LAY HONG BERHAD

(107129-H) Incorporated in Malaysia

International Growth

Annual Report **2007**

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 EGGS AND BROILER PRODUCTS 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

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
t 03 2084 9000
f 03 2094 9940

SUBSIDIARIES

Hing Hong Sdn Bhd
Innofarm (Klang) Sdn Bhd
Sri Tawau Farming Sdn Bhd
Evergreen Organic Fertilisers Sdn Bhd
Lay Hong Liquid Egg Sdn Bhd
Eminent Farm Sdn Bhd
Lay Hong Poultry Processing Sdn Bhd
Innobrid Sdn Bhd
Innobrid Marketing Sdn Bhd
Evergrowth Marketing Sdn Bhd
STF Agricultre Sdn Bhd

COMPANY SECRETARIES

Lim King Hua
(MAICSA 0798613)

Lim Kui Suang
(MAICSA 0783327)

REGISTERED OFFICE

26, Jalan Istana
41000 Klang, Selangor
t 03 3371 0611
f 03 3371 2886

CORPORATE OFFICE

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

AUDITORS

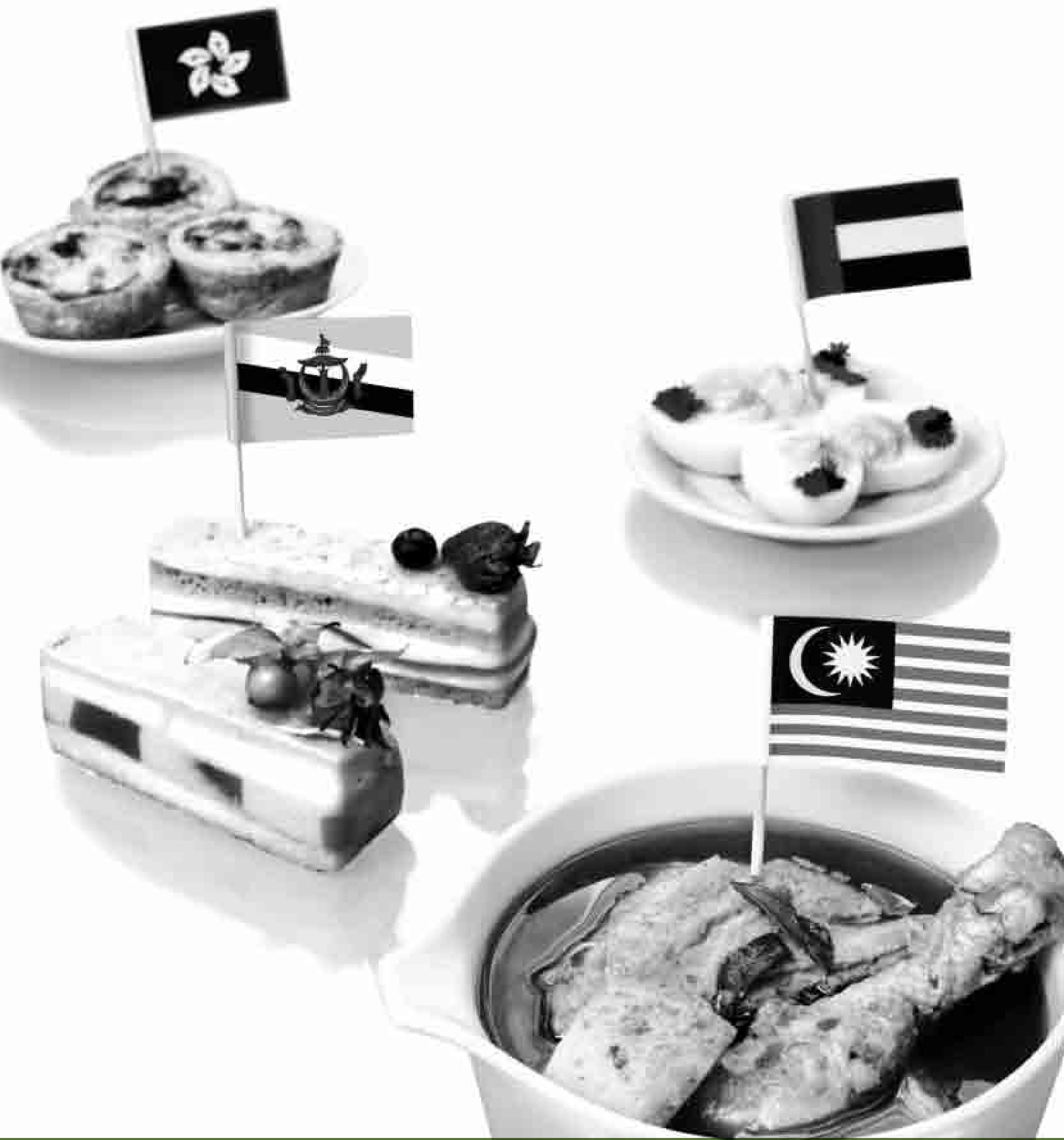
Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar
Damansara, Damansara Heights
50490 Kuala Lumpur

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



International Growth Appeal Lay Hong Berhad has grown to become a major supplier of chicken products in Malaysia ad Brunei, and much further. We now export goodness and quality to Hong Kong and the Middle East as well.

PROFILE OF DIRECTORS

YAP HOONG CHAI

MALAYSIAN, AGED 57,

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 32 years, the Lay Hong Berhad 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 but has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

He attended all the five (5) board meetings held for the financial year. He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years.

YEAP WENG HONG

MALAYSIAN, AGED 49,

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 and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

He attended all the five (5) board meetings held for the financial year. He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years.

YIP KIM HOONG,

MALAYSIAN, AGED 59,

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 attended all the five (5) board meetings held for the financial year. He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years.

YEAP FOCK HOONG

SINGAPOREAN, AGED 53,

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/- each and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

He attended four (4) of the five (5) board meetings held for the financial year. He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years.

ABDUL HAMID BIN MOHAMED GHOWS

MALAYSIAN, AGED 56,

was appointed Independent Non-Executive Director of Lay Hong Berhad on 11th October 2001. He was appointed Chairman of the Lay Hong Berhad Nomination & Remuneration Committees on 18th March 2005. He is a fellow member of the Institute of Chartered Accountants in England and Wales and of 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 attended four (4) of the five (5) board meetings held for the financial year. He has no family relationship with any director and / or major shareholder of Lay Hong Berhad. He has no conflict of interest with Lay Hong Berhad and no convictions for any offences within the past 10 years. He has no shareholding in the Company or the Company's subsidiaries.

DATO' LIEW KUEK HIN

DIMP PJK, JP, MALAYSIAN, AGED 68,

was appointed Alternate director to Dato' Liew Yew Chung. He studied Commerce in Nanyang University of Singapore in 1965 and later joined his family-owned business which has major interests in logging, transportation, sawmilling, plywood manufacturing, plantations and palm oil mill and hotel operations where he acquired vast business experience. Presently, he serves as Executive Chairman in London Biscuits Berhad.

He did not attend any board meeting held for the financial year. He has no family relationship with any director and / or major shareholder of Lay Hong Berhad. He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years. He has no shareholding in the company or the company's subsidiaries.

DATO' DR. ABDUL AZIZ BIN MANGKAT

DIMP KMN ASK, MALAYSIAN, AGED 57,

was appointed Independent Non-Executive Director of Lay Hong Bhd 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. He has been working with the Department of Veterinary Science holding various positions in the Ministry of Agriculture and Agro based Industry for 31 years and rose to the position of Deputy Director General 1 before his retirement in May, 2006.

He attended four (4) of the four (4) board meetings since his appointment on 3rd July 2006, held for the financial year. He has no family relationship with any director and / or major shareholder of Lay Hong Berhad. He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years. He has no shareholding in the company or the company's subsidiaries.

DATO' LIEW YEW CHUNG

DIMP, MALAYSIAN, AGED 37,

was appointed Non-Independent Non-Executive Director of Lay Hong Bhd 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 and 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.

He attended one (1) of the one (1) board meeting since his appointment on 8th December 2006, held for the financial year. He has no family relationship with any director and / or major shareholder of Lay Hong Berhad. He has no conflict of interest with Lay Hong Berhad and no conviction for any offence within the past 10 years. He has no shareholding in the company or the company's subsidiaries.

ASSALAMUALAIKUM w.b.t. Lay Hong Berhad is putting smiles on the faces of thousands of new customers in the United Arab Emirates, including such world class markets as Abu Dhabi and Dubai, where families can put their trust in our dependable, all-Halal products.

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

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 a majority of the Audit Committee must be Independent Directors; and
- 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 must have an undergraduate/masters/doctorate degree in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
  - iv must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

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, his evaluation of the system of internal controls;
- c with the External Auditor, his audit report;
- d the assistance given by the employees of the company to the External Auditor;

3 FUNCTIONS cont'd

3.1 review the following and report the same to the Board of Directors cont'd:-

e the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;

f the internal audit programme, process, the results of the internal audit programme, process of investigation undertaken and whether or not 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 or major accounting policy changes;

ii significant and unusual events; and

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 or management integrity;

i any letter of resignation from the External Auditors of the Company; and

j whether there is reason (supported by grounds) to believe that the Company's External Auditors is not suitable for re-appointment; and

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 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, if any may consist of several documents in the like form, 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 Auditors, 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 Member;

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; and

5 REPORT cont'd

e the existence of an internal audit function or activity and where there is such a function or activity, a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanisms that exist to enable the Audit Committee to discharge its function effectively.

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 the 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 (if any);

e be able to obtain independent professional or other advice; and

f be able to convene meeting with the External Auditors, excluding the attendance of the Executive members of the committee, whenever deemed necessary.

8 REVIEW OF THE AUDIT COMMITTEE

The terms of office and performance of the Audit Committee and each of its member 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 2007

During the financial year ended 31 March 2007, the activities of the Audit Committee 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 2007.

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.

4 Reviewed and approved the annual internal audit plan for year 2007.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007 cont'd

5 Reviewed 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.

For the Financial Year ended 31 March 2007, the Audit Committee members' attendance at meetings are as follows:

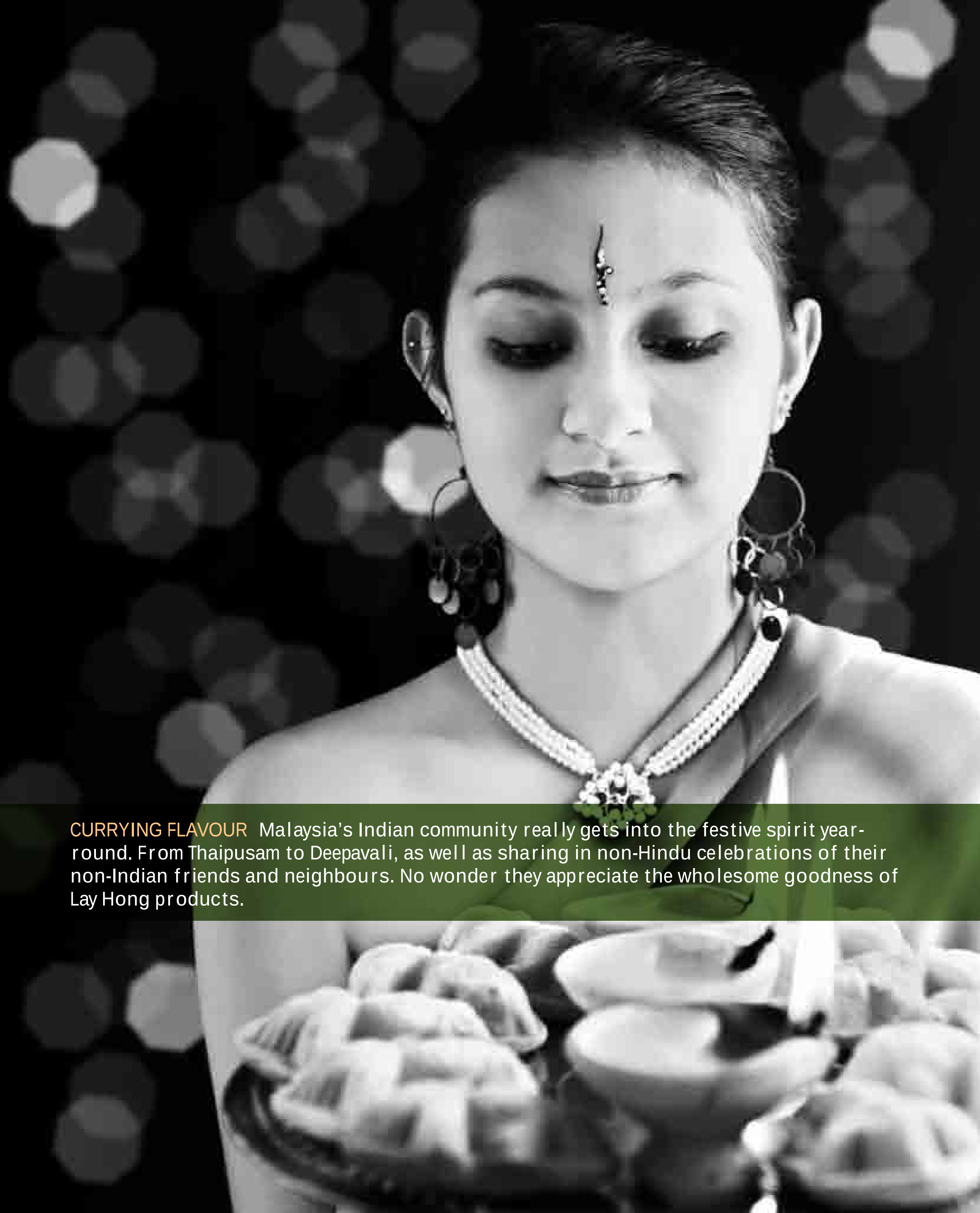
	Attendance At The Audit Committee Meetings	
No. Director	No. of Audit Committee meetings held during member's tenure in office	No. of Audit Committee meetings attended by member
Abdul Hamid Bin Mohamed Ghows	5	4
Yap Hoong Chai	5	5
Dato' Dr Abdul Aziz Bin Mangkat (Appointed on 3/7/2006)	3	3
Gan Soo Jin (Resigned 6/9/2006)	3	3

INTERNAL AUDIT FUNCTION

The internal audit function has been 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 audit assignments relating to the Lay Hong Group, the principal responsibility of Lay Hong Bhd 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 audits were carried out on Lay Hong Bhd and its subsidiary companies by the Internal Auditors of Lay Hong Bhd. One (1) audit report was issued during the financial year. The resulting report of the audit undertaken was presented and reviewed by the Lay Hong Bhd Audit Committee and forwarded to the management for action.



