LAY HONG BERHAD

(107129-H) Incorporated in Malaysia

annual report 2008

OUR MISSION...

TO PROMOTE a healthier lifestyle and diet among Malaysians by developing highly nutritious and hygienic products utilising 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 customers, and to be a responsible corporate citizen.

CONTENTS


Wholesome meat filled into 100% HALAL cellulose frankfurter casings


Peeling process with strict adherence to high standards of hygiene


Packed and quality assured, ready for the market- NUTRIPLUS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Yap Hoong Chai
CHAIRMAN AND GROUP MANAGING DIRECTOR
NON-INDEPENDENT EXECUTIVE DIRECTOR

Yeap Weng Hong
NON-INDEPENDENT EXECUTIVE DIRECTOR

Yip Kim Hoong
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Yeap Fock Hoong
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Abdul Hamid bin Mohamed Ghows
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Dr Abdul Aziz Bin Mangkat
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Liew Yew Chung
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Liew Kuek Hin
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
(ALTERNATE DIRECTOR TO DATO LIEW YEW CHUNG)

AUDIT COMMITTEE

Abdul Hamid bin Mohamed Ghows
CHAIRMAN

Yap Hoong Chai
NON-INDEPENDENT EXECUTIVE DIRECTOR

Dato' Dr Abdul Aziz Bin Mangkat
INDEPENDENT NON-EXECUTIVE DIRECTOR

NOMINATION COMMITTEE

Abdul Hamid bin Mohamed Ghows
Dato' Dr Abdul Aziz Bin Mangkat

REMUNERATION COMMITTEE

Yap Hoong Chai
Abdul Hamid bin Mohamed Ghows
Dato' Dr Abdul Aziz Bin Mangkat

SHARE REGISTRAR

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

COMPANY SECRETARIES

Lim King Hua
(MAICSA 0798613)

Lim Kui Suang
(MAICSA 0783327)

REGISTERED OFFICE

26, Jalan Istana
41000 Klang, Selangor
Tel 03 3371 0611
Fax 03 3371 2886

CORPORATE OFFICE

39 & 41, Jalan 5
Kawasan 16 Taman Intan
41300 Klang, Selangor
Tel 03 3343 4888
Fax 03 3341 0251

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights
50490 Kuala Lumpur

PRINCIPAL BANKERS

CIMB Bank Bhd
Malayan Banking Bhd
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Second Board
Stock Code: Lay Hong
Stock No.: 9385

Big country, large appetite

Indonesia - with a population of over 200 million people and the world's largest Muslim population, Indonesia represents a huge market for Lay Hong's halal poultry products. And very soon, Indonesians will also be able to enjoy Lay Hong's quality and nutritious frankfurters and nuggets.

PROFILE OF DIRECTORS

YAP HOONG CHAI

MALAYSIAN, AGED 58

is the Chairman and Group Managing Director and a founder member of the Lay Hong Berhad Group. He was appointed to the Board of Directors of Lay Hong Berhad on 27th September 1983. 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 had served as a past President of the Selangor Livestock Association, Egg Division. He is the brother of Yip Kim Hoong, Yeap Weng Hong and Yeap Fock Hoong, who are also Directors of the Company.

He holds no direct shareholding in the Company. However, he is a director and shareholder in Innofarm Sdn Bhd which is a substantial shareholder of the Company and Mackan Trading 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.

YIP KIM HOONG

MALAYSIAN, AGED 60

is a Non-Executive Director of Lay Hong Berhad. He was appointed to the Board of Directors of Lay Hong Berhad on 20th August 1984. He has more than 20 years experience in poultry farming, having previously served as an Executive Director in the Group. He also sits on the Board of Directors of several private limited companies. He is the brother of Yap Hoong Chai, Yeap Weng Hong and Yeap Fock Hoong, who are also Directors of the Company.

He holds 2,836,657 shares of RM1/- each in Lay Hong Berhad. He is a director and shareholder in Mackan Trading 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.

YEAP WENG HONG

MALAYSIAN, AGED 50

is an Executive Director of Lay Hong Berhad. He was appointed to the Board of Directors of Lay Hong Berhad on 18th April 1986. He has more than 25 years experience in poultry farming and 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 Yip Kim Hoong, Yap Hoong Chai and Yeap Fock Hoong, who are also Directors of the Company.

He holds 7,200 shares of RM1/- each in Lay Hong Berhad. He is a director and shareholder in Innofarm Sdn Bhd which is a substantial shareholder of the Company and Mackan Trading 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.

YEAP FOCK HOONG

SINGAPOREAN, AGED 54

is a Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 18th 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 Yip Kim Hoong, Yap Hoong Chai and Yeap Weng Hong, who are also Directors of the Company.

He holds 12,000 shares of RM1/- in Lay Hong Berhad. He is also a director and shareholder in Innofarm Sdn Bhd which is a substantial shareholder of the Company and Mackan Trading 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.

ABDUL HAMID BIN MOHAMED GHOWS
MALAYSIAN, AGED 57

was appointed Independent Non-Executive Director of Lay Hong Berhad on 11th October 2001. He was appointed Chairman of the Nomination & Remuneration Committees on 18 March 2005 and Chairman of Audit Committee on 30 November 2006. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Chartered Institute of Management Accountants, UK, and a member of the Malaysian Institute of Accountants. From 1974 to 2000, he served in various senior capacities with Price Waterhouse, Kenmore Asia Pte Ltd and Drexel Oilfields Services in Singapore and the Rothmans International Tobacco Group in Holland, United Kingdom and Malaysia. From 2000 to 2004, he was Director – Risk Management at Rashid Hussein Berhad group. He was Group Chief Executive Officer of the Perisai Petroleum Teknologi Bhd from 2005 to March 2006.

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.

DATO' DR. ABDUL AZIZ BIN MANGKAT DIMP, KMN ASK
MALAYSIAN, AGED 58

was appointed Independent Non-Executive Director of Lay Hong Berhad on 3rd July, 2006. He was also appointed a member to the Audit, Nomination as well as Remuneration Committee. He graduated as a doctor of Veterinary Medicine from University of Agriculture, Bogor in Indonesia and a Master of Science in Tropical Veterinary Medicine from University of Edinburgh, Scotland. He also attended an Advanced Leadership and Management Course in INTAN. Prior to joining Lay Hong Berhad, he worked for 30 years with the Department of Veterinary Services, Ministry of Agriculture and Agro-Based Industry, holding various positions and rose to the position of Deputy Director General 1 before his retirement in May, 2006. Beside Lay Hong Berhad, Dato' Aziz also serves as Chairman and technical consultant to 2 private limited companies.

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.

DATO' LIEW YEW CHUNG DIMP
MALAYSIAN, AGED 38

was appointed Non-Independent Non-Executive Director of Lay Hong Berhad on 8th December 2006. He graduated from Drexel University, Philadelphia in the United States in 1991 with a Bachelor of Science in Business Administration, majoring in Economics and Finance Accounting. In 1992, he obtained a Masters of Business Administration, majoring in Accounting Control. Presently, he serves as Managing Director cum Chief Executive Officer in London Biscuits Berhad and as alternate director in Khee San Berhad.

He is the son of Dato' Liew Kuek Hin. He has an indirect interest in Lay Hong Berhad by virtue of being a director and shareholder in London Biscuits Berhad which is a substantial shareholder of the Company. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

DATO' LIEW KUEK HIN DIMP PJK, JP
MALAYSIAN, AGED 69

was appointed alternate director to Dato' Liew Yew Chung. He studied at Nanyang University of Singapore in 1965, acquiring a Bachelor of Commerce degree. After completing his studies, he joined his family-owned business which has major interests in timber logging, sawmilling, plywood manufacturing, transportation, oil palm plantation and milling and hotel operations, where he acquired vast business experience. Presently, he serves as Non-Executive Chairman in London Biscuits Berhad and as Non-Independent Non-Executive Chairman in Khee San Berhad.

He is the father of Dato' Liew Yew Chung. He has an indirect interest in Lay Hong Berhad by virtue of being a director and shareholder in London Biscuits Berhad which is a substantial shareholder of the Company. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

The summary of Directors' attendance at Board meetings is set out on page 17 of this Annual Report. None of the Directors have any conviction for any offence within the past 10 years.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of the Company comprises the following Members:

Abdul Hamid Bin Mohamed Ghows
CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

Yap Hoong Chai
NON-INDEPENDENT EXECUTIVE DIRECTOR

Dato' Dr Abdul Aziz Bin Mangkat
INDEPENDENT NON-EXECUTIVE DIRECTOR

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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 at a meeting held on 28 May 2008. The Company however has up to 31 January 2009 to comply with the requirements on the revised composition of the Audit Committee.

1 COMPOSITION

1.1 The Board of Directors shall elect an Audit Committee from amongst its Directors which fulfils the following requirements:
- a the Audit Committee must be composed of no fewer than 3 members.
- b all the Audit Committee members must be Non-Executive Directors with a majority of them being Independent Directors
- c at least one member of the Audit Committee:
  - i must be a member of the Malaysian Institute of Accountants or
  - ii if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    - aa he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967 or
    - bb he must be a member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
  - iii To fulfill such other requirements as prescribed or approved by Bursa Malaysia.

1.2 No Alternate Director is to be appointed as a member of the Audit Committee.

2 CHAIRMAN

The members of an Audit Committee shall elect a Chairman from among their number who shall be an independent Director.

3 FUNCTIONS

An Audit Committee shall, amongst others, discharge the following functions:

3.1 review the following and report the same to the Board of Directors:
- a with the external auditors, the audit plan.
- b with the external auditors, their evaluation of the system of internal controls.
- c with the external auditors, their audit report.
- d the assistance given by the employees of the company to the external auditors.
- e 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.

3 FUNCTIONS (cont'd)

f the internal audit programme audit process, the results of the internal audit programme, process of investigation undertaken and whether or not and where appropriate, action is taken on the recommendations of the internal audit function.

g the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

i changes in or implementation of major accounting policy changes.

ii significant and unusual events.

iii compliance with accounting standards and other legal requirements.

h any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions on management integrity.

i 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 is not suitable for re-appointment

3.2 recommend the nomination of a person or persons as external auditors.

4 PROCEDURE

The Audit Committee shall regulate its own procedure, as follows:

a the Audit Committee is authorised to meet at least four times a year, and as many times as the Committee deems necessary. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board. The Secretary to the Committee shall report on each meeting to the Board. The Secretary to the Committee shall be the Company Secretary.

b in order to form a quorum in respect of an Audit Committee, the majority of members present must be independent Directors.

c a resolution in writing signed by all the committee members shall be as effective as a resolution passed at a meeting of the Committee duly convened and held, and may consist of several documents in the like form, each signed by one or more of the Committee.

d in the event of any vacancy in an Audit Committee resulting in the non-compliance of subparagraph 15.10(1) of the Bursa Malaysia Listing Requirements, the Company must fill the vacancy within 3 months.

e upon the request of external auditor, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or Shareholders.

f to ensure that other Directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

5 REPORT

The Audit Committee report must be clearly set out in the Annual Report of the Company and shall include the following:

a the composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise).

b the terms of reference of the Audit Committee.

c the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member.

d a summary of the activities of the Audit Committee in the discharge of its functions and duties for the financial year of the Company.

e a summary of the activities of the internal audit function or activity.

6 REPORTING OF BREACHES TO THE EXCHANGE
Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirements, the Audit Committee must promptly report such matter to Bursa Malaysia.

7 RIGHTS
Whenever necessary and reasonable for the performance of its duties, the Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:
a have authority to investigate any matter within its terms of reference.
b have the resources which are required to perform its duties.
c have full and unrestricted access to any information pertaining to the Company.
d have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
e be able to obtain independent professional or other advice.
f be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

8 REVIEW OF THE AUDIT COMMITTEE
The terms of office and performance of the Audit Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

During the financial year ended 31 March 2008, the attendance of Audit Committee members at Committee meetings is as follows:

Director	Attendance
Abdul Hamid Bin Mohamed Ghows	5 of 5
Yap Hoong Chai	5 of 5
Dato' Dr Abdul Aziz Bin Mangkat	5 of 5

The activities of the Audit Committee during the financial year ended 31 March 2008 included the following:

1 Reviewed the unaudited quarterly financial statements and the annual audited financial statement of the Group and recommending the same for approval by the Board. The review was to ensure that the financial reporting and disclosure requirements of relevant authorities had been complied with. Any significant issues resulting from the audit of the financial statements raised by the external auditors were discussed and brought to the attention of the Board and resolved at the Board level.

2 Reviewed the external auditors' scope of work and audit plan for the year 2008.

3 Reviewed the internal audit reports which highlighted the audit issues, recommendations and management's response. Follow up audits were also reviewed to ensure that appropriate actions were taken and recommendations were implemented.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (cont'd)

4 Reviewed and approved the annual internal audit plan for year 2008.

5 Reviewed the related party transactions of the Company.

6 Verified the allocation of options pursuant to the criteria set out in the 2006 Executive Share Option Scheme (ESOS) and found the same to be in compliance with the criteria referred to in the ESOS Bye-laws. The ESOS Bye-laws do not provide any options for the Non-Executive Directors and therefore none are allocated.

7 Reviewed the extent of application and compliance of principles and best practices set out in the Malaysian Code on Corporate Governance.

8 Reviewed the corporate governance statement for inclusion in the Company's Annual Report.

INTERNAL AUDIT FUNCTION

During the financial year, the internal audit function was outsourced to an independent professional firm who reports directly to the Audit Committee. The internal audit function reviews critical business processes and identifies internal control gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process.

In carrying out its audit assignments relating to the Lay Hong Group, the principal responsibility of Lay Hong Berhad internal auditors is to provide independent assessments for adequate, efficient and effective internal control systems to ensure compliance with systems and standard operating procedures in each of the operations in the Lay Hong Group.

Throughout the financial year, audit assignments, investigations and follow-up of Lay Hong Berhad audits were carried out on Lay Hong Berhad and its subsidiary companies by the internal auditors. One audit report was issued during the financial year. The resulting report of the audit undertaken was presented and reviewed by the Lay Hong Berhad Audit Committee and forwarded to the management for action.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD, I HAVE GREAT PLEASURE TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR LAY HONG BERHAD AND ITS GROUP OF COMPANIES FOR FINANCIAL YEAR ENDED 31 MARCH 2008.

FINANCIAL PERFORMANCE

The Group achieved pre-tax profit of RM5.12 million for the financial year ended 31 March, 2008 on the back of RM317.5 million revenue, compared with profit of RM2.36 million in 2007 on revenue of RM232.7 million. Revenue increased 36.4% due largely to substantial increases in sales of table eggs, processed chicken and related chicken products.

The Group's total shareholders' fund grew from RM74.1 million to RM75.6 million, resulting in net assets increasing from RM1.60 per share to RM1.63 per share.

The Group's profit was dampened by the drastic increase in prices of raw materials used in chicken feed, especially corn and soybeans. Prices of corn increased 33% and soybeans 44% during the financial ended 31 March 2008 compared with March 2007. This has substantially increased our cost of production, thus reducing profit margins.

BUSINESS REVIEW

LAYERS

The Group produced 470.9 million table eggs during the financial year compared to 465.8 million eggs in the previous financial year. This increase was made possible by normalizing the maximum intake of layers in the production cycle. Sales quantity of Nutriplus specialty eggs increased from 67.7 million to 84.0 million due to higher demand and increased exports to Hong Kong. Total revenue from sales of table eggs increased from RM80.2 million in 2007 to RM99.8 million in 2008, a 24.4% increase.

