



**LAY HONG
BERHAD**

(107129-H) Incorporated in Malaysia

**ANNUAL
REPORT 05**

**Continuous
Innovative
Excellence**





LAY HONG BERHAD

Our Mission

To promote a healthier lifestyle and diet among Malaysians by developing highly nutritious and hygienic products utilising the highest quality processing standards.

To become an increasingly important supplier of 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	02
profile of directors	04
audit committee report	07
notice of annual general meeting	12
statement accompanying the notice of twenty-first annual general meeting of Lay Hong Berhad	15
chairman's statement	16
statement on corporate governance	20
statement on internal control	25
group financial highlights	26
financial statement	27
analysis of shareholdings	73
properties owned by Lay Hong Berhad group of companies	75
form of proxy	

Corporate Information

02

04

06

08

10

12

14

16

18

20

22

24

26

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

Gan Soo Jin

Independent Non Executive Director

Abdul Hamid bin Mohamed Ghows

Independent Non Executive Director

AUDIT COMMITTEE

Gan Soo Jin

Chairman

Yap Hoong Chai

Non-Independent Executive Director

Abdul Hamid bin Mohamed Ghows

Independent Non Executive Director

NOMINATION COMMITTEE

Abdul Hamid bin Mohamed Ghows
Gan Soo Jin

REMUNERATION COMMITTEE

Yap Hoong Chai
Abdul Hamid bin Mohamed Ghows
Gan Soo Jin

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

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

Bumiputra-Commerce Bank (M) Bhd
Malayan Banking Bhd
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

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



LAY HONG BERHAD

State-Of-The-Art Hygiene Standards

Lay Hong's standards are pitched against world industry benchmarks, in line with best practices, including bio-security measures, ensuring safe, healthy products to be rolled out of its plants.

Nutritious protein sources are important for a growing nation and the Nutriplus brand has become synonymous with safety and quality for Malaysia.



Profile of Directors

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YAP HOONG CHAI Malaysian, aged 55,

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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 30 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.

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He attended all the Nine (9) 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.

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YEAP WENG HONG Malaysian, aged 47,

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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 20 years experience in poultry farming and currently in charge of the entire Group's production activities and new projects. 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.

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He attended eight (8) of the nine (9) 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 57,

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 and has retired as an Executive Director on 30th June 2003 upon reaching 55 years of age. Previously he was in charge of the Group's poultry operation in Sri Tawau Farming Sdn Bhd as well as the broiler processing operations of Innobrid Marketing Sdn Bhd. 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 1,857,100 direct shareholding and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

He attended all the nine (9) 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.

Profile of Directors

YEAP FOCK HOONG Singaporean, aged 51,

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 eight (8) of the nine (9) 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.

GAN SOO JIN Malaysian, aged 55,

is an independent Non Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 10th August 1994. He was appointed Chairman of the Lay Hong Berhad Audit Committee on 26th February 2002 and also sits in the Nomination & Remuneration Committees. He is a fellow member of the Institute of Chartered Accountants in England and Wales, member of the Malaysian Institute of Accountants. He began his professional career with Price Waterhouse & Co., London from 1975 to 1977 and subsequently with Charles Bradburne & Co. (1930) Sdn Bhd from 1978 to 1987. He joined CIMB Securities Sdn Bhd in 1988 and currently holds the position of Senior Vice President. He holds 48,000 shares of RM1/- each in Lay Hong Berhad.

He attended all the nine (9) board meetings held for the financial year. He has no family relationship with any Director/ or major shareholder of Lay Hong Berhad. He has no conflict of interest with Lay Hong Berhad and has no conviction for any offence within the past 10 years.

ABDUL HAMID BIN MOHAMED GHOWS Malaysian, aged 54,

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 RHB financial services group.

Presently he is Group Chief Executive Officer and Managing Director at Perisai Petroleum Teknologi Bhd and Independent Non Executive Director in Malaysia Merchant Marine Berhad.

He attended all the Nine (9) 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 conviction for any offence within the past 10 years. He has no shareholding in the Company or the Company's subsidiaries. 🍀

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LAY HONG BERHAD

Innovation Through Technology

From farm to the consumers, Lay Hong is constantly innovating to bring improvements to its products via technology, using the latest in automation, biotechnology and packaging.

Lay Hong has embraced a culture of innovation, improving its products and services to reinforce its prime position as market leader.

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of the Company comprises the following Members:-

Gan Soo Jin

Chairman, Independent Non Executive Director

Tan Sri Dato' Mohd Desa Bin Pachi

Independent Non Executive Director
(resigned on 24/08/2004)

Yap Hoong Chai

Non-Independent Executive Director

Abdul Hamid Bin Mohamed Ghows

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.

(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.

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Audit Committee Report

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;
- (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.

Audit Committee Report

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

4 PROCEDURE (CONT'D)

- (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
- (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);

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Audit Committee Report

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

7 RIGHTS (CONT'D)

(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 2005

During the financial year ended 31 March 2005, 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 2005.
- (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 2005.
- (5) Reviewed related party transactions of the Company.
- (6) Reviewed the extent of application and compliance of principles and best practices set out in the Malaysian Code on Corporate Governance.
- (7) Reviewed the corporate governance statement for inclusion in the Company's Annual Report.

Audit Committee Report

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2005 (CONT'D)

For the Financial Year ended 31 March 2005, the Audit Committee members' attendance at meetings are as follows:

No. Director	Attendance At The Audit Committee Meetings	
	No. of Audit Committee Meetings Held During Member's Tenure in Office	No. of Audit Committee Meetings Attended by Member
Gan Soo Jin	5	5
Yap Hoong Chai	5	5
Abdul Hamid Bin Mohamed Ghows	5	5
Tan Sri Dato' Mohd Desa Bin Pachi	2	2

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 Berhad Internal Auditors is to provide independent assessments for adequate, efficient and effective internal control systems to ensure compliance with systems and standard operating procedures in each of the operations in the Lay Hong Group.

Throughout the financial year, audit assignments, investigations and follow-up audits were carried out on Lay Hong Berhad and its subsidiary companies by the Internal Auditors of Lay Hong Berhad. Three (3) audit reports were issued during the financial year. The resulting report of the audit undertaken was presented and reviewed by the Lay Hong Berhad Audit Committee and forwarded to the management for action. 🍀

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY-FIRST ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT GOLDCOURSE HOTEL, 9 JALAN PASAR, 41400 KLANG, SELANGOR ON WEDNESDAY, 28TH SEPTEMBER 2005 AT 12.00 NOON FOR THE FOLLOWING PURPOSES

ORDINARY BUSINESS

- (1) To receive the Audited Financial Statements for the financial year ended 31st March 2005 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
- (2) To approve Directors' Fees for the year ended 31st March 2005. **Resolution 2**
- (3) 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 3**
- (4) To re-elect Encik Abdul Hamid Bin Mohamed Ghows as a Director of the Company in accordance with Article 71 of the Company's Articles of Association **Resolution 4**
- (5) 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 5**

SPECIAL BUSINESS

- (6) To consider and, if thought fit, adopt the following resolution, with or without amendment, as an Ordinary Resolution:

Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

"That subject always to the Companies Act, 1965, and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Resolution 6

- (7) To consider and, if thought fit, adopt the following resolution, with or without amendment, as an Ordinary Resolution:

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 5th September 2005 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;

Notice of Annual General Meeting

(d) That such approval shall only continue to be in force until:-	03
(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;	05 07
(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	09 11
(iii) revoked or varied by resolution passed by the shareholders in general meeting,	13
whichever is the earlier.	15
Resolution 7	17

BY ORDER OF THE BOARD	19 21
Secretary LIM KING HUA (P) MAICSA 0798613	23 25

Date: 5th September 2005
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.
- 5 Authority to issue Shares pursuant to Section 132D of the Companies Act, 1965.