CURRYING FLAVOUR Malaysia's Indian community really gets into the festive spirit year-round. From Thaipusam to Deepavali, as well as sharing in non-Hindu celebrations of their non-Indian friends and neighbours. No wonder they appreciate the wholesome goodness of Lay Hong products.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY-THIRD ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT EMPRESS GARDEN, KELAB GOLF SULTAN ABDUL AZIZ SHAH, NO 1 RUMAH KELAB, JALAN KELAB GOLF 13/6, 40100 SHAH ALAM, SELANGOR ON THURSDAY, SEPTEMBER 27 2007 AT 11.30AM FOR THE FOLLOWING PURPOSES:-

ORDINARY BUSINESS

1 To receive the Audited Financial Statements for the financial year ended 31st March 2007 together with the Reports of the Directors and Auditors thereon. Resolution 1

2 To approve Directors' Fees for the year ended 31st March 2007. Resolution 2

3 To re-elect Mr Yap Hoong Chai as a Director of the Company in accordance with Article 71 of the Company's Articles of Association Resolution 3

4 To re-elect Mr Yeap Weng Hong as a Director of the Company in accordance with Article 71 of the Company's Articles of Association Resolution 4

5 To re-elect Dato' Liew Yew Chung DIMP as a Director of the Company in accordance with Article 72 of the Company's Articles of Association. Resolution 5

6 To re-appoint Messrs Ernst & Young as Auditors to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Directors. Resolution 6

SPECIAL BUSINESS

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

ORDINARY RESOLUTION

7 Authority to allot shares pursuant to Section 132D of the Companies Act, 1965 Resolution 7
"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."

8 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 September 4 2007 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

8 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;

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;

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 general meeting, Resolution 8

whichever is the earlier.

9 Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with London Biscuits Berhad ("LB").

"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 September 4 2007 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;

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;

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 general meeting, Resolution 9

whichever is the earlier.

SPECIAL RESOLUTION

10 Proposed Amendments to Articles of Association

"That approval be and is hereby given for the Company to amend its Articles of Association as set out in Appendix I of the Circular to Shareholders dated September 4 2007.

AND that the Directors of the Company and/or anyone of them be authorized with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant authorities and to do all such acts and things and to take such steps that are necessary or expedient to give effect to the amendments to the Articles of Association of the Company." Resolution 10

BY ORDER OF THE BOARD

Secretary
LIM KING HUA, FCIS
MAICSA 0798613

Date: 4th September 2007
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 7 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 8 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 marked "A" to Shareholders dated September 4 2007 for more information.

7 Proposed Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature with London Biscuits Berhad ("LB").

The Ordinary Resolution proposed under item 9 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 with LB. 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 marked "B" to Shareholders dated September 4 2007 for more information.

8 Proposed Amendments to the Articles of Association of the Company.

The Special Resolution proposed under item 10, if passed, will allow the Company to incorporate all the amendments to the Articles of Association in accordance to Bursa Securities Listing Requirements pursuant to Bursa Securities letter dated December 14 2006. The details of this proposal are set out in the Circular marked "C" to Shareholders dated September 4 2007.

GOODNESS ALSO MEANS PEACE OF MIND With the Malay community comprising around 70% of Lay Hong's domestic market, we constantly ensure that our Halal quality standards are unimpeachable. For festive season, or any season, year-round and nationwide.

STATEMENT ACCOMPANYING THE NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING OF LAY HONG BERHAD

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

a Yap Hoong Chai (RETIRING PURSUANT TO ARTICLE 71 OF THE COMPANY'S ARTICLES OF ASSOCIATION).
b Yeap Weng Hong (RETIRING PURSUANT TO ARTICLE 71 OF THE COMPANY'S ARTICLES OF ASSOCIATION).
c Dato' Liew Yew Chung DIMP (RETIRING PURSUANT TO ARTICLE 72 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 31st March 2007. 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	4/5	80%
Dato' Dr Abdul Aziz Bin Mangkat DIMP KMN ASK (APPOINTED ON 3/7/2006)	4/4	100%
Dato' Liew Yew Chung DIMP (APPOINTED ON 8/12/2006)	1/1	100%
Gan Soo Jin (RESIGNED ON 6/9/2006)	3/3	100%

C The Twenty-Third Annual General Meeting will be held at Empress Garden, Kelab Golf Sultan Abdul Aziz Shah, no 1 Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor on Thursday, September 27 2007 at 11.30am.

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

1 a Yap Hoong Chai, a Malaysian, aged 57, is the Chairman and Group Managing Director and a founder member of Lay Hong Berhad and was appointed to the Board of Lay Hong Berhad on 27th September 1983.
b He sits on the Board of Directors of several private limited companies and does not hold any other directorship of public companies.
c He is the brother of Yip Kim Hoong, Yeap Weng Hong and Yeap Fock Hoong, who are also Directors of the Company.
d He holds no direct shareholding but has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.
e He has no conflict of interest with the Company.
f He has no conviction for any offence within the past 10 years.

D Further details of the individuals who are standing for election as directors cont'd

2 a Yeap Weng Hong, a Malaysian, aged 49, is an Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 18th April 1986.
b He has more than 25 years experience in poultry farming and is in-charge of the entire Group's production activities and new project.
c He sits on the Board of Directors of several private limited companies and does not hold any other directorship of public companies.
d He is the brother of Yap Hoong Chai, Yip Kim Hoong and Yeap Fock Hoong, who are also Directors of the Company.
e He holds 7,200 shares of RM1/- each fully paid and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Berhad.
f He has no conflict of interest with the Company.
g He has no conviction for any offence within the past 10 years.

3 a Dato' Liew Yew Chung DIMP,a Malaysian, aged 37, is a Non-Independent Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 8th December 2006.
b 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 and in 1992, he obtained a Masters of Business Administration, majoring in Accounting Control.
c Presently, he serves as Managing Director cum Chief Executive Officer in London Biscuits Berhad.
d He is not related to any director of the Company.
e He holds no direct shareholding but has indirect interest via the substantial shareholder of the Company, London Biscuits Berhad.
f He has no conflict of interest with the Company.
g He has no conviction for any offence within the past 10 years.

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF LAY HONG BERHAD, IT IS MY PLEASURE TO PRESENT THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007.

YAP HOONG CHAI
CHAIRMAN AND GROUP MANAGING DIRECTOR

FINANCIAL PERFORMANCE

For the financial year under review ended 31st March, 2007, the Group recorded revenue of RM232.746 million compared to that of RM226.597 million in the previous year. This represents a minor increase of RM6.149 million or 2.71%. New sales derived from the downstream activities ie. processed poultry pre-cooked food and pasteurized liquid egg had contributed to this increase.

Profit before tax had recorded a decline from RM10.237 million recorded in the previous year to RM2.357 million. Reason for the poorer performance was primarily attributed to the sharp increase in major raw material cost such as corn and soya bean which was not able to pass on to the consumers in the form of higher prices of table eggs and processed chicken. In addition, the over supply of live broilers and table eggs particularly in Peninsular Malaysia had depressed prices for major part of the financial year.

The Group's balance sheet remains strong with total shareholders funds of RM74.086 million. Net asset per share stands at RM1.60 per share.

BUSINESS REVIEW

Layers

Production of table eggs for the year under review had recorded an increase from 405 million in the previous year to 466 million. The additional 61 million or 15% in production was attributed to the completion of the 2nd phase of the new high tech farm in Jeram, Selangor and the higher yield achieved in Ijok farm arising from the continuous improvements made on the bio-security and living conditions of the layers. For the speciality eggs, the Nutriplus brand continues to enjoy good patronage from customers and its market share is increasing albeit at a slower rate.

BROILERS

Live broilers production for the financial year was 23.605 million kilograms compared to 21.144 million kilograms recorded in the previous year ie. an increase of 2.461 million kilograms or 11.64%. In terms of geographical location, 67% were produced in Peninsular Malaysia and the balance of 37% in the state of Sabah, East Malaysia. Average prices for the year in the Peninsular Malaysia was saturated due to over production, whilst in Sabah, they were more favourable. In aggregate, the performance for this division was at a positive contribution of RM1.847 million.

FOOD PROCESSING

This downstream food processing activities embarked by the Group two years ago as part of its vision to become a renowned and efficient poultry food processor has been progressing well. To date, the Group's product ranges from the air chilled chicken sold in hyper / supermarkets to now include customized deboned meat products, cut parts, liquid egg for specialised food / confectionary manufacturers to chicken frankfurters and nuggets. To date, the Group has invested a total of RM33.055 million in the downstream activities. Due to additional expenditure expanded on product research and development, trial production runs and promotional expenditure in retail outlets, this division temporary recorded a small negative contribution of RM0.20 million for the financial year under review.

CORPORATE DEVELOPMENT

During the year, your Group implemented and completed a private share placement exercise of 4.200 million ordinary shares of RM1 each representing 10% of the issued and paid up capital of Lay Hong Berhad to an institutional investor who is also a major customer of the Group's liquid egg business. The proceed raised was utilized as additional working capital for the Group.

The Group also announced its intention to acquire the remaining equity interests not already owned by Lay Hong Berhad in its subsidiary companies, namely Innobrid Sdn Bhd, Sri Tawau Farming Sdn Bhd, Innofarm (Klang) Sdn Bhd and Evergreen Organic Fertilisers Sdn Bhd, for a total consideration of RM6,709,000 by issuing 6,155,000 new ordinary shares of RM1/- each at a price of RM1.09 per share. The Securities Commission has approved this exercise on 5th April, 2007 and it is now awaiting completion.

DIRECTORATE

On 6th September, 2006, Mr Gan Soo Jin resigned from the board as independent non executive director. He had also resigned from the Audit, Nomination and Remuneration Committees. On behalf of the board, I wish to extend our sincere thanks for his invaluable contributions during his tenure on the board.

On 8th December, 2006, Dato' Liew Yew Chung joined the board as non independent and non executive director. On behalf of the board, I welcome him on board.

PROSPECT FOR CURRENT YEAR

The board has spent considerable time and effort to develop the poultry downstream activities as part of the diversification program to enhance future group's earning. I'm proud to say that to date this investment is slowly paying dividend. Going forward, baring any unforeseen circumstances, the Group performance for the current year would improve.

APPRECIATION

On behalf of the board, I would like to extend my heartfelt gratitude to the Group's valued customers, business associates, government authorities, bankers and shareholders for their continued support, trust and confidence in the Group.

To all our employees, on behalf of the board, I would like to extend our gratitude and great appreciation for their dedicated service, loyalty, contribution and commitment to the Group.

Last, but not least, 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

MANY HAPPY RETURNS! Whether it's a family reunion during Chinese New Year, or a wedding celebration to entwine two hearts as one, Lay Hong Berhad meets both the needs and expectations of the Chinese community. Let us continue to grow with you, as your family grows.

STATEMENT ON CORPORATE GOVERNANCE

The Board fully appreciates the importance of adopting high standards of corporate governance within Lay Hong Bhd 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.

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 & 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 and two (2) are non-executive independents namely Dato' Dr. Abdul Aziz Bin Mangkat and Encik Abdul Hamid Bin Mohamed Ghows. The Board is headed by a 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 (2) decades of working experience in the poultry farming business. One of the independent director is a professional accountant by training who has extensive experience in both the corporate and financial service environment and the other was a former 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 is a businessman and the third is a board representative of a listed company who is also a substantial shareholder.