The Group has to date invested huge amount of resources in closed-house layer systems and bio-security measures in order to mitigate the risks of diseases and control the discharge of waste and smell into the environment. In recognition of the Group's effort, we were awarded the most outstanding layer farm for 2007 by the Minister of Agriculture and Agro-Based Industry, Malaysia.

BROILERS

To meet the higher and subsequent constant supplies of live broilers for the Group's production of processed chicken and chicken related products, contract farming activities were undertaken during the year with a number of small poultry farmers both in Peninsular Malaysia and Sabah. As a result, the quantity of live broilers produced by the Group increased from 23.6 million kilograms last year to 27.0 million kilograms in financial year ended 31 March, 2008.

FOOD PROCESSING

The Group's production of HALAL processed chicken and down stream related chicken products expanded substantially. During the year the Group produced 20.4 million kilograms of processed chicken meat. In addition, 3.3 million kilograms of frankfurters and 0.34 million kilograms of nuggets were produced, compared with 1.9 million kilograms of frankfurters and 0.02 million kilograms of nuggets in the previous financial year. As a leading food processor, the Group was selected by the Department of Veterinary Science to participate in a pilot project for food traceability conducted by Malaysia Food Information and Traceability (M-FIT) in September, 2007.

All-halal, all the time

Brunei - a nation bound by religion and family tradition. Where adherence to the tenets of Islam is a central facet of daily life. Lay Hong is a major supplier of hatching eggs to support the domestic poultry industry in Brunei.

The processed food products are currently marketed under two brand names - NUTRIPLUS for the premium up-market segment and WISE CHOICE for the regular market segment, sold mainly in East Malaysia. A new product, Crispy Fried Chicken, was also introduced during the year and more product variants will be introduced progressively.

Revenue from sales of processed food products has increased from RM10.6 million in 2007 to RM22.8 million in 2008, an increase of 115%. This substantial increase in sales was largely attributed to a RM2.0 million advertising campaign during the year, aimed at creating product and brand awareness. I am happy to announce that the Group was also awarded the "Asia Pacific Super Excellent Brand" for product excellence on 7 January, 2008.

The liquid egg processing operation had recorded increased sales from 3.8 million kilograms in 2007 to 4.0 million kilograms in 2008 due to more confectioneries preferring pasteurized liquid egg to shell eggs. During the year, 0.68 million kilograms of pasteurized liquid egg in frozen form were exported to the Middle East.

CAPITAL EXPENDITURE

The Group's total capital expenditure amounted to RM19.1 million during the financial year. This mainly went towards expansion of the production capacity in the processed food division, replacing the old paper egg tray manufacturing equipment, continuing refurbishment of the layer farm houses in Batu 20 Ijok, Selangor, expansion of broiler breeder houses in Sabah and the acquisition of 31,212 square feet of office space in Klang to house the Group's new head office and to accommodate a larger work force to support the increased operations.

CORPORATE DEVELOPMENT

During the financial year, Lay Hong Berhad subscribed for 1,019,998 new ordinary shares of RM1.00 each representing 51% interest in the enlarged issued and paid-up share capital in STF Agriculture Sdn Bhd. This company had obtained a pioneer certificate for tax relief of up to five years from the Ministry of International Trade and Industry, Malaysia to undertake broiler and layer farming in Sabah.

Lay Hong Berhad also increased its investment in Innobrid Sdn Bhd with the subscription of 1,999,999 new ordinary shares of RM1.00 each at par. As a result, Lay Hong Berhad's equity interest in Innobrid Sdn Bhd increased from 50% plus one share to 75%. This investment was made to enable the Group to more effectively control the supply of live broilers for its chicken processing operations in Lay Hong Poultry Processing Sdn Bhd, a 100% owned subsidiary.

On 1 July 2008, the Company further announced that it has entered into a share sale agreement to acquire 880,000 ordinary shares of RM1.00 each in Innobrid Sdn Bhd for a nominal cash consideration of RM1.00. With this purchase, the Group's interest in Innobrid Sdn Bhd will increase further from 75% to 97%.

Feeding prosperity

Dubai – an emirate in the United Arab Emirates; a desert paradise built on the wealth of oil. With its growing affluence, Dubai enjoys one of the highest standards of living in the world. And Lay Hong's liquid egg products find their way into the various cakes and pastries available in top restaurants and hotels in Dubai.

From right to left:

1 Outstanding Layer Farm-2007
2 Malaysia Food Information and Traceability (M-FIT)
3 Asia Pacific SUPER Excellent Brand 2007
4 Industry Excellence Award 2008

The proposed acquisition of the remaining equity interest not already owned by Lay Hong Berhad in certain subsidiary companies, namely Innobrid Sdn Bhd, Sri Tawau Farming Sdn Bhd, Innofarm (Klang) Sdn Bhd and Evergreen Organic Fertiliser Sdn Bhd for a total consideration of RM6,709,000 via the issuance of 6,155,000 new ordinary shares of RM1.00 at a price of RM1.09 per share was mutually called off on 16 November 2007 as certain conditions imposed by the Securities Commission could not be complied by the vendors.

PROSPECTS

The prices of corn and soybeans are on an increasing trend and are expected to remain high in the coming financial year. In order to mitigate this increase in cost, the Group has stepped up its efforts to increase production efficiency and source for alternative supplies of raw materials.

The future direction of the Group would be to further expand its processed food manufacturing facilities located in Tanjung Karang, Selangor. This downstream activity is synergistic to the Group's poultry rearing activities and has high value added. The consumer market for these products is very substantial and the potential for export is also great. To further enhance its local and international market, the Group actively participates in various trade fairs like Malaysia International Halal Showcase (MIHAS) and Malaysia, Agriculture, Horticulture and Agrotourism Exhibition (MAHA). The Group plans to begin export of processed food products to regional markets in the near future.

APPRECIATION

On behalf of the Board of Directors, I extend our gratitude to the Group's valued customers, business associates, government authorities, bankers and shareholders for their continued support, trust and confidence in the group.

I would also like to extend the Board's appreciation to all our dedicated and loyal staff for all their hard work and commitment throughout the year. I am confident that they will continue to strive to further improve their performance in order to face the challenges ahead.

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

Yap Hoong Chai
CHAIRMAN AND GROUP MANAGING DIRECTOR

Harbouring expansive views

Hong Kong – a dynamic, financial centre of the world, and gateway to greater China. A city that never sleeps! Where Lay Hong's Nutriplus specialty eggs are widely available and enjoyed, anytime of the day or night.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within Lay Hong Berhad Group to enhance shareholders value. The Board has taken steps, as far as practicable, towards compliance of the recommendations in the Malaysia Code on Corporate Governance (hereinafter referred to as the "Code").

THE BOARD

The Board is responsible for ensuring that shareholders' interests are protected and that shareholders values are enhanced. Various processes and systems are in place to facilitate the Board in carrying out this stewardship responsibility.

Composition of the Board

The current Board comprises seven (7) Directors who are entrepreneurs and professionals of calibre and credibility and who possess skills and experience relevant to the business operations of the Group.

The composition of the Board is broadly balanced to reflect the interests of major shareholders, management and minority shareholders.

Of the seven (7) Directors, two (2) are executives and non-independent namely Mr Yap Hoong Chai and Mr Yeap Weng Hong, three (3) are non-independent non-executive namely Dato' Liew Yew Chung, Mr Yip Kim Hoong and Mr Yeap Fock Hoong. Dato' Dr. Abdul Aziz Bin Mangkat and Encik Abdul Hamid Bin Mohamed Ghows are non-executive independent Directors. The Board is headed by Chairman Mr Yap Hoong Chai, who is also the Group Managing Director. The presence of a sufficient number of independent Directors provide a strong element of independence of the Board.

The two (2) executive Directors are all hands-on and have over two decades of working experience in the poultry farming business. One of the independent Directors is a professional accountant by training who has extensive experience in both the corporate and financial service environment whilst the other was formerly the Deputy Director General of the Department of Veterinary Services in the Ministry of Agriculture & Agro-Based Industry. Of the remaining three (3) non-executive non-independent Directors, one is a professional pilot with a major airline, the other a businessman and the third a Board representative of a public-listed company which is a substantial shareholder of the Company.

The profile of each Director is presented on pages 4 to 5 of this Annual Report.

Apart from statutory responsibilities, the Board is overall responsible for the Corporate Governance of the Group, including the strategic directions and review of key initiatives and decisions of the Group.

Board Responsibility

The Board has full control of the Group and oversees its business affairs. It approves strategic plans, key business initiatives, major investments and funding decisions, reviews financial performances, develops corporate objectives, determines succession plans for senior management and ensures adequate internal controls. These actions are carried out directly by the Board and through Board Committees.

Five (5) Board meetings were held during the financial year.

Board Meetings are held every three (3) months with additional meetings held whenever necessary. All Directors fulfilled the requirements of the Articles of Association with respect to board meeting attendance.

THE BOARD (cont'd)

Board Responsibility (cont'd)
The attendance record of Directors during the financial year are as follows:

Director	Attendance
Yap Hoong Chai	5 of 5 meetings
Yip Kim Hoong	5 of 5 meetings
Yeap Weng Hong	5 of 5 meetings
Yeap Fock Hoong	4 of 5 meetings
Abdul Hamid Bin Mohamed Ghows	5 of 5 meetings
Dato' Dr Abdul Aziz Bin Mangkat	5 of 5 meetings
Dato' Liew Yew Chung	5 of 5 meetings

The Board has also delegated certain responsibilities to the Audit Committee, which operates within clearly defined terms of reference. The Chairman of the Audit Committee reports the outcome of Audit Committee meetings to the Board. A Report on this Committee is presented on pages 6 to 9 of this Annual Report.

Supply of information
All scheduled meetings held during the years were preceded by a formal agenda issued by the company secretary in consultation with the Chairman. The agenda for each of the meetings was accompanied by the minutes of preceding Board meetings, reports on group financial performance, industry trends, business plans and proposals, quarterly result announcements and other relevant information.

The Directors have access to all information within the Group in furtherance of their duty. They also have access to the advice and services of the Company Secretary and independent professionals as and when required.

Appointments of the Board and Re-election
The Board has in place its Nomination Committee since 20 May 2002 which is responsible for recommending the appointment of any new Director(s). It also reviews the Board's structure, size and composition, as well as the Board's succession plans.

The committee comprises exclusively of two (2) Independent non-executive Directors.

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 for the time being retire from office. The Directors who retire every year are those who have been longest in the office since their last appointment or election.

Directors' Training
The Company complies with the requirements set out in Bursa Malaysia's Listing Requirements by regularly assessing the training needs of its Directors to ensure that they are equipped with the requisite knowledge and competencies to make effective contribution to the board's functioning. Directors are encouraged nevertheless to continue attending various training programmes that are relevant to the discharge of their responsibilities.

All new Directors will be given comprehensive briefing of the Group's operations. Throughout their tenure in office, they are constantly updated on the Group's business, the competitive and regulatory environment in which it operates and other changes. They are also advised on their obligations as Directors of a listed company.

Directors' Remuneration

The non-executive Directors are provided with a fixed annual Directors' fees, which are approved by the shareholders at the Annual General Meeting based on the recommendation of the Board.

The Remuneration Committee was in place since 20 May 2002 and comprises two independent Directors and one executive Director. This committee is entrusted with the role of determining and recommending suitable policies in respect of salary packages for executive Directors and will meet as and when required. The remuneration packages of non-executive Directors are determined by the Board.

The breakdown of Directors remuneration during the financial year is presented on page 79 of this Annual Report.

SHAREHOLDERS COMMUNICATION

The Group recognises the importance of effective communication with shareholders and the investment community, and adheres strictly to the disclosure requirements of Bursa Malaysia.

Quarterly reports on the Group's results and announcements can be accessed from Bursa Malaysia's website. In addition the Group's Annual Report contains a detailed review of its financial and operational performance.

The Annual General Meeting (AGM) is the principal forum for dialogue with shareholders. At the AGM, the Directors present a review of the Group's progress and performance and provides ample opportunities for shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to respond to questions from shareholders during these meetings. The external auditors are also present to provide professional and independent clarification on issues and concerns raised by shareholders.

ACCOUNTABILITY AND AUDIT

Financial Reports

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.

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 30 of this Annual Report.

Internal Control

The Code requires the Board to maintain a sound system of internal control to safeguard shareholder's investment and the Group's assets. The Statement of Internal Control set out on page 20 of this Annual Report provides an overview of the state of internal control within the Group.

Relationship with auditors

The external auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial controls and the data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial condition of the Group, and present their findings to the Audit Committee.

Through the Audit Committee, the Group maintains a transparent and professional relationship with the external auditors in seeking advice and ensuring compliance with accounting standards in Malaysia.

ACCOUNTABILITY AND AUDIT (cont'd)

Statements of compliance with best practices of the code

The company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set in the Code.

OTHER INFORMATION

Executive Share Options Scheme ("ESOS")

No share option were exercised under the ESOS during the financial year.

Non-Audit Fees

Non-audit fees paid to the external auditors for the financial year ended 31 March 2008 was RM6,000.

Internal Audit Function

The Group's internal audit function is outsourced. The cost incurred for the internal audit function for financial year ended 31 March 2008 was RM8,550.

Statement of Valuation Policy on Landed Properties

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

Material Contracts

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

Disclosure On Corporate Social Responsibility (CSR)

The Group is fully aware of its corporate social responsibilities. Some aspects of CSR observed by the Group include :

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

b proper waste disposal and environmental management procedures. 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.

c provision of adequate health benefits for all employees and conformation to guidelines and standards for occupational health and safety at the workplace. The Group also complies fully with statutory contributions to the Employees Provident Fund Board (EPF) and Social Security Organisation (SOCSO) for its employees.

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

STATEMENT ON INTERNAL CONTROL

BOARD'S RESPONSIBILITY

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

KEY PROCESSES

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 Internal Control: Guidance for Directors of Public Listed Companies.

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal controls are as follows:

- A 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 of the Managing Director and senior management team and is supported by a sub-committee comprising operational managers of major departments. During the year, all major risks that have an impact on the Group such as market, economic, legislative and financial risks, have been identified, prioritised and monitored closely on an on going basis. The risk assessment process includes areas of protection of livestock against adverse climatic conditions and diseases as well as recruitment and retention of employees and the provision for doubtful trade debts.

- The internal audit function has been outsourced to an independent professional firm which reports directly to the Audit Committee. One report on the internal audit findings 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 Board has put in place an organisational structure with defined roles, responsibilities and delegation of authority. There are also established policies and procedures in terms of future planning, capital expenditure, development of information and reporting systems, and constant monitoring of the Group's business operations and its performance. Operational policies and procedures are communicated to the management and staff as to what is expected of them and to ensure that the required discretion is exercised in the carrying out of their duties.

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

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

- Detailed 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.

This statement is made in accordance with the resolution of the Board dated 23 July 2008.