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

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

The Ordinary Resolution proposed under item 7 of the Agenda, if passed, will authorise the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 5th September 2005 for more information. 🍷



LAY HONG BERHAD

Nationwide Distribution Network

We have established the widest network in the country to enable seamless delivery of our product to the market.

This translates into our customers receiving the freshest Lay Hong products in the shortest possible time.



Statement Accompanying The Notice of Twenty-First Annual General Meeting of Lay Hong Berhad

- A Names of the Directors who are standing for re-election: 03
- (a) Yeap Weng Hong (retiring pursuant to Article 71 of the Company's Articles of Association). 05
- (b) Abdul Hamid Bin Mohamed Ghows (retiring pursuant to Article 71 of the Company's Articles of Association). 07

- B Details of attendance of directors at board meetings 09

9 Board Meetings were held during the financial year ended 31st March 2005. All meetings were held at the Office Premises, No 41-B Jalan 5, Kawasan 16, Taman Intan, 41300 Klang, Selangor. 11

The attendance record of each Director is as follows:- 13

	Attendance	Percentage (%)
EXECUTIVE DIRECTOR		
Yap Hoong Chai	9/9	100%
Yeap Weng Hong	8/9	80%
NON EXECUTIVE DIRECTOR		
Yip Kim Hoong	9/9	100%
Yeap Fock Hoong	8/9	80%
Gan Soo Jin	9/9	100%
Abdul Hamid Bin Mohamed Ghows	9/9	100%

- C The Twenty-First Annual General Meeting will be held at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor on Wednesday, 28th September 2005 at 12.00 Noon. 15

- D Further details of the individuals who are standing for election as directors. 17

- 1 (a) Yeap Weng Hong, a Malaysian, aged 47, is an Executive Director of Lay Hong Berhad and was appointed to the Board of Lay Hong Berhad on 18th April 1986. 19
- (b) He has 20 years experience in poultry farming and marketing. 21
- (c) He sits on the Board of Directors of several private limited companies and does not hold any other directorship of public companies. 23
- (d) He holds 7,200 shares of RM1/- each and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd. 25
- (e) He is the brother of Yap Hoong Chai, Yip Kim Hoong and Yeap Fock Hoong, who are also Directors of the Company.
- (f) He has no conflict of interest with the Company.
- (g) He has no conviction for any offence within the past 10 years.
- 2 (a) Abdul Hamid Bin Mohamed Ghows, a Malaysian, aged 54, is an Independent Non Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 11th October 2001.
- (b) 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.
- (c) He is a Non Executive Director in Malaysian Merchant Marine Berhad and Group Chief Executive Officer and Managing Director in Perisai Petroleum Teknologi Bhd.
- (d) He is not related to any Director or major shareholder of the Company.
- (e) He has no shareholding in the Company or the Company's subsidiaries.
- (f) He has no conflict of interest with the Company.
- (g) He has no conviction for any offence within the past 10 years. 20

Chairman's Statement

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 2005.

FINANCIAL PERFORMANCE

The poultry industry had gone through another difficult year. Negative news on the Avian Influenza epidemic in the neighboring countries kept on propping up in the local press. Then, there was a big scare in the month of August, 2004 in Kelantan that subsequently led to a total ban on exports of poultry products to Singapore and the strict curtailment of interstate movements. Such unfavorable developments during the year had caused panic and disruption to the poultry industry resulting in the group's products of fresh eggs and chickens to be traded way below its cost of production for major part of the financial year under review.

Group turnover for the financial year had recorded a marked improvement from RM129.797 million to RM180.478 million, i.e. an increase of RM50.681 million or 39.05% over the previous year. Due to unforeseen circumstances as explained above, coupled with inclusion for the first time the start-up cost for the state of the art air chilled chicken processing plant, your group suffered a pre-tax loss of RM3.811 million. The advertising and promotional expenditure to create awareness of the new air chilled chicken products had also contributed to the loss.

BUSINESS REVIEW

LAYERS

366 million fresh table eggs were produced during the financial year under review, compared to 370 million recorded in the previous year. The slight decrease of 4 million eggs was due to the reduced intake of layers at one of the older farm in Ijok, Selangor where improvements to the facilities is currently taking place.

Sales of speciality eggs under the "NUTRIPLUS" brand continue to grow albeit at a lower rate. The group is now looking towards exports to neighboring countries. A first consignment of lower cholesterol eggs has been shipped to Hong Kong on a trial basis and is now awaiting feedback on its market acceptance.

BROILERS

Broiler production in the group for the financial year under review had increased significantly from 11.404 million kilograms to 16.785 million kilograms. This increase was attributed to the group taking over an additional farm on a rental basis from a third party in Kelumpang, Selangor. Further, the sub-contracting of all the group's farms plus the recruitment of two new contract farmers in Kota Kinabalu, Sabah had also contributed to the increased production.

Chairman's Statement

FOOD PROCESSING

Beginning of the financial year in April, 2004, the group through its 50% subsidiary, Sri Tawau Farming Sdn Bhd had set-up a 60 : 40 joint venture company with a third party to process and market dressed chicken in Sabah, East Malaysia. For the first year of operation, this company Evergrowth Marketing Sdn Bhd had managed to process 3.395 million kilograms of broilers, recording a turnover of RM28.188 million and made an operating profit of RM0.034 million.

The group had also during the year, completed the construction and commissioning of the state of the art air chilled chicken processing plant in Tanjong Karang, Selangor capable of producing 40,000 dressed chicken per day. Trial production of the dressed chicken and chicken parts commenced in October, 2004 and is now gearing up for full production in the current financial year ending 31st March 2006. Due to start-up problems, initial low production volume, and the charging out of the brand advertising expenditure, this 100% owned subsidiary, Lay Hong Poultry Processing Sdn Bhd recorded an operating loss of RM2.663 million. Production of chicken frankfurters has been planned to commence on the 3rd quarter of 2005.

Further, on the liquid egg processing, due to slower than expected market acceptance, this division also recorded an operating loss of RM0.343 million for a full year operation.

CAPITAL EXPENDITURE

The commissioning of the 2nd phase of the high technology layer farm in Jeram, Selangor costing approximately RM15.00 million is progressing in accordance to schedule. To date, two layer houses capable of housing 300,000 hens at any one time plus the eggs packing and grading station have been completed. New intake of layers of the two houses is currently in progress. The final house of similar size is planned for completion by the end of the 3rd quarter of the current financial year.

The expansion of the broiler hatchery and breeder farm costing approximately RM10.00 million located in the Mukim of Api-Api, Kuala Selangor had been completed during the financial year under review. Currently it is producing approximately half a million broiler day old chicks per month as additional feeder stocks for the group's broiler farms.

DIRECTORATE

On 24th August, 2004, Tan Sri Dato' Mohd Desa bin Pachi having reached seventy years old resigned from office as an independent non executive director and member of both the nomination and remuneration committees. Tan Sri Dato' has been a director since its listing in 1994 and on behalf of the board, I wish to extend our sincere thanks for his invaluable contribution during his tenure on the board of Lay Hong Berhad.