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

Apart from statutory responsibilities, the Board has overall responsibility 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 records of directors during the financial year (taking into account the date of their respective appointments) 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	4 of 5 meetings
Dato' Dr Abdul Aziz Bin Mangkat (Appointed on 3/7/2006)	4 of 4 meetings
Dato' Liew Yew Chung (Appointed on 8/12/2006)	1 of 1 meeting
Gan Soo Jin (Resigned on 6/9/2006)	3 of 3 meetings

The Board has also delegated certain responsibilities to the Audit Committee, which operates within clearly defined terms of reference. The Chairman of this Committee reports the outcome of Committee meetings to the Board. A Report on this Committee is presented on pages 7 to 10 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 and delegated to it the responsibility of recommending the appointment of any new Directors. 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.

THE BOARD cont'd

Directors' Training

The Company complies with the requirements set out in the amendments to the Listing Requirements in that it regularly assesses 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. During the year, all Directors have successfully completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Bhd. Directors are encouraged nevertheless to continue attending various training programmes that are relevant to the discharge of their responsibilities. Among the courses attended by the Directors during the year were Directors' Conference, Boardroom Briefing for Directors and Interim Financial Reporting.

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 an annual fixed directors' fees, which are approved by the shareholders at the Annual General Meeting based on the recommendation of the Board. They are also provided with a meeting allowance each time they attend a Board Meeting.

The Remuneration Committee was in place since 20 May 2002 and it 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 the remuneration of the directors during the financial year is presented on pages 75 to 76 of this Annual Report.

SHAREHOLDERS COMMUNICATION

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

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

The Annual General Meeting (AGM) is the principal forum for dialogue with shareholders. Shareholders are notified of the meeting and provided with a copy of the Annual Report 21 days before the meeting. At the AGM, the Board presents the progress and performance of the Group and provides opportunity 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 the shareholders.

ACCOUNTABILITY AND AUDIT

Financial Reports

The Board is responsible for ensuring that financial statements prepared for each financial year give a true and fair view of the Group's state of affairs. The directors took due care and reasonable steps to ensure that the requirements of accounting standards were fully met. Quarterly financial statements were 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 33 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 furnished on page 25 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 control and the data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with the 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 has established a transparent and professional relationship with the external auditors in seeking advice and ensuring compliance with accounting standards in Malaysia.

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")

During the financial year, a total of 40,000 shares were exercised under the ESOS.

Non-Audit Fees

There were RM6,000 of non-audit fees paid to the external auditors by the company for the financial year ended 31 March 2007.

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.

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 who 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 9 July 2007

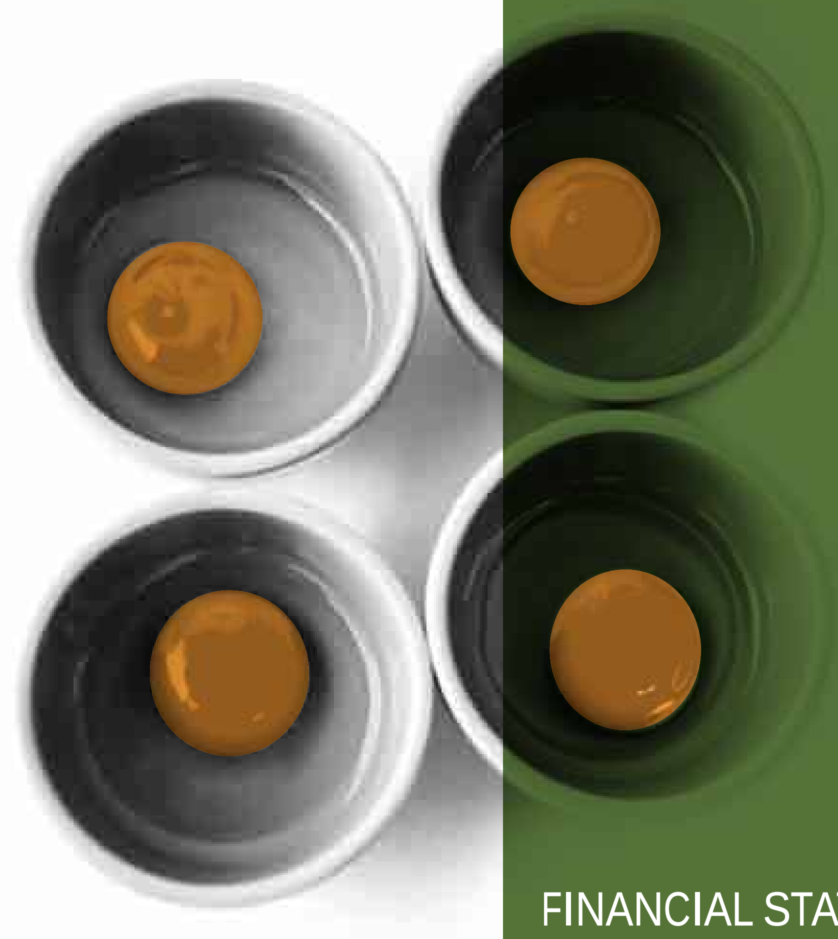
GROUP FINANCIAL HIGHLIGHTS

In RM' million	2003	2004	2005	2006	2007
Turnover	96.530	129.797	180.478	226.597	232.746
Profit (Loss) before tax	1.406	(3.288)	(3.811)	10.237	2.357
Total assets	124.723	164.150	192.487	219.273	242.542
Paid-up capital	42.000	42.000	42.000	42.000	46.240
Net Assets (NA)	55.547	54.175	51.076	67.888	74.086
NA per share	1.323	1.290	1.216	1.616	1.602
Earnings per share - sen	2.94	(2.55)	(7.37)	15.81	3.22

GROUP STRUCTURE & OPERATIONS

LAY HONG BERHAD
Feedmill, Layer Farms, Chick Farm, Management and Investment Holding

- 70% Innofarm(Klang) Sdn Bhd — Layer Farm
- 51% Evergreen Organic Fertilisers Sdn Bhd — Organic Fertiliser Production
- 100% Hing Hong Sdn Bhd — Breeder Farm, Hatchery & Layer Farm
- 100% Eminent Farm Sdn Bhd — Broiler Breeder Farm & Hatchery
- 100% Lay Hong Liquid Egg Sdn Bhd — Egg processing
- 30% Evergrowth Marketing Sdn Bhd — Processing & distribution of poultry products
- 50% Innobrid Sdn Bhd — Broiler Farm
- 50% Sri Tawau Farming Sdn Bhd — Feedmill, Layer Farm, Breeder Farm, Hatchery & Broiler Farm
- 62% Innobrid Marketing Sdn Bhd — Processing & distribution of poultry products
- 100% Lay Hong Poultry Processing Sdn Bhd — Processing & distribution of poultry products
- 100% STF Agriculture Sdn Bhd — Dormant



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 2007.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

RESULTS

In RM	Group	Company
Profit for the year	1,972,319	1,363,551
Attributable to:		
Equity holders of the Company	1,402,647	1,363,551
Minority interests	569,672	–
	1,972,319	1,363,551

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

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. The adoption of new and revised FRSs had no material impact on the results of the operations of the Group and of the Company during the financial year.

DIVIDENDS

The amount of dividends paid by the Company since 31 March 2006 were as follows:

	RM
In respect of the financial year ended 31 March 2006:-	
First and final gross dividend of 1 sen less 28% income tax on 42,000,000 ordinary shares, paid on 8 November 2006	302,400

The directors do not recommend any final dividend in respect of the financial year ended 31 March 2007.

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 (appointed on 8 December 2006)
Dato' Liew Kuek Hin (appointed on 8 December 2006 as alternate to Dato' Liew Yew Chung)
Gan Soo Jin (resigned on 6 September 2006)

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 24 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which 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 14 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 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 during the financial year is as follows:

				No. of Share Options		
Name	Grant date	Expiry date	Exercise Price	At 1 April 2006	Exercised	At 31 March 2007
Ng Kim Tian	23/11/05	10/11/10	1.00	400,000	–	400,000
Yap Chor How	23/11/05	10/11/10	1.00	400,000	–	400,000

Details of options granted to directors are disclosed in the section on Directors' Interest 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 2006	BOUGHT	SOLD	AT 31 MARCH 2007
THE COMPANY				
Direct Interest				
Yeap Fock Hoong	12,000	–	–	12,000
Yeap Weng Hong	7,200	–	–	7,200
Yip Kim Hoong	2,841,657	–	(5,000)	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
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

	Number of Options Over Ordinary Shares of RM1 Each			
	At 1 April 2006	Exercised	Lapsed	At 31 March 2007
Yap Hoong Chai	600,000	–	–	600,000
Yeap Weng Hong	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.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM42,000,000 to RM46,240,000 by way of the issuance of:-

i 4,200,000 ordinary shares of RM1 each through a private placement at an issue price of RM1 per ordinary share for cash, for additional working capital purposes; and

ii 40,000 ordinary shares of RM1 each for cash pursuant to the Company's Executive Share Option Scheme at the exercise price of RM1 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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 value 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.

OTHER STATUTORY INFORMATION cont'd

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 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.

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.

SIGNIFICANT EVENTS

Significant events during the year are as disclosed in Note 33 to the financial statements.

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

YAP HOONG CHAI YEAP WENG HONG

Klang, Malaysia
9 July 2007

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 35 to 85 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 2007 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

YAP HOONG CHAI

YEAP WENG HONG

9 July 2007

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 35 to 85 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 9 July 2007

NG KIM TIAN

Before me,

No. B.022
Yam Cheok Wan
41-A, (Front) Jalan Goh Hock Huat
41400 Klang, Selangor
Commissioner for Oaths

REPORT OF THE AUDITORS

TO THE MEMBERS OF LAY HONG BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 35 to 85. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a the financial statements have been properly 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:

   i the financial position of the Group and of the Company as at 31 March 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

   ii the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

b the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

   We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

   We are satisfied that the financial statements 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.

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

PUSHPANATHAN A/L S.A. KANAGARAYAR
No. 1056/03/09 (J/PH)
Partner

Kuala Lumpur, Malaysia
9 July 2007

BALANCE SHEETS
AS AT 31 MARCH 2007

In RM	Note	Group 2007	Group 2006	Company 2007	Company 2006
ASSETS					
Non-current assets					
Property, plant and equipment	3	141,079,924	145,549,428	54,869,546	58,670,710
Intangible assets	4	2,632,881	1,551,051	–	–
Investments	5	2,118,791	118,791	15,396,650	13,396,648
Deferred tax assets	6	10,041,456	10,343,662	–	–
		155,873,052	157,562,932	70,266,196	72,067,358
CURRENT ASSETS					
Biological assets	7	19,282,076	15,542,501	9,523,594	8,782,422
Inventories	8	17,950,775	17,997,182	4,685,793	3,878,520
Trade receivables	9	34,131,695	25,272,448	6,504,629	5,351,705
Other receivables	10	4,958,664	2,343,781	2,692,792	916,146
Due from subsidiaries	11	–	–	48,734,534	37,556,615
Short term investment	12	9,549,278	–	9,549,278	–
Cash and bank balances	13	797,242	554,448	24,450	38,538
		86,669,730	61,710,360	81,715,070	56,523,946
TOTAL ASSETS		242,542,782	219,273,292	151,981,266	128,591,304
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	14	46,240,000	42,000,000	46,240,000	42,000,000
Other reserves		12,056,356	11,887,758	6,479,057	6,238,530
Retained earnings	15	15,789,598	13,999,825	12,890,414	11,774,042
		74,085,954	67,887,583	65,609,471	60,012,572
Minority Interests		7,817,979	7,145,734	–	–
Total equity		81,903,933	75,033,317	65,609,471	60,012,572

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

		Group		Company	
In RM	Note	2007	2006	2007	2006
NON-CURRENT LIABILITIES					
Long term borrowings	16	47,752,110	36,145,561	31,597,015	14,278,730
Long term payables		–	1,024,216	–	1,024,216
Due to corporate shareholders	17	2,898,000	3,398,000	–	–
Deferred tax liabilities	6	19,521,535	20,069,051	7,520,649	7,532,174
		70,171,645	60,636,828	39,117,664	22,835,120
CURRENT LIABILITIES					
Short term borrowings	16	49,013,318	41,463,106	22,558,733	19,777,367
Trade payables	18	30,632,214	29,536,613	18,379,177	19,157,191
Other payables	19	10,569,549	11,770,223	5,342,425	3,818,604
Due to subsidiaries	11	–	–	973,796	2,990,450
Due to corporate shareholders	17	215,275	833,205	–	–
Income tax payable		36,848	–	–	–
		90,467,204	83,603,147	47,254,131	45,743,612
Total liabilities		160,638,849	144,239,975	86,371,795	68,578,732
TOTAL EQUITY AND LIABILITIES		242,542,782	219,273,292	151,981,266	128,591,304