GROUP FINANCIAL HIGHLIGHTS

In RM' 000	2004	2005	2006	2007	2008
Revenue	129,797	180,478	226,597	232,746	**317,523**
Profit/(loss) before tax	(3,288)	(3,811)	10,237	2,357	**5,123**
Total assets	164,150	192,487	219,273	236,820	**264,942**
Paid-up capital	42,000	42,000	42,000	46,240	**46,240**
Net Assets (NA)	54,175	51,076	67,888	74,086	**75,554**
NA per share (RM)	1.290	1.216	1.616	1.602	**1.634**
Earnings per share (sen)	(2.55)	(7.37)	15.81	3.22	**3.03**

GROUP STRUCTURE & OPERATIONS

LAY HONG BERHAD

Feedmill, Layer Farms, Chick Farm, Management and Investment Holding

100%
Eminent Farm Sdn Bhd Broiler Farm, Breeder Farm & Hatchery

100%
Hing Hong Sdn Bhd Breeder Farm, Hatchery & Layer Farm

51%
Evergreen Organic Fertilisers Sdn Bhd Organic Fertiliser Production

70%
Innofarm(Klang) Sdn Bhd Layer Farm

100%
Lay Hong Liquid Egg Sdn Bhd Liquid Egg Production

100%
Lay Hong Poultry Processing Sdn Bhd Processing & distribution of poultry products

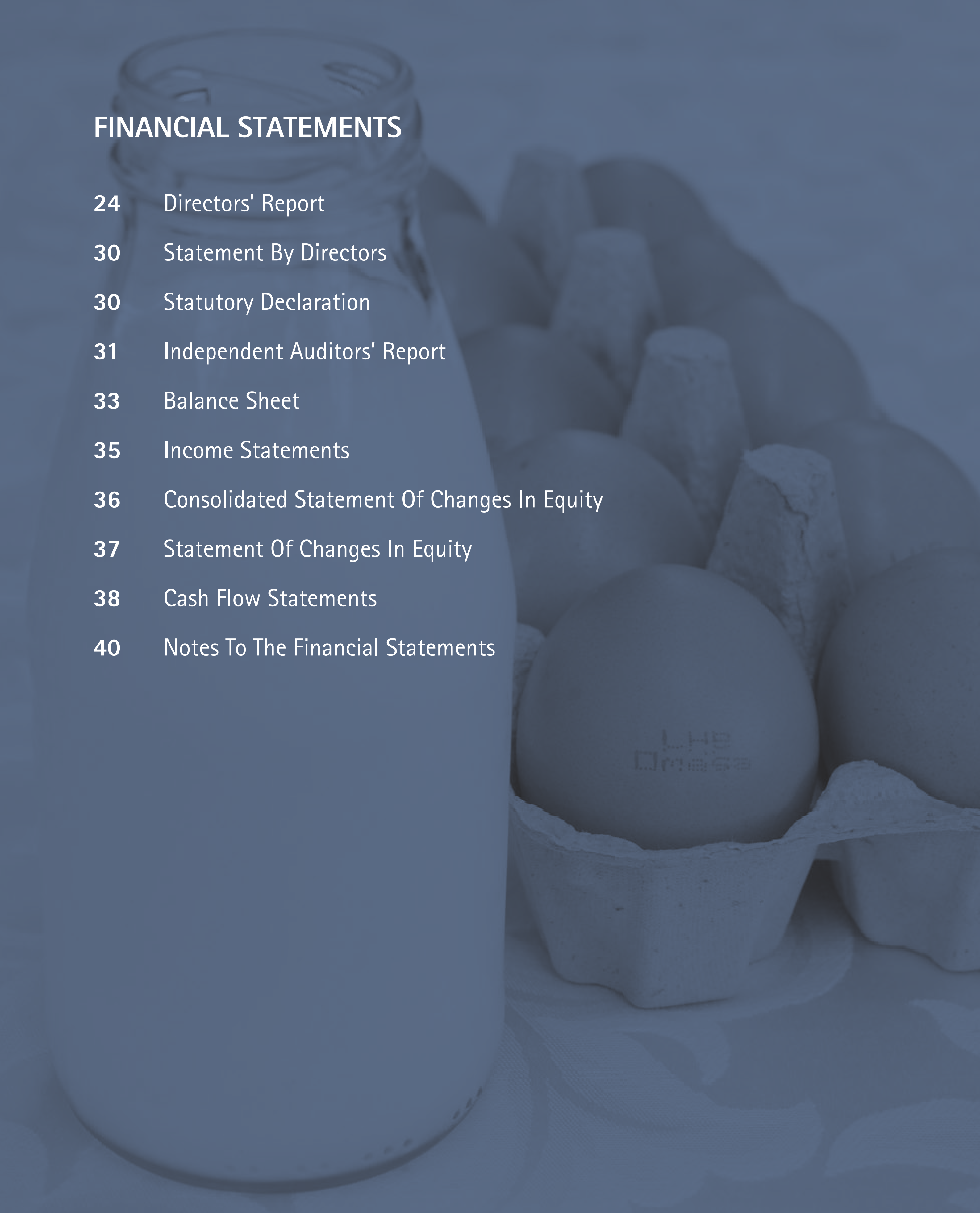
81%
Innobrid Marketing Sdn Bhd Trading in feed products

75%
Innobrid Sdn Bhd Broiler Farm

30%
Evergrowth Marketing Sdn Bhd Processing & distribution of poultry products

51%
STF Agriculture Sdn Bhd Feedmill, Layer Farm, Broiler Farm, Breeder Farm & Hatchery

50%
Sri Tawau Farming Sdn Bhd Investment holding



FINANCIAL STATEMENTS

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2008.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year	4,713,940	912,963
Attributable to:		
Equity holders of the Company	1,400,215	912,963
Minority interests	3,313,725	–
	4,713,940	912,963

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividends has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Yap Hoong Chai
Yip Kim Hoong
Yeap Weng Hong
Yeap Fock Hoong
Abdul Hamid bin Mohamed Ghows
Dato' Dr Abdul Aziz bin Mangkat
Dato' Liew Yew Chung
Dato' Liew Kuek Hin (alternate to Dato' Liew Yew Chung)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of 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.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 25 to the financial statements or the fixed salary of a fulltime 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

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 and is to be in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 15 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME (cont'd)

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 400,000 ordinary shares of RM1 each. The list of employees granted options to subscribe for 400,000 or more ordinary shares of RM1 each are as follows:

				No. of Share Options		
Name	**Grant date**	**Expiry date**	**Exercise Price**	**At 1 April 2007**	**Exercised**	**At 31 March 2008**
Ng Kim Tian	23/11/2005	10/11/2010	1.00	400,000	–	**400,000**
Yap Chor How	23/11/2005	10/11/2010	1.00	400,000	–	**400,000**

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

DIRECTORS' INTEREST

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 EACH			
	At 1 April 2007	**Bought**	**Sold**	**At 31 March 2008**
The Company				
Direct Interest				
Yeap Fock Hoong	12,000	–	–	**12,000**
Yeap Weng Hong	7,200	–	–	**7,200**
Yip Kim Hoong	2,836,657	–	–	**2,836,657**
Indirect Interest				
Yap Hoong Chai	18,900,000	–	–	**18,900,000**
Yeap Fock Hoong	18,900,000	–	–	**18,900,000**
Yeap Weng Hong	18,900,000	–	–	**18,900,000**
Dato' Liew Yew Chung	10,794,700	–	–	**10,794,700**
Dato' Liew Kuek Hin	10,794,700	–	–	**10,794,700**

DIRECTORS' INTEREST (cont'd)

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	At 1 April 2007	Bought	Sold	At 31 March 2008
Subsidiaries:				
Evergreen Organic Fertilisers Sdn Berhad				
Indirect Interest				
Yap Hoong Chai	147,000	–	–	**147,000**
Yeap Fock Hoong	147,000	–	–	**147,000**
Yeap Weng Hong	147,000	–	–	**147,000**
Yip Kim Hoong	147,000	–	–	**147,000**
Innobrid Sdn Bhd				
Indirect Interest				
Yap Hoong Chai	880,000	–	–	**880,000**
Yeap Fock Hoong	880,000	–	–	**880,000**
Yeap Weng Hong	880,000	–	–	**880,000**
Yip Kim Hoong	880,000	–	–	**880,000**
Sri Tawau Farming Sdn Bhd				
Indirect Interest				
Yap Hoong Chai	500,001	–	–	**500,001**
Yeap Fock Hoong	500,001	–	–	**500,001**
Yeap Weng Hong	500,001	–	–	**500,001**
Yip Kim Hoong	500,001	–	–	**500,001**

DIRECTORS' INTEREST (cont'd)

	Grant date	Expiry date	Number of Options Over Ordinary Shares of RM1 Each At 1 April 2007	Granted	Exercised	Lapsed	At 31 March 2008
Yap Hoong Chai	23/11/2005	10/11/2010	600,000	–	–	–	**600,000**
Yeap Weng Hong	23/11/2005	10/11/2010	400,000	–	–	–	**400,000**

Yap Hoong Chai, Yeap Fock Hoong, Yeap Weng Hong, Dato' Liew Yew Chung and Dato' Liew Kuek Hin by virtue of their interests in shares in the Company are also deemed interested in shares of all the Company's subsidiaries 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

a Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:

i to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts;
and

ii to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

b At the date of this report, the directors are not aware of any circumstances which would render:

i the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
and

ii the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

c At the date of this report, the directors are not aware of any circumstances 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.

OTHER STATUTORY INFORMATION (cont'd)

d At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

i any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

ii any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

f In the opinion of the directors:

i no contingent liability 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 July 2008.

YAP HOONG CHAI **YEAP WENG HONG**

STATEMENT BY DIRECTORS

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 accompanying financial statements set out on pages 33 to 89 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 July 2008.

YAP HOONG CHAI **YEAP WENG HONG**

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ng Kim Tian, being the officer primarily responsible for the financial management of LAY HONG BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 89 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** at Klang
in Selangor Darul Ehsan on 23 July 2008. **NG KIM TIAN**

Before me,
YAM CHEOK WAN
41-A (Front) Jalan Goh Hock Huat
41400 Klang, Selangor
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LAY HONG BERHAD (INCORPORATED IN MALAYSIA)

Report on the financial statements

We have audited the financial statements of Lay Hong Berhad, which comprise the balance sheets as at 31 March 2008, of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 89.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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 and fair presentation of the financial statements 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 the 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 have been properly drawn up in accordance with Financial Reporting Standards and 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 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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 subsidiaries 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 subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

d The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

ERNST & YOUNG
AF: 0039
Chartered Accountants

GEORGE KOSHY
No. 1846/07/09 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 July 2008

BALANCE SHEETS

AS AT 31 MARCH 2008

	Note	Group 2008 RM	Group 2007 RM (Restated)	Company 2008 RM	Company 2007 RM (Restated)
ASSETS					
Non-current assets					
Property, plant and equipment	3	**140,615,417**	134,362,923	**59,454,072**	54,546,145
Prepaid land lease payments	4	**7,029,813**	6,717,001	**318,969**	323,401
Intangible assets	5	**2,866,348**	2,632,881	**–**	–
Investments	6	**2,118,791**	2,118,791	**18,416,647**	15,396,650
Deferred tax assets	7	**4,027,725**	4,318,925	**–**	–
		156,658,094	150,150,521	**78,189,688**	70,266,196
Current assets					
Biological assets	8	**20,796,950**	19,282,076	**11,404,157**	9,523,594
Inventories	9	**28,651,543**	17,950,775	**6,228,310**	4,685,793
Trade receivables	10	**47,841,471**	34,131,695	**9,289,280**	6,504,629
Other receivables	11	**4,528,106**	4,958,664	**1,700,532**	2,692,792
Due from subsidiaries	12	**–**	–	**62,342,703**	48,734,534
Short term investment	13	**4,213,750**	9,549,278	**4,213,750**	9,549,278
Cash and bank balances	14	**2,252,164**	797,242	**69,127**	24,450
		108,283,984	86,669,730	**95,247,859**	81,715,070
TOTAL ASSETS		**264,942,078**	236,820,251	**173,437,547**	151,981,266
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	15	**46,240,000**	46,240,000	**46,240,000**	46,240,000
Other reserves		**11,801,168**	12,056,356	**6,435,923**	6,479,057
Retained earnings	16	**17,512,538**	15,789,598	**13,859,354**	12,890,414
		75,553,706	74,085,954	**66,535,277**	65,609,471
Minority Interests		**11,442,125**	7,817,979	**–**	–
Total equity		**86,995,831**	81,903,933	**66,535,277**	65,609,471

BALANCE SHEETS (cont'd)

AS AT 31 MARCH 2008

	Note	Group		Company	
		2008	2007	2008	2007
		RM	RM	RM	RM
			(Restated)		(Restated)
Non-current liabilities					
Long term borrowings	17	**42,270,291**	47,752,110	**31,811,423**	31,597,015
Due to corporate shareholders	18	**2,309,057**	2,898,000	**–**	–
Deferred tax liabilities	7	**13,502,650**	13,799,004	**6,524,110**	7,520,649
		58,081,998	64,449,114	**38,335,533**	39,117,664
Current liabilities					
Short term borrowings	17	**52,664,999**	49,013,318	**24,976,673**	22,558,733
Trade payables	19	**55,315,369**	30,632,214	**36,028,100**	18,379,177
Other payables	20	**11,770,663**	10,569,549	**5,172,729**	5,342,425
Due to subsidiaries	12	**–**	–	**2,389,235**	973,796
Due to corporate shareholders	18	**113,218**	215,275	**–**	–
Income tax payable		**–**	36,848	**–**	–
		119,864,249	90,467,204	**68,566,737**	47,254,131
Total liabilities		**177,946,247**	154,916,318	**106,902,270**	86,371,795
TOTAL EQUITY AND LIABILITIES		**264,942,078**	236,820,251	**173,437,547**	151,981,266

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

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

		Group		Company	
	Note	2008 RM	2007 RM	2008 RM	2007 RM
Revenue	22	**317,522,797**	232,746,261	**186,419,687**	144,724,276
Other operating income	23	**1,584,216**	1,567,923	**2,631,891**	768,695
Changes in inventories and biological assets		**6,000,998**	1,712,690	**2,157,378**	884,571
Raw materials, livestocks and consumables used		**(234,710,419)**	(161,090,349)	**(160,913,006)**	(118,860,926)
Staff costs	24	**(23,762,438)**	(19,326,275)	**(6,466,384)**	(5,858,820)
Depreciation and amortisation		**(12,714,006)**	(12,169,917)	**(5,436,300)**	(5,424,999)
Other operating expenses	26	**(42,017,932)**	(35,536,984)	**(14,035,783)**	(12,318,136)
Operating profit		**11,903,216**	7,903,349	**4,357,483**	3,914,661
Finance costs	27	**(6,780,045)**	(5,546,574)	**(3,487,044)**	(2,266,887)
Profit before tax		**5,123,171**	2,356,775	**870,439**	1,647,774
Income tax (expense)/credit	28	**(409,231)**	(384,456)	**42,524**	(284,223)
Profit for the year		**4,713,940**	1,972,319	**912,963**	1,363,551
Attributable to:					
Equity holders of the Company		**1,400,215**	1,402,647	**912,963**	1,363,551
Minority interests		**3,313,725**	569,672	**–**	–
		4,713,940	1,972,319	**912,963**	1,363,551
Earnings per share attributable to equity holders to the Company (sen)					
Basic	29	**3.03**	3.22		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