DIVIDEND

The board does not recommend any dividend for the financial year ended 31st March 2005.

03

05

07

09

11

13

15

17

19

21

23

25

Chairman’s Statement

02
04
06
08
10
12
14
16
18
20
22
24
26

PROSPECT

The financial year ended 31st March 2005 has been both traumatic and also eventful for the group. Aside the ban on exports and curtailment of free flow of poultry products inter-state, the group has been very busy commissioning new production facilities to boost production volume and to improve efficiencies. With the above in place coupled with the improving prices of both chicken and eggs plus the stabilization of worldwide grain prices, the group is well placed to take advantage of the current market situation.

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



LAY HONG BERHAD

Liquid Gold

Industrial scale users of eggs such as confectioneries, bakeries and hotels have found a boon in "Pasteurised Liquid Egg" as it is hygienic and convenient to use, minimising wastage and spoilage.

This liquid asset has huge potential in the local and international markets.

Statement on Corporate Governance

The Board fully appreciates the importance of adopting high standards of corporate governance within Lay Hong Berhad 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 six (6) 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 six (6) Directors, two (2) are executives and non-independent namely Mr Yap Hoong Chai & Mr Yeap Weng Hong, two (2) are non-independent non executive namely Mr Yip Kim Hoong and Mr Yeap Fock Hoong and two (2) are non executive independents namely Mr Gan Soo Jin 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. All the independent directors are Chartered Accountants by training who have extensive experience in both the corporate and financial service environment and the two (2) Non Executive Non-Independent Directors, one is a professional pilot with a major Airline and the other is an ex-poultry farmer and businessman.

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 Company, including the strategic directions and review of key initiatives and decisions of the Company.

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.

Nine (9) 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.

Statement on Corporate Governance

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	9 of 9 meetings
Tan Sri Dato' Mohd Desa Bin Pachi (resigned on 24/08/2004 upon reaching 70 years of age)	4 of 4 meetings
Yip Kim Hoong	9 of 9 meetings
Yeap Weng Hong	8 of 9 meetings
Yeap Fock Hoong	8 of 9 meetings
Gan Soo Jin	9 of 9 meetings
Abdul Hamid Bin Mohamed Ghows	9 of 9 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 11 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 20th 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.

Upon appointment, a briefing session is organized for directors to familiarize them with the operations of the Group. 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. They are encouraged to attend training courses at the Group's expense to enhance their skills and knowledge, where relevant.

Statement on Corporate Governance

THE BOARD (CONT'D)

APPOINTMENTS OF THE BOARD AND RE-ELECTION (CONT'D)

In compliance with the Bursa Malaysia Listing Requirements on continuous training of directors, all the directors have completed the Mandatory Accreditation Programme (organized by the Research Institute of Investment Analysts Malaysia) during the year under review and will be encouraged to attend the Continuing Education Programme on an annual basis.

Procedures relating to the appointment and re-election of directors are contained in the Company's Articles of Association. At the Annual General Meeting, one third of the Directors for the time being retire from office. The Directors who retire every year are those who have been longest in the office since their last appointment or election.

DIRECTORS' 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 20th May 2002 and it comprise 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 was as follows:-

	Executive Directors RM	Non Executive Directors RM	Total RM
Fees	28,000	56,000	84,000
Salaries and other emoluments	697,560	–	697,560
Bonus	148,500	6,000	154,500
Benefit in kind	51,950	–	51,950
	926,010	62,000	988,010

Number of directors whose remuneration falls under the following bands:-

Range of remuneration	Executive Directors	Non Executive Directors	Total
RM1 to RM50,000	–	3	3
RM50,001 to RM100,000	–	1	1
RM350,001 to RM400,000	1	–	1
RM600,001 to RM650,000	1	–	1
	2	5	6

Statement on Corporate Governance

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 32 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 Company'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 Lay Hong 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. 🍀

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07

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LAY HONG BERHAD

Tantalising Flavours, Sumptuous Taste

Superior feed is the foundation of a high quality end-product like the Company's broilers and layers. Consumers enjoy better taste and texture.

Stringent quality checks ensure only the best corn and soya bean feed are used in the Company's farms, with constant vigilance against all bio-hazardous elements.

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 was in place to identify key risks facing the Group and to formulate appropriate measures to address those risks. The Risk Management Committee comprise 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.
- During the financial year, the internal audit function has been outsourced to an independent professional firm who reports directly to the Audit Committee. Three reports 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 28th July 2005. 🍷

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Group Financial Highlights

	2001	2002	2003	2004	2005
	RM' million	RM' million	RM' million	RM' million	RM' million
Turnover	77.140	81.964	96.530	129.797	180.478
Profit (Loss) before tax	1.118	1.256	1.406	(3.288)	(3.801)
Total assets	76.178	90.019	124.723	164.150	195.739
Paid-up capital	17.500	17.500	42.000	42.000	42.000
Net Tangible Assets (NTA)	41.199	42.465	53.674	52.408	49.421
NTA per share	2.354	2.427	1.278	1.248	1.177
Earnings per share - sen	0.78	3.2	2.94	(2.55)	(7.38)

Group Structure & Operations

LAY HONG BERHAD

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

100% 

Hing Hong Sdn Bhd

- Breeder Farm, Hatchery & Layer Farm

70% 

Innofarm (Klang) Sdn Bhd

- Layer Farm

50% 

Sri Tawau Farming Sdn Bhd

- Feedmill, Layer Farm, Breeder Farm, Hatchery & Broiler Farm

51% 

Evergreen Organic Fertilisers Sdn Bhd

- Organic Fertiliser Production

100% 

Lay Hong Liquid Egg Sdn Bhd

- Egg processing

100% 

Eminent Farm Sdn Bhd

- Broiler Breeder Farm & Hatchery

100% 

Lay Hong Poultry Processing Sdn Bhd

- Processing & distribution of poultry products

50% 

Innobrid Sdn Bhd

- Broiler Farm

38% 

Innobrid Marketing Sdn Bhd

- Processing & distribution of poultry products

30% 

Evergrowth Marketing Sdn Bhd

- Processing & distribution of poultry products



Financial Statements

directors' report	28
statement by directors	32
statutory declaration	32
auditors' report	33
consolidated balance sheet	34
consolidated income statement	35
consolidated statement of changes in equity	35
consolidated cash flow statement	36
balance sheet	38
income statement	39
statement of changes in equity	39
cash flow statement	40
notes to the financial statements	42

Director's Report

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2005.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 4 to the financial statements.

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

RESULTS

	Group RM	Company RM
(Loss)/profit after taxation	(2,885,869)	1,502,577
Minority interests	(213,256)	–
Net (loss)/profit for the year	(3,099,125)	1,502,577

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

DIVIDENDS

No dividends have been declared or paid since the end of the previous financial year.

DIRECTORS

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

Yap Hoong Chai
Yip Kim Hoong
Yeap Weng Hong
Yeap Fock Hoong
Gan Soo Jin
Abdul Hamid bin Mohamed Ghows
Tan Sri Dato' Mohd Desa bin Pachi (Resigned on 24 August 2004)

Director's Report

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.

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 21 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 27 to the financial statements.

