b>6,119,874</b>	<b>8,195,005</b>	<b>2,031,205</b>	<b>3,047,689</b>

## Notes to the Financial Statements

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### 28. 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/ESOS.

	2016 RM	Group 2015 RM
Profit attributable to ordinary equity holders of the Company	2,727,225	18,605,255
Weighted average number of ordinary shares in issue (basic)	52,916,508	50,190,723
Effect of conversion of outstanding SIS/ESOS	1,215,795	234,700
Weighted average number of ordinary shares in issue (diluted)	54,132,303	50,425,423
Basic earnings per share (sen)	5.15	37.07
Diluted earnings per share (sen)	5.04	36.90

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

### 29. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries, wages and bonus	41,938,841	46,351,907	9,479,538	11,763,686
Defined contribution plans	4,033,376	4,574,209	970,034	1,451,363
Other employee benefits	12,777,155	11,325,216	3,844,240	3,152,870
	58,749,372	62,251,332	14,293,812	16,367,919

Included in employee benefits expense are Directors' remuneration (excluding Directors' fees and benefits-in-kind) as follows (further disclosed in Note 30):

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors' remuneration	2,810,343	2,566,478	2,810,343	2,566,478

## Notes to the Financial Statements

31 March 2016

### 30. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	2,810,343	2,566,478	2,810,343	2,566,478
Fees	96,000	88,000	96,000	72,000
Benefits-in-kind	43,242	29,372	43,242	29,372
	<b>2,949,585</b>	<b>2,683,850</b>	<b>2,949,585</b>	<b>2,667,850</b>
Non-executive:				
Fees	108,000	112,000	108,000	104,000
Other emoluments	32,500	78,000	32,500	78,000
	<b>140,500</b>	<b>190,000</b>	<b>140,500</b>	<b>182,000</b>
<b>Other Directors</b>				
Fees	-	8,000	-	-
<b>Total</b>	<b>3,090,085</b>	<b>2,881,850</b>	<b>3,090,085</b>	<b>2,849,850</b>
<b>Analysis of Directors' remuneration excluding benefits-in-kind:</b>				
Executive Directors	2,906,343	2,654,478	2,906,343	2,638,478
Non-executive Directors	140,500	198,000	140,500	182,000
<b>Total</b>	<b>3,046,843</b>	<b>2,852,478</b>	<b>3,046,843</b>	<b>2,820,478</b>

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

	Number of Directors	
	2016	2015
<b>Executive Directors:</b>		
RM1,000,001 - RM1,100,000	1	-
RM700,001 - RM800,000	-	1
RM600,001 - RM700,000	2	-
RM500,001 - RM600,000	1	1
RM400,001 - RM500,000	-	2
<b>Non-Executive Directors:</b>		
RM50,001 - RM110,000	1	1
RM1 to RM50,000	4	4

## Notes to the Financial Statements

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### 31. OPERATING LEASE ARRANGEMENTS

The lease commitment as at balance sheet date is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Future minimum rentals payments:				
Not later than 1 year	6,255,470	7,043,977	91,621	487,221
Later than 1 year and not later than 5 years	7,643,793	10,795,309	173,050	199,121
Later than 5 years	369,858	494,090	122,250	158,250
	<b>14,269,121</b>	<b>18,333,376</b>	<b>386,921</b>	<b>844,592</b>

### 32. CAPITAL COMMITMENTS

The Group and the Company have the following commitments:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Approved and contracted for				
- Property, plant and equipment	22,990,000	9,785,000	12,899,000	1,535,000
Approved but not contracted for				
- Property, plant and equipment	19,798,000	742,000	18,398,000	742,000

### 33. CONTINGENT LIABILITIES

Unsecured	Company	
	2016 RM	2015 RM
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiary companies	85,902,938	81,386,288

## Notes to the Financial Statements

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### 34. 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.

2016	Integrated livestock farming	Retail supermarket	Elimination	Consolidated
<b>Revenue</b>				
External sales	511,873,644	133,952,727	-	645,826,371
Inter-segment sales	17,219,905	-	(17,219,905)	-
	529,093,549	133,952,727	(17,219,905)	645,826,371
<b>Results</b>				
Profit from operations	17,449,322	146,121	-	17,595,443
Finance costs				(7,659,902)
				9,935,541
Tax expense				(6,119,874)
Profit for the financial year				3,815,667
<b>Other information</b>				
Total segment assets	490,038,478	49,950,077	-	539,988,555
Unallocated corporate assets				12,400,000
Total assets				552,388,555
Total segment liabilities	237,915,295	44,800,420	-	282,715,715
Unallocated corporate liabilities				2,728,415
Total liabilities				285,444,130
Depreciation and amortisation	19,264,183	1,975,113	-	21,239,296
Capital expenditure	27,896,379	2,739,315	-	30,635,694
Non-cash expenses other than depreciation and amortisation	16,419,068	-	-	16,419,068



## Notes to the Financial Statements

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### 34. SEGMENT INFORMATION (cont'd)