		Attributable to Equity Holders of the Company					
	Note	Share Capital RM	Non-Distributable Revaluation Reserve RM	Distributable Retained Earnings RM	Total RM	Minority Interests RM	Total Equity RM
At 1 April 2006		42,000,000	11,887,758	13,999,825	67,887,583	7,145,734	75,033,317
Effects of adopting: FRS 3	5	–	–	367,781	367,781	–	367,781
Transfer to distributable reserve on realisation of revaluation reserve		–	(321,745)	321,745	–	–	–
Transfer from deferred tax arising from changes in tax rates	7	–	133,531	–	133,531	67,733	201,264
Reversal of deferred tax arising from exemption on Real Property Gains Tax	7	–	356,812	–	356,812	34,840	391,652
Net income recognised directly in equity		–	168,598	321,745	490,343	102,573	592,916
Profit for the year		–	–	1,402,647	1,402,647	569,672	1,972,319
Dividends		–	–	(302,400)	(302,400)	–	(302,400)
Issue of ordinary shares:							
- Issued for cash	15	4,200,000	–	–	4,200,000	–	4,200,000
- Pursuant to ESOS	15 (a)	40,000	–	–	40,000	–	40,000
At 31 March 2007		46,240,000	12,056,356	15,789,598	74,085,954	7,817,979	81,903,933
Transfer to distributable reserve on realisation of revaluation reserve		–	(322,725)	322,725	–	–	–
Transfer from deferred tax arising from changes in tax rates	7	–	67,537	–	67,537	25,880	93,417
Net income/(expense) recognised directly in equity		–	(255,188)	322,725	67,537	25,880	93,417
Profit for the year		–	–	1,400,215	1,400,215	3,313,725	4,713,940
Dividends paid to minority interests by subsidiaries		–	–	–	–	(1,014,300)	(1,014,300)
Issue of ordinary shares by subsidiaries	6	–	–	–	–	980,000	980,000
Accretion of equity interest in subsidiaries	6	–	–	–	–	318,841	318,841
At 31 March 2008		46,240,000	11,801,168	17,512,538	75,553,706	11,442,125	86,995,831

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

	Note	Share Capital RM	Non-Distributable Revaluation Reserve RM	Distributable Retained Earnings RM	Total RM
At 1 April 2006					
As previously stated		42,000,000	6,238,530	11,774,042	60,012,572
Transfer from deferred tax arising from changes in tax rates	7	–	26,442	–	26,442
Transfer to distributable reserve on realisation of revaluation reserve		–	(55,221)	55,221	–
Reversal of deferred tax arising from exemption on Real Property Gains Tax	7	–	269,306	–	269,306
Net income recognised directly in equity		–	240,527	55,221	295,748
Profit for the year		–	–	1,363,551	1,363,551
Dividends		–	–	(302,400)	(302,400)
Issue of ordinary shares:					
- Issued for cash	15	4,200,000	–	–	4,200,000
- Pursuant to ESOS	15 (a)	40,000	–	–	40,000
At 31 March 2007		46,240,000	6,479,057	12,890,414	65,609,471
Transfer from deferred tax arising from changes in tax rates	7	–	12,843	–	12,843
Transfer to distributable reserve on realisation of revaluation reserve		–	(55,977)	55,977	–
Net income/(expense) recognised directly in equity		–	(43,134)	55,977	12,843
Profit for the year		–	–	912,963	912,963
At 31 March 2008		46,240,000	6,435,923	13,859,354	66,535,277

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**5,123,171**	2,356,775	**870,439**	1,647,774
Adjustments for:				
Amortisation of prepaid land lease payments	**70,595**	48,505	**4,432**	4,599
Amortisation of intangible assets	**85,374**	–	**–**	–
Depreciation of property, plant and equipment	**12,558,037**	12,121,412	**5,431,868**	5,420,400
Dividend income	**(500)**	(600)	**(3,195,500)**	(600)
Gain on disposal of property, plant and equipment	**(202,097)**	(70,706)	**(132,635)**	(15,960)
Interest expense	**6,780,045**	5,546,574	**3,487,044**	2,266,887
Interest income	**(271,567)**	(71,627)	**(256,076)**	(64,059)
Net unrealised foreign exchange loss	**207,485**	120,829	**166,638**	145,387
Bad debts written off	**46,495**	547,689	**46,495**	46,547
Provision for doubtful debts	**619,368**	342,708	**64,594**	11,041
Write back of provision for doubtful debts	**(154,158)**	(988,169)	**(145,571)**	(282,286)
Property, plant and equipment written off	**11,083**	2,746	**4,906**	192
Preliminary expenses written off	**–**	2,400	**–**	–
Operating profit before working capital changes	**24,873,331**	19,958,536	**6,346,634**	9,179,922
Increase in inventories and biological assets	**(12,215,642)**	(3,693,168)	**(3,423,080)**	(1,548,445)
Increase in trade and other receivables	**(14,251,315)**	(10,838,120)	**(2,040,585)**	(2,161,541)
Increase/(decrease) in payables	**25,701,752**	(1,250,119)	**17,318,200**	(423,796)
Decrease in intercompany balances	**–**	–	**(9,693,230)**	(13,194,573)
Decrease in amount due to corporate shareholders	**(691,000)**	(1,117,930)	**–**	–
Cash generated from/(used in) operations	**23,417,126**	3,059,199	**8,507,939**	(8,148,433)
Interest paid	**(6,780,045)**	(5,546,574)	**(3,487,044)**	(2,266,887)
Taxes refunded/(paid)	**77,608**	(538,238)	**31,393**	(543,331)
Preliminary expenses paid	**–**	(2,400)	**–**	–
Net cash generated from/(used in) operating activities	**16,714,689**	(3,028,013)	**5,052,288**	(10,958,651)

	Group		Company	
	2008	2007	**2008**	2007
	RM	RM	**RM**	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiary	**–**	–	**–**	(2)
Purchase of property, plant and equipment	**(12,458,145)**	(6,365,963)	**(6,388,281)**	(927,410)
Prepayment of land lease	**(383,407)**	(328,000)	**–**	(328,000)
Proceeds from disposal of property, plant and equipment	**448,294**	813,802	**283,000**	466,822
Additional investment in subsidiaries	**–**	–	**(3,019,997)**	–
Additional investment by minority interests	**980,000**	–	**–**	–
Interest received	**271,567**	71,627	**256,076**	64,059
Dividend paid to minority interests by subsidiaries	**(1,014,300)**	–	**–**	–
Dividend received	**500**	600	**500**	600
Development cost	**–**	(714,049)	**–**	–
Investment in bonds	**–**	(2,000,000)	**–**	(2,000,000)
Net cash used in investing activities	**(12,155,491)**	(8,521,983)	**(8,868,702)**	(2,723,931)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of bankers' acceptances	**2,559,000**	3,740,000	**1,344,000**	1,303,000
Proceeds from issue of ordinary shares	**–**	4,240,000	**–**	4,240,000
Drawdown from unsecured fixed term loan	**–**	20,000,000	**–**	20,000,000
Repayment of term loans	**(7,665,624)**	(8,078,658)	**(1,701,044)**	(2,518,264)
Repayment of hire purchase financing	**(2,859,969)**	(2,046,714)	**(1,184,152)**	(1,383,934)
Dividends paid	**–**	(302,400)	**–**	(302,400)
Net cash (used in)/generated from financing activities	**(7,966,593)**	17,552,228	**(1,541,196)**	21,338,402
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(3,407,395)**	6,002,232	**(5,357,610)**	7,655,820
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,411,603**	(2,590,629)	**7,414,026**	(241,794)
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 14)	**4,208**	3,411,603	**2,056,416**	7,414,026

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 26, Jalan Istana, 41000, Klang, Selangor Darul Ehsan.

The principal activities of the Company are that of investment holding and poultry farming. The principal activities of the subsidiaries are as disclosed in Note 6. There have been no significant changes in the nature of the principal activities 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 23 July 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical basis, unless otherwise should be in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

a Subsidiaries and Basis of Consolidation

i Subsidiaries

Subsidiaries 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 entity.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

a Subsidiaries and Basis of Consolidation (cont'd)

ii Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries 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 subsidiaries 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.

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 profit or loss.

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

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 value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

b Intangible Assets (cont'd)

ii Research and development costs

All research costs are recognised in the profit or loss as incurred.

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

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

c Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Buildings consist of mainly office space and livestock houses on freehold land, leasehold land and tenant lease land. Livestock houses are self-constructed assets which include construction costs, material costs and other costs directly attributable to bringing the assets to the location and condition necessary for it to operate.

Freehold land and buildings, except for livestock houses on tenant lease land, are stated at revalued amounts, 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 professionally 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 profit or loss, in which case the increase is recognised in profit or loss, 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 profit or loss. Upon disposal or retirement of an asset, any revalution reserve relating to the particular asset is transferred directly to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

c Property, Plant and Equipment and Depreciation (cont'd)

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress comprises office space which are under construction as at year end. Capital work-in-progress are also not depreciated as these assets are not 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%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement 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 Impairment of Non-financial Assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet 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.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

d Impairment of Non-financial Assets (cont'd)

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

e Biological Assets (cont'd)

ii Broiler Breeders

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

iii Layers

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

f Inventories

i Livestocks

Livestocks comprise broilers held for trading and is stated at lower of cost or amortised cost and net realisable value. Costs include cost of purchases and other directly attributable cost 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 costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

g Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

i Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

ii Other Non-current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. Upon disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

iii Marketable Securitites

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

iv Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

v Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

g Financial Instruments (cont'd)

vi Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

vii Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

h 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 – the Group as Lessee

Assets acquired by way of hire purchase or 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 impairment losses. The corresponding liability is included in the balance sheet 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 profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

h Leases (cont'd)

iii Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense 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.

The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

i Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

j Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. 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 balance sheet date.

Deferred tax is provided for, using the liability method. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

j Income Tax (cont'd)

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 that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

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 revenue reserve, the related deferred tax is also transferred. Upon the disposal of the related asset, the attributable portion of the tax effect arising from revaluation is credited or charged to profit or loss.

k Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

l 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

l Employee Benefits (cont'd)

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 profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

iii Share-based Compensation

The Lay Hong Berhad Executive Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's executives to acquire ordinary shares of the Company. The total fair value of share options granted to executives is 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 balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, 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.

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

m Foreign Currencies

i Functional and Presentation Currency

The individual 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 consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

m 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 currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

n 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 reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i Sale of Goods

Revenue is recognised net of discounts upon the transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii Dividend Income

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

iii Rental Income and Interest Income

Rental income and interest income are recognised on an accrual basis.

iv Management Fees

Management fees are recognised when services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs

On 1 April 2007, the Group and the Company adopted the following revised FRSs:

FRS 117	Leases
FRS 124	Related Party Transactions

The Malaysian Accounting Standards Board ("MASB") has also issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119_{2004}: Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures which will be effective for annual periods beginning on or after 1 January 2007. Both FRS 6 and Amendment to FRS 119_{2004} are, however, not applicable to the Group or the Company.

The adoption of the revised FRS 124 gives rise to additional disclosures but does not result in significant changes in the accounting policies of the Group and of the Company. The effects resulting from the adoption of the revised FRS 117 are discussed below:

Prior to 1 April 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost and valuation less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land. Leases of land classified as operating or finance leases in the same way as leases of other assets. Leasehold land held for own use is now classified as operating lease. The up-front payment relating to the land element represents prepaid land lease payments and are amortised on a straight-line basis over the lease term of 23 to 91 years.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 April 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease land payments as allowed by the transitional provisions.

The effect of consolidated balance sheet as at 31 March 2008 are set out below:

	2008 RM
Decrease in property, plant and equipment	(7,029,813)
Increase in prepaid land lease payments	7,029,813

There were no effects on the consolidated income statement for the year ended 31 March 2008 and the Company's separate financial statements.

The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as such, certain comparatives have been restated.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (cont'd)

	As previously stated RM	FRS 117 RM	As restated RM
Property, plant and equipment	141,079,924	(6,717,001)	134,362,923
Prepaid land lease payments	–	6,717,001	6,717,001

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, although the following new and revised FRSs, amendment to FRSs and Interpretations were in issue, but not yet effective and have not been applied by the Group and the Company:

FRS, Amendment to FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 107: Cash Flow Statements	1 July 2007
Amendment to FRS 111: Construction Contracts	1 July 2007
Amendment to FRS 112: Income Taxes	1 July 2007
Amendment to FRS 118: Revenue	1 July 2007
Amendment to FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
Amendment to FRS 134: Interim Financial Reporting	1 July 2007
Amendment to FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRS, amendment to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.

The Group is exempted from disclosing the possible impact to the financial statements of the Group upon the initial application of FRS 139.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Significant Accounting Estimates and Judgements

a Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

i 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 balance date is disclosed in Note 5.

ii Impairment of property, plant and equipment

The Group assess at each balance sheet date the carrying value of its property, plant and equipment. The Group carried 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 flows 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.

iii Impairment of investments

At balance sheet date, management determines whether the carrying amounts 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Significant Accounting Estimates and Judgements (cont'd)

a Key Sources of Estimation Uncertainty (cont'd)

iv Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 33 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.

v Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that 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.

The total carrying value of recognised tax losses and capital allowances of the Group was RM36,962,000 (2007: RM38,099,000).

vi Biological assets

The cost of livestocks include all attributable cost at the point of lay which range from week 21 to week 24. Management estimates the economic useful lives of these livestocks range between week 65 to week 77 based on their economic egglaying lives. These are common life expectancies applied in the industry.

Changes to these bases could impact the economic useful lives and the residual values of these assets, therefore the future depreciation charges could be revised.