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 2004	Bought	Sold	At 31 March 2005
THE COMPANY				
Direct Interest				
Yeap Fock Hoong	12,000	—	—	12,000
Yeap Weng Hong	7,200	—	—	7,200
Gan Soo Jin	48,000	—	—	48,000
Yip Kim Hoong	—	1,970,000	—	1,970,000
Indirect Interest				
Yap Hoong Chai	18,900,000	—	—	18,900,000
Yip Kim Hoong	18,900,000	—	—	18,900,000
Yeap Fock Hoong	18,900,000	—	—	18,900,000
Yeap Weng Hong	18,900,000	—	—	18,900,000
SUBSIDIARIES:				
Evergreen Organic Fertilisers Sdn Bhd				
Indirect Interest				
Yap Hoong Chai	147,000	—	—	147,000
Yip Kim Hoong	147,000	—	—	147,000
Yeap Fock Hoong	147,000	—	—	147,000
Yeap Weng Hong	147,000	—	—	147,000

Director's Report

DIRECTORS' INTEREST (CONT'D)

		Number of Ordinary Shares of RM1 Each		
		At 1 April 2004	Bought	Sold
				At 31 March 2005
SUBSIDIARIES (CONT'D):				
Innobrid Sdn Bhd				
Indirect Interest				
Yap Hoong Chai		880,000	—	—
Yip Kim Hoong		880,000	—	—
Yeap Fock Hoong		880,000	—	—
Yeap Weng Hong		880,000	—	—
Sri Tawau Farming Sdn Bhd				
Indirect Interest				
Yap Hoong Chai		500,001	—	—
Yip Kim Hoong		500,001	—	—
Yeap Fock Hoong		500,001	—	—
Yeap Weng Hong		500,001	—	—

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

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their 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.
- (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.

Director's Report

OTHER STATUTORY INFORMATION (CONT'D)

- (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. 31 33
- (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. 35 37 39
- (e) As at the date of this report, there does not exist: 41
- (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 43
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year. 45
- (f) In the opinion of the directors: 47
- (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 49 51
 - (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. 53 55

SIGNIFICANT EVENT

Significant event during the year is as disclosed in Note 30 to the financial statements. 57 59 61

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office. 63 65 67 69

Signed on behalf of the Board in accordance with a resolution of the directors 71 73 75 77

Yap Hoong Chai
Klang, Malaysia
28 July 2005

Yeap Weng Hong

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, YAP HOONG CHAI and YEAP WENG HONG, being two of the directors of LAY HONG BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 72 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2005 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

Klang, Malaysia
28 July 2005

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 34 to 72 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 28 July 2005

Ng Kim Tian

Before me,

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

Auditors' Report

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

We have audited the financial statements set out on pages 34 to 72. 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 MASB Approved Accounting 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 2005 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 4 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. 1056/03/07 (J/PH)
Partner

Kuala Lumpur, Malaysia
28 July 2005

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Lay
Hong
Berhad
Annual
Report
2005

Consolidated Balance Sheet

AS AT 31 MARCH 2005

	Note	2005 RM	2004 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	121,539,567	98,732,523
Investments	4	118,791	2,010,004
Goodwill arising on consolidation, net	5	1,655,167	1,766,743
Deferred tax assets	17	13,722,983	11,178,926
		137,036,508	113,688,196
CURRENT ASSETS			
Inventories	6	26,094,113	25,615,086
Trade receivables	7	29,442,640	22,049,025
Other receivables	8	2,396,918	2,070,894
Cash and bank balances	10	769,097	727,150
		58,702,768	50,462,155
CURRENT LIABILITIES			
Short term borrowings	11	42,335,452	34,609,832
Trade payables		29,227,836	23,989,357
Other payables	12	9,035,068	5,198,184
Due to a corporate shareholder	13	857,205	308,405
Taxation		9,102	4,600
		81,464,663	64,110,378
NET CURRENT LIABILITIES		(22,761,895)	(13,648,223)
		114,274,613	100,039,973
FINANCED BY:			
Share capital	15	42,000,000	42,000,000
Retained profits	16	8,394,035	11,493,160
Other reserves		681,977	681,977
Shareholders' equity		51,076,012	54,175,137
Minority interests		4,995,173	4,370,008
		56,071,185	58,545,145
Long term borrowings	11	41,009,000	25,914,889
Due to a corporate shareholder	13	3,398,000	3,398,000
Deferred tax liabilities	17	13,796,428	12,181,939
Non-current liabilities		58,203,428	41,494,828
		114,274,613	100,039,973

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

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 RM	2004 RM
Revenue	18	180,478,140	129,796,668
Other operating income	19	1,536,209	1,393,603
Changes in inventories		375,888	2,481,254
Raw materials, livestock and consumables used		(140,783,513)	(95,446,056)
Staff costs	20	(15,041,082)	(11,808,734)
Depreciation		(8,571,560)	(6,572,093)
Other operating expenses	22	(18,098,772)	(21,205,243)
Loss from operations		(104,690)	(1,360,601)
Finance costs	23	(3,706,244)	(1,927,299)
Loss before taxation		(3,810,934)	(3,287,900)
Taxation	24	925,065	742,850
Loss after taxation		(2,885,869)	(2,545,050)
Minority interests		(213,256)	1,475,563
Net loss attributable to shareholders		(3,099,125)	(1,069,487)
Basic loss per share (sen)	25	(7.38)	(2.55)

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

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 MARCH 2005

	Share Capital RM	Non Distributable Revaluation Reserve RM	Distributable Capital Reserve* RM	Retained Profits RM	Total RM
At 1 April 2003	42,000,000	142,536	539,441	12,865,047	55,547,024
Net loss for the year	—	—	—	(1,069,487)	(1,069,487)
Dividends (Note 26)	—	—	—	(302,400)	(302,400)
At 31 March 2004	42,000,000	142,536	539,441	11,493,160	54,175,137
Net loss for the year	—	—	—	(3,099,125)	(3,099,125)
At 31 March 2005	42,000,000	142,536	539,441	8,394,035	51,076,012

* This represents capital reserve arising from the disposal of property, plant and equipment in a subsidiary.

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

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Annual

Report

2005

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2005

	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(3,810,934)	(3,287,900)
Adjustments for:		
Amortisation of goodwill	106,472	106,471
Depreciation	8,571,560	6,572,093
Dividend income	(12,350)	(16,624)
Gain on disposal of property, plant and equipment	(362,581)	(940,442)
Gain on disposal of marketable securities	(303,990)	(101,466)
Interest expense	3,706,244	1,927,299
Interest income	(1,386)	(23,064)
Net unrealised foreign exchange gains	(14,698)	(35,218)
Provision for doubtful debts	360,943	1,655,467
Writeback of provision for doubtful debts	(57,342)	–
Provision of diminution in value of quoted shares	4,809	–
Operating profit before working capital changes	8,186,747	5,856,616
Increase in inventories	(271,609)	(2,383,833)
Increase in receivables	(6,957,232)	(10,783,754)
Increase in payables	7,684,011	11,120,796
Increase/(decrease) in amount due to a corporate shareholder	548,800	(170,000)
Cash generated from operations	9,190,717	3,639,825
Interest paid	(3,706,244)	(1,927,299)
Taxes paid	(90,745)	(598,640)
Net cash generated from operating activities	5,393,728	1,113,886