2015	Integrated livestock farming	Retail supermarket	Elimination	Consolidated
<b>Revenue</b>				
External sales	527,926,420	143,774,386	-	671,700,806
Inter-segment sales	18,612,097	-	(18,612,097)	-
	546,538,517	143,774,386	(18,612,097)	671,700,806
<b>Results</b>				
Profit from operations	36,006,306	528,418	-	36,534,724
Finance costs				(8,670,330)
				27,864,394
Tax expense				(8,195,005)
Profit for the financial year				19,669,389
<b>Other information</b>				
Total segment assets	366,666,262	49,133,795	-	415,800,057
Unallocated corporate assets				11,574,235
Total assets				427,374,292
Total segment liabilities	220,802,122	45,749,446	-	266,551,568
Unallocated corporate liabilities				3,660,871
Total liabilities				270,212,439
Depreciation and amortisation	20,370,720	1,870,885	-	22,241,605
Capital expenditure	23,976,521	5,214,857	-	29,191,378
Non-cash expenses other than depreciation and amortisation	655,565	-	-	655,565

## Notes to the Financial Statements

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### 35. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2016 RM	Company 2015 RM
Purchases from subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	15,498,102	15,078,305
- Hing Hong Sdn Berhad	3,768,223	43,321,315
Sales to subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	13,101,704	11,962,957
- Innobrid Sdn Bhd	25,317,488	27,106,590
- Evergreen Organic Fertilisers Sdn Berhad	360,000	720,000
- Eminent Farm Sdn Bhd	38,664,478	36,587,956
- Hing Hong Sdn Berhad	1,197,452	32,220,728
- Lay Hong Liquid Egg Sdn Bhd	16,079,495	15,976,085
- Lay Hong Food Corporation Sdn Bhd	2,275,695	1,512,201
- STF Agriculture Sdn Bhd	901,719	907,087
- JT Trading Sdn Bhd	7,821,761	10,023,631
Management fees receivable from subsidiary companies:		
- Innofarm (Klang) Sdn Bhd	20,000	120,000
- Evergreen Organic Fertilisers Sdn Berhad	6,000	36,000
- Hing Hong Sdn Berhad	30,000	180,000
- Eminent Farm Sdn Bhd	30,000	180,000
- Lay Hong Food Corporation Sdn Bhd	30,000	180,000
- STF Agriculture Sdn Bhd	30,000	180,000
- Lay Hong Liquid Egg Sdn Bhd	30,000	135,000
Rental expenses payable to a subsidiary company		
- Hing Hong Sdn Berhad	-	30,000

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 2016/2015 are disclosed in Note 12 and Note 21.

#### (a) Compensation of key management personnel

The members of key management are also the Directors of the Company. Directors remuneration is disclosed in Note 30.

## Notes to the Financial Statements

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31 March 2016

### 36. 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 2016. 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 exposure to interest rates on financial liabilities are detailed below. The sensitivity analysis below have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rates liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year.

The table below demonstrates the sensitivity to a reasonably possible change in interest rate with all other variables held constant, of the Group's and the Company's profit or loss net of tax. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

## Notes to the Financial Statements

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### 36. FINANCIAL RISK MANAGEMENT OBJECTIVE (cont'd)

#### (a) Interest rate risk (cont'd)

##### Interest rate sensitivity analysis (cont'd)

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's and the Company's profit or loss for the year ended 31 March 2016 and 2015 would increase/decrease as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Effects on profit after taxation	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
(i) 10 basis points higher				
Bank overdrafts	(2,845)	(1,785)	(67)	(479)
Bankers' acceptances	(386,393)	(74,654)	(20,721)	(91,454)
Revolving credit	(1,254)	(288)	(233)	(1,190)
Term loans	(105,426)	(29,838)	(600)	(1,611)
(ii) 10 basis points lower				
Bank overdrafts	2,845	5,974	67	1,831
Bankers' acceptances	386,393	176,204	20,721	209,598
Revolving credit	1,254	338	233	1,209
Term loans	105,426	83,332	600	20,650

#### (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) and Renminbi (CNY). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptance level.

## Notes to the Financial Statements

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### 36. FINANCIAL RISK MANAGEMENT OBJECTIVE (cont'd)

#### (b) Foreign exchange risk (cont'd)

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Euro	1,741,205	745,259	1,629,580	246,600
United States Dollars	258,897	(313,895)	325,731	(467,912)
Singapore Dollars	1,215,988	2,190,630	855,061	1,627,285
Renminbi	1,441,653	-	1,441,653	-
<b>Total</b>	<b>4,657,743</b>	<b>2,621,994</b>	<b>4,252,025</b>	<b>1,405,973</b>

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.

Effects on profit after taxation		Group		Company	
		2016 RM Increase/ (Decrease)	2015 RM Increase/ (Decrease)	2016 RM Increase/ (Decrease)	2015 RM Increase/ (Decrease)
Euro/RM	- strengthened 5% (2015: 5%)	87,060	37,262	87,060	12,330
	weakened 5% (2015: 5%)	(87,060)	(37,262)	(87,060)	(12,330)
USD/RM	- strengthened 5% (2015: 5%)	12,944	15,695	1,735	23,395
	weakened 5% (2015: 5%)	(12,944)	(15,695)	(1,735)	(23,395)
SGD/RM	- strengthened 5% (2015: 5%)	60,799	109,531	42,753	81,364
	weakened 5% (2015: 5%)	(60,799)	(109,531)	(42,753)	(81,364)
CNY/RM	- strengthened 5% (2015: 0%)	72,082	-	72,082	-
	weakened 5% (2015: 0%)	(72,082)	-	(72,082)	-