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

		Group		Company	
In RM	Note	2007	2006	2007	2006
Revenue	21	232,746,261	226,596,606	144,724,276	131,668,802
Other operating income	22	1,567,923	1,623,351	768,695	992,266
Changes in inventories and biological assets		1,712,690	7,435,514	884,571	1,429,021
Raw materials, livestocks and consumables used		(161,090,349)	(158,283,765)	(118,860,926)	(105,143,592)
Staff costs	23	(19,326,275)	(19,213,209)	(5,858,820)	(7,104,071)
Depreciation		(12,169,917)	(10,806,455)	(5,424,999)	(5,048,843)
Other operating expenses	25	(35,536,984)	(32,326,836)	(12,318,136)	(10,450,992)
Operating profit		7,903,349	15,025,206	3,914,661	6,342,591
Finance costs	26	(5,546,574)	(4,787,989)	(2,266,887)	(1,808,747)
Profit before tax		2,356,775	10,237,217	1,647,774	4,533,844
Income tax expense	27	(384,456)	(3,045,643)	(284,223)	(1,324,529)
Profit for the year		1,972,319	7,191,574	1,363,551	3,209,315
Attributable to:					
Equity holders of the Company		1,402,647	6,639,528	1,363,551	3,209,315
Minority interests		569,672	552,046	–	–
		1,972,319	7,191,574	1,363,551	3,209,315
Earnings per share attributable to equity holders to the Company (sen)					
Basic	28	3.22	15.81		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

		Attributable to Equity Holders of the Parent					
			Non Distributable	Distributable			
		Share	Revaluation	Retained		Minority	Total
In RM	Note	capital	reserve	earnings	Total	Interests	Equity
At 1 April 2005		42,000,000	142,536	7,360,297	49,502,833	3,423,057	52,925,890
Revaluation surplus		–	11,745,222	–	11,745,222	3,170,631	14,915,853
Net income recognised directly in equity		–	11,745,222	–	11,745,222	3,170,631	14,915,853
Profit for the year		–	–	6,639,528	6,639,528	552,046	7,191,574
At 31 March 2006		42,000,000	11,887,758	13,999,825	67,887,583	7,145,734	75,033,317
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		–	–	367,781	367,781	–	367,781
At 1 April 2006 (restated)		42,000,000	11,887,758	14,367,606	68,255,364	7,145,734	75,401,098
Transfer to distributable reserve on realisation of revaluation reserve		–	(321,745)	321,745	–	–	–
Transfer from deferred tax arising from changes in tax rates		–	133,531	–	133,531	67,733	201,264
Reversal of deferred tax arising from exemption on Real Property Gains Tax		–	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		4,200,000	–	–	4,200,000	–	4,200,000
Pursuant to ESOS	14 (b)	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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

In RM	Share capital	Non Distributable Revaluation reserve	Distributable Retained earnings	Total
At 1 April 2005				
As previously stated	42,000,000	142,536	10,062,117	52,204,653
Effect of adoption FRS 127 (Note 2.3(c))	–	–	(1,497,390)	(1,497,390)
At 1 April 2005 (restated)	42,000,000	142,536	8,564,727	50,707,263
Revaluation surplus	–	6,095,994	–	6,095,994
Net income recognised directly in equity	–	6,095,994	–	6,095,994
Profit for the year	–	–	3,209,315	3,209,315
At 31 March 2006	42,000,000	6,238,530	11,774,042	60,012,572
At 1 April 2006				
As previously stated	42,000,000	6,238,530	13,271,432	61,509,962
Effect of adoption FRS 127 (Note 2.3(c))	–	–	(1,497,390)	(1,497,390)
At 1 April 2006 (restated)	42,000,000	6,238,530	11,774,042	60,012,572
Relating to changes in tax rates	–	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	–	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	4,200,000	–	–	4,200,000
Pursuant to ESOS (Note 14 (b))	40,000	–	–	40,000
At 31 March 2007	46,240,000	6,479,057	12,890,414	65,609,471

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	Group		Company	
In RM	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	2,356,775	10,237,217	1,647,774	4,533,844
Adjustments for:				
Amortisation of goodwill	–	106,536	–	–
Depreciation	12,169,917	10,806,455	5,424,999	5,048,843
Dividend income	(600)	(300)	(600)	(300)
Gain on disposal of property plant and equipment	(70,707)	(156,316)	(15,960)	(21,515)
Interest expense	5,546,574	4,787,989	2,266,887	1,808,747
Interest income	(71,627)	–	(64,059)	–
Net unrealised foreign exchange loss/(gains)	120,829	(236,602)	145,387	(213,893)
Bad debts written off	547,689	208,461	46,547	28,261
Provision for doubtful debts	342,708	1,962,717	11,041	433,473
Write back of provision for doubtful debts	(988,169)	(398,461)	(282,286)	(139,543)
Property, plant & equipment written off	2,746	344,819	192	–
Preliminary expenses written off	2,400	–	–	–
Operating profit before working capital changes	19,958,535	27,662,515	9,179,922	11,477,917
(Increase)/Decrease in:				
Inventories and biological assets	(3,693,168)	(7,445,571)	(1,548,445)	(1,062,898)
Receivables	(10,838,120)	2,449,214	(2,161,541)	1,235,808
Increase/(Decrease) in:				
Payables	(1,250,118)	4,302,330	(423,796)	1,763,458
Intercompany balances	–	–	(13,194,573)	1,533,775
Amount due to corporate shareholders	(1,117,930)	(24,000)	–	–
Cash generated from/(used in) operations	3,059,199	26,944,488	(8,148,433)	14,948,060
Interest paid	(5,546,574)	(4,787,989)	(2,266,887)	(1,808,747)
Taxes (paid)/refund	(538,238)	154,909	(543,331)	203,036
Preliminary expenses paid	(2,400)	–	–	–
Net cash (used in)/generated from operating activities	(3,028,013)	22,311,408	(10,958,651)	13,342,349

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

CASH FLOW STATEMENTS cont'd
FOR THE YEAR ENDED 31 MARCH 2007

	Group		Company	
In RM	2007	2006	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiary	–	–	(2)	–
Purchase of property, plant and equipment	(6,678,025)	(15,736,799)	(1,255,410)	(9,490,703)
Proceeds from disposal of property, plant and equipment	813,802	698,519	466,822	130,826
Additional investment in subsidiaries	–	–	–	(3,902,420)
Interest received	71,627	–	64,059	–
Dividend received	600	300	600	300
Development cost	(714,049)	–	–	–
Investment in bonds	(2,000,000)	–	(2,000,000)	–
Net cash used in investing activities	(8,506,045)	(15,037,980)	(2,723,931)	(13,261,997)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary shares	4,240,000	–	4,240,000	–
Proceeds from term loans	15,661,342	–	18,784,736	3,916,344
Repayment of term loans	–	(2,151,039)	–	(602,000)
Repayment of hire purchase financing	(2,062,652)	(3,963,026)	(1,383,934)	(1,926,548)
Dividends paid	(302,400)	–	(302,400)	–
Net cash generated from/(used in) financing activities	17,536,290	(6,114,065)	21,338,402	1,387,796
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,002,232	1,159,363	7,655,820	1,468,148
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(2,590,629)	(3,749,992)	(241,794)	(1,709,942)
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 13)	3,411,603	(2,590,629)	7,414,026	(241,794)

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 principal place of business of the Company is located at No. 39 & 41, Jalan 5, Kawasan 16, Taman Intan, 41300 Klang, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and poultry farming. The principal activities of the subsidiaries are as disclosed in Note 5. 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 9 July 2007.

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. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except for the revaluation of certain freehold land, leasehold land and buildings.

The financial statements are presented in Ringgit Malaysia (RM) except when otherwise indicated.

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 income statement.

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.

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 cont'd

Acquisition 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 cost 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 the income statement.

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.

ii Research and development costs

All research costs are recognised in the income statement as incurred.

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

2 SIGNIFICANT ACCOUNTING POLICIES cont'd

2.2 Summary of Significant Accounting Policies cont'd

b Intangible Assets cont'd

ii Research and development costs cont'd

Development costs, considered to have finite useful lives, are stated at cost less any 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 the income statement during the financial period in which they are incurred.

Certain freehold land, leasehold land and buildings 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 the income statement, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in the income statement. Upon disposal or retirement of an asset, any revalution reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated on a straight-line basis over the lease term.

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%

2 SIGNIFICANT ACCOUNTING POLICIES cont'd

2.2 Summary of Significant Accounting Policies cont'd

c Property, Plant and Equipment and Depreciation cont'd

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

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

An asset's recoverable amount is the higher of an asset'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.

An impairment loss is recognised in the income statement 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.

An impairment loss for an asset 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 is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2 SIGNIFICANT ACCOUNTING POLICIES cont'd

2.2 Summary of Significant Accounting Policies cont'd

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

Upon the adoption of FRS 101, livestocks were reclassified as biological assets on 31 March 2007 with corresponding restatements to the comparatives. The changes in carrying value of livestocks are recognised through profit and loss.

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

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

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

This change in classification has no impact on the Group's and the Company's financial statement.

f Inventories

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

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

ii 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES cont'd

2.2 Summary of Significant Accounting Policies cont'd

g Financial Instruments cont'd

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.

i Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits 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. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

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 the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

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.

vi Interest Bearing Loans and Borrowings

Interest bearing bank loans, bankers' acceptances and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of these assets, until such time as these assets are substantially ready for their intended use. All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

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.

2 SIGNIFICANT ACCOUNTING POLICIES cont'd

2.2 Summary of Significant Accounting Policies cont'd

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

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 income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

iii Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

i 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.

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 the income statement 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.

2 SIGNIFICANT ACCOUNTING POLICIES cont'd

2.2 Summary of Significant Accounting Policies cont'd

i Income Tax cont'd

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 income statement.

j 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.

k 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.

ii Defined Contribution Plans

As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

iii Share-based Compensation

The Lay Hong Berhad Executive Share Option Scheme (ESOS), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

l 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.

ii Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

2 SIGNIFICANT ACCOUNTING POLICIES cont'd

2.2 Summary of Significant Accounting Policies cont'd

l Foreign Currencies cont'd

ii Foreign Currency Transactions cont'd

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the dates of the transactions. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

m 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 risks and rewards. 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 the accruals basis.

iv Management Fees

Management fees are recognised when services are rendered.

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

On 1 April 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discountinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

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

FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has not early adopted the following new and revised FRSs for the financial period beginning 1 April 2006:

FRS	Effective for financial periods beginning on or after
FRS 117 - Leases	1 October 2006
FRS 124 - Related Party Transactions	1 October 2006
Amendments to FRS 119 - Employee Benefits	1 July 2007
FRS 6 - Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 139 - Financial Instruments: Recognition and Measurement	Effective date deferred indefinitely

FRS 6 and the amendment to FRS 119 are not expected to have a significant impact on the Company's accounting policies. The effects of FRS 117, 124 and 139 are exempted from disclosure.

The adoption of revised FRS 5, 102, 108, 110, 116, 121, 128, 131, 132 and 140 did not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRS are discussed below:

a FRS 3: Business Combination, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 April 2006.

i Goodwill

Prior to 1 April 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

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

a FRS 3: Business Combination, FRS 136: Impairment of Assets and FRS 138: Intangible Assets cont'd

i Goodwill cont'd

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 April 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 April 2006 amounting to RM745,365 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 April 2006 of RM1,918,832 ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 31 March 2007 and consolidated income statement for the year ended 31 March 2007 are set out in Note 2.3(c). This change has no impact on the Company's financial statements.

ii Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in the income statement. In accordance with transitional provisions of FRS 3, negative goodwill as at 1 April 2006 of RM367,781 was derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 31 March 2007 and consolidated income statement for the year ended 31 March 2007 are set out in Note 2.3(d). This change has no impact on the Company's financial statements.

b FRS 101: Presentation of Financial Statements

Prior to 1 April 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 April 2006, biological assets at the balance sheet date were presented as part of inventories. Upon adoption of FRS 101, biological assets are now presented separately from inventories on the face of balance sheet and disclosed in Note 7 to the financial statement.

These changes in presentation have been applied retrospectively and has no impact on the Group's financial statements.

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

c FRS 127: Consolidated and Separate Financial Statements

Prior to 1 April 2006, investment in subsidiaries was stated at cost or valuation less impairment losses. Upon the adoption of FRS 127, investment in subsidiaries is now stated at cost less impairment losses.