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2005

	2005 RM	2004 RM	29
CASH FLOWS FROM INVESTING ACTIVITIES			31
Acquisition of subsidiary (Note 4)	405,830	–	35
Purchase of property, plant and equipment	(23,364,913)	(29,447,933)	37
Proceeds from disposal of property, plant and equipment	846,629	2,960,020	39
Proceeds from disposal of marketable securities	590,223	530,460	41
Capital repayment of marketable securities	–	499	43
Interest received	1,386	23,064	45
Net dividends received	12,350	16,624	47
Net cash used in investing activities	(21,508,495)	(25,917,266)	49
CASH FLOWS FROM FINANCING ACTIVITIES			51
Repayment of hire purchase financing, net	(6,777,298)	(2,140,503)	53
Drawdown of other short term borrowings, net	1,962,000	13,981,455	55
Drawdown of term loans, net	17,499,346	10,598,286	57
Dividend paid	–	(302,400)	59
Net cash generated from financing activities	12,684,048	22,136,838	61
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,430,719)	(2,666,542)	63
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(319,273)	2,347,269	65
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 10)	(3,749,992)	(319,273)	67

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

Balance Sheet

AS AT 31 MARCH 2005

	Note	2005 RM	2004 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	47,592,067	40,889,144
Investments	4	10,991,618	12,880,426
		58,583,685	53,769,570
CURRENT ASSETS			
Inventories	6	11,598,044	11,019,015
Trade receivables	7	7,019,631	8,243,578
Other receivables	8	863,772	811,591
Due from subsidiaries	9	37,611,336	24,861,037
Cash and bank balances	10	15,328	207,187
		57,108,111	45,142,408
CURRENT LIABILITIES			
Short term borrowings	11	20,666,605	18,716,231
Trade payables		19,514,196	9,937,261
Other payables	12	2,936,250	5,575,931
Due to subsidiaries	9	1,511,396	2,539,015
		44,628,447	36,768,438
NET CURRENT ASSETS		12,479,664	8,373,970
		71,063,349	62,143,540
FINANCED BY:			
Share capital	15	42,000,000	42,000,000
Retained profits	16	10,062,117	8,559,540
Other reserves		142,536	142,536
		52,204,653	50,702,076
Long term borrowings	11	13,446,634	6,700,317
Deferred tax liabilities	17	5,412,062	4,741,147
Non-current liabilities		18,858,696	11,441,464
		71,063,349	62,143,540

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

Income Statement

FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 RM	2004 RM
Revenue	18	123,882,582	110,250,085
Other operating income	19	900,070	1,451,056
Changes in inventories		737,811	1,726,280
Raw materials, livestock and consumables used		(103,499,449)	(93,872,457)
Staff costs	20	(6,154,971)	(5,163,862)
Depreciation		(4,273,349)	(3,428,712)
Other operating expenses	22	(7,937,573)	(9,628,448)
Profit from operations		3,655,121	1,333,942
Finance costs	23	(1,481,629)	(534,717)
Profit before taxation		2,173,492	799,225
Taxation	24	(670,915)	(361,346)
Net profit for the year		1,502,577	437,879

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

Statement of Changes In Equity

FOR THE YEAR ENDED 31 MARCH 2005

	Share Capital RM	Non Distributable Revaluation Reserve RM	Distributable Retained Profits RM	Total RM
At 1 April 2003	42,000,000	142,536	8,424,061	50,566,597
Net profit for the year	–	–	437,879	437,879
Dividends (Note 26)	–	–	(302,400)	(302,400)
At 31 March 2004	42,000,000	142,536	8,559,540	50,702,076
Net profit for the year	–	–	1,502,577	1,502,577
At 31 March 2005	42,000,000	142,536	10,062,117	52,204,653

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

Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2005

	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,173,492	799,225
Adjustments for:		
Depreciation	4,273,349	3,428,712
Dividend income	(12,200)	(16,624)
Gain on disposal of property, plant and equipment	(196,155)	(922,859)
Gain on disposal of quoted investments	(303,990)	(101,466)
Interest expense	1,481,629	534,717
Interest income	(882)	(23,064)
Net unrealised foreign exchange loss/(gain)	120	(624)
Provision for doubtful debts	269,383	10,044
Provision of diminution in value of quoted shares	2,404	–
Operating profit before working capital changes	7,687,150	3,708,061
Increase in receivables	1,374,980	(1,961,889)
Increase in inventories	(579,029)	(925,857)
Increase in payables	6,640,136	4,457,287
Increase in intercompany balances	(13,777,918)	(10,537,003)
Cash generated from/(used in) operations	1,345,319	(5,259,401)
Interest paid	(1,481,629)	(534,717)
Taxes paid	(175,600)	(343,090)
Net cash used in operating activities	(311,910)	(6,137,208)

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

Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2005

	2005 RM	2004 RM	
CASH FLOWS FROM INVESTING ACTIVITIES			29
Purchase of property, plant and equipment	(8,506,380)	(9,413,547)	31
Proceeds from disposal of property, plant and equipment	274,810	1,281,420	33
Proceeds from disposal of marketable securities	590,223	530,460	35
Purchase of wholly-owned subsidiaries	–	(1,999,996)	37
Interest received	882	23,064	39
Net dividends received	12,200	16,624	41
Net cash used in investing activities	(7,628,265)	(9,561,975)	43
CASH FLOWS FROM FINANCING ACTIVITIES			45
Dividend paid	–	(302,400)	47
Repayment of hire purchase	(2,518,680)	(1,591,755)	49
Drawdown of other short term borrowings, net	174,000	10,206,456	51
Drawdown of term loans, net	7,162,317	4,479,395	53
Net cash generated from financing activities	4,817,637	12,791,696	55
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,122,538)	(2,907,487)	57
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,412,596	4,320,083	59
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 10)	(1,709,942)	1,412,596	61

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

Notes to the Financial Statement

31 MARCH 2005

1 CORPORATE INFORMATION

The principal activities of the Company are investment holding and poultry farming. The principal activities of the subsidiaries are as disclosed in Note 4. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the 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 number of employees in the Group and the Company at the end of the financial year were 880 (2004 : 711) and 276 (2004 : 294) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 July 2005.

2 SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(B) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill. Negative goodwill on consolidation is not amortised.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

Notes to the Financial Statement

31 MARCH 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(C) GOODWILL

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet, net of negative goodwill.

Goodwill is amortised on a straight line basis over its estimated useful life of 25 years.

(D) INVESTMENT IN SUBSIDIARIES

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(E) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

The freehold land and buildings were revalued by a firm of independent professional valuers in 1993 based on their open market values using the Cost Comparison Method of Valuation. The revaluation of the freehold land and buildings was approved by the relevant authorities in 1994. The directors have not adopted a policy of regular revaluations of these assets. As permitted under the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") on adoption of Financial Reporting Standard No. 116 : Property, Plant and Equipment, these assets have not been subsequently revalued and continue to be stated at their 1993 valuation less accumulated depreciation.

Freehold land and buildings-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 30 to 98 years. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over its 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%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus is taken directly to retained profits.

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Notes to the Financial Statement

31 MARCH 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(F) INVENTORIES

(i) Livestocks

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

(a) 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.

(b) 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.

(c) 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.

(d) 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, feedmeal and processed chicken

Eggs, organic fertilisers and packing materials are stated at the lower of cost and net realisable value. Cost of eggs, organic fertilisers, packing materials and processed chicken include direct production costs and appropriate production overheads and is determined on the weighted average basis. Cost of feedmeal is determined on the first-in first-out basis.

(G) 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, net of outstanding bank overdrafts.

(H) LEASES

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) 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.