## Notes to the Financial Statements

31 March 2016

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVE (cont'd)

#### (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.

	Carrying amount RM	Contractual cash flow RM	Within one year RM	From two to five years RM	More than five years RM
<b>Group</b>					
<b>2016</b>					
<b>Financial liabilities:</b>					
Trade payables	69,003,441	69,003,441	69,003,441	-	-
Other payables	24,947,145	15,886,830	15,886,830	-	-
Bank overdrafts	18,646,882	18,646,882	18,646,882	-	-
Bankers' acceptances	83,733,000	83,733,000	83,733,000	-	-
Finance lease liabilities	19,807,679	21,939,814	7,875,463	13,845,374	218,977
Term loans	25,738,293	30,161,637	9,622,332	16,096,733	4,442,571
Revolving credit	10,000,000	10,000,000	10,000,000	-	-
<b>Total undiscounted financial liabilities</b>	<b>251,876,440</b>	<b>249,371,604</b>	<b>214,767,948</b>	<b>29,942,107</b>	<b>4,661,548</b>
<b>2015</b>					
<b>Financial liabilities:</b>					
Trade payables	63,622,387	63,622,387	63,622,387	-	-
Other payables	29,191,212	15,886,830	15,886,830	-	-
Bank overdrafts	12,964,431	12,964,431	12,964,431	-	-
Bankers' acceptances	77,382,000	77,382,000	77,382,000	-	-
Finance lease liabilities	19,502,149	21,613,478	7,450,822	14,053,311	109,345
Term loans	32,459,794	40,146,166	10,572,145	23,695,434	5,878,587
Revolving credit	3,500,000	3,500,000	3,500,000	-	-
<b>Total undiscounted financial liabilities</b>	<b>238,621,973</b>	<b>235,115,292</b>	<b>191,378,615</b>	<b>37,748,745</b>	<b>5,987,932</b>

## Notes to the Financial Statements

31 March 2016

### 36. 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
<b>Company</b>					
<b>2016</b>					
<b>Financial liabilities:</b>					
Trade payables	30,159,447	30,159,447	30,159,447	-	-
Other payables	7,639,622	7,639,622	7,639,622	-	-
Due to subsidiary companies	17,150,112	3,642,891	3,642,891	-	-
Bank overdrafts	4,435,106	4,435,106	4,435,106	-	-
Bankers' acceptances	45,106,000	45,106,000	45,106,000	-	-
Finance lease liabilities	6,874,162	7,746,390	2,180,303	1,915,626	3,650,462
Term loans	4,224,326	4,512,433	2,668,889	1,843,544	-
Revolving credit	10,000,000	10,000,000	10,000,000	-	-
<b>Total undiscounted financial liabilities</b>	<b>125,588,775</b>	<b>113,241,890</b>	<b>105,832,258</b>	<b>3,759,170</b>	<b>3,650,462</b>
<b>2015</b>					
<b>Financial liabilities:</b>					
Trade payables	25,483,097	25,483,097	25,483,097	-	-
Other payables	8,470,829	2,762,717	2,762,717	-	-
Due to subsidiary companies	22,473,633	6,599,476	6,599,476	-	-
Bank overdrafts	6,091,959	6,091,959	6,091,959	-	-
Banker's acceptances	41,083,000	41,083,000	41,083,000	-	-
Finance lease liabilities	4,173,405	4,638,255	1,688,404	2,840,506	109,345
Term loans	6,653,357	7,299,183	2,783,688	4,450,311	65,184
Revolving credit	3,500,000	3,500,000	3,500,000	-	-
<b>Total undiscounted financial liabilities</b>	<b>117,929,280</b>	<b>97,457,687</b>	<b>89,992,341</b>	<b>7,290,817</b>	<b>174,529</b>

#### (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.

## Notes to the Financial Statements

31 March 2016

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

#### (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.

### 37. FINANCIAL INSTRUMENTS

#### 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 2016	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>Financial assets</b>					
Quoted shares in Malaysia	5	1,075	2,912 <sup>+</sup>	395	1,456 <sup>+</sup>
Due from subsidiary companies	12	-	-	91,920,648	*
<b>Financial liabilities</b>					
Due to subsidiary companies	20	-	-	17,150,112	*
Term loans	18	25,738,293	25,919,283	4,224,326	4,366,221
Finance lease liabilities	18	19,807,679	19,906,236	6,874,162	6,868,396
		45,545,972	45,825,519	28,248,600	11,234,617



## Notes to the Financial Statements

31 March 2016

### 37. FINANCIAL INSTRUMENTS (cont'd)

#### Determination of fair values (cont'd)

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

31 March 2015	Note	Group Carrying Amount RM	Fair Value RM	Company Carrying Amount RM	Fair Value RM
<b>Financial assets</b>					
Quoted shares in Malaysia		1,075	2,368 <sup>+</sup>	395	1,184 <sup>+</sup>
Due from subsidiary companies	12	-	-	73,522,734	*
<b>Financial liabilities</b>					
Due to subsidiary companies	20	-	-	22,473,633	*
Term loans	18	32,459,794	32,569,233	6,653,357	6,725,115
Finance lease liabilities	18	19,502,149	19,464,329	4,173,405	4,180,987
		51,961,943	52,033,562	33,300,395	10,906,102

<sup>+</sup> Market value as at financial year end

<sup>\*</sup> It is not practical to estimate the fair values of amounts due from/(to) subsidiary companies due principally to a lack of fixed repayment terms entered into by the parties involved.