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work-In-Progress RM	Total RM
Group							
2008							
Cost/Valuation							
At 1 April 2007							
Cost	–	13,554,668	92,677,203	9,922,956	5,293,317	448,901	121,897,045
Valuation	16,838,096	66,202,362	–	–	–	–	83,040,458
	16,838,096	79,757,030	92,677,203	9,922,956	5,293,317	448,901	204,937,503
Additions	–	1,910,221	6,425,154	1,995,199	782,978	7,954,259	19,067,811
Disposals	–	–	(153,983)	(981,767)	(4,330)	–	(1,140,080)
Transfers	–	413,187	–	–	–	(413,187)	–
Write offs	–	(5,100)	(443,220)	(400)	(50,475)	–	(499,195)
At 31 March 2008	16,838,096	82,075,338	98,505,154	10,935,988	6,021,490	7,989,973	222,366,039
Cost	–	15,878,076	98,505,154	10,935,988	6,021,490	7,989,973	139,330,681
Valuation	16,838,096	66,197,262	–	–	–	–	83,035,358
	16,838,096	82,075,338	98,505,154	10,935,988	6,021,490	7,989,973	222,366,039
Accumulated depreciation and impairment losses							
At 1 April 2007	–	26,989,014	34,583,551	6,734,318	2,267,697	–	70,574,580
Charge for the year	–	3,007,275	7,302,501	1,611,037	637,224	–	12,558,037
Disposals	–	–	(152,973)	(740,329)	(581)	–	(893,883)
Write offs	–	(5,100)	(441,315)	(399)	(41,298)	–	(488,112)
At 31 March 2008	–	29,991,189	41,291,764	7,604,627	2,863,042	–	81,750,622
Net carrying amount							
Cost	–	12,212,072	57,213,390	3,331,361	3,158,448	7,989,973	83,905,244
Valuation	16,838,096	39,872,077	–	–	–	–	56,710,173
At 31 March 2008	16,838,096	52,084,149	57,213,390	3,331,361	3,158,448	7,989,973	140,615,417

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

	Freehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work-In-Progress RM	Total RM
Group							
2007							
Cost/Valuation							
At 1 April 2006							
Cost	450,860	11,469,046	90,384,273	9,256,590	4,517,200	376,711	116,454,680
Valuation	16,838,096	66,202,362	–	–	–	–	83,040,458
	17,288,956	77,671,408	90,384,273	9,256,590	4,517,200	376,711	199,495,138
Additions	–	1,748,661	3,946,976	1,008,691	965,027	448,901	8,118,256
Disposals	(450,860)	–	(365,601)	(341,325)	–	–	(1,157,786)
Transfers	–	336,961	39,750	–	–	(376,711)	–
Write offs	–	–	(1,328,195)	(1,000)	(188,910)	–	(1,518,105)
At 31 March 2007	16,838,096	79,757,030	92,677,203	9,922,956	5,293,317	448,901	204,937,503
Cost	–	13,554,668	92,677,203	9,922,956	5,293,317	448,901	121,897,045
Valuation	16,838,096	66,202,362	–	–	–	–	83,040,458
	16,838,096	79,757,030	92,677,203	9,922,956	5,293,317	448,901	204,937,503
Accumulated depreciation and impairment losses							
At 1 April 2006	–	24,001,755	28,971,942	5,529,370	1,880,149	–	60,383,216
Charge for the year	–	2,987,259	7,027,191	1,530,819	576,143	–	12,121,412
Disposals	–	–	(89,818)	(324,872)	–	–	(414,690)
Write offs	–	–	(1,325,764)	(999)	(188,595)	–	(1,515,358)
At 31 March 2007	–	26,989,014	34,583,551	6,734,318	2,267,697	–	70,574,580
Net carrying amount							
Cost	–	10,376,618	58,093,652	3,188,638	3,025,620	448,901	75,133,429
Valuation	16,838,096	42,391,398	–	–	–	–	59,229,494
At 31 March 2007	16,838,096	52,768,016	58,093,652	3,188,638	3,025,620	448,901	134,362,923

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

	Freehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work-In-Progress RM	Total RM
Company							
2008							
Cost/Valuation							
At 1 April 2007							
Cost	–	4,253,088	41,486,557	5,568,118	3,487,365	15,238	54,810,366
Valuation	9,758,097	19,736,125	–	–	–	–	29,494,222
Total	9,758,097	23,989,213	41,486,557	5,568,118	3,487,365	15,238	84,304,588
Additions	–	93,850	2,966,810	772,193	153,664	6,508,549	10,495,066
Disposals	–	–	–	(737,632)	–	–	(737,632)
Write offs	–	–	(284,899)	(400)	(28,717)	–	(314,016)
At 31 March 2008	9,758,097	24,083,063	44,168,468	5,602,279	3,612,312	6,523,787	93,748,006
Cost	–	4,346,938	44,168,468	5,602,279	3,612,312	6,523,787	64,253,784
Valuation	9,758,097	19,736,125	–	–	–	–	29,494,222
	9,758,097	24,083,063	44,168,468	5,602,279	3,612,312	6,523,787	93,748,006
Accumulated depreciation and impairment losses							
At 1 April 2007	–	6,464,861	17,236,322	4,207,997	1,849,263	–	29,758,443
Charge for the year	–	853,251	3,190,639	935,636	452,342	–	5,431,868
Disposals	–	–	–	(587,267)	–	–	(587,267)
Write offs	–	–	(284,773)	(399)	(23,938)	–	(309,110)
At 31 March 2008	–	7,318,112	20,142,188	4,555,967	2,277,667	–	34,293,934
Net carrying amount							
Cost	–	3,885,143	24,026,280	1,046,312	1,334,645	6,523,787	36,816,167
Valuation	9,758,097	12,879,808	–	–	–	–	22,637,905
At 31 March 2008	9,758,097	16,764,951	24,026,280	1,046,312	1,334,645	6,523,787	59,454,072

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

	Freehold Land RM	Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work–In–Progress RM	Total RM
Company							
2007							
Cost/Valuation							
At 1 April 2006							
Cost	450,860	4,058,743	41,231,152	5,620,532	3,034,324	–	54,395,611
Valuation	9,758,097	19,736,125	–	–	–	–	29,494,222
Total	10,208,957	23,794,868	41,231,152	5,620,532	3,034,324	–	83,889,833
Additions	–	194,345	735,694	191,207	610,405	15,238	1,746,889
Disposals	(450,860)	–	–	(242,621)	–	–	(693,481)
Write offs	–	–	(480,289)	(1,000)	(157,364)	–	(638,653)
At 31 March 2007	9,758,097	23,989,213	41,486,557	5,568,118	3,487,365	15,238	84,304,588
Cost	–	4,253,088	41,486,557	5,568,118	3,487,365	15,238	54,810,366
Valuation	9,758,097	19,736,125	–	–	–	–	29,494,222
	9,758,097	23,989,213	41,486,557	5,568,118	3,487,365	15,238	84,304,588
Accumulated depreciation and impairment losses							
At 1 April 2006	–	5,616,213	14,570,936	3,463,947	1,568,027	–	25,219,123
Charge for the year	–	848,648	3,145,610	987,668	438,474	–	5,420,400
Disposals	–	–	–	(242,619)	–	–	(242,619)
Write offs	–	–	(480,224)	(999)	(157,238)	–	(638,461)
At 31 March 2007	–	6,464,861	17,236,322	4,207,997	1,849,263	–	29,758,443
Net carrying amount							
Cost	–	3,945,948	24,250,235	1,360,121	1,638,102	15,238	31,209,644
Valuation	9,758,097	13,578,404	–	–	–	–	23,336,501
At 31 March 2007	9,758,097	17,524,352	24,250,235	1,360,121	1,638,102	15,238	54,546,145

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

(a) Freehold land of certain subsidiaries with net book value amounting to RM4,640,000 (2007: RM4,640,000) have been pledged to financial institutions as security for bank borrowings as disclosed in Note 17.

(b) Specific debenture has been created on certain poultry equipment with net carrying amount of RM5,591,399 (2007: RM6,225,314).

(c) The land and buildings were revalued on 28 March 2006 by Sidsapesan Sittampalam, a registered valuer with PPC International Sdn Bhd on the basis of open market values on existing use basis.

The carrying amounts of the revalued freehold land and buildings that would have been included in the financial statements had these properties been carried at cost less accumulated depreciation are as follows:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Freehold land	**8,261,974**	8,261,974	**3,628,882**	3,628,882
Buildings	**30,181,044**	32,445,436	**11,671,123**	12,294,073
	38,443,018	40,707,410	**15,300,005**	15,922,955

(d) The net book values of property, plant and equipment held under hire purchase arrangements are as follows:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Motor vehicles	**1,847,129**	1,670,177	**632,397**	347,168
Office equipment	**348,129**	452,556	**348,120**	452,556
Plant and machinery	**14,024,138**	11,823,563	**2,280,723**	704,804

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash	**12,458,145**	6,365,963	**6,388,281**	927,410
Hire Purchase	**6,609,666**	1,752,293	**4,106,785**	819,479
	19,067,811	8,118,256	**10,495,066**	1,746,889

4. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Cost				
At beginning of year	**6,717,001**	6,437,506	**323,401**	–
Additions during the year	**383,407**	328,000	**–**	328,000
Amortisation during the year	**(70,595)**	(48,505)	**(4,432)**	(4,599)
At end of year	**7,029,813**	6,717,001	**318,969**	323,401
Analysed as :				
Long term leasehold land	**6,574,926**	6,628,166	**318,969**	323,401
Short term leasehold land	**454,887**	88,835	**–**	–
	7,029,813	6,717,001	**318,969**	323,401

Leasehold land with an aggregate carrying value of RM1,478,725 (2007: RM1,496,321) are pledged as securities for borrowings as at balance sheet date as disclosed in Note 17.

5. INTANGIBLE ASSETS

	Goodwill RM	Negative Goodwill RM	Development Costs RM	Total RM
Group				
Cost				
At 1 April 2006	2,664,197	(367,781)	–	2,296,416
Effects of adopting FRS 3	(745,365)	367,781	–	(377,584)
Additions	–	–	714,049	714,049
At 31 March 2007	1,918,832	–	714,049	2,632,881
Acquisition of additional equity interest in a subsidiary	318,841	–	–	318,841
At 31 March 2008	2,237,673	–	714,049	2,951,722
Accumulated amortisations and impairment losses				
At 1 April 2006	745,365	–	–	745,365
Effects of adopting FRS 3	(745,365)	–	–	(745,365)
At 31 March 2007	–	–	–	–
Amortisation	–	–	85,374	85,374
At 31 March 2008	–	–	85,374	85,374
Net carrying amount				
At 31 March 2008	2,237,673	–	628,675	2,866,348
At 31 March 2007	1,918,832	–	714,049	2,632,881

The goodwill arising on consolidation is attributable to the acquisition of Sri Tawau Farming Sdn Bhd, Innobrid Sdn Bhd and Innobrid Marketing Sdn Bhd in prior years.

The additional goodwill arising on consolidation in the current year is attributable to the acquisition of additional equity interest in Innobrid Sdn Bhd.

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

5. INTANGIBLE ASSETS (cont'd)

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:

	2008	2007
Budgeted gross margin	**5%**	5%
Growth rate	**6%**	5%
Discount rate	**7.5%**	5%

(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.

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

6. INVESTMENTS

	Company	
	2008	2007
	RM	RM
(a) Subsidiaries		
Unquoted shares at cost	**16,298,251**	13,278,254

6. INVESTMENTS (cont'd)

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
(b) Other Investments				
Quoted shares at cost in Malaysia	**5,600**	5,600	**2,799**	2,799
Provision for dimunition	**(4,810)**	(4,810)	**(2,404)**	(2,404)
	790	790	**395**	395
Unquoted shares	**118,001**	118,001	**118,001**	118,001
Unquoted bonds (note iii)	**2,000,000**	2,000,000	**2,000,000**	2,000,000
	2,118,791	2,118,791	**2,118,396**	2,118,396
Total investments	**2,118,791**	2,118,791	**18,416,647**	15,396,650
Market value of shares quoted in Malaysia	**1,040**	1,630	**520**	815

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Share Capital	Effective Interest Held (%) 2008	Effective Interest Held (%) 2007	Principal Activities
Hing Hong Sdn Bhd	Malaysia	2,000,000	**100**	100	Poultry farming
Innofarm (Klang) Sdn Bhd #	Malaysia	400,000	**70**	70	Poultry farming
Evergreen Organic Fertilisers Sdn Bhd	Malaysia	300,000	**51**	51	Organic fertiliser processing
Sri Tawau Farming Sdn Bhd # +	Malaysia	1,000,002	**50**	50	Poultry farming
and its subsidiary					
- Evergrowth Marketing Sdn Bhd #	Malaysia	1,000,000	**30**	30	Poultry processing and marketing
Innobrid Sdn Bhd #	Malaysia	4,000,000	**75**	50	Poultry farming
and its subsidiary					
- Innobrid Marketing Sdn Bhd #	Malaysia	1,600,000	**81**	62	Poultry processing and marketing
Eminent Farm Sdn Bhd #	Malaysia	1,000,000	**100**	100	Poultry farming
Lay Hong Liquid Egg Sdn Bhd #	Malaysia	900,000	**100**	100	Liquid egg processing
Lay Hong Poultry Processing Sdn Bhd #	Malaysia	4,000,000	**100**	100	Poultry processing and marketing
STF Agriculture Sdn Bhd #	Malaysia	2,000,000	**51**	100	Poultry farming

\# Audited by firms of auditors other than Ernst & Young

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

6. INVESTMENTS (cont'd)

(i) Accretion of equity interest in subsidiaries

During the year, the Company subscribed for additional 1,999,999 new ordinary shares of RM1.00 each in the enlarged issued and paid-up capital of Innobrid Sdn. Bhd., for a cash consideration of RM1,999,999, resulting in the Company's equity interest in Innobrid Sdn. Bhd becoming a 75% owned subsidiary. Consequently, the effective equity interest of the Company in Innobrid Marketing Sdn. Bhd. has increased from 62% in 2007 to 81% in current year. Goodwill arising from the above accretion of equity interest amounted to RM318,841.

(ii) Dilution of equity interest in a subsidiary

During the year, STF Agriculture Sdn. Bhd. ("STFA") increased its issued and paid-up ordinary share capital from RM2 to RM2,000,000 through the issuance of 1,999,998 new ordinary shares of RM1.00 each at par. The Company subscribed for 1,019,998 new ordinary shares issued, for a cash consideration of RM1,019,998. This resulted in the equity interest of the Company in STFA being diluted from 100% in 2007 to 51% in the current financial year. There was no goodwill derived from the subscription of new ordinary shares.

(iii) Unquoted bonds

This represents a Subordinated Bond subscribed by the Company pursuant to the Primary Collaterised Loan Obligations Transaction in connection with the Unsecured Fixed Rate Term Loan Facility as disclosed in Note 17.

7. DEFERRED TAXATION

	Group		Company	
	2008	2007	**2008**	2007
	RM	RM	**RM**	RM
At beginning of year	**9,480,079**	9,725,389	**7,520,649**	7,532,174
Recognised in the income statement (Note 28)	**88,263**	347,606	**(983,696)**	284,223
Recognised in equity	**(93,417)**	(201,264)	**(12,843)**	(26,442)
Derecognised in equity	**–**	(391,652)	**–**	(269,306)
At end of year	**9,474,925**	9,480,079	**6,524,110**	7,520,649

Presented after offsetting as follows:

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Deferred tax assets	**(4,027,725)**	(4,318,925)	**(1,037,393)**	(104,765)
Deferred tax liabilities	**13,502,650**	13,799,004	**7,561,503**	7,625,414
	9,474,925	9,480,079	**6,524,110**	7,520,649

7. DEFERRED TAXATION (cont'd)

	Accelerated Capital Allowances RM	Revaluation Reserve RM	Others RM	Total RM
Deferred Tax Liabilities of the Group:				
At 1 April 2007	16,802,116	2,533,766	185,653	19,521,535
Recognised in income statement	577,948	(1,068,895)	(28,721)	(519,668)
Recognised in equity	–	(97,444)	–	(97,444)
At 31 March 2008	17,380,064	1,367,427	156,932	18,904,423
At 1 April 2006	16,770,659	3,298,392	–	20,069,051
Recognised in income statement	31,457	(171,710)	185,653	45,400
Recognised in equity	–	(201,264)	–	(201,264)
Derecognised in equity	–	(391,652)	–	(391,652)
At 31 March 2007	16,802,116	2,533,766	185,653	19,521,535

	Accelerated Capital Allowances RM	Revaluation Reserve RM	Total RM
Deferred Tax Liabilities of the Company:			
At 1 April 2007	7,291,486	333,928	7,625,414
Recognised in income statement	(32,157)	(18,911)	(51,068)
Recognised in equity	–	(12,843)	(12,843)
At 31 March 2008	7,259,329	302,174	7,561,503
At 1 April 2006	7,155,893	650,100	7,805,993
Recognised in income statement	135,593	(20,424)	115,169
Recognised in equity	–	(26,442)	(26,442)
Derecognised in equity	–	(269,306)	(269,306)
At 31 March 2007	7,291,486	333,928	7,625,414

7. DEFERRED TAXATION (cont'd)

	Unused Tax Losses and Unabsorbed Capital Allowances RM	Others RM	Total RM
Deferred Tax Assets of the Group:			
At 1 April 2007	9,905,716	135,740	10,041,456
Recognised in the income statement	(665,079)	53,121	(611,958)
At 31 March 2008	9,240,637	188,861	9,429,498
At 1 April 2006	10,025,781	317,881	10,343,662
Recognised in the income statement	(120,065)	(182,141)	(302,206)
At 31 March 2007	9,905,716	135,740	10,041,456
Deferred Tax Assets of the Company:			
At 1 April 2007	46,795	57,970	104,765
Recognised in the income statement	948,939	(16,311)	932,628
At 31 March 2008	995,734	41,659	1,037,393
At 1 April 2006	146,741	127,078	273,819
Recognised in the income statement	(99,946)	(69,108)	(169,054)
At 31 March 2007	46,795	57,970	104,765

The availability of unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries of the Group are subject to no substantial changes in the shareholdings of these subsidiaries under the Income Tax Act, 1967 and guidelines issued by tax authority. The deferred tax assets that have not been recognised at the Group level relate to subsidiaries that have a recent history of losses and are not expected to generate sufficient future taxable profits against which the benefits can be utilised.