This change in accounting policy has been accounted for retrospectively and as disclosed in Note 2.3(f), certain comparatives have been restated. This change has no effects on the Company's income statement and the Group's financial statements for the year ended 31 March 2007.

d Summary of effects and changes arising from adoption of new and revised FRSs

The following tables provide estimates of the extent to which each of the line items in the balance sheet and income statement for the year ended 31 March 2007 is higher or lower than it would have been had the previous policies been applied in the current year:

Effects on balance sheet as at 31 March 2007

Description of change (In RM)	Increase/(Decrease) FRS 3 Note 2.3 (a)	FRS 101 Note 2.3 (b)	Total
Group			
Negative goodwill	(367,781)	–	(367,781)
Retained profits	367,781	–	367,781
Total equity	–	7,817,979	7,817,979

e Restatement of comparatives

Description of change (In RM)	Previously Stated	Increase/(Decrease) FRS 101 Note 2.2 (e) Note 2.3 (b)	Restated
At 1 April 2006			
Group			
Balance Sheet			
Biological assets	–	15,542,501	15,542,501
Inventories	33,539,683	(15,542,501)	17,997,182
Total equity	67,887,583	7,145,734	75,033,317
Company			
Balance Sheet			
Biological assets	–	8,782,422	8,782,422
Inventories	12,660,942	(8,782,422)	3,878,520

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

f Prior year adjustment and restatement of comparatives

Description of change (In RM)	Previously Stated	Increase/(Decrease) FRS 127 Note 2.3(c)	Restated
Company			
At 1 April 2006/2005			
Investment in subsidiaries	14,775,642	(1,497,390)	13,278,252
Retained profits as at 1 April 2005	10,062,117	(1,497,390)	8,564,727
Retained profits as at 1 April 2006	13,271,432	(1,497,390)	11,774,042

2.4 Standards and Interpretations Issued but not yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendment to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

Standard/Interpretation	Effective date
Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	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 - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

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

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 4.

ii 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.

iii 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 RM38,098,908 (2006: RM35,806,361).

iv 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. These are common life expectancies applied in the industry.

3 PROPERTY, PLANT AND EQUIPMENT

In RM	Freehold land	Long term leasehold land	Short term leasehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Capital Work-In-Progress	Total
Group									
2007									
Cost/Valuation									
At 1 April 2006									
Cost	1,193,956	455,439	–	18,193,276	87,965,016	9,256,590	4,517,200	376,711	121,958,188
Valuation	16,095,000	6,060,115	91,903	61,897,389	–	–	–	–	84,144,407
Reclassification	–	–	–	(377,625)	377,625	–	–	–	–
Total	17,288,956	6,515,554	91,903	79,713,040	88,342,641	9,256,590	4,517,200	376,711	206,102,595
Additions	–	328,000	–	1,748,661	3,946,976	1,008,691	965,027	448,901	8,446,256
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	6,843,554	91,903	81,798,662	90,635,571	9,922,956	5,293,317	448,901	211,872,960
Cost	743,096	783,439	–	19,901,273	90,635,571	9,922,956	5,293,317	448,901	127,728,553
Valuation	16,095,000	6,060,115	91,903	61,897,389	–	–	–	–	84,144,407
	16,838,096	6,843,554	91,903	81,798,662	90,635,571	9,922,956	5,293,317	448,901	211,872,960
Accumulated depreciation and impairment									
At 1 April 2006	–	169,951	–	24,101,958	28,871,739	5,529,370	1,880,149	–	60,553,167
Reclassification	–	–	–	46,286	(46,286)	–	–	–	–
	–	169,951	–	24,148,244	28,825,453	5,529,370	1,880,149	–	60,553,167
Charge for the year	–	45,033	3,472	3,089,341	6,925,109	1,530,819	576,143	–	12,169,917
Disposals	–	–	–	–	(89,818)	(324,872)	–	–	(414,690)
Write offs	–	–	–	–	(1,325,764)	(999)	(188,595)	–	(1,515,358)
At 31 March 2007	–	214,984	3,472	27,237,585	34,334,980	6,734,318	2,267,697	–	70,793,036
Net carrying amount									
Cost	743,096	752,546	–	15,757,005	56,300,591	3,188,638	3,025,620	448,901	80,216,397
Valuation	16,095,000	5,876,024	88,431	38,804,072	–	–	–	–	60,863,527
At 31 March 2007	16,838,096	6,628,570	88,431	54,561,077	56,300,591	3,188,638	3,025,620	448,901	141,079,924

3 PROPERTY, PLANT AND EQUIPMENT cont'd

In RM	Freehold land	Long term leasehold land	Short term leasehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Capital Work-In-Progress	Total
Group									
2006									
Cost/Valuation									
At 1 April 2005									
Cost	6,218,930	3,018,554	75,415	48,728,255	78,289,744	9,273,722	3,937,905	355,767	149,898,292
Valuation	3,237,000	–	–	10,785,677	–	–	–	–	14,022,677
Total	9,455,930	3,018,554	75,415	59,513,932	78,289,744	9,273,722	3,937,905	355,767	163,920,969
Additions	–	105,399	–	4,966,471	10,589,109	886,966	644,775	376,711	17,569,431
Revaluation	7,833,026	3,459,462	16,488	15,579,525	–	–	–	–	26,888,501
Disposals	–	(67,861)	–	–	(112,852)	(879,881)	(2,500)	–	(1,063,094)
Transfers	–	–	–	355,767	–	–	–	(355,767)	–
Write offs	–	–	–	(325,030)	(800,985)	(24,217)	(62,980)	–	(1,213,212)
At 31 March 2006	17,288,956	6,515,554	91,903	80,090,665	87,965,016	9,256,590	4,517,200	376,711	206,102,595
Cost	1,193,956	455,439	–	18,193,276	87,965,016	9,256,590	4,517,200	376,711	121,958,188
Valuation	16,095,000	6,060,115	91,903	61,897,389	–	–	–	–	84,144,407
	17,288,956	6,515,554	91,903	80,090,665	87,965,016	9,256,590	4,517,200	376,711	206,102,595
Accumulated depreciation and impairment									
At 1 April 2005	–	56,224	–	13,394,441	23,050,710	4,429,423	1,450,604	–	42,381,402
Charge for the year	–	28,425	–	2,347,843	6,444,242	1,501,718	484,227	–	10,806,455
Adjustment for revaluation	–	85,302	–	8,588,953	–	–	–	–	8,674,255
Disposals	–	–	–	–	(62,567)	(377,558)	(427)	–	(440,552)
Write offs	–	–	–	(229,279)	(560,646)	(24,213)	(54,255)	–	(868,393)
At 31 March 2006	–	169,951	–	24,101,958	28,871,739	5,529,370	1,880,149	–	60,553,167
Net carrying amount									
Cost	1,193,956	435,046	–	14,780,746	59,093,277	3,727,220	2,637,051	376,711	82,244,007
Valuation	16,095,000	5,910,557	91,903	41,207,961	–	–	–	–	63,305,421
At 31 March 2006	17,288,956	6,345,603	91,903	55,988,707	59,093,277	3,727,220	2,637,051	376,711	145,549,428

3 PROPERTY, PLANT AND EQUIPMENT cont'd

In RM	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Capital Work-In-Progress	Total
Company								
2007								
Cost/Valuation								
At 1 April 2006								
Cost	1,193,957	–	4,058,743	41,231,152	5,620,532	3,034,324	–	55,138,708
Valuation	9,015,000	–	19,736,125	–	–	–	–	28,751,125
Total	10,208,957	–	23,794,868	41,231,152	5,620,532	3,034,324	–	83,889,833
Additions	–	328,000	194,345	735,694	191,207	610,405	15,238	2,074,889
Disposals	(450,860)	–	–	–	(242,621)	–	–	(693,481)
Write offs	–	–	–	(480,289)	(1,000)	(157,364)	–	(638,653)
At 31 March 2007	9,758,097	328,000	23,989,213	41,486,557	5,568,118	3,487,365	15,238	84,632,588
Accumulated depreciation and impairment								
At 1 April 2006	–	–	5,616,213	14,570,936	3,463,947	1,568,027	–	25,219,123
Charge for the year	–	4,599	848,648	3,145,610	987,668	438,474	–	5,424,999
Disposals	–	–	–	–	(242,619)	–	–	(242,619)
Write offs	–	–	–	(480,224)	(999)	(157,238)	–	(638,461)
At 31 March 2007	–	4,599	6,464,861	17,236,322	4,207,997	1,849,263	–	29,763,042
Net carrying amount								
Cost	743,097	323,401	3,945,948	24,250,235	1,360,121	1,638,102	15,238	32,276,142
Valuation	9,015,000	–	13,578,404	–	–	–	–	22,593,404
At 31 March 2007	9,758,097	323,401	17,524,352	24,250,235	1,360,121	1,638,102	15,238	54,869,546

3 PROPERTY, PLANT AND EQUIPMENT cont'd

In RM	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Capital Work-In-Progress	Total
Company								
2006								
Cost/Valuation								
At 1 April 2005								
Cost	2,775,839	–	29,235,851	16,024,302	5,754,666	2,932,381	55,297	56,778,336
Valuation	2,047,000	–	8,302,542	–	–	–	–	10,349,542
Reclassification	–	–	(18,350,804)	18,350,804	–	–	–	–
Total	4,822,839	–	19,187,589	34,375,106	5,754,666	2,932,381	55,297	67,127,878
Additions	–	–	2,432,714	6,856,046	100,000	101,943	–	9,490,703
Revaluation	5,386,118	–	2,119,268	–	–	–	–	7,505,386
Disposals	–	–	–	–	(234,134)	–	–	(234,134)
Transfers	–	–	55,297	–	–	–	(55,297)	–
At 31 March 2006	10,208,957	–	23,794,868	41,231,152	5,620,532	3,034,324	–	83,889,833
Cost	1,193,957	–	4,058,743	41,231,152	5,620,532	3,034,324	–	55,138,708
Valuation	9,015,000	–	19,736,125	–	–	–	–	28,751,125
	10,208,957	–	23,794,868	41,231,152	5,620,532	3,034,324	–	83,889,833
Accumulated depreciation and impairment								
At 1 April 2005	–	–	8,702,107	7,065,920	2,578,782	1,189,002	–	19,535,811
Reclassification	–	–	(4,565,821)	4,565,821	–	–	–	–
	–	–	4,136,286	11,631,741	2,578,782	1,189,002	–	19,535,811
Charge for the year	–	–	720,635	2,939,195	1,009,988	379,025	–	5,048,843
Adjustment for revaluation	–	–	759,292	–	–	–	–	759,292
Disposals	–	–	–	–	(124,823)	–	–	(124,823)
At 31 March 2006	–	–	5,616,213	14,570,936	3,463,947	1,568,027	–	25,219,123
Net carrying amount								
Cost	1,193,957	–	3,901,655	26,660,216	2,156,585	1,466,297	–	35,378,710
Valuation	9,015,000	–	14,277,000	–	–	–	–	23,292,000
At 31 March 2006	10,208,957	–	18,178,655	26,660,216	2,156,585	1,466,297	–	58,670,710

3 PROPERTY, PLANT AND EQUIPMENT cont'd

a Freehold and leasehold land of certain subsidiaries with net book value amounting to RM5,530,205 (2006: RM5,572,318) have been pledged to financial institutions as security for bank borrowings.

b Due to the absence of certain historical records for the periods prior to the initial revaluation in 1993, the net book values of the land and buildings stated at valuation had the revalued assets been carried at historical cost less accumulated depreciation, are not disclosed.

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 net carrying amounts of the revalued freehold and leasehold 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	
In RM	2007	2006
Freehold land	8,261,974	8,261,974
Long term leasehold land	2,512,071	2,536,398
Short term leasehold land	72,399	75,416
Buildings	32,445,436	34,217,387
	43,291,880	45,091,175

	Company	
In RM	2007	2006
Freehold land	3,628,882	3,628,882
Buildings	12,294,073	12,917,024
	15,922,955	16,545,906

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

	Group		Company	
In RM	2007	2006	2007	2006
Motor vehicles	1,670,177	2,514,065	347,168	1,444,517
Office equipment	452,556	547,245	452,556	547,245
Plant and machinery	11,823,563	9,067,742	704,804	1,765,905

3 PROPERTY, PLANT AND EQUIPMENT cont'd

e Interest capitalised by the Company under capital work-in-progress in prior year amounted to RM127,027.

f During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM8,446,256 (2006: RM17,569,431) and RM2,074,889 (2006: RM9,490,703) respectively of which RM1,768,229 (2006: RM1,752,293) and RM819,479 (2006: RM nil) respectively were acquired by means of hire purchase arrangements.

4 INTANGIBLE ASSETS

In RM	Goodwill	Negative Goodwill	Development Costs	Total
Group				
Cost				
At 1 April 2005	2,661,777	(367,781)	–	2,293,996
Addition - due to increase in equity interest	2,420	–	–	2,420
At 31 March 2006	2,664,197	(367,781)	–	2,296,416
Effects of adopting FRS 3 (Note 2.3a)	(745,365)	367,781	–	(377,584)
Internal development	–	–	714,049	714,049
At 31 March 2007	1,918,832	–	714,049	2,632,881
Accumulated amortisation and impairment				
At 1 April 2005	638,829	–	–	–
Amortisation	106,536	–	–	–
At 31 March 2006	745,365	–	–	–
Effects of adopting FRS 3 (Note 2.3a)	(745,365)	–	–	–
At 31 March 2007	–	–	–	–
Net carrying amount				
At 31 March 2006	1,918,832	(367,781)	–	1,551,051
At 31 March 2007	1,918,832	–	714,049	2,632,881

4 INTANGIBLE ASSETS cont'd

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

Accordingly, the Group Cash Generating Unit ("CGU") for which the goodwill is allocated is according to the respective subsidiaries concerned.