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 balance sheet 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 2016

### 37. 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
<b>Group</b>				
<b>As at 31 March 2016</b>				
Financial assets:				
Investment properties	-	2,000,000	-	2,000,000
Marketable securities	27,602,814	-	-	27,602,814
<b>Group</b>				
<b>As at 31 March 2015</b>				
Financial assets:				
Marketable securities	5,048,526	-	-	5,048,526
<b>Company</b>				
<b>As at 31 March 2016</b>				
Financial assets:				
Marketable securities	27,602,814	-	-	27,602,814
<b>Company</b>				
<b>As at 31 March 2015</b>				
Financial assets:				
Marketable securities	5,025,072	-	-	5,025,072

The fair value measurement hierarchies used to measure financial assets carried at fair value in the statements of financial position as at 31 March 2016 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 2016.

## Notes to the Financial Statements

31 March 2016

### 38. 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total loans and borrowings (Note 18)	157,925,854	145,808,374	70,639,594	61,501,721
Less: Cash and bank balances (Note 14)	(23,111,467)	(4,135,268)	(18,983,037)	(396,592)
Net debt	134,814,387	141,673,106	51,656,557	61,105,129
Total equity	241,984,536	136,799,217	186,968,841	81,125,841
Debt-to-equity ratio	0.56	1.04	0.28	0.75

The Group did not breach any gearing requirements during the financial years ended 31 March 2016 and 31 March 2015.

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 2016 and 31 March 2015.

### 39. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economics benefits will be required or the amount is not capable of reliable measurement.

A subsidiary company is defending an action brought by a transporter. A full trial was carried out and the Honorable Judge from the Shah Alam High Court has on 27 April 2016 delivered the decision to allow the Plaintiff's claim amounting to RM3.7 million in total. Based on legal advice, the subsidiary company has filed a Notice of Appeal on 23 May 2016 to appeal against the decision of the High Court. As a provision of RM1.7 million had been made for the amount claimed in the previous financial year, the Directors do not expect the outcome of the action to have a material impact on the Group's financial position.

### 40. SUBSEQUENT EVENTS

On 3 May 2016, the Company incorporated a joint venture company in the name of NHF Manufacturing (Malaysia) Sdn Bhd with an authorised share capital of RM30 million, in which the Company holds a 49% equity interest.

On 15 May 2016, a retail supermarket store of a subsidiary company located in Ranau, Sabah was destroyed by fire. Total estimated loss made up of assets and stocks was approximately RM2.9 million. The subsidiary company has filed a claim with the insurance company. The insurance loss adjuster is still in the process of assessing the extent of loss.

## Notes to the Financial Statements

31 March 2016

### 41. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The breakdown of the retained earnings of the Group and of the Company as at 31 March 2016, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries:		
- Realised	121,046,371	51,156,700
- Unrealised	(31,921,619)	(8,447,683)
Consolidation adjustments	89,124,752 (17,887,367)	42,709,017 -
Retained earnings as per statement of financial position	71,237,385	42,709,017

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010. The disclosure of realised and unrealised profits is solely for complying with the disclosure requirements as stipulated by Bursa Malaysia and should not be applied for any other purpose.

## ANALYSIS OF SHAREHOLDINGS

As at 30 June 2016

Authorised Share Capital : RM100,000,000  
 Issued & Fully Paid-up Capital : RM60,575,000  
 Class of Shares : RM1.00 Ordinary Shares  
 Voting Rights : One Vote per share

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

NAME OF ACCOUNT HOLDERS	NO. OF SHARES	(%)
1. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NH FOODS LTD	13,250,000	21.87
2. KENANGA INVESTMENT BANK BERHAD IVT-(EDSP-OTC/ESH)	6,900,000	11.39
3. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (001 THIRD PARTY)	6,500,000	10.73
4. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	5,000,000	8.25
5. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	4,740,000	7.83
6. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GREENFIELD HILLS SDN BHD	2,350,000	3.88
7. TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD	1,500,000	2.48
8. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG YING YING (CHE3060M)	1,162,809	1.92
9. MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN BHD (MARGIN)	1,160,000	1.91
10. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHIN BOON LONG (MY2296)	1,100,000	1.82
11. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SOON PENG	1,100,000	1.82
12. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOY SEN @ CHIN KIM SANG	867,000	1.43
13. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG YING YING (6000665)	800,000	1.32
14. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP HOONG CHAI (YAP2110M)	600,000	0.99
15. SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG MONG HUAY (SJ10)	557,000	0.92
16. SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN PEI WEN (SJ10)	452,100	0.75
17. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHOR HOW (YAP2107M)	424,800	0.70
18. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIN CHIN CHAI	390,300	0.64
19. AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD HDM CAPITAL SDN BHD FOR EXTREME LIFESTYLE (M) SDN BHD	324,100	0.54
20. KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	300,000	0.50
21. BEH YONG HOCK	295,200	0.49
22. LIM YOKE SIM	274,000	0.45