8. BIOLOGICAL ASSETS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At cost:				
Layer breeders	**758,782**	618,115	**–**	–
Broiler breeders	**4,186,236**	4,091,877	**–**	–
Layers	**15,851,932**	14,572,084	**11,404,157**	9,523,594
	20,796,950	19,282,076	**11,404,157**	9,523,594

9. INVENTORIES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At cost:				
Livestocks	**4,741,002**	3,479,613	**–**	–
Eggs	**2,502,673**	1,929,480	**950,586**	773,409
Raw materials	**8,468,549**	4,458,496	**3,828,535**	2,601,575
Organic fertilisers	**639,445**	437,398	**–**	–
Processed and frozen products	**4,507,097**	3,375,682	**–**	–
Consumables and packing materials	**7,792,777**	4,270,106	**1,449,189**	1,310,809
	28,651,543	17,950,775	**6,228,310**	4,685,793

10. TRADE RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade receivables	**52,002,086**	38,222,734	**9,429,050**	6,820,968
Provision for doubtful debts	**(4,160,615)**	(4,091,039)	**(139,770)**	(316,339)
	47,841,471	34,131,695	**9,289,280**	6,504,629

The Group's normal credit term ranges from 30 to 60 days (2007: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

As at 31 March 2008, the Group and Company has a significant concentration of credit risk in the form of outstanding balances due from a customer representing approximately 3% (2007: 6%) and 9% (2007: 13%) respectively on trade receivables (net).

Included in trade receivables above is the following amount due to companies connected to certain directors of the Company:

	Group	
	2008	2007
	RM	RM
London Biscuits Berhad Group	**820,960**	817,550

11. OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Prepayments	**1,689,077**	2,013,225	**529,348**	1,088,910
Sundry receivables	**935,375**	376,794	**363,670**	90,458
Deposits	**1,124,354**	1,353,921	**126,085**	554,930
Tax recoverable	**779,300**	1,214,724	**681,429**	958,494
	4,528,106	4,958,664	**1,700,532**	2,692,792

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

12. DUE FROM/(TO) SUBSIDIARIES

Included in the net amount due from and due to subsidiaries, is a trade receivables balance of RM21,694,482 (2007: RM23,268,781) and other receivables balance of RM40,648,221 (2007: RM24,491,957).

The amounts due from and due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment and are to be settled in cash.

Amount due from subsidiaries amounting to RM7.8million (2007: RM7.8million) are pledged to the financial institution as securities for credit facilities granted to certain subsidiaries as disclosed in Note 17.

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 2.68% (2007: 2.58%).

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Cash on hand and at banks	**1,836,644**	397,242	**69,127**	24,450
Deposits with licensed bank	**415,520**	400,000	**–**	–
Cash and bank balances	**2,252,164**	797,242	**69,127**	24,450
Short term investment (Note 13)	**4,213,750**	9,549,278	**4,213,750**	9,549,278
Less: Bank overdrafts (Note 17)	**(6,461,706)**	(6,934,917)	**(2,226,461)**	(2,159,702)
Cash and cash equivalents	**4,208**	3,411,603	**2,056,416**	7,414,026

The fixed deposits with licensed bank for the Group amounting to RM400,000 (2007: RM400,000) have been pledged to the bank for guarantee facilities to third parties.

The weighted average effective interest rate of deposits for the Group at the balance sheet date is 3.60% (2007: 3.88%).

The maturity of deposit with licensed bank as at the end of the financial year was 365 days (2007: 365 days).

15. SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised share capital				
At beginning/end of year	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Issued and fully paid				
At beginning of year	**46,240,000**	42,000,000	**46,240,000**	42,000,000
Ordinary shares issued during the year:				
- Issued for cash	**–**	4,200,000	**–**	4,200,000
- Pursuant to ESOS	**–**	40,000	**–**	40,000
At end of year	**46,240,000**	46,240,000	**46,240,000**	46,240,000

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.

(a) Salient features of the Executive Share Options Scheme ("ESOS")

The Company's "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 and is to be in force for a period of 5 years from the date of implementation.

The main features of the ESOS are as follows:

(a) the maximum number of new shares which may be available under the ESOS shall not exceed in aggregate fifteen percent (15%) of the total issued and paid-up share capital of the Company at the point of granting of the Option and subject always to the following:

(i) the number of new shares allocated, in aggregate, to the directors and senior management of the Group must not exceed fifty percent (50%) of the new shares available under the scheme; and

(ii) the number of new shares allotted to any individual Eligible Executive must not exceed ten percent (10%) of the aggregate shares available under the scheme where the Eligible Executive, either singly or collectively through persons connected with the Eligible Executive, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company.

15. SHARE CAPITAL (cont'd)

(a) Salient features of the Executive Share Options Scheme ("ESOS") (cont'd)

(b) the ESOS 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 ESOS.

(c) the subscription price shall be the higher of the following:-

(i) the weighted average market price (WAMP) 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 shares to be issued and alloted upon the exercise of any option will upon issue and allotment rank pari passu in all respects with the existing issued ordinary shares of the Company except that the new shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment.

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

		Number of options over ordinary shares of RM 1 each			
Grant date	Exercise price	At 1 April	During the year		At 31 March
	RM	2007	Granted	Exercised	2008
23 Nov 2005	1.00	6,260,000	–	–	**6,260,000**

The share options were granted on 23 November 2005 and will expire on 10 November 2010.

16. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

16. RETAINED PROFITS (cont'd)

As at the financial year end, the Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 March 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 March 2008, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

17. BORROWINGS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Short Term Borrowings				
Secured:				
Bank overdrafts	**4,235,245**	4,775,215	**–**	–
Bankers' acceptances	**14,912,000**	13,697,000	**–**	–
Term loans	**8,489,468**	8,490,267	**2,942,894**	2,539,649
Hire purchase payables (Note 21)	**3,960,607**	2,648,353	**1,180,233**	616,601
	31,597,320	29,610,835	**4,123,127**	3,156,250
Unsecured:				
Bank overdrafts	**2,226,461**	2,159,702	**2,226,461**	2,159,702
Bankers' acceptances	**18,123,000**	16,779,000	**18,123,000**	16,779,000
Unsecured fixed term loan	**718,218**	463,781	**504,085**	463,781
	21,067,679	19,402,483	**20,853,546**	19,402,483
	52,664,999	49,013,318	**24,976,673**	22,558,733
Long Term Borrowings				
Secured:				
Term loans	**13,044,850**	20,460,028	**6,998,038**	8,638,547
Hire purchase payables (Note 21)	**7,532,923**	5,095,480	**3,120,867**	761,866
	20,577,773	25,555,508	**10,118,905**	9,400,413
Unsecured:				
Term loans	**1,692,518**	2,196,602	**1,692,518**	2,196,602
Fixed term loans	**20,000,000**	20,000,000	**20,000,000**	20,000,000
	42,270,291	47,752,110	**31,811,423**	31,597,015

17. BORROWINGS (cont'd)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Total Borrowings				
Bank overdrafts (Note 14)	**6,461,706**	6,934,917	**2,226,461**	2,159,702
Bankers' acceptances	**33,035,000**	30,476,000	**18,123,000**	16,779,000
Term loans	**23,945,054**	31,610,678	**12,137,535**	13,838,579
Unsecured fixed term loan	**20,000,000**	20,000,000	**20,000,000**	20,000,000
Hire purchase payables (Note 21)	**11,493,530**	7,743,833	**4,301,100**	1,378,467
	94,935,290	96,765,428	**56,788,096**	54,155,748
Maturity of borrowings (excluding hire purchase):				
Within one year	**48,704,392**	46,364,965	**23,796,440**	21,942,132
More than 1 year and less than 2 years	**7,105,833**	8,988,818	**4,009,887**	3,232,816
More than 2 years and less than 5 years	**27,631,535**	13,096,720	**24,680,669**	7,440,399
5 years or more	**–**	20,571,092	**–**	20,161,934
	83,441,760	89,021,595	**52,486,996**	52,777,281

The weighted average effective interest rate at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	Group		Company	
	2008	2007	2008	2007
	%	%	%	%
Unsecured fixed term loan	**8.38**	8.38	**8.38**	8.38
Bank overdrafts	**8.19**	8.16	**7.95**	7.91
Bankers' acceptances	**5.34**	5.13	**5.34**	4.99
Term loans	**7.90**	7.75	**8.01**	7.95

The credit facilities of the Company are secured by way of negative pledges on the assets of the Company, specific debentures on poultry equipment and subordination of an investment bond of RM2 million.

The credit facilities of the subsidiaries are secured by way of corporate guarantees from the Company and a corporate shareholder, fixed charges on certain landed properties and prepaid land lease as disclosed in Note 3 and Note 4 respectively, fixed deposits as disclosed in Note 14, subordination of corporate shareholders' loan as disclosed in Note 18, and amount from subsidiaries of RM7.8million (2007: RM7.8 million) in certain subsidiaries as disclosed in Note 12.

The unsecured fixed term loan was granted to the Company pursuant to a Primary Collateralised Loan Obligations Transaction Facility Agreement ("Facility Agreement") entered into between the Company, a third party and a local financial institution. The said term loan is fully repayable in January 2012.

17. BORROWINGS (cont'd)

As provided for under the Facility Agreement:

(a) in the event the rating assigned to the Company falls below the specific rate at any financial period of time before the maturity of the term loan, the Facility Agreement will be terminated where upon the Company shall be required to repay the term loan on demand; and

(b) the Company is required to subscribe for unquoted bonds issued by the said third party pursuant to the Facility Agreement as disclosed in Note 6.

18. DUE TO CORPORATE SHAREHOLDERS:

GROUP

This represents amounts due to Innofarm Sdn Bhd and Lay Hong Holdings Sdn Bhd, corporate shareholders of the Company and of a subsidiary respectively, in which certain directors have an interest.

	2008 RM	2007 RM
Amounts due to corporate shareholders	**2,422,275**	3,113,275
Less: current portion due within one year	**(113,218)**	(215,275)
Non-current portion due after one year	**2,309,057**	2,898,000

The portion due after one year is subordinated for credit facilities granted to a subsidiary by a financial institution.

Amounts due to corporate shareholders are unsecured, interest-free, have no fixed terms of repayment and are to be settled in cash.

19. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from one month to three months (2007: one month to three months).

20. OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Accruals	**4,265,559**	4,822,030	**1,351,824**	1,490,124
Sundry payables	**7,505,104**	5,747,519	**3,820,905**	3,852,301
	11,770,663	10,569,549	**5,172,729**	5,342,425

21. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Future minimum lease payments				
Not later than 1 year	**4,659,248**	3,133,279	**1,464,321**	694,702
Later than 1 year and not later than 2 years	**3,656,661**	2,913,448	**1,143,706**	585,698
Later than 2 years and not later than 5 years	**4,613,872**	2,611,718	**2,339,083**	222,210
Later than 5 years	**–**	9,696	**–**	–
	12,929,781	8,668,141	**4,947,110**	1,502,610
Less: Future finance charges	**(1,436,251)**	(924,308)	**(646,010)**	(124,143)
Present value of finance leases (Note 17)	**11,493,530**	7,743,833	**4,301,100**	1,378,467
Analysis of present value of finance lease liabilities:				
Not later than 1 year	**3,960,607**	2,648,353	**1,180,233**	616,601
Later than 1 year and not later than 2 years	**3,235,521**	2,610,791	**954,717**	550,075
Later than 2 years and not later than 5 years	**4,297,402**	2,475,158	**2,166,150**	211,791
Later than 5 years	**–**	9,531	**–**	–
	11,493,530	7,743,833	**4,301,100**	1,378,467
Analysed as:				
Amount due within 12 months (Note 17)	**3,960,607**	2,648,353	**1,180,233**	616,601
Amount due after 12 months (Note 17)	**7,532,923**	5,095,480	**3,120,867**	761,866
	11,493,530	7,743,833	**4,301,100**	1,378,467

21. HIRE PURCHASE AND FINANCE LEASE LIABILITIES (cont'd)

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

		Weighted average Interest rate			Fair value	
		2008	2007		2008	2007
	Type	%	%	Maturity	RM	RM
Group						
Hire purchase and finance lease liabilities	Fixed	**6.59**	6.59	2008 to 2015	**11,579,030**	11,493,530
Company						
Hire purchase and finance lease liabilities	Fixed	**7.25**	7.25	2008 to 2015	**4,407,688**	4,301,100

22. REVENUE

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Eggs	**99,815,608**	80,150,139	**102,750,924**	84,283,129
Livestocks	**38,064,198**	35,320,420	**2,907,940**	2,642,661
Ready feed	**23,442,846**	15,167,607	**76,335,760**	56,339,004
Processed and frozen products	**153,492,707**	98,851,953	**–**	–
Others	**2,707,438**	3,256,142	**1,230,063**	1,459,482
Dividend income from subsidiaries	**–**	–	**3,195,000**	–
	317,522,797	232,746,261	**186,419,687**	144,724,276

23. OTHER OPERATING INCOME

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Gain on disposal of property, plant and equipment	**202,097**	70,706	**132,635**	15,960
Rental income				
– Subsidiary	**–**	–	**3,600**	3,600
– Others	**72,670**	42,960	**–**	–
Dividend from unquoted investments (gross)	**500**	600	**500**	600
Interest income	**271,567**	71,627	**256,076**	64,059
Insurance claim	**81,661**	42,846	**–**	–
Management fees	**–**	–	**1,558,775**	336,000
Write back of provision for doubtful debts	**154,158**	988,169	**145,571**	282,286
Gain on foreign exchange:				
– Realised	**168,000**	–	**89,401**	–
– Unrealised	**2,537**	–	**–**	–

24. STAFF COSTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Wages and salaries	**12,274,179**	10,520,756	**3,377,248**	3,112,997
Social security cost	**146,375**	130,866	**39,028**	39,527
Employees Provident Fund	**1,371,941**	1,160,854	**501,337**	469,925
Other benefits	**9,969,943**	7,655,819	**2,548,771**	2,236,371
	23,762,438	19,468,295	**6,466,384**	5,858,820
Less: Amount capitalised under development costs	**–**	(142,020)	**–**	–
	23,762,438	19,326,275	**6,466,384**	5,858,820

Included in staff costs of the Group and the Company are directors' remuneration (excluding directors' fees and benefits-in-kind) amounting to RM716,450 (2007: RM665,877) as further disclosed in Note 25.