The negative goodwill arising on consolidation is attributable to the acquisition of Hing Hong Sdn Berhad, Innofarm (Klang) Sdn Bhd and Evergrowth Marketing Sdn Bhd.

Development costs for the financial year included staff cost of RM142,020 (Note 23).

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:

	Gross margin		Growth rate		Discount rate	
	2007	2006	2007	2006	2007	2006
	5%	–	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 increased for expected efficiency improvements.

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

iii Discount rate
The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

5 INVESTMENTS

	Group		Company	
In RM	2007	2006	2007	2006
a Subsidiaries				
Unquoted shares at cost	–	–	13,278,254	13,278,252

5 INVESTMENTS cont'd

In RM	Group 2007	Group 2006	Company 2007	Company 2006
b Other Investments				
Quoted shares at cost in Malaysia	5,600	5,600	2,799	2,799
Provision for diminution in value	(4,810)	(4,810)	(2,404)	(2,404)
	790	790	395	395
Other investments	118,001	118,001	118,001	118,001
Unquoted bonds (note ii)	2,000,000	–	2,000,000	–
	2,118,791	118,791	2,118,396	118,396
Total investments	2,118,791	118,791	15,396,650	13,396,648
Market value of shares quoted in Malaysia	1,630	1,310	815	655

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Effective Interest Held (%) 2007	Effective Interest Held (%) 2006	Principal Activities
Hing Hong Sdn Berhad	Malaysia	100	100	Poultry farming
Innofarm (Klang) Sdn Bhd #	Malaysia	70	70	Poultry farming
Evergreen Organic Fertilisers Sdn Berhad	Malaysia	51	51	Organic fertiliser processing
Sri Tawau Farming Sdn Bhd # + and its subsidiary	Malaysia	50	50	Poultry farming
Evergrowth Marketing Sdn Bhd #	Malaysia	30	30	Poultry processing and marketing
Innobrid Sdn Bhd #^ and its subsidiary	Malaysia	50	50	Poultry farming
Innobrid Marketing Sdn Bhd #	Malaysia	62	62	Poultry processing and marketing
Eminent Farm Sdn Bhd #	Malaysia	100	100	Poultry farming
Lay Hong Liquid Egg Sdn Bhd #	Malaysia	100	100	Liquid egg processing
Lay Hong Poultry Processing Sdn Bhd #	Malaysia	100	100	Poultry processing and marketing
STF Agriculture Sdn Bhd #	Malaysia	100	–	Dormant

Audited by firms of auditors other than Ernst & Young
+ Equity interest of 50% plus one special rights ordinary share
^ Equity interest of 50% plus one share

5 INVESTMENTS cont'd

i Acquisition of subsidiary
On 1 December 2006, the Company acquired 2 ordinary shares of RM1 each in STF Agriculture Sdn Bhd, representing the entire issued and paid-up share capital for a consideration of RM2.

ii Unquoted bond
As part of the terms and conditions of the RM20 million term loan taken by the Company (Note 16), the Company is required to invest in the above unquoted bond.

6 DEFERRED TAXATION

	Group		Company	
In RM	2007	2006	2007	2006
At beginning of year	9,725,389	3,218,739	7,532,174	5,412,062
Recognised in the income statement (Note 27)	347,606	3,208,258	284,223	1,470,012
Recognised in equity	(201,264)	3,298,392	(26,442)	650,100
Derecognised in equity	(391,652)	–	(269,306)	–
At end of year	9,480,079	9,725,389	7,520,649	7,532,174
Presented after offsetting as follows:				
Deferred tax assets	(10,041,456)	(10,343,662)	(104,765)	(273,819)
Deferred tax liabilities	19,521,535	20,069,051	7,625,414	7,805,993
	9,480,079	9,725,389	7,520,649	7,532,174

In RM	Accelerated Capital Allowances	Revaluation Reserve	Others	Total
Deferred Tax Liabilities of the Group:				
At 1 April 2006	16,770,659	3,298,392	–	20,069,051
Recognised in the 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
At 1 April 2005	13,689,429	–	–	13,689,429
Recognised in the income statement	3,081,230	–	–	3,081,230
Recognised in equity	–	3,298,392	–	3,298,392
At 31 March 2006	16,770,659	3,298,392	–	20,069,051

6 DEFERRED TAXATION cont'd

In RM	Accelerated Capital Allowances	Revaluation Reserve	Total
Deferred Tax Liabilities of the Company			
At 1 April 2006	7,155,893	650,100	7,805,993
Recognised in the 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
At 1 April 2005	6,035,377	–	6,035,377
Recognised in the income statement	1,120,516	–	1,120,516
Recognised in equity	–	650,100	650,100
At 31 March 2006	7,155,893	650,100	7,805,993

In RM	Tax Losses and Unabsorbed Capital Allowances	Others	Total
Deferred Tax Assets of the Group:			
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
At 1 April 2005	10,428,818	41,872	10,470,690
Recognised in the income statement	(403,037)	276,009	(127,028)
At 31 March 2006	10,025,781	317,881	10,343,662
Deferred Tax Assets of the Company:			
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
At 1 April 2005	622,642	673	623,315
Recognised in the income statement	(475,901)	126,405	(349,496)
At 31 March 2006	146,741	127,078	273,819

6 DEFERRED TAXATION cont'd

In RM	Group 2007	Group 2006
Deferred tax assets have not been recognised in respect of:		
- reinvestment allowance	9,771,133	11,042,461
- investment tax allowance	3,493,067	–

The deferred tax assets above that have not been recognised at the Group level relate to subsidiaries that have a recent history of losses and are not expected to be profitable in the near term.

* The 'Real Property Gains Tax (Exemption) (No. 2) Order 2007' has resulted in reversal of deferred tax liabilities arising from revaluation surplus on freehold land.

7 BIOLOGICAL ASSETS

The biological assets of the Group and the Company consist of livestocks, stated at lower of cost and net realisable value.

	Group		Company	
In RM	2007	2006	2007	2006
At Cost:				
Livestocks:				
Layer breeders	618,115	687,850	–	–
Broiler breeders	4,091,877	3,518,817	–	–
Layers	14,572,084	11,335,834	9,523,594	8,782,422
	19,282,076	15,542,501	9,523,594	8,782,422

8 INVENTORIES

	Group		Company	
In RM	2007	2006	2007	2006
At cost:				
Livestocks	3,479,613	2,841,494	–	–
Eggs	1,929,480	1,732,210	773,409	630,010
Raw materials	4,458,496	3,345,382	2,601,575	2,120,466
Organic fertilisers	437,398	370,495	–	–
Processed and frozen products	3,375,682	6,791,808	–	–
Consumables and packing materials	4,270,106	2,915,793	1,310,809	1,128,044
	17,950,775	17,997,182	4,685,793	3,878,520

9 TRADE RECEIVABLES

	Group		Company	
In RM	2007	2006	2007	2006
Trade receivables	38,222,734	30,008,948	6,820,968	5,939,288
Provision for doubtful debts	(4,091,039)	(4,736,500)	(316,339)	(587,583)
	34,131,695	25,272,448	6,504,629	5,351,705

The Group's normal credit term ranges from 30 to 60 days (2006: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

As at 31 March 2007, the Group and Company has a significant concentration of credit risk in the form of outstanding balances due from a customer representing approximately 6% (2006: 8%) and 13% (2006: 21%) respectively on trade receivables (net).

10 OTHER RECEIVABLES

	Group		Company	
In RM	2007	2006	2007	2006
Prepayments	2,013,225	622,433	1,088,910	369,329
Sundry receivables	1,591,518	811,808	1,048,952	442,476
Deposits	1,353,921	909,540	554,930	104,341
	4,958,664	2,343,781	2,692,792	916,146

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

11 DUE FROM/DUE TO SUBSIDIARIES

Included in the net amount due from and due to subsidiaries, is a trade receivables balance of RM23,268,781 (2006: RM9,339,856) and other receivables balance of RM24,491,957 (2006: RM25,226,309).

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

Related party included in the net amount due from and due to subsidiaries, is a trade receivable balance of RM2,103,803 (trade payable balance 2006: RM2,044,260) and other receivables balance of RM4,460,895 (2006: RM4,452,812).

12 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 bore weighted average effective interest rate at the balance sheet date of 2.58% (2006: Nil).

13 CASH AND CASH EQUIVALENTS

	Group		Company	
In RM	2007	2006	2007	2006
Cash on hand and at banks	397,242	554,448	24,450	38,538
Deposits with licensed bank	400,000	–	–	–
Cash and bank balances	797,242	554,448	24,450	38,538
Short term investment (Note 12)	9,549,278	–	9,549,278	–
Less: Bank overdrafts (Note 16)	(6,934,917)	(3,145,077)	(2,159,702)	(280,332)
Cash and cash equivalents	3,411,603	(2,590,629)	7,414,026	(241,794)

The fixed deposits with licensed bank for the Group amounting to RM400,000 (2006: RM nil) have been pledged to the bank for guarantee facilities provided to the Group.

The weighted average effective interest rate of deposits for the Group at the balance sheet date is 3.88% (2006: Nil).

The maturity of deposit with licensed bank as at the end of the financial year was 365 days (2006: Nil).

14 SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2007	2006	2007 RM	2006 RM
Issued and fully paid				
At 1 April 2006 and 2005	42,000,000	42,000,000	42,000,000	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 31 March	46,240,000	42,000,000	46,240,000	42,000,000
Authorised	100,000,000	100,000,000	100,000,000	100,000,000

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.

14 SHARE CAPITAL cont'd

a Ordinary shares issued for cash

During the financial year, the Company issued 4,200,000 new ordinary shares of RM1 each through a private placement at an issue price of RM1 per ordinary share for cash and 40,000 ordinary shares of RM1 each for cash via the executive of share options, for additional working capital purposes. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

b 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 option exercise during the financial year resulted in the issuance of 40,000 ordinary shares of RM1 each for cash at the exercise price of RM1 per ordinary share.

The salient 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.

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.

14 SHARE CAPITAL cont'd

d The following table illustrates the number at the exercise price of RM1, and movements in, share options during the year:

	Number of Share Options	
	2007	2006
Outstanding at beginning of year	6,300,000	–
Granted during the year *	–	6,300,000
Exercised during the year	(40,000)	–
Lapsed	–	–
Outstanding at end of year	6,260,000	6,300,000

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

15 RETAINED PROFITS

As at 31 March 2007, the Company has available tax exempt income under Schedule 7A of the Income Tax Act, 1967 and the Income Tax (Amendment) Act, 1999 which can be used to declare tax exempt dividends amounting to approximately RM10,088,000 (2006: RM10,088,000), subject to agreement with the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 March 2007.

16 BORROWINGS

	Group		Company	
In RM	2007	2006	2007	2006
Short Term Borrowings				
Secured:				
Bank overdrafts	4,775,215	2,864,745	–	–
Bankers' acceptances	13,697,000	11,260,000	–	–
Term loans	8,490,267	7,924,656	2,539,649	2,350,948
Hire purchase payables (Note 20)	2,648,353	3,222,209	616,601	1,234,923
	29,610,835	25,271,610	3,156,250	3,585,871

16 BORROWINGS cont'd

	Group		Company	
In RM	2007	2006	2007	2006
Short Term Borrowings cont'd				
Unsecured:				
Bank overdrafts	2,159,702	280,332	2,159,702	280,332
Bankers' acceptances	16,779,000	15,476,000	16,779,000	15,476,000
Term loans	463,781	435,164	463,781	435,164
	19,402,483	16,191,496	19,402,483	16,191,496
	49,013,318	41,463,106	22,558,733	19,777,367
Long Term Borrowings				
Secured:				
Term loans	20,460,028	28,676,049	8,638,546	10,917,264
Hire purchase payables (Note 20)	5,095,480	4,816,045	761,866	707,999
	25,555,508	33,492,094	9,400,412	11,625,263
Unsecured:				
Term loans	22,196,602	2,653,467	22,196,603	2,653,467
	47,752,110	36,145,561	31,597,015	14,278,730
Total Borrowings				
Bank overdrafts (Note 13)	6,934,917	3,145,077	2,159,702	280,332
Bankers' acceptances	30,476,000	26,736,000	16,779,000	15,476,000
Term loans	51,610,678	39,689,336	33,838,579	16,356,843
Hire purchase payables (Note 20)	7,743,833	8,038,254	1,378,467	1,942,922
	96,765,428	77,608,667	54,155,748	34,056,097
Maturity of borrowings (excluding hire purchase):				
Within one year	46,364,964	38,240,897	21,942,132	18,542,444
More than 1 year and less than 2 years	8,988,819	8,972,855	3,232,816	2,997,262
More than 2 years and less than 5 years	13,096,720	20,436,203	7,440,399	10,050,917
5 years or more	20,571,092	1,920,458	20,161,934	522,552
	89,021,595	69,570,413	52,777,281	32,113,175

16 BORROWINGS cont'd

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

	Group		Company	
In %	2007	2006	2007	2006
Bank overdrafts	8.16	7.86	7.91	7.72
Bankers' acceptances	5.13	4.28	4.99	4.29
Term loans	7.75	6.92	7.95	7.28

The credit facilities of the Company are secured by way of negative pledges, debentures on specific 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 charge on certain landed properties as disclosed in Note 3, fixed deposits as disclosed in Note 13, subordination of shareholders' loan and amount due to holding company of RM7.8 million (2006: RM7.8 million) in certain subsidiaries.