## Analysis of Shareholdings

As at 30 June 2016

NAME OF ACCOUNT HOLDERS	NO. OF SHARES	(%)
23. AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	270,000	0.45
24. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SHOR YEE	239,400	0.40
25. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOMBINASI EMAS SDN BHD	220,300	0.36
26. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR ONG TIONG BEE	220,000	0.36
27. KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR CHEAH CHANG SHUOH	209,000	0.35
28. KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR CHEE KAH HENG	209,000	0.35
29. KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR SEOW CHIN WEI	209,000	0.35
30. YEAP WENG HONG	207,200	0.34
	<b>51,831,209</b>	<b>85.57</b>

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	158	16.79	1,397	0.00
100 - 1,000	185	19.66	116,532	0.19
1,001 - 10,000	438	46.55	1,499,275	2.48
10,001 - 100,000	109	11.58	3,962,487	6.54
100,001 - 3,028,749 (*)	46	4.89	18,605,309	30.72
3,028,750 AND ABOVE (**)	5	0.53	36,390,000	60.07
<b>TOTAL</b>	<b>941</b>	<b>100</b>	<b>60,575,000</b>	<b>100</b>

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

### LIST OF SUBSTANTIAL SHAREHOLDERS

NAME OF SUBSTANTIAL SHAREHOLDER	NO. OF SHARES HELD			
	NO. OF SHARE HELD	%	DIRECT NO. OF SHARES HELD	INDIRECT NO. OF SHARES HELD
1. Innofarm Sdn Bhd	18,900,000	31.20	-	-
2. NH Foods Ltd	13,250,000	21.87	-	-
3. Kenanga Investment Bank Berhad	6,900,000	11.39	-	-

## Analysis of Shareholdings

As at 30 June 2016

### LIST OF DIRECTORS' SHAREHOLDINGS

NAME OF DIRECTOR	DIRECT		INDIRECT	
	NO. OF SHARE HELD	%	NO. OF SHARES HELD	%
1. Yap Hoong Chai	600,000	0.99	21,598,966	35.65(*)
2. Yap Chor How	459,700	0.76	-	-
3. Yeap Weng Hong	407,200	0.67	-	-
4. Ng Kim Tian	122,000	0.20	-	-
5. Yeap Fock Hoong	12,000	0.02	-	-
6. Cheng Chin Hong	-	-	-	-
7. Gan Lian Peng	-	-	-	-
8. Tan Ooi Jin	-	-	-	-
9. Hideki Fujii	-	-	-	-
10. Ryuichi Nitta (Alternate to Hideki Fujii)	-	-	-	-

Remark:

(\*) Deemed interested in 2,698,966 shares held by spouse, children, siblings and spouse of sibling and 18,900,000 shares by virtue of Innofarm Sdn Bhd which holds 31.20% equity interest in Lay Hong Berhad.

## PROPERTIES OWNED BY LAY HONG BERHAD GROUP OF COMPANIES

As at 31 March 2016

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
<b>SELANGOR</b>						
Lot Nos. 4857 Mukim of Jeram District of Kuala Selangor	Layer Farm & Feedmill	25	Freehold	4-32	8,800	1/3/2016
Lot No. 559 Mukim of Ijok Kuala Selangor	Layer Farm & fertiliser plant & building	34	Freehold	4-24	31,600	1/3/2016
Lot No. 1640 Mukim of Ijok Kuala Selangor	Chick Farm	5	Freehold	13-24	1,860	1/3/2016
Lot No. 1954 Mukim of Jeram District of Kuala Selangor	Layer Farm	5	Freehold	14	4,000	1/3/2016
Lot No. 3095 Mukim of Jeram District of Kuala Selangor	Pullet Farm	5	Freehold	5-14	3,000	1/3/2016
Lot No. 1555 Mukim of Jeram District of Kuala Selangor	Layer Farm	6	Freehold	12	4,800	1/3/2016
Lot No. 1868 Mukim of Jeram District of Kuala Selangor	Layer Farm	5	Freehold	8-11	3,410	1/3/2016
Lot 26 & 27- New Office Jalan Empayar off Persiaran Sultan Ibrahim, 41150 Klang	Office Building	31,212 sq. ft.	Freehold	7	12,400	1/3/2016
GM2040, Lot 1847 Mukim of Jeram District of Kuala Selangor	Layer Farm	5	Freehold	4-7	6,200	1/3/2016
GM1134, Lot 2809, Mukim of Jeram District of Kuala Selangor	Layer Farm WIP	5	Freehold	-	1,657	Apr-14
GM1706, Lot 1822 Mukim of Jeram Daerah Kuala Selangor	Vacant Land	5	Freehold	-	692	Mar-16
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Breeder Farm & Hatchery	10	Freehold	5-24	3,000	1/3/2016