Notes to the Financial Statement

31 MARCH 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(H) LEASES (CONT'D)

(i) Finance leases (cont'd)

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 as an expense 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 leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(ii) Operating leases

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

(I) PROVISIONS FOR LIABILITIES

Provisions for liabilities 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, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(J) INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rate that has been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit 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 rate 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 in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited 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 negative goodwill.

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Notes to the Financial Statement

31 MARCH 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and 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 contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(L) REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Revenue is recognised net of discounts upon the transfer of risks and rewards.

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

(iii) Rental and interest income are recognised on the accruals basis.

(M)FOREIGN CURRENCIES

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.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date used are as follows:

	2005 RM	2004 RM
Singapore Dollar	2.30	2.23
Euro	4.91	4.62

(N)IMPAIRMENT OF ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

Notes to the Financial Statement

31 MARCH 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(N) IMPAIRMENT OF ASSETS (CONT'D)

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amounts. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(O) FINANCIAL INSTRUMENTS

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

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

(i) Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Marketable Securities

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.

(iii) Receivables

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

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services rendered.

(v) Interest-Bearing 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.

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Notes to the Financial Statement

31 MARCH 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(O) FINANCIAL INSTRUMENTS (CONT'D)

(vi) Equity Instruments

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

3 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Total RM
GROUP					
Cost/Valuation					
At 1 April 2004	89,286,655	32,966,995	9,028,179	4,076,848	135,358,677
Reclassification	(4,128,940)	5,097,341	(148,407)	(819,994)	–
	85,157,715	38,064,336	8,879,772	3,256,854	135,358,677
Additions arising from acquisition of subsidiary	–	78,306	–	162,878	241,184
Additions	21,035,669	13,812,551	2,315,436	547,658	37,711,314
Disposals	(7,195,182)	(690,962)	(1,480,157)	(23,905)	(9,390,206)
At 31 March 2005	98,998,202	51,264,231	9,715,051	3,943,485	163,920,969
Accumulated Depreciation					
At 1 April 2004	18,088,433	13,007,110	4,207,613	1,322,998	36,626,154
Reclassification	366,423	16,315	(84,950)	(297,788)	–
	18,454,856	13,023,425	4,122,663	1,025,210	36,626,154
Additions arising from acquisition of subsidiary	–	2,839	–	3,794	6,633
Charge for the year	3,478,570	3,148,911	1,513,549	430,530	8,571,560
Disposals	(1,420,315)	(229,504)	(1,164,260)	(8,866)	(2,822,945)
At 31 March 2005	20,513,111	15,945,671	4,471,952	1,450,668	42,381,402

31 MARCH 2005

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Total RM
GROUP (CONT'D)					
Net Book Value At 31 March 2005	78,485,091	35,318,560	5,243,099	2,492,817	121,539,567
At 31 March 2004	66,702,859	25,040,911	4,757,109	2,231,644	98,732,523
Details at 1 April 2003					
Cost	53,560,118	26,622,782	7,452,564	2,675,449	90,310,913
Valuation	14,382,677	—	—	—	14,382,677
Accumulated depreciation	15,288,924	11,368,369	3,720,267	1,122,472	31,500,032
Depreciation charge for 2004	3,134,578	2,302,130	1,178,737	(43,352)	6,572,093

	Land and Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Total RM
COMPANY					
Cost/Valuation					
At 1 April 2004	33,192,129	14,535,950	5,755,238	3,468,594	56,951,911
Reclassification	720,532	11,137	–	(731,669)	–
	33,912,661	14,547,087	5,755,238	2,736,925	56,951,911
Additions	8,503,868	1,477,215	878,389	195,456	11,054,928
Disposals	–	–	(878,961)	–	(878,961)
At 31 March 2005	42,416,529	16,024,302	5,754,666	2,932,381	67,127,878

Notes to the Financial Statement

31 MARCH 2005

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and Buildings RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Total RM
COMPANY (CONT'D)					
Accumulated Depreciation					
Cost/Valuation					
At 1 April 2004	6,840,339	5,836,714	2,285,385	1,100,329	16,062,767
Reclassification	269,494	11,063	–	(280,557)	–
	7,109,833	5,847,777	2,285,385	819,772	16,062,767
Charge for the year	1,592,274	1,218,143	1,093,702	369,230	4,273,349
Disposals	–	–	(800,305)	–	(800,305)
At 31 March 2005	8,702,107	7,065,920	2,578,782	1,189,002	19,535,811
Net Book Value					
At 31 March 2005	33,714,422	8,958,382	3,175,884	1,743,379	47,592,067
At 31 March 2004	26,802,828	8,699,310	3,469,853	1,917,153	40,889,144
Details at 1 April 2003					
Cost	16,446,510	12,845,813	4,389,139	2,220,591	35,902,053
Valuation	10,349,542	–	–	–	10,349,542
Accumulated depreciation	5,594,592	5,242,446	2,087,392	903,439	13,827,869
Depreciation charge for 2004	1,515,241	1,161,397	835,341	(83,267)	3,428,712

Notes to the Financial Statement

31 MARCH 2005

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The details of the land and buildings stated at cost and valuation are as follows:

	Valuation RM	Cost RM	Total RM
GROUP			
Cost/Valuation			
Land			
– Freehold	3,237,000	6,387,535	9,624,535
– Long leasehold	–	2,798,514	2,798,514
– Short leasehold	–	75,416	75,416
Buildings	11,145,678	74,998,292	86,143,970
Buildings-in-progress	–	355,767	355,767
	14,382,678	84,615,524	98,998,202
Accumulated Depreciation			
Land			
– Freehold	–	–	–
– Long leasehold	–	74,593	74,593
– Short leasehold	–	–	–
Buildings	6,327,183	14,111,335	20,438,518
Buildings-in-progress	–	–	–
	6,327,183	14,185,928	20,513,111
Net Book Value			
At 31 March 2005	8,055,495	70,429,596	78,485,091
At 31 March 2004	9,006,955	57,695,904	66,702,859
COMPANY			
Cost/Valuation			
Land - Freehold	2,047,000	2,775,839	4,822,839
Buildings	8,302,542	29,291,148	37,593,690
	10,349,542	32,066,987	42,416,529
Accumulated Depreciation			
Buildings	4,230,743	4,471,364	8,702,107
	4,230,743	4,471,364	8,702,107
Net Book Value			
At 31 March 2005	6,118,799	27,595,623	33,714,422
At 31 March 2004	6,486,269	20,316,559	26,802,828

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Lay
Hong
Berhad
Annual
Report
2005

Notes to the Financial Statement

31 MARCH 2005

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Freehold and long term leasehold land of certain subsidiaries with net book value amounting to RM4,068,695 (2004 : RM4,440,476) 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 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 net book values of property, plant and equipment held under hire purchase arrangements are as follows:

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Motor vehicles	4,044,014	3,857,693	3,008,838	3,230,654
Office equipment	734,872	—	734,872	—
Plant and machinery	11,760,423	2,926,256	3,231,209	2,563,688

(d) Interest capitalised during the financial year under buildings-in-progress amounted to RM573,167 (2004 : RM476,021).

(e) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM37,711,314 (2004 : RM34,130,635) and RM11,054,928 (2004 : 12,252,690) respectively of which RM8,263,188 (2004 : RM4,682,702) and RM2,548,547 (2004 : RM2,839,143) respectively were acquired by means of hire purchase arrangements.