The unsecured 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 bears interest at 8.38% and is fully repayable in January 2012.

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 mentioned in Note 5 to the financial statements.

17 DUE TO CORPORATE SHAREHOLDERS - GROUP

This represents an amount due to Innofarm Sdn Bhd and Lay Hong Holdings Sdn Bhd, a corporate shareholder of a subsidiary which is unsecured and interest-free (refer to Note 35).

Included in the amount repayable after 12 months is an amount of RM2.8 million (2006: RM2.8 million) which has been subordinated for credit facilities granted to a subsidiary by a financial institution.

18 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 (2006: one month to three months).

19 OTHER PAYABLES

In RM	Group 2007	Group 2006	Company 2007	Company 2006
Accruals	4,822,030	5,013,158	1,490,124	1,293,439
Sundry payables	5,747,519	6,757,065	3,852,301	2,525,165
	10,569,549	11,770,223	5,342,425	3,818,604

Included in sundry payables is an amount payable for purchase of property, plant and equipment amounting to RM1,024,216 where the settlements are required to be made by October 2007.

20 HIRE PURCHASE PAYABLES

In RM	Group 2007	Group 2006	Company 2007	Company 2006
Future minimum hire purchase payments:				
Not later than 1 year	3,133,279	2,701,412	694,702	1,327,456
Later than 1 year and not later than 2 years	2,913,448	1,678,834	585,698	417,675
Later than 2 years and not later than 5 years	2,611,718	4,607,464	222,210	336,589
Later than 5 years	9,695	–	–	–
	8,668,140	8,987,710	1,502,610	2,081,720
Less: Future finance charges	(924,308)	(949,456)	(124,143)	(138,798)
Present value of hire purchase liabilities	7,743,832	8,038,254	1,378,467	1,942,922
Analysis of present value of hire purchase liabilities:				
Not later than 1 year	2,648,353	3,222,209	616,601	1,234,923
Later than 1 year and not later than 2 years	2,610,791	1,919,232	550,075	383,639
Later than 2 years and not later than 5 years	2,475,158	2,896,813	211,791	324,360
Later than 5 years	9,531	–	–	–
	7,743,833	8,038,254	1,378,467	1,942,922
Less : Amount due within 12 months (Note 16)	2,648,353	3,222,209	616,601	1,234,923
Amount due after 12 months (Note 16)	5,095,480	4,816,045	761,866	707,999

The hire purchase liabilities bore weighted average effective interest rate at the balance sheet date of 6.59% (2006: 6.85%).

21 REVENUE

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

In RM	Group 2007	Group 2006	Company 2007	Company 2006
Eggs	80,150,139	90,578,231	84,283,129	82,650,496
Livestocks	35,320,420	37,808,145	2,642,661	1,814,260
Ready feed	15,167,607	28,286,128	56,339,004	46,005,096
Processed and frozen product	98,851,953	67,081,742	–	–
Others	3,256,142	2,842,360	1,459,482	1,198,950
	232,746,261	226,596,606	144,724,276	131,668,802

22 OTHER OPERATING INCOME

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

In RM	Group 2007	Group 2006	Company 2007	Company 2006
Gain on disposal of:				
Property, plant and equipment	70,707	156,316	15,960	21,515
Rental income Subsidiary	–	–	3,600	3,600
Others	42,960	108,126	–	–
Dividend from unquoted investments (gross)	600	300	600	300
Interest income	71,627	–	64,059	–
Insurance claim	42,846	123,008	–	670
Management fees	–	–	336,000	336,000
Write back in provision for doubtful debt	988,169	398,461	282,286	139,543
Gain on foreign exchange:				
Realised	–	119,043	–	112,080
Unrealised	–	236,602	–	213,893

23 STAFF COSTS

In RM	Group 2007	Group 2006	Company 2007	Company 2006
Wages and salaries	10,520,756	10,781,879	3,112,997	3,899,958
Social security cost	130,866	117,657	39,527	36,147
Employees Provident Fund	1,160,854	1,131,225	469,925	478,996
Other benefits	7,655,819	7,182,448	2,236,371	2,688,970
	19,468,295	19,213,209	5,858,820	7,104,071
Less: Amount capitalised under development costs (Note 4)	(142,020)	–	–	–
	19,326,275	19,213,209	5,858,820	7,104,071

Included in staff costs of the Group and the Company are directors' remuneration (excluding directors' fees and benefits-in-kind) amounting to RM897,717 (2006: RM1,043,802) and RM665,877 (2006: RM825,402) respectively as further disclosed in Note 24.

24 DIRECTORS' REMUNERATION

In RM	Group 2007	Group 2006	Company 2007	Company 2006
Directors of the Company				
Executive:				
Salaries and other emoluments	621,377	641,402	621,377	641,402
Fees	52,000	112,000	28,000	40,000
Bonus	44,500	178,000	44,500	178,000
Benefits-in-kind	51,950	51,950	51,950	51,950
	769,827	983,352	745,827	911,352
Non-executive:				
Fees	80,000	152,000	56,000	80,000
Bonus	–	6,000	–	6,000
Total	80,000	158,000	56,000	86,000

24 DIRECTORS' REMUNERATION cont'd

	Group		Company	
In RM	2007	2006	2007	2006
Other Directors				
Salaries and other emoluments	215,840	203,400	–	–
Fees	–	42,000	–	–
Bonus	16,000	15,000	–	–
	231,840	260,400	–	–
Total	1,081,667	1,401,752	801,827	997,352
Analysis excluding benefit-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	717,877	931,402	693,877	859,402
Total non-executive directors' remuneration excluding benefits-in-kind	311,840	418,400	56,000	86,000
Total directors' remuneration excluding benefits-in-kind	1,029,717	1,349,802	749,877	945,402

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

	Number of Directors	
	2007	2006
Executive directors:		
RM600,001 - RM650,000	–	1
RM450,001 - RM500,000	1	–
RM350,001 - RM400,000	–	1
RM250,001 - RM300,000	1	–
Non-Executive directors:		
RM50,001 - RM100,000	–	2
RM1 to RM50,000	4	2
NIL	2	1

25 OTHER OPERATING EXPENSES

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

	Group		Company	
In RM	2007	2006	2007	2006
Amortisation of goodwill	–	106,536	–	–
Bad debts written off	547,689	208,461	46,547	28,261
Directors' fees (Note 24)	120,000	306,000	120,000	120,000
(over)/under provision in prior year	(24,000)	5,600	(36,000)	(4,000)
Auditors' remuneration:				
- Group auditors	54,000	48,500	29,000	27,000
- Other auditors	38,150	30,400	–	–
	92,150	78,900	29,000	27,000
Statutory audits				
current year	85,200	83,700	20,000	21,000
under/(over) provision in prior year	950	(10,800)	3,000	–
other services	6,000	6,000	6,000	6,000
Hire of plant and machinery	190,682	245,401	34,820	101,984
Loss on foreign exchange:				
Realised	45,127	8,557	21,504	–
Unrealised	120,829	–	145,387	–
Provision for doubtful debts	342,708	1,962,717	11,041	433,473
Rental				
Third parties	2,156,721	2,030,602	176,753	161,886
Subsidiary	–	–	30,000	30,000
Property, plant & equipment written off	2,746	344,819	192	–
Operating lease:				
- minimum lease payments for office equipment	41,360	–	41,360	–
Preliminary expenses written off	2,400	–	–	–

26 FINANCE COSTS

	Group		Company	
In RM	2007	2006	2007	2006
Interest expense on:				
Bank borrowings	4,778,742	4,136,907	2,132,071	1,713,474
Hire purchase liabilities	592,217	759,001	134,816	222,300
Others	175,615	19,108	–	–
	5,546,574	4,915,016	2,266,887	1,935,774
Less: Amount capitalised in capital work-in-progress	–	(127,027)	–	(127,027)
	5,546,574	4,787,989	2,266,887	1,808,747

27 INCOME TAX EXPENSE

	Group		Company	
In RM	2007	2006	2007	2006
Tax expense for the year	35,330	10,674	–	–
Under/(over) provision of tax in prior year	1,520	(173,289)	–	(145,483)
	36,850	(162,615)	–	(145,483)
Deferred tax (Note 6):				
Relating to origination and reversal of deferred tax	240,574	3,210,420	305,292	1,444,862
Relating to changes in tax rates	(206,043)	–	(254,111)	–
Under/(over) provision of deferred tax in prior years	313,075	(2,162)	233,042	25,150
	347,606	3,208,258	284,223	1,470,012
	384,456	3,045,643	284,223	1,324,529

Income tax is calculated at the Malaysian statutory rate of 27% (2006: 28%) of the estimated assessable profit for the year. The statutory tax rate for certain subsidiaries, with a share capital not exceeding RM2.5 million, is at 20% (2006: 20%) on chargeable income up to RM500,000. The excess above RM500,000 is taxable at 27% (2006: 28%). The statutory tax rate will be reduced to 26% effective year of assessment 2008. The computation of deferred tax as at 31 March 2007 has reflected these changes.

27 INCOME TAX EXPENSE cont'd

A reconciliation of income tax expense applicable to profit before tax 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:

In RM	2007	2006
Group		
Profit before tax	2,356,775	10,237,217
Taxation at Malaysian statutory tax rate of 20%	160,215	551,693
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	431,833	2,146,186
Effect on changes in tax rates on opening balance of deferred tax	(206,043)	–
Income not subject to tax	(17,296)	–
Relating to origination & reversal of deferred tax arising from different tax rates	(185,944)	154,628
Relating to origination & reversal of deferred tax arising from control transfer of property, plant & equipment	(40,105)	116,084
Utilisation of previously unrecognised unutilised reinvestment allowances	(356,506)	(34,864)
Expenses not deductible for tax purposes	283,707	287,367
Under/(over) provision of deferred tax in prior year	313,075	(2,162)
Under/(over) provision of tax in prior years	1,520	(173,289)
Tax expense for the year	384,456	3,045,643
Company		
Profit before tax	1,647,774	4,533,844
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	444,899	1,269,476
Effect on changes in tax rates on opening balance of deferred tax	(254,111)	–
Relating to origination & reversal of deferred tax arising from different tax rates	(276,412)	–
Relating to origination & reversal of deferred tax arising from control transfer of property, plant & equipment	–	(11,946)
Expenses not deductible for tax purposes	154,101	187,332
Income not subject to tax	(17,296)	–
Underprovision of deferred tax in prior years	233,042	25,150
Overprovision of income tax expense in prior years	–	(145,483)
Tax expense for the year	284,223	1,324,529

	Group		Company	
In RM	2007	2006	2007	2006
Tax savings recognised during the year arising from:				
Utilisation of tax losses brought forward from previous year	131,371	434,251	–	–

28 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.

In RM	2007	2006
Profit attributable to ordinary equity holders of the Company	1,402,647	6,639,528
Weighted average number of ordinary shares in issue	43,585,000	42,000,000
Basic earnings per share (sen)	3.22	15.81

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

29 DIVIDENDS

In RM	Amount 2007	Amount 2006
Recognised during the year:		
First and final dividend for financial year 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	–

30 OPERATING LEASE ARRANGEMENTS

The Group as lessee
The Group has entered into non-cancellable operating lease arrangements for certain office equipment. The lease has an average life of 3 years with a purchase option included in the contract.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group and Company	
In RM	2007	2006
Future minimum rentals payments:		
Not later than 1 year	54,147	–
Later than 1 year and not later than 5 years	14,408	–
	68,555	–

31 CAPITAL COMMITMENTS

	Group		Company	
In RM	2007	2006	2007	2006
Approved and contracted for				
- Property, plant and equipment	5,838,000	3,680,000	4,186,000	1,845,000
Approved but not contracted for				
- Property, plant and equipment	2,888,000	479,000	1,025,000	–

32 CONTINGENT LIABILITIES

	Company	
In RM	2007	2006
Unsecured		
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries	33,511,705	32,281,317

33 SIGNIFICANT EVENTS

a On 1 December 2006, the Company acquired 2 ordinary shares of RM1 each in STF Agriculture Sdn Bhd representing 100% of the issued and paid up share capital for a consideration of RM2.

b During the year, the Company announced its intention to acquire the remaining equity interest not already owned by the Company in its subsidiary companies, namely Innobrid Sdn Bhd, Sri Tawau Farming Sdn Bhd, Innofarm (Klang) Sdn Bhd and Evergreen Organic Fertilisers Sdn Berhad.