## Properties Owned by Lay Hong Berhad Group of Companies

As at 31 March 2016

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	6-21	1,710	1/3/2016
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	6-21	1,820	1/3/2016
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	10	Freehold	2-20	3,610	1/3/2016
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	6-19	1,730	1/3/2016
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farm & Hatchery	19	Freehold	14-18	7,850	1/3/2016
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	-	890	1/3/2016
Lot Nos. 16456/7 & 16486 Mukim Tanjung Karang District of Kuala Selangor	Processing Plant	3	Leasehold Nov 2080 (16456/7) July 2080 (16486)	2-12	5,100	1/3/2016
Lot Nos. 16458/9 Mukim of Tanjung Karang District of Kuala Selangor	Processing Plant 2	2	Leasehold Aug 2080 (16458) Aug 2080 (16459)	1-2	6,080	1/3/2016
Lot Nos. 739/40 & 741 Mukim Api-Api District of Kuala Selangor	Breeder Farm	15	Freehold	3-13	11,270	1/3/2016
No. 29, Jalan Perindustrian Off Jalan Haji Abdul Manan Batu 5 1/2, Jalan Meru 41050 Klang Selangor	Manufacturing Liquid Egg Plant	1158 m <sup>2</sup>	Freehold	2-13	2,100	1/3/2016
Lot No. 16465 Mukim Tanjung Karang District of Kuala Selangor	Vacant Land	1	Leasehold Nov 2080	-	210	1/3/2016

## Properties Owned by Lay Hong Berhad Group of Companies

As at 31 March 2016

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
<b>PERAK</b>						
Lot 2394/2554 Mukim Hulu Bernam Timor District of Batang Padang Perak	Broiler Farm	9	Freehold	2-8	3,820	1/3/2016
Lot 2356/1677 Mukim Hulu Bernam Timor Daerah Batang Padang, Behrang	Broiler Farm	11	Freehold	1-5	6,385	1/3/2016
<b>MELAKA</b>						
Lot Nos. 1717/8/9 & 1720 Mukim of Ayer Panas Jasin, Melaka	Layer Farm & Fertiliser Plant & Building	40	Freehold	5-31	7,260	1/3/2016
<b>SABAH</b>						
CL 045169248 Kampung Indai Tuaran, Sabah	Broiler Farm	11	Leasehold Jan 2060	5-19	1,670	1/3/2016
NT No. 043171651 Kampung Serusop Tuaran, Sabah	Vacant Land	9	Leasehold June 2094	-	285	1/3/2016
CL 045115928 Tuaran, Sabah	Layer Farm & Feedmill	89	Leasehold Jan 2938	5-24	5,300	1/3/2016
CL 025308043 Papar, Sabah	Breeder Farm	19	Leasehold Jan 2063	8-18	4,312	1/3/2016
CL 025166714 Papar, Sabah	Vacant Land	19	Leasehold Jan 2056	-	1,212	1/3/2016
CL 025166705 Papar, Sabah	Vacant Land	20	Leasehold Jan 2056	-	1,276	1/3/2016
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6	Leasehold June 2094	19	1,249	1/3/2016
NT No. 043140905 Kampung Serusop Tuaran, Sabah	Broiler Farm	5	Leasehold Feb 2099	7-13	1,035	1/3/2016

## Properties Owned by Lay Hong Berhad Group of Companies

As at 31 March 2016

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm	3	Leasehold Aug 2098	7-13	617	1/3/2016
NT. No. 044018224 Tuaran, Sabah	Broiler Farm	4	Leasehold Jul 2031	7-13	790	1/3/2016
NT. No. 043197726 Kampung Serusup	Broiler Farm	5	Leasehold Jun 2038	19	1,199	1/3/2016
CL015580104 (KKIP) Kota Kinabalu, Sabah	Feedmill	3	Leasehold Dec 2096	5-13	6,600	1/3/2016
NT. No. 043081625 Tamparuli, Sabah	Layer Farm	9	Leasehold Feb 2037	4	6,900	1/3/2016
CL 015083812 Tamparuli, Sabah	Vacant Land	4	Leasehold 2928	-	288	1/3/2016
CL 045086600 Tamparuli, Sabah	Vacant Land	5	Leasehold 2938	-	360	1/3/2016
CL 015074352 Tamparuli, Sabah	Broiler Farm	7	Leasehold 2927	3	2,905	1/3/2016
NT 04309843 Kg. Kauluan, Tamparuli	Vacant Land	0.2	Leasehold 2042	-	48	1/3/2016
NT 9549 Kg. Kauluan, Tamparuli	Vacant Land	0.2	Leasehold 2042	-	48	1/3/2016
CL 105400217 Kg. Kinabutan, Tawau	Broiler Farm	4	Long term leasehold	1-3	1,320	1/3/2016
NT133049724 Kg. Linggawon, Keningau	Vacant Land	11	Leasehold 2043	-	660	1/3/2016