4 INVESTMENTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
(A) SUBSIDIARIES				
Unquoted shares				
– at cost	—	—	7,375,832	7,375,832
– at valuation**	—	—	3,497,390	3,497,390
	—	—	10,873,222	10,873,222

Notes to the Financial Statement

31 MARCH 2005

4 INVESTMENTS (CONT'D)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
(B) OTHER INVESTMENTS				
Quoted shares at cost in Malaysia	5,600	291,833	2,799	289,033
Provision for diminution in value	(4,810)	–	(2,404)	–
	790	291,833	395	289,033
Financial instruments under repo (Note 10)	–	1,600,170	–	1,600,170
Other investments	118,001	118,001	118,001	118,001
	118,791	2,010,004	118,396	2,007,204
Total investments	118,791	2,010,004	10,991,618	12,880,426
Market value of shares quoted in Malaysia	790	626,000	395	625,000

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Effective Interest Held (%)		Principal Activities
		2005	2004	
Hing Hong Sdn Bhd	Malaysia	100	100	Poultry farming
Innofarm (Klang) Sdn Bhd #	Malaysia	70	70	Poultry farming
Evergreen Organic Fertilisers Sdn Bhd	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	–	Poultry processing and marketing
Innobrid Sdn Bhd #^and its subsidiary	Malaysia	50	50	Poultry and farming
Innobrid Marketing Sdn Bhd #	Malaysia	38	38	Poultry processing and marketing
Eminent Farm Sdn Bhd #	Malaysia	100	100	Poultry farming

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77

Notes to the Financial Statement

31 MARCH 2005

4 INVESTMENTS (CONT'D)

Name of Subsidiaries	Country of Incorporation	Effective Interest Held (%)		Principal Activities
		2005	2004	
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

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

** The unquoted investment in a subsidiary was revalued by the directors in an earlier year, and approved by the relevant authorities, based on the net tangible assets of the subsidiary as at 31st August 1994. The surplus arising from the revaluation was credited to the revaluation reserve.

(c) On 30 June 2004, the company's subsidiary Sri Tawau Farming Sdn Bhd acquired interest in Evergrowth Marketing Sdn Bhd (EMSB). The purchase consideration of RM600,000 was satisfied through investment in livestock. The total issued and paid up capital of EMSB is RM1,000,000.

The acquisition had the following effect on the Group's financial results for the year:

	2005 RM
Revenue	23,370,257
Profit from operations	17,236
Net profit for the year	1,302

The acquisition had the following effect on the financial position of the Group at the end of the year:

	2005 RM
Property, plant and equipment	1,511,365
Inventories	774,956
Trade receivables	3,955,745
Other receivables	198,603
Cash and bank balances	463,269
Short term borrowings	(100,898)
Trade payables	(264,629)
Other payables and accruals	(473,924)
Due to holding company	(4,591,392)
Deferred tax liabilities	(15,934)
Long term borrowings	(438,846)
Minority Interest	(712,820)
Group's share of net assets	305,495

Notes to the Financial Statement

31 MARCH 2005

4 INVESTMENTS (CONT'D)

(c) The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	30/06/2004 RM
Property, plant and equipment	234,551
Inventories	207,418
Trade and other receivables	960,569
Cash and bank balances	405,830
Trade and other payables	(1,191,353)
Fair value of total net assets	617,015
Minority interest	(11,911)
Net assets acquired	605,104
Negative goodwill	(5,104)
Cost of acquisition	600,000
Purchase consideration satisfied by: Investment in livestock	600,000
Cash inflow to the group	405,830

5 GOODWILL ON CONSOLIDATION

	2005 RM	Group 2004 RM
Arising from acquisition of subsidiaries:		
Goodwill	2,661,777	2,661,777
Negative goodwill	(362,677)	(362,677)
At 1 April 2004/2003	2,299,100	2,299,100
Negative goodwill on acquisition of subsidiary during the year	(5,104)	–
	2,293,996	2,299,100
Less: Accumulated amortisation	(638,829)	(532,357)
	1,655,167	1,766,743

The goodwill arising on consolidation is attributable to the acquisition of Sri Tawau Farming Sdn Bhd, Innobrid Sdn Bhd, and Innobrid Marketing Sdn Bhd. The goodwill is amortised over a period of 25 years.

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.

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Notes to the Financial Statement

31 MARCH 2005

6 INVENTORIES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
At cost:				
Livestock	15,274,039	18,909,863	7,351,221	6,830,474
Eggs	2,110,661	746,228	632,190	415,126
Raw materials	4,994,751	5,021,866	2,719,877	3,013,075
Organic fertilisers	443,991	392,254	–	–
Consumables and packing materials	3,270,671	544,875	894,756	760,340
	26,094,113	25,615,086	11,598,044	11,019,015

7 TRADE RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Trade receivables	32,614,884	24,956,446	7,313,284	8,268,935
Provision for doubtful debts	(3,172,244)	(2,907,421)	(293,653)	(25,357)
	29,442,640	22,049,025	7,019,631	8,243,578

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

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

8 OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Prepayments	447,574	417,705	246,533	274,312
Sundry receivables	1,056,162	951,966	541,349	383,104
Deposits	893,182	701,223	75,890	154,175
	2,396,918	2,070,894	863,772	811,591

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

Notes to the Financial Statement

31 MARCH 2005

9 DUE FROM/DUE TO SUBSIDIARIES

Included in the net amount due from and due to subsidiaries, is a trade receivables balance of RM15,284,288 and other receivables balance of RM20,815,652.

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

10 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Cash on hand and at banks	769,097	727,150	15,328	207,187
Financial instruments under repo (Note 4b)	–	1,600,170	–	1,600,170
Less: Bank overdrafts (Note 11)	(4,519,089)	(2,646,593)	(1,725,270)	(394,761)
Cash and cash equivalents	(3,749,992)	(319,273)	(1,709,942)	1,412,596

The weighted average effective interest rates for financial instruments under repo at the balance sheet date were as follows:

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
A merchant bank in Malaysia	–	2.60	–	2.60

The average maturities of financial instruments under repo as at the end of the financial year were as follows:

	Group		Company	
	2005	2004	2005	2004
	Days	Days	Days	Days
A merchant bank in Malaysia	–	7	–	7

Notes to the Financial Statement

31 MARCH 2005

11 BORROWINGS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
SHORT TERM BORROWINGS				
Secured:				
Bank overdrafts	2,793,819	2,251,832	–	–
Bankers' acceptances	12,269,000	10,481,000	–	–
Term loans	5,379,490	2,598,831	549,448	362,360
Hire purchase payables (Note 14)	3,702,498	2,866,952	1,926,513	1,942,654
	24,144,807	18,198,615	2,475,961	2,305,014
Unsecured:				
Bank overdrafts	1,725,270	394,761	1,725,270	394,761
Bankers' acceptances	16,078,000	15,904,000	16,078,000	15,904,000
Term loans	387,375	112,456	387,374	112,456
	18,190,645	16,411,217	18,190,644	16,411,217
	42,335,452	34,609,832	20,666,605	18,716,231
LONG TERM BORROWINGS				
Secured:				
Term loans	31,382,670	20,018,742	8,423,837	1,896,652
Hire purchase payables (Note 14)	6,546,490	2,989,432	1,942,957	1,896,950
	37,929,160	23,008,174	10,366,794	3,793,602
Unsecured:				
Term loans	3,079,840	2,906,715	3,079,840	2,906,715
	41,009,000	25,914,889	13,446,634	6,700,317
TOTAL BORROWINGS				
Bank overdrafts (Note 10)	4,519,089	2,646,593	1,725,270	394,761
Bankers' acceptances	28,347,000	26,385,000	16,078,000	15,904,000
Term loans	40,229,375	25,636,744	12,440,499	5,278,183
Hire purchase payables (Note 14)	10,248,988	5,856,384	3,869,470	3,839,604
	83,344,452	60,524,721	34,113,239	25,416,548