Name of subsidiaries	Remaining Equity	Amount RM
Innobrid Sdn Bhd	50%	242,500
Sri Tawau Farming Sdn Bhd	50%	4,756,000
Innofarm (Klang) Sdn Bhd	30%	583,000
Evergreen Organic Fertilisers Sdn Berhad	49%	1,127,500
Total proposed purchase consideration		6,709,000

The Proposed Acquisitions are intended to streamline the management and control of the acquiree companies and to enable the Group to enhance the product quality and revenue growth of its poultry farming business. The Proposed Acquisitions will also allow the Group to fully consolidate the future earnings of the acquiree companies, thereby enhancing shareholders' value.

As of the date of this report, the relevant approval has been obtained from the Securities Commission, and the scheme is now pending implementation by the Company.

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

In RM	2007	2006
Group		
Amount due to Innofarm Sdn Bhd and Lay Hong Holdings Sdn Bhd, a corporate shareholder of the Company and to corporate shareholder of a subsidiary in which certain directors, namely Yap Hoong Chai, Yeap Fock Hoong and Yeap Weng Hong have an interest	3,015,275	4,231,205
Sales of goods to a company in which certain director has an interest	2,558,240 *	–

* Transaction period for the sales of goods to a company namely LONDON BISCUITS BERHAD were made from January 2007 to March 2007.

In RM	2007	2006
Company		
Purchases from subsidiaries		
- Innofarm (Klang) Sdn Bhd	8,286,248	11,248,083
Sales to subsidiaries		
- Innofarm (Klang) Sdn Bhd	9,272,321	8,864,611
- Innobrid Sdn Bhd	28,311,803	13,182,750
- Evergreen Organic Fertilisers Sdn Berhad	528,000	288,000
Management fees receivable from subsidiaries		
- Innofarm (Klang) Sdn Bhd	120,000	120,000
- Evergreen Organic Fertilisers Sdn Berhad	36,000	36,000

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

Information regarding outstanding balances arising from related party transactions as at 31 March 2007 are disclosed in Note 11 and Note 17.

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, foreign exchange, liquidity 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 2007. 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 Exchange Risk

The Group is exposed primarily to the Singapore Dollar and Euro. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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 prudent 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 of a reasonable level. As far as possible, the Group raises committed funding from both capital market and financial institutions and prudently 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 2007, 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 9 to the financial statement.

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:

		Group		Company	
In RM	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
31 March 2007					
Financial Assets					
Due from subsidiaries		–	–	48,734,534	*
Financial Liabilities					
Due to subsidiaries		–	–	973,796	*
Term loans	16	51,610,678	49,595,545	33,838,579	32,103,561
Due to corporate shareholders	17	3,113,275	*	–	–
Hire purchase payables	20	7,743,832	7,723,880	1,378,467	1,376,161
		62,467,785	57,319,425	36,190,842	33,479,722
31 March 2006					
Financial Assets					
Due from subsidiaries		–	–	37,556,615	*
Financial Liabilities					
Due to subsidiaries		–	–	2,990,450	*
Term loans	16	39,689,336	39,708,255	16,356,843	16,356,843
Due to corporate shareholders	17	4,231,205	*	–	–
Hire purchase payables	20	8,038,254	9,041,351	1,942,922	2,003,543
		51,958,795	48,749,606	21,290,215	18,360,386

* It is not practical to estimate the fair values of amounts due from/to subsidiaries and to corporate shareholder 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 nominal/notional amounts and net fair values of financial instruments not recognised in the balance sheet of the Company as at the end of the financial year are:

Company

		31 March 2007		31 March 2006	
In RM	Note	Nominal/ Notional Amount	Net Fair Value	Nominal/ Notional Amount	Net Fair Value
Contingent liabilities	32	33,511,705	#	32,281,317	#

\# It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

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.

37 COMPARATIVES

Certain comparative figures, where appropriate, have been reclassified to conform with the current financial year's presentation.

ANALYSIS OF SHAREHOLDINGS
AS AT 1 AUGUST 2007

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	75	5.00	1045	0.00
100 - 1,000	103	6.88	65,052	0.14
1,001 - 10,000	1,155	77.10	4,034,649	8.73
10,001 - 100,000	145	9.68	3,196,154	6.91
100,001 - 2,311,999 *	16	1.07	6,345,543	13.72
2,312,000 and above **	4	0.27	32,597,557	70.50
	1,498	100.00	46,240,000	100.00

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

SUBSTANTIAL REGISTERED SHAREHOLDERS

		No.of Share	%
1	Innofarm Sdn Bhd	11,236,000	24.30
2	London Biscuits Berhad	10,860,900	23.49
3	CIMB Group Nominees (Tempatan) Sdn Bhd for Innofarm Sdn Bhd	7,664,000	16.57
4	Yip Kim Hoong	2,836,657	6.13

THIRTY LARGEST REGISTERED SHAREHOLDERS

	Name of Shareholder	No.of Share	%
1	Innofarm Sdn Bhd	11,236,000	24.30
2	London Biscuits Berhad	10,860,900	23.49
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	Poo Choo @ Ong Poo Choi	1,274,400	2.76
6	Mayban Securities Nominees (Tempatan) Sdn Bhd -pledged securities account for Ong Huey Peng	1,116,400	2.41
7	Lai Kum Sim	1,107,000	2.39
8	Ong Har Hong	1,071,000	2.32
9	HDM Nominees (Tempatan) Sdn Bhd -EON Finance Berhad for Wah Keng Sen	511,300	1.11
10	Ban Seng Guan Sdn Bhd	189,600	0.41
11	Lim Peck Hong	172,143	0.37
12	EB Nominees (Tempatan) Sdn Bhd -pledged securities account for Zaleha Binti Idris	141,300	0.31
13	Tawakar Enterprise Sdn Bhd	132,000	0.29
14	Lim Siew Yoke	120,200	0.26
15	Low Saw Tin	112,000	0.24
16	Ong Wah Seng	110,400	0.24
17	Tan Choo Mit	107,600	0.23
18	Teoh Hunt Thuim	103,400	0.22
19	Si Hong Kuan	100,800	0.22
20	Ang Guan Seng	96,200	0.21
21	Yip Chor Wei	91,900	0.20
22	Malaysia Nominees (Tempatan) Sendirian Berhad -pledged securities account for Wan Holdings Sdn Bhd	86,400	0.19
23	Alliance Group Nominees (Tempatan) Sdn Bhd -pledged securities account for Lim Yoke Sim	83,000	0.18
24	Low Fatt Chye	67,200	0.15
25	Lee You Long	64,900	0.14
26	Sing Kong Wey	62,400	0.13
27	Yeap Wan Keng	62,400	0.13
28	Chan Seng Cheong	60,000	0.13
29	Mayban Nominees (Tempatan) Sdn Bhd -pledged securities account for Chew Weng Khak @ Chew Weng Kiak	57,600	0.12
30	Law Geok Luan	56,400	0.12
	Total	39,755,500	85.98

PROPERTIES OWNED BY LAY HONG BERHAD GROUP OF COMPANIES
AS AT 31 MARCH 2007

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	22	1,081,992	28/3/06
Lot Nos. 4857 Mukim of Jeram District of Kuala Selangor	Layer Farm & Feedmill	24.8	Freehold	8-23	3,431,911	28/3/06
Lot No. 559 Mukim of Ijok Kuala Selangor	Layer Farm & Fertiliser Plant & Building	34	Freehold	8-15	9,810,084	28/3/06
Lot No. 1640 Mukim of Ijok Kuala Selangor	Chick Farm	5	Freehold	5-16	872,633	28/3/06
Lot No. 1954 Mukim of Jeram District of Kuala Selangor	Layer Farm	5	Freehold	5	3,400,787	28/3/06
Lot No. 3095 Mukim of Jeram District of Kuala Selangor	Pullet Farm	4.8	Freehold	5	2,163,180	28/3/06
Lot No. 1555 Mukim of Jeram District of Kuala Selangor	Layer Farm	6	Freehold	3	3,844,147	24/2/04
Lot 1933 Mukim of Jeram District of Kuala Selangor	Pullet Farm	5	Lease Under Tenant's Lease May 2014	3	715,260	16/3/05
Lot No. 1868 Mukim of Jeram District of Kuala Selangor	Layer Farm	4.8	Freehold	2	2,429,941	28/3/06
Lot Nos. 16458/9 Mukim of Tanjung Karang District of Kuala Selangor	Vacant Land	2	Leasehold Aug 2080 (16458) Aug 2080 (16459)	-	323,401	31/3/06 (S & P)
Lot Nos. 4847/8 Mukim of Jeram District of Kuala Selangor	Layer Farm	26	Land Under Tenant's Lease Aug 2016	8-20	472,885	1/9/86

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition/ Revaluation
SELANGOR cont'd						
Lot No. 4859 Mukim of Jeram District of Kuala Selangor	Fertiliser Plant & Building	4.3	Land Under Tenant's Lease Nov 2016	11-13	854,784	1/12/94
Lot No. 1942 Mukim of Jeram District of Kuala Selangor	Fertiliser Plant & Building	2.5	Land under Tenant's Lease Sep 2012	4	289,565	1/10/02
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Breeder Farm & Hatchery	10	Freehold	6-15	1,455,948	28/3/06
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	8-12	968,421	28/3/06
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	8-12	1,064,603	28/3/06
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	10	Freehold	8-11	2,132,467	28/3/06
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	8-10	1,067,300	28/3/06
Lot Nos. 683/4 & 685 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	15	Land Under Tenant's Lease May 2012	7-10	2,157,877	19/5/97
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farm & Hatchery	18.5	Freehold	5-9	5,102,565	28/3/06

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition/ Revaluation
SELANGOR cont'd						
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	-	180,000	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)	3	6,755,713	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	4	5,839,136	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	1,158 m2	Freehold	4	1,505,882	28/3/06
Lot No. 16465 Mukim Tanjong Karang District of Kuala Selangor	Vacant Land	1	Leasehold Nov 2080	-	101,342	4/7/05
MELAKA						
Lot Nos. 1717/8/9 & 1720 Mukim of Ayer Panas Jasin, Melaka	Layer Farm & Fertiliser Plant & Building	40.4	Freehold	13-22	3,411,464	28/3/06
SABAH						
CL 045169248 Kampung Indai Tuaran, Sabah	Broiler Farm	10.7	Leasehold Jan 2060	10	1,110	28/3/06
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6.4	Leasehold June 2094	11	1,218	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 cont'd						
NT No. 043171651 Kampung Serusup Tuaran, Sabah	Vacant Land	9.4	Leasehold June 2094	-	255	28/3/06
CL 045115928 Tuaran, Sabah	Layer Farm & Feedmill	89	Leasehold Jan 2938	16	4285	28/3/06
CL 025308043 Papar, Sabah	Breeder Farm	19.2	Leasehold Jan 2063	5-9	3,138	28/3/06
CL 025166714 Papar, Sabah	Vacant Land	18.8	Leasehold Jan 2056	-	481	28/3/06
CL 025166705 Papar, Sabah	Vacant Land	19.7	Leasehold Jan 2056	-	481	28/3/06
NT No. 043140905 Kampung Serusup Tuaran, Sabah	Broiler Farm	5	Leasehold Feb 2099	4	943	28/3/06
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm	2.7	Leasehold Aug 2098	4	415	28/3/06
CL 015580104 Kota Kinabalu Sabah (KKIP)	Feedmill	2.7	Leasehold Dec 2096	4	3,182	28/3/06
NT. No. 044018224 Tuaran, Sabah	Broiler Farm	4	Leasehold Jul 2031	4	715	28/3/06

NOTES

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-Third Annual General Meeting of the Company to be held at Empress Garden, Kelab Golf Sultan Abdul Aziz Shah, No 1 Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor on Thursday, September 27 2007 at 11.30AM and at any adjournment thereof. My/our proxy is to vote as indicated below:

Resolution	Ordinary Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31st March 2007.		
2.	To approve Directors' Fees for the financial year ended 31st March 2007.		
3.	To re-elect Mr Yap Hoong Chai as Director.		
4.	To re-elect Mr Yeap Weng Hong as Director.		
5.	To re-elect Dato' Liew Yew Chung DIMP as Director.		
6.	To re-appoint Messrs Ernst & Young as Auditors.		
7.	To authorise the issue of shares up to 10% of Issued Capital.		
8.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		
9.	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions with London Biscuits Berhad.		
	Special Resolution		
10.	To approve the Proposed Amendments to the Articles of Association of the Company.		

(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.)

Signature of Shareholder or Common Seal

Signed this day of 2007. No. of shares held:

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 cover reflects Lay Hong's growing international reach. We look back on a year that has seen the opening and expansion of new markets regionally and beyond. For an extra element of fun the cover also shows the Lay Hong "girl" that is used in our advertising and sales promotion materials.

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