## Properties Owned by Lay Hong Berhad Group of Companies

As at 31 March 2016

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV of (RM'000)	Date of Acquisition/ Revaluation
NT043130114 Kg. Bubuk Tuaran	Vacant Land	6	Leasehold 2943	-	250	1/3/2016
CL 075320795 Jln Labuk, Miles 12 Sungai Manila, Sandakan	Processing Plant & farm	12	Longterm leasehold 2908	3-8	3,990	1/3/2016
NT 043096288 Kg Kauluan , Tamapruli	Vacant Land	7	Leasehold 2044	-	425	1/3/2016
CL 0152821038 Tamparuli	Vacant land	5	Leasehold 2062	-	425	1/3/2016
NT. No. 043198018 Kg Kiwatu, Sabah	Processing Plant & Warehouse	1	Leasehold 2038	11-13	2,490	1/3/2016
1 unit Grace Court Apartment Unit No.3-1-1, 1 <sup>st</sup> Floor, Block C Grace Court Apartment (formely known as Unit 201, Block U, Grace Ville) Kota Kinabalu, Sabah	Apartment	900 sq ft	Leasehold	3	251	1/3/2016
1 unit Shoplot Lot No S2, Rose Garden Plaza, Kinarut, District of Papar, Sabah	For rental income	2666 sq ft	Leasehold	4 mths	850	1/3/2016
1 unit Shoplot Lot No S3, Rose Garden Plaza, Kinarut, District of Papar, Sabah	For rental income	2666 sq ft	Leasehold	4 mths	850	1/3/2016

## NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE IS HEREBY GIVEN THAT THE THIRTY-SECOND ANNUAL GENERAL MEETING OF LAY HONG BERHAD (COMPANY NO. 107129-H) WILL BE HELD AT THE BALLROOM III, GROUND FLOOR, PREMIERE HOTEL, BANDAR BUKIT TINGGI 1/KS6, JALAN LANGAT, 41200 KLANG, SELANGOR ON WEDNESDAY, 28 SEPTEMBER 2016 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 2016 together with the Reports of the Directors and Auditors thereon.   | <b>Note 1</b>                |
| 2. To approve the payment of a Final Single Tier Dividend of 5 sen per ordinary share for the financial year ended 31 March 2016.  | <b>Ordinary Resolution 1</b> |
| 3. To approve Directors' Fees for the year ended 31 March 2016.  | <b>Ordinary Resolution 2</b> |
| 4. To re-elect the following Directors who are retiring under Article 71 of the Company's Articles of Association:-  |                              |
| (a) Yeap Fock Hoong  | <b>Ordinary Resolution 3</b> |
| (b) Yap Chor How   | <b>Ordinary Resolution 4</b> |
| (c) Ng Kim Tian  | <b>Ordinary Resolution 5</b> |
| 5. To re-elect Mr Hideki Fujii who is retiring under Article 72 of the Company's Articles of Association.  | <b>Ordinary Resolution 6</b> |
| 6. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129 (6) of the Companies Act, 1965:-   | <b>Ordinary Resolution 7</b> |
| (i) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Cheng Chin Hong who is over the age of 70 years and retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." |                              |
| 7. To re-appoint Messrs Ong Boon Bah & Co. as Auditors to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Directors.   | <b>Ordinary Resolution 8</b> |

## Notice of Annual General Meeting

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### AS SPECIAL BUSINESS

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

#### 8. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("RRPTs")

"**THAT** pursuant to paragraph 10.09 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, 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 the Circular to Shareholders dated 29 July 2016 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 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 Annual General Meeting ("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 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
  - revoked or varied by resolution passed by the shareholders in general meeting, whichever is earlier.

**Ordinary  
Resolution 9**

#### 9. Proposed Renewal of Authority for Directors To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

"**THAT** subject always to the Companies Act, 1965, and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, 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 Annual General Meeting of the Company."

**Ordinary  
Resolution 10**

## Notice of Annual General Meeting

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### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the approval of the shareholders at the forthcoming 32<sup>nd</sup> Annual General Meeting, a Final Single Tier Dividend of 5 sen per share will be paid on 3 November 2016 to the shareholders whose names appear in the Record of Depositors at the close of business on 14 October 2016.

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

- a) shares transferred to the Depositor's Securities Account before 4.00 pm on 14 October 2016 in respect of ordinary transfers: and
- b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

### BY ORDER OF THE BOARD

**JENNY WONG CHEW BOEY**  
(MAICSA 7006120)  
Company Secretary

Selangor Darul Ehsan

Date: 29 July 2016

### NOTES

1. Agenda No 1 is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 and the Articles of Association of the Company require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. Hence, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.
2. 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.
3. 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.
4. 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.
5. 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.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 September 2016, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

## Notice of Annual General Meeting

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### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### 7. Proposed Shareholders' Mandate For Recurrent Related Party Transactions ("RRPTs") (Resolution 9)

The proposed Resolution 9, 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 Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 29 July 2016, which is despatched together with the Company's Annual Report 2016, for more information.

#### 8. Authority To Issue Shares pursuant To Section 132D of the Companies Act, 1965 (Resolution 10)

The proposed Resolution 10, is proposed for the purpose of granting a renewed general mandate for issuance of shares by the Company under Section 132D of the Act. The Ordinary Resolution 10, 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 20 January 2016, the Company had fully executed the Mandate given by the shareholders at the last Annual General Meeting held on 14 September 2015 by issuing 5,250,000 new ordinary shares at RM5.81 each in the Company pursuant to private placements. The proceeds amounting to RM30,502,500 arising from the issuance of 5,250,000 new ordinary shares is mainly for working capital requirements of the Group.

The utilization of proceeds from the above private placement is as follows:-

Descriptions	Amount Approved (RM'000)	Utilisation as at 30 June 2016 (RM'000)	Balance Unutilised (RM'000)
Working Capital	30,310	30,310	0
Share issue expenses	193	193	0
Total	30,503	30,503	0

The total proceeds of RM30.5 million from private placement of shares, completed on 20 January 2016 were fully utilized for working capital and defrayed the private placement expenses.