25. DIRECTORS' REMUNERATION

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	**627,450**	621,377	**627,450**	621,377
Fees	**76,000**	52,000	**28,000**	28,000
Bonus	**89,000**	44,500	**89,000**	44,500
Benefits-in-kind	**44,950**	51,950	**44,950**	51,950
	837,400	769,827	**789,400**	745,827
Non-executive:				
Fees	**103,000**	80,000	**55,000**	56,000
Other Directors				
Salaries and other emoluments	**221,640**	215,840	**–**	–
Fees	**24,000**	–	**–**	–
Bonus	**55,000**	16,000	**–**	–
	300,640	231,840	**–**	–
Total	**1,241,040**	1,081,667	**844,400**	801,827
Analysis excluding benefit-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	**792,450**	717,877	**744,450**	693,877
Total non-executive directors' remuneration excluding benefits-in-kind	**403,640**	311,840	**55,000**	56,000
Total directors' remuneration excluding benefits-in-kind	**1,196,090**	1,029,717	**799,450**	749,877

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

	Number of Directors	
	2008	2007
Executive directors:		
RM500,001 – RM550,000	**1**	–
RM450,001 – RM500,000	**–**	1
RM300,001 – RM350,000	**1**	–
RM250,001 – RM300,000	**–**	1
Non-Executive directors:		
RM1 to RM50,000	**5**	4
RM Nil	**1**	2

26. OTHER OPERATING EXPENSES

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Bad debts written off	**46,495**	547,689	**46,495**	46,547
Directors' fees	**129,000**	120,000	**95,000**	120,000
- overprovision in prior year	**(76,000)**	(24,000)	**(36,000)**	(36,000)
Statutory audits				
- current year	**92,050**	85,200	**20,000**	20,000
- (over)/under provision in prior year	**(50)**	950	**3,000**	3,000
- other services	**6,000**	6,000	**6,000**	6,000
Amortisation of prepaid land lease payments (Note 4)	**70,595**	48,505	**4,432**	4,599
Amortisation of intangible assets (Note 5)	**85,374**	–	**–**	–
Depreciation of property, plant and equipment	**12,558,037**	12,121,412	**5,431,868**	5,420,400
Hire of plant and machinery	**330,006**	190,682	**76,040**	34,820
Loss on foreign exchange:				
- Realised	**62,343**	45,127	**–**	21,504
- Unrealised	**210,022**	120,829	**166,638**	145,387
Provision for doubtful debts	**619,368**	342,708	**64,594**	11,041
Rental				
- Third parties	**1,871,224**	2,156,721	**194,833**	176,753
- A subsidiary	**–**	–	**30,000**	30,000
Property, plant and equipment written off	**11,083**	2,746	**4,906**	192
Operating lease payments for office equipment	**55,147**	41,360	**55,147**	41,360
Preliminary expenses written off	**–**	2,400	**–**	–

27. FINANCE COSTS

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Interest expenses on:				
Bank borrowings	**5,046,311**	4,778,742	**3,202,026**	2,132,071
Hire purchase liabilities	**796,913**	592,217	**285,018**	134,816
Others	**936,821**	175,615	**–**	–
	6,780,045	5,546,574	**3,487,044**	2,266,887

28. INCOME TAX EXPENSE/(CREDIT)

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Tax expense for the year	**269,720**	35,330	**941,013**	–
Underprovision of tax in prior year	**51,248**	1,520	**159**	–
	320,968	36,850	**941,172**	–
Deferred tax (Note 7):				
Relating to origination and reversal of deferred tax	**589,483**	240,574	**(546,229)**	305,292
Relating to changes in tax rates	**(245,538)**	(206,043)	**(269,970)**	(254,111)
(Over)/under provision of deferred tax in prior years	**(255,682)**	313,075	**(167,497)**	233,042
	88,263	347,606	**(983,696)**	284,223
	409,231	384,456	**(42,524)**	284,223

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 25% effective year of assessment 2009. The computation of deferred tax as at 31 March 2008 has reflected these changes.

28. INCOME TAX EXPENSE/(CREDIT) (cont'd)

Taxation for other jurisdiction is calculated at the rates prevailing in the jurisdiction. Certain subsidiaries qualify for the reduced statutory tax rate of 20% on the first RM500,000 (2007: RM500,000) of estimated assessable profit during the financial year.

A reconciliation of income tax (expense)/credit applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2008 RM	2007 RM
Group		
Profit before tax	**5,123,171**	2,356,775
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	**1,332,024**	636,329
Effect of lower tax rate applicable to small and medium scale company	**(37,545)**	(44,281)
Effect on changes in tax rates on opening balance of deferred tax	**(245,538)**	(206,043)
Income not subject to tax	**(272,418)**	(17,296)
Deferred tax recognised at different tax rates	**(43,829)**	(185,944)
Relating to origination and reversal of deferred tax arising from control transfer of property, plant and equipment	**(453,772)**	(40,105)
Utilisation of previously unrecognised unutilised reinvestment allowances	**(364,259)**	(356,506)
Expenses not deductible for tax purposes	**699,002**	283,707
(Over)/underprovision of deferred tax in prior year	**(255,682)**	313,075
Underprovision of tax in prior years	**51,248**	1,520
Income tax expense for the year	**409,231**	384,456
Company		
Profit before tax	**870,439**	1,647,774
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	**226,314**	444,899
Effect on changes in tax rates on opening balance of deferred tax	**(269,970)**	(254,111)
Deferred tax recognised at different tax rates	**–**	(276,412)
Expenses not deductible for tax purposes	**168,470**	154,101
Income not subject to tax	**–**	(17,296)
(Over)/underprovision of deferred tax in prior years	**(167,497)**	233,042
Underprovision of income tax expense in prior years	**159**	–
Income tax (credit)/expense for the year	**(42,524)**	284,223

29. EARNINGS PER SHARE

(a) Basic earnings per share amounts are 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.

	2008 RM	2007 RM
Profit attributable to ordinary equity holders of the Company	**1,400,215**	1,402,647
Weighted average number of ordinary shares in issue	**46,240,000**	43,585,000
Basic earnings per share (sen)	**3.03**	3.22

(b) The fully diluted earnings per share for the Group assuming full conversion of the ESOS is not presented as it is anti-dilutive.

30. DIVIDENDS

	Dividends Recognised in Year	
	2008 RM	2007 RM
Recognised during the year:		
First and final dividend in respect of financial year ended 31 March 2006: 1% less 28% taxation, on 42,000,000 ordinary shares, paid on 8 November 2006 (net, 0.72 sen per ordinary share)	–	302,400

31. OPERATING LEASE ARRANGEMENTS

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Future minimum rentals payments:				
Not later than 1 year	**372,862**	669,556	**26,253**	66,147
Later than 1 year and not later than 5 years	**1,378,792**	1,136,845	**48,155**	62,408
Later than 5 years	**1,129,848**	944,057	**13,000**	26,000
	2,881,502	2,750,458	**87,408**	154,555

32. CAPITAL COMMITMENTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Approved and contracted for				
– Property, plant and equipment	**6,083,000**	5,838,000	**5,757,600**	4,186,000
Approved but not contracted for				
– Property, plant and equipment	**–**	2,888,000	**–**	1,025,000

33. CONTINGENT LIABILITIES

	2008	2007
	RM	RM
Unsecured		
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries	**30,873,930**	33,511,705

34. SEGMENT INFORMATION

No segment information is provided as the Group's activities are primarily in one industry segment of poultry farming, and are principally conducted in Malaysia.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the year.

	2008 RM	2007 RM
Group		
Sales of goods to London Biscuits Berhad Group in which certain directors of the Company have interests	**7,038,526**	2,558,240
Company		
Purchases from subsidiaries:		
- Innofarm (Klang) Sdn Bhd	**12,874,657**	8,286,248
- Hing Hong Sdn Bhd	**17,960,702**	15,043,869
Sales to subsidiaries:		
- Innofarm (Klang) Sdn Bhd	**10,586,137**	9,272,321
- Innobrid Sdn Bhd	**25,395,366**	28,311,803
- Evergreen Organic Fertilisers Sdn Bhd	**360,000**	528,000
- Eminent Farm Sdn Bhd	**26,720,812**	6,966,484
- Hing Hong Sdn Bhd	**14,627,424**	13,040,395
- Lay Hong Liquid Egg Sdn Bhd	**14,224,038**	13,464,099
- Lay Hong Poultry Processing Sdn Bhd	**1,209,975**	888,691
- Sri Tawau Farming	**163,854**	228,991
- Evergrowth Marketing Sdn Bhd	**6,480**	–
- STF Agriculture Sdn Bhd	**16,300**	–
Management fees receivable from subsidiaries:		
- Innofarm (Klang) Sdn Bhd	**120,000**	120,000
- Evergreen Organic Fertilisers Sdn Bhd	**36,000**	36,000
- Hing Hong Sdn Bhd	**180,000**	180,000
- Eminent Farm Sdn Bhd	**180,000**	–
- Evergrowth Marketing Sdn Bhd	**180,000**	–
- Lay Hong Poultry Processing Sdn Bhd	**180,000**	–
- STF Agriculture Sdn Bhd	**60,000**	–
- Sri Tawau Farming Sdn Bhd	**456,170**	–
- Sri Tawau Farming Agriculture Sdn Bhd	**166,605**	–
Rental income from a subsidiary		
- Evergreen Organic Fertilisers Sdn Bhd	**3,600**	3,600
Rental expenses payable to a subsidiary		
- Hing Hong Sdn Bhd	**30,000**	30,000

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

London Biscuits Berhad is a major shareholder of the Company. Dato' Liew Yew Chung and Dato' Liew Kuek Hin are deemed interested by virtue of being directors and major shareholders of London Biscuits Berhad.

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 2008 are disclosed in Notes 12 and 18.

(b) Compensation of key management personnel

The members of key management are also the directors of the Company. The directors remuneration is disclosed in Note 25.

36. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives 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 and credit risks. 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.

(b) 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 2008. 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 liabilities are disclosed in their respective notes.

(c) Foreign Currency 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 United States Dollars (USD), Singapore Dollars (SGD) and Euro Dollars (EURO). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

36. FINANCIAL INSTRUMENTS (cont'd)

(c) Foreign Currency 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			
	United States Dollars	**Singapore Dollars**	**Euro Dollars**	**Total**
Functional Currency of Group Companies				
At 31 March 2008				
Ringgit Malaysia	591,600	777,623	–	1,369,223
At 31 March 2007				
Ringgit Malaysia	(68,901)	252,190	(1,087,329)	(904,040)
Functional Currency of Company				
At 31 March 2008				
Ringgit Malaysia	161,721	785,277	–	946,998
At 31 March 2007				
Ringgit Malaysia	(29,664)	254,180	(1,080,428)	(855,912)

(d) 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 markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) 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.

As at 31 March 2008, the Group and Company has a significant concentration of credit risk in the form of outstanding balances due from a customer as disclosed in Note 10.

36. FINANCIAL INSTRUMENTS (cont'd)

(f) Fair Values

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

	Note	Group Carrying Amount RM	Group Fair Value RM	Company Carrying Amount RM	Company Fair Value RM
31 March 2008					
Financial Assets					
Due from subsidiaries		–	–	62,342,703	*
Financial liabilities					
Due to subsidiaries		–	–	2,389,235	*
Term loans	17	43,945,054	42,440,846	32,137,535	30,594,608
Due to corporate shareholders	18	2,422,275	*	–	–
		46,367,329	42,440,846	34,526,770	30,594,608
31 March 2007					
Financial Assets					
Due from subsidiaries		–	–	48,734,534	*
Financial liabilities					
Due to subsidiaries		–	–	973,796	*
Term loans	17	51,610,678	49,595,545	33,838,579	32,103,561
Due to corporate shareholders	18	3,113,275	*	–	–
		54,723,953	49,595,545	34,812,375	32,103,561

* It is not practical to estimate the fair values of amounts due from/to subsidiaries and to corporate shareholders due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

36. FINANCIAL INSTRUMENTS (cont'd)

(f) Fair Values (cont'd)

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 approximate their 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.

ANALYSIS OF SHAREHOLDERS

AS AT 1 AUGUST 2008

Authorised Shared Capital	:	RM 100,000,000
Issued & Fully Paid-up Capital	:	RM 46,240,000
Class of Shares	:	RM 1.00 Ordinary Share
Voting Rights	:	One Vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	% Shareholders	No. of Shares Held	% of Issued Share Capital
1 – 99	76	5.40	1,125	0.00
100 – 1,000	101	7.17	62,252	0.14
1,001 – 10,000	1,077	76.49	3,707,049	8.02
10,001 – 100,000	136	9.66	3,011,474	6.51
100,001 – 2,311,999 *	14	1.00	6,349,243	13.73
2,312,000 and above **	4	0.28	33,108,857	71.60
	1,408	100.00	46,240,000	100.00

Remark:
* less than 5% of issued shares
** 5% and above of issued shares

LIST OF SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct No. of shares held	Direct %	Indirect No. of shares held	Indirect %
Yap Hoong Chai	–	–	18,900,000	40.87
Yeap Fock Hoong	12,000	0.03	18,900,000	40.87
Yeap Weng Hong	7,200	0.02	18,900,000	40.87
Yip Kim Hoong	2,836,657	6.13	–	–
Dato' Liew Yew Chung	–	–	11,372,200	24.59
Dato' Liew Kuek Hin	–	–	11,372,200	24.59
Innofarm Sdn Bhd	18,900,000	40.87	–	–
London Biscuits Berhad	11,372,200	24.59	–	–

LIST OF DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

Name of Director	Direct No. of shares held	Direct %	Indirect No. of shares held	Indirect %
Yap Hoong Chai	–	–	18,900,000	40.87
Yeap Fock Hoong	12,000	0.03	18,900,000	40.87
Yeap Weng Hong	7,200	0.02	18,900,000	40.87
Yip Kim Hoong	2,836,657	6.13	–	–
Dato' Liew Yew Chung	–	–	11,372,200	24.59
Dato' Liew Kuek Hin	–	–	11,372,200	24.59
Abdul Hamid bin Mohamed Ghows	–	–	–	–
Dato' Dr. Abdul Aziz bin Mangkat	–	–	–	–

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS
(as per Record of Depositors)

	Name of Accounts Holders	No. of Share	%
1.	London Biscuits Berhad	11,372,200	24.59
2.	Innofarm Sdn Bhd	11,236,000	24.30
3.	CIMB Group Nominees (Tempatan) Sdn Bhd -pledged securities account for Innofarm Sdn Bhd	7,664,000	16.57
4.	Yip Kim Hoong	2,836,657	6.13
5.	Ong Har Hong	1,605,100	3.47
6.	Poo Choo @ Ong Poo Choi	1,274,400	2.76
7.	Mayban Securities Nominees (Tempatan) Sdn Bhd -pledged securities account for Ong Huey Peng	1,116,400	2.41
8.	Lai Kum Sim	648,000	1.40
9.	Lai Kum Sim	459,000	0.99
10.	Cheng Ying Ying	261,143	0.56
11.	Ban Seng Guan Sdn Bhd	189,600	0.41
12.	Desa Potensi Sdn Bhd	141,400	0.31
13.	Tawakar Enterprise Sdn Bhd	120,000	0.26
14.	Low Saw Tin	112,000	0.24
15.	Ong Wah Seng	110,400	0.24
16.	Tan Choo Mit	107,600	0.23
17.	Teoh Hunt Thuim	103,400	0.22
18.	Si Hong Kuan	100,800	0.22
19.	Malaysia Nominees (Tempatan) Sendirian Berhad - pledged securities account for Wan Holdings Sdn Bhd	86,400	0.19
20.	Alliance Group Nominees (Tempatan) Sdn Bhd -pledged securities account for Lim Yoke Sim	83,000	0.18
21.	Axiom Enterprises (M) Sdn Bhd	77,600	0.17
22.	Low Fatt Chye	67,200	0.15
23.	Lee You Long	64,900	0.14
24.	Sing Kong Wey	62,400	0.14
25.	Yeap Wan Keng	62,400	0.14
26.	Chan Seng Cheong	60,000	0.13
27.	Mayban Nominees (Tempatan) Sdn Bhd -pledged securities account for Chew Weng Khak @ Chew Weng	57,600	0.13
28.	Lee Tze Yong	51,600	0.11
29.	Wah Keng Sen	51,000	0.11
30.	Tan Poay Teik	50,000	0.11
	Total	40,232,200	87.01