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).



## STATEMENT ACCOMPANYING THE NOTICE OF THIRTY-SECOND

### Annual General Meeting of Lay Hong Berhad

**(A) Names of the Directors who are standing for re-election are as follows:-**

- (i) Mr Yeap Fock Hoong (retiring pursuant to Article 71 of the Company's Articles of Association).
- (ii) Mr Yap Chor How (retiring pursuant to Article 71 of the Company's Articles of Association).
- (iii) Mr Ng Kim Tian (retiring pursuant to Article 71 of the Company's Articles of Association).
- (iv) Mr Hideki Fujii (retiring pursuant to Article 72 of the Company's Articles of Association).

The details of the four (4) Directors seeking re-election are set out in the Directors' Profile from pages 10 to 13 and the Directors' Shareholdings in the Company on page 107 of the Annual Report.

**(B) Details of Attendance of Directors at Board Meetings**

7 Board Meetings were held during the financial year ended 31 March 2016. All meetings were held at the Office Premises, No 2, Level 10-12, Wisma Lay Hong, Jalan Empayar Off Persiaran Sultan Ibrahim/KU1, 41150 Klang, Selangor. The attendance record of each Director is as follows:

	Attendance	Percentage (%)
<b>Executive Director</b>		
Yap Hoong Chai	7/7	100
Yeap Weng Hong	7/7	100
Yap Chor How	7/7	100
Ng Kim Tian	7/7	100
<b>Non-Executive Director</b>		
Yeap Fock Hoong	5/7	71.42
Dato' Dr Abdul Aziz bin Mangkat DIMP, KMN, ASK (resigned on 31 August 2015)	3/3	100
Cheng Chin Hong	7/7	100
Gan Lian Peng	7/7	100
Tan Ooi Jin	7/7	100

- (C) The Thirty-Second Annual General Meeting will be held at The Ballroom III, Ground Floor, Premiere Hotel, Bandar Bukit Tinggi 1/KS6, Jalan Langat, 41200 Klang, Selangor on Wednesday, 28 September 2016 at 11.30 a.m.

**NOTES**

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# FORM OF PROXY

No. of shares held	
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I/We ..... (NRIC No./Co. No./Passport No.....)

(FULL NAME IN BLOCK LETTERS)

of ..... (ADDRESS)

being a member/members of LAY HONG BERHAD (107129-H), hereby appoint .....

..... (Passport No./NRIC No.....)

(FULL NAME IN BLOCK LETTERS)

of ..... (ADDRESS)

or failing him..... (Passport No./NRIC No.....)

(FULL NAME IN BLOCK LETTERS)

of ..... (ADDRESS)

(ADDRESS)

As my/our proxy to vote for me/us on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at The Ballroom III, Ground Floor, Premiere Hotel, Bandar Bukit Tinggi 1/KS6, Jalan Langat, 41200 Klang, Selangor on Wednesday, 28 September 2016 at 11.30 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

RESOLUTION	ORDINARY RESOLUTIONS	FOR	AGAINST
Ordinary 1	To approve the payment of a Final Single Tier Dividend of 5 sen per ordinary share		
Ordinary 2	To approve Directors' Fees for the financial year ended 31 March 2016.		
Ordinary 3	To re-elect Mr Yeap Fock Hoong as Director under Article 71.		
Ordinary 4	To re-elect Mr Yap Chor How as Director under Article 71.		
Ordinary 5	To re-elect Mr Ng Kim Tian as Director under Article 71.		
Ordinary 6	To re-elect Mr Hideki Fujii as Director under Article 72.		
Ordinary 7	To re-appoint Mr Cheng Chin Hong as Director pursuant to Section 129(2) of the Companies Act, 1965.		
Ordinary 8	To re-appoint Messrs Ong Boon Bah & Co. as Auditors.		
Ordinary 9	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		
Ordinary 10	To approve the Authority To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965.		

(Please indicate with an 'X' in the appropriate spaces how you wish to cast your vote. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy will vote as he/she thinks fit or, at his/her discretion, abstain from voting.)

(Where two (2) proxies are appointed, please indicate below the proportion of your shareholdings to be represented by each proxy. In case of a vote taken by show of hands, the First Named Proxy shall vote on your behalf).

First named proxy %

Second named proxy % .....

100%

Signature of Shareholder Or Common Seal  
of Corporate Shareholder

Signed this ..... day of ..... 2016

## MEMBERS ENTITLED TO ATTEND

For purpose of determining a member who shall be entitled to attend the Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 52(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 September 2016. Only a depositor whose name appears on the General Meeting Record of Depositors as at 20 September 2016 shall be entitled to attend the said meeting or appoint a proxy(ies) to attend and vote on such depositor's behalf.

## NOTES

- 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.
- 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.
- 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.
- 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.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 September 2016, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

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STAMP

The Company Secretary  
**LAY HONG BERHAD**  
No. 2-1, Jalan Sri Hartamas 8,  
Sri Hartamas,  
50480 Kuala Lumpur

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**LAY HONG  
BERHAD**

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