PROPERTIES OWNED BY LAY HONG BERHAD GROUP OF COMPANIES

AS AT 31 MARCH 2008

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition / Revaluation
SELANGOR						
Nos. 39 & 41 Jalan 5, Kawasan 16 Taman Intan, 41300 Klang	Office Building	9,111 sq. ft.	Freehold	23	1,064	28/3/06
Lot Nos. 4857 Mukim of Jeram District of Kuala Selangor	Layer Farm & Feedmill	25	Freehold	9-24	3,264	28/3/06
Lot No. 559 Mukim of Ijok Kuala Selangor	Layer Farm, fertiliser plant & building	34	Freehold	9-16	9,540	28/3/06
Lot No. 1640 Mukim of Ijok Kuala Selangor	Chick Farm	5	Freehold	6-17	825	28/3/06
Lot No. 1954 Mukim of Jeram District of Kuala Selangor	Layer Farm	5	Freehold	6	3,302	28/3/06
Lot No. 3095 Mukim of Jeram District of Kuala Selangor	Pullet Farm	5	Freehold	6	2,106	28/3/06
Lot No. 1555 Mukim of Jeram District of Kuala Selangor	Layer Farm	6	Freehold	4	3,725	24/2/04
Lot 1933 Mukim of Jeram District of Kuala Selangor	Pullet Farm	5	Lease Under Tenant's Lease May 2014	4	689	16/3/05
Lot No. 1868 Mukim of Jeram District of Kuala Selangor	Layer Farm	5	Freehold	3	2,455	28/3/06

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition / Revaluation
Lot Nos. 16458/9 Mukim of Tanjung Karang District of Kuala Selangor	Vacant Land	2	Leasehold Aug 2080	–	319	31/3/06
Lot Nos. 4847/8 Mukim of Jeram District of Kuala Selangor	Layer Farm	26	Land Under Tenant's Lease Aug 2016	9-21	423	1/9/86
Lot No. 4859 Mukim of Jeram District of Kuala Selangor	Fertilizer Plant & Building	4	Land Under Tenant's Lease Nov 2016	12-14	963	1/12/94
Lot No. 1942 Mukim of Jeram District of Kuala Selangor	Fertiliser Plant & Building	3	Land under Tenant's Lease Sep 2012	5	281	1/10/02
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Breeder Farm & Hatchery	10	Freehold	7-16	1,384	28/3/06
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	9-13	937	28/3/06
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	9-13	1,029	28/3/06
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	10	Freehold	9-12	2,065	28/3/06
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	9-11	1,035	28/3/06
Lot Nos. 683/4 & 685 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	15	Land Under Tenant's Lease May 2012	8-11	2,070	19/5/97

PROPERTIES OWNED BY LAY HONG BERHAD GROUP OF COMPANIES (cont'd)

AS AT 31 MARCH 2008

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition / Revaluation
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farm & Hatchery	19	Freehold	6-10	4,954	28/3/06
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	–	180	28/3/06
Lot Nos.16456/7&16486 Mukim Tanjong Karang District of Kuala Selangor	Processing Plant	3	Leasehold Nov 2080 (16456/7) July 2080 (16486)	4	4,724	14/6/00 (16456/7) 6/12/04 (16486)
Lot Nos. 739/40 & 741 Mukim Api-Api District of Kuala Selangor	Breeder Farm	15	Freehold	5	5,697	28/3/06
No. 29, Jalan Perindustrian 5 Off Jalan Haji Abdul Manan Batu 5 1/2, Jalan Meru 41050 Klang Selangor	Manufacturing Liquid Egg Plant	1158 m^2	Freehold	5	1,515	28/3/06
Lot No. 16465 Mukim Tanjong Karang District of Kuala Selangor	Vacant Land	1	Leasehold Nov 2080	–	100	4/7/05
Lot 1262/3 Mukim of Sungai Gumut District of Ulu Selangor Selangor	Broiler Farm & Fertiliser Plant	100	Land Under Tenant's Lease Pending Renewal	4	340	1/10/03
MELAKA						
Lot Nos. 1717/8/9 & 1720 Mukim of Ayer Panas Jasin, Melaka	Layer Farm, Fertiliser Plant & Building	40	Freehold	14-23	3,150	28/3/06

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition / Revaluation
SABAH						
CL 045169248 Kampung Indai Tuaran, Sabah	Broiler Farm	11	Leasehold Jan 2060	11	968	28/3/06
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6	Leasehold June 2094	12	1,232	28/3/06
NT No. 043171651 Kampung Serusup Tuaran, Sabah	Vacant Land	9	Leasehold June 2094	–	251	28/3/06
CL 045115928 Tuaran, Sabah	Layer Farm & Feedmill	89	Leasehold Jan 2938	17	3,733	28/3/06
CL 025308043 Papar, Sabah	Breeder Farm	19	Leasehold Jan 2063	6-10	5,011	28/3/06
CL 025166714 Papar, Sabah	Vacant Land	19	Leasehold Jan 2056	–	475	28/3/06
CL 025166705 Papar, Sabah	Vacant Land	20	Leasehold Jan 2056	–	475	28/3/06
NT No. 043140905 Kampung Serusop Tuaran, Sabah	Broiler Farm	5	Leasehold Feb 2099	5	962	28/3/06
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm	3	Leasehold Aug 2098	5	519	28/3/06
CL 015580104 (KKIP) Kota Kinabalu, Sabah	Feedmill	3	Leasehold Dec 2096	5	2,808	28/3/06
NT. No. 044018224 Tuaran, Sabah	Broiler Farm	4	Leasehold Jul 2031	5	764	28/3/06
NT. No. 043081625 Tamparuli, Sabah	Vacant Land	9	Leasehold Feb 2037	–	371	5/4/07

NOTICE IS HEREBY GIVEN THAT THE TWENTY-FOURTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT KELAB GOLF SULTAN ABDUL AZIZ SHAH, NO 1 RUMAH KELAB, JALAN KELAB GOLF 13/6, 40100 SHAH ALAM, SELANGOR ON THURSDAY, 25 SEPTEMBER 2008 AT 11.30 AM FOR THE FOLLOWING PURPOSES:

ORDINARY BUSINESS

1 To receive the Audited Financial Statements for the financial year ended 31 March 2008 together with the Reports of the Directors and Auditors thereon.

2 To approve the proposed increase in Directors' Fees from RM83,000/- to RM138,000/- for the year ended 31 March 2008. **Resolution 1**

3 To re-elect Encik Abdul Hamid Bin Mohamed Ghows as a Director of the Company in accordance with Article 71 of the Company's Articles of Association. **Resolution 2**

4 To re-elect Mr Yip Kim Hoong as a Director of the Company in accordance with Article 71 of the Company's Articles of Association. **Resolution 3**

5 To accept the resignation of Messrs Ernst & Young as Auditors of the Company and in place thereof, to appoint Messrs Ong Boon Bah & Co. as Auditors of the Company, having consented to act, for the year ending 31 March 2009 and that authority be and is hereby given for the Directors to determine their remuneration (see letter of Nomination of Messrs Ong Boon Bah & Co. as Auditors on page 99). **Resolution 4**

SPECIAL BUSINESS

To consider and, if thought fit, adopt the following Ordinary and Special Resolutions with or without amendment:

ORDINARY RESOLUTION

6 Authority to allot 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 in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 5**

ORDINARY RESOLUTION (cont'd)

7 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

"That subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into the categories of recurrent transactions of a revenue or trading nature and with those Related Parties as specified in Section 2.2 of the Circular to Shareholders dated 3 September 2008 subject further to the following:-

a 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 to the detriment of the minority shareholders of the Company; and

b That the transactions are made on an arm's length basis and on normal commercial terms; and

c That disclosure is made in the Annual Report of the aggregate value transactions conducted pursuant to the shareholders' mandate during the financial year; and

d That such approval shall only continue to be in force until:-
   i the conclusion of the 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; or
   ii 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
   iii revoked or varied by resolution passed by the shareholders in a general meeting, **Resolution 6**

whichever is the earlier.

BY ORDER OF THE BOARD

Secretary
LIM KING HUA, FCIS
MAICSA 0798613

3 September 2008
Klang

NOTES

1 Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2 The Proxy Form in the case of an individual shall be signed by the appointer or his/her attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorized.

3 Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

4 Proxies or other instruments shall not be treated as valid unless they are deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the holding of the poll.

EXPLANATORY NOTES ON SPECIAL BUSINESS

5 Authority to issue Shares pursuant to Section 132D of the Companies Act, 1965.

The Ordinary Resolution proposed under item 6 of the Agenda, if passed, will give the Directors of the Company from the date of the Annual General Meeting, authority to allot and issue ordinary shares from the unissued capital of the Company up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the company at a general meeting, expire at the next Annual General Meeting of the Company.

6 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

The Ordinary Resolution proposed under item 7 of the Agenda, if passed, will authorise 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 3 September 2008 for more information.

AXIOM ENTERPRISES (M) SDN BHD
(521256-W)

11 August 2008

Lay Hong Berhad
26 Jalan Istana
41000 Klang
Selangor.

Attention the Company Secretary

Dear Sirs,

NOMINATON AS AUDITORS

We are a registered shareholder of Lay Hong Berhad and hereby give notice pursuant to Section 172(11) of the Companies Act, 1965, to nominate Messrs Ong Boon Bah & Co for appointment as auditors, to replace the retiring auditors, Messrs Ernst & Young, and to propose that this appointment be tabled at the forthcoming Annual General Meeting.

Thank you.

Yours truly,
AXIOM ENTERPRISES (M) SDN BHD

ONG YONG THYE
Director

STATEMENT ACCOMPANYING THE NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

A Names of the Directors who are standing for re-election:

a Abdul Hamid Bin Mohamed Ghows (retiring pursuant to Article 71 of the Company's Articles of Association).

b Yip Kim Hoong (retiring pursuant to Article 71 of the Company's Articles of Association).

B Details of attendance of directors at board meetings

5 Board Meetings were held during the financial year ended 31 March 2008. All meetings were held at the Office Premises, No 41-B Jalan 5, Kawasan 16, Taman Intan, 41300 Klang, Selangor.

The attendance record of each Director is as follows:

	Attendance	Percentage (%)
Executive Director		
Yap Hoong Chai	5/5	100%
Yeap Weng Hong	5/5	100%
Non-Executive Director		
Yip Kim Hoong	5/5	100%
Yeap Fock Hoong	4/5	80%
Abdul Hamid Bin Mohamed Ghows	5/5	100%
Dato' Dr Abdul Aziz Bin Mangkat DIMP KMN ASK	5/5	100%
Dato' Liew Yew Chung DIMP	5/5	100%

C The Twenty-Fourth Annual General Meeting will be held at Kelab Golf Sultan Abdul Aziz Shah, No 1 Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor on Thursday, 25 September 2008 at 11.30 AM

D Further details of the individuals who are standing for election as directors.

1 a Abdul Hamid Bin Mohamed Ghows, a Malaysian, aged 57, was appointed Independent Non-Executive Director of Lay Hong Berhad on 11 October 2001.

b He was appointed Chairman of the Lay Hong Berhad Audit, Nomination & Remuneration Committees on 18 March 2005.

c He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Chartered Institute of Management Accountants, UK and a member of the Malaysian Institute of Accountants.

d From 1974 to 2000, he served in various senior capacities with Price Waterhouse, Kenmore Asia Pte Ltd and Drexel Oilfields Services in Singapore and the Rothmans International Tobacco Group in Holland, United Kingdom and Malaysia. From 2000 to 2004 he was Director – Risk Management at Rashid Hussein Berhad group. He was Group Chief Executive Officer of the Perisai Petroleum Teknologi Bhd from 2005 to March 2006.

e He has no family relationship with any director and / or major shareholders.

f He does not hold any shares, direct or indirect in Lay Hong Berhad or its subsidiaries.

g He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years.

2 a Yip Kim Hoong, a Malaysian, aged 60, is a Non-Executive Director of Lay Hong Berhad. He was appointed to the Board of Directors of Lay Hong Berhad on 20 August 1984.

b He has more than 20 years experience in poultry farming, having previously served as an Executive Director in the Group.

c He also sits on the Board of Directors of several private limited companies.

d He is the brother of Yap Hoong Chai, Yeap Weng Hong and Yeap Fock Hoong, who are also Directors of the Company.

e He holds 2,836,657 shares of RM1/- each fully-paid in Lay Hong Berhad. He is a director and shareholder in Mackan Trading Sdn Bhd which is a major shareholder of certain subsidiary companies of the Group.

f He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

NOTES

LAY HONG BERHAD (107129-H)
FORM OF PROXY

I/We .... of

....

NRIC No./Co. No. ....

being a member/members of Lay Hong Berhad hereby appoint ....

....

of ....

NRIC No. ....

or failing him /her ....

of ....

NRIC No. ....

as my/our proxy to vote for me/us on my/our behalf at the Twenty-Fourth Annual General Meeting of the Company to be held at Kelab Golf Sultan Abdul Aziz Shah, No 1 Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor on Thursday, 25 September 2008 at 11.30 AM and at any adjournment thereof. My/our proxy is to vote as indicated below:

Resolution	Ordinary Resolutions	For	Against
1.	To approve the increase in Directors' Fees from RM83,000/- to RM138,000/- for the financial year ended 31 March 2008.		
2.	To re-elect Encik Abdul Hamid Bin Mohamed Ghows as Director.		
3.	To re-elect Mr Yip Kim Hoong as Director.		
4.	To appoint Messrs Ong Boon Bah & Co. as Auditors.		
5.	To authorise the issue of shares up to 10% of Issued Share Capital.		
6.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		

(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.)

Signed this .... day of .... 2008.

.... No. of shares held:

Signature of Shareholder or Common Seal

NOTES

1 Every member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. The Proxy Form in the case of an individual shall be signed by the appointer or his/her attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorized.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

4. Proxies or other instruments shall not be treated as valid unless they are deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the holding of the poll.

fold here

STAMP

Lay Hong Berhad
26, Jalan Istana
41000 Klang
Selangor, Malaysia

fold here

COVER RATIONALE

This year's annual report cover depicts a world comprised of eggs – or rather, the number of places around the globe where eggs are consumed – i.e., everywhere! Lay Hong Berhad is likewise continuing to colour the world with its ever-increasing global market presence. The Company is aggressively pursuing new markets and expanding existing ones, to bring the goodness and high nutritional value of our products to a growing and appreciative world.

Lay Hong Berhad
(107129-H) Incorporated in Malaysia

39 & 41, Jalan 5, Kawasan 16
Taman Intan, 41300 Klang
Selangor, Malaysia

t • 03 3343 4888
f • 03 3341 0251