Notes to the Financial Statement

31 MARCH 2005

11 BORROWINGS (CONT'D)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Maturity of borrowings (excluding hire purchase):				
Within one year	38,627,420	31,742,880	18,734,557	16,773,577
More than 1 year and less than 2 years	11,271,437	3,729,034	3,158,011	743,604
More than 2 years and less than 5 years	15,950,025	11,131,708	6,464,046	1,405,683
5 years or more	7,246,582	8,064,715	1,887,155	2,654,080
	73,095,464	54,668,337	30,243,769	21,576,944

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

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Bank overdrafts	7.29	7.54	7.22	7.50
Bankers' acceptances	3.88	4.02	3.71	3.76
Term loans	6.77	7.35	7.22	7.35

The credit facilities of the Company are secured by way of negative pledge and debentures on specific equipments of the Company.

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, subordination of shareholders' loan and amount due to holding company of RM7.8 million (2004 : RM7.8 million) in certain subsidiaries.

12 OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Due to director of a subsidiary	124,500	144,988	–	–
Accruals	2,516,156	4,614,327	866,297	2,530,064
Sundry payables	6,394,412	438,869	2,069,953	3,045,867
	9,035,068	5,198,184	2,936,250	5,575,931

The amount due to director of a subsidiary is unsecured, interest-free and has no fixed term of repayment.

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77

Lay

Hong

Berhad

Annual

Report

2005

Notes to the Financial Statement

31 MARCH 2005

13 DUE TO A CORPORATE SHAREHOLDER (GROUP)

The amount due to Innofarm Sdn Bhd, a corporate shareholder of the Company and a subsidiary in which certain directors have an interest (refer Note 27), is unsecured and interest-free. Included in the amount due to a corporate shareholder and repayable after 12 months is an amount of RM2.8 million (2004 : RM2.8 million) which has been subordinated for credit facilities granted to a subsidiary by a financial institution and an amount of RM598,000 (2004 : RM598,000). A further amount of RM857,205 (2004 : RM308,405) is repayable within 12 months.

14 HIRE PURCHASE PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
MINIMUM HIRE PURCHASE PAYMENTS:				
Not later than 1 year	4,369,976	3,175,772	2,148,812	2,146,887
Later than 1 year and not later than 2 years	3,593,300	2,148,925	1,327,456	1,352,653
Later than 2 years and not later than 5 years	3,688,154	1,165,719	754,300	722,811
	11,651,430	6,490,416	4,230,568	4,222,351
Less: Future finance charges	(1,402,442)	(634,032)	(361,098)	(382,747)
Present value of hire purchase liabilities	10,248,988	5,856,384	3,869,470	3,839,604
PRESENT VALUE OF HIRE PURCHASE LIABILITIES:				
Not later than 1 year	3,702,498	2,866,952	1,926,513	1,942,654
Later than 1 year and not later than 2 years	2,852,559	1,957,996	1,234,923	1,236,879
Later than 2 years and not later than 5 years	3,693,931	1,031,436	708,034	660,071
	10,248,988	5,856,384	3,869,470	3,839,604
ANALYSED AS:				
Due within 12 months	3,702,498	2,866,952	1,926,513	1,942,654
Due after 12 months	6,546,490	2,989,432	1,942,957	1,896,950
	10,248,988	5,856,384	3,869,470	3,839,604

The hire purchase liabilities bore interest at the balance sheet date between 6.00% to 11.06% (2004 : 6.35% to 9.37%) per annum.

Notes to the Financial Statement

31 MARCH 2005

15 SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2005	2004	2005 RM	2004 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	42,000,000	42,000,000	42,000,000	42,000,000

16 RETAINED PROFITS

As at 31 March 2005, 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 (2004 : 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 2005.

17 DEFERRED TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 April 2004/2003	1,003,013	1,747,436	4,741,147	4,379,000
Recognised in the income statement (Note 24)	(929,568)	(744,423)	670,915	362,147
At 31 March	73,445	1,003,013	5,412,062	4,741,147
Presented after offsetting as follows:				
Deferred tax assets	(13,722,983)	(11,178,926)	(623,315)	(277,989)
Deferred tax liabilities	13,796,428	12,181,939	6,035,377	5,019,136
	73,445	1,003,013	5,412,062	4,741,147

Notes to the Financial Statement

31 MARCH 2005

17 DEFERRED TAXATION (CONT'D)

	Accelerated Capital Allowances			
	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
DEFERRED TAX LIABILITIES:				
At 1 April 2004/2003	12,181,939	8,218,229	5,019,136	4,379,000
Recognised in the income statement	1,614,489	3,963,710	1,016,241	640,136
At 31 March	13,796,428	12,181,939	6,035,377	5,019,136

	Provision for Liabilities RM	Unabsorbed Reinvestment Allowances RM	Tax Losses and Unabsorbed Capital Allowances RM	Total RM
DEFERRED TAX ASSETS OF THE GROUP:				
At 1 April 2004	235,543	2,752,083	8,191,300	11,178,926
Recognised in the income statement	(190,637)	(11,383)	2,746,077	2,544,057
At 31 March 2005	44,906	2,740,700	10,937,377	13,722,983
At 1 April 2003	158,093	2,826,910	3,485,790	6,470,793
Recognised in the income statement	77,450	(74,827)	4,705,510	4,708,133
At 31 March 2004	235,543	2,752,083	8,191,300	11,178,926

	Tax Losses and Unabsorbed Capital Allowances	
	2005 RM	2004 RM
DEFERRED TAX ASSETS OF THE COMPANY:		
At 1 April 2004/2003	277,989	–
Recognised in the income statement	345,326	277,989
At 31 March	623,315	277,989

Notes to the Financial Statement

31 MARCH 2005

18 REVENUE

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

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Sale of eggs	71,962,249	64,824,089	65,311,984	61,029,500
Sale of livestock	46,058,242	37,544,363	2,656,868	1,077,631
Sale of feed	25,789,666	11,334,054	53,969,854	47,301,243
Processed chicken	31,494,851	14,268,355	—	—
Others	5,173,132	1,825,807	1,943,876	841,711
	180,478,140	129,796,668	123,882,582	110,250,085

19 OTHER OPERATING INCOME

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

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Bad debt recovered	5,252	—	—	—
Gain on disposal of:				
Property, plant and equipment	362,581	940,442	196,155	922,859
Quoted investments	303,990	101,466	303,990	101,466
Rental income				
Subsidiary	—	—	3,600	3,600
Others	117,446	15,600	—	9,600
Gross dividends from quoted investments	12,350	16,624	12,200	16,624
Interest income				
Others	1,386	23,064	882	23,064
Insurance claim	4,990	—	—	—
Management fees	15,000	—	336,000	336,000
Write back in provision for doubtful debt	57,342	—	—	—
Gain on foreign exchange:				
Realised	437	19,075	—	—
Unrealised	14,818	35,218	—	624

Notes to the Financial Statement

31 MARCH 2005

20 STAFF COSTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Wages and salaries	8,916,865	9,283,636	3,513,491	3,658,054
Social security cost	93,704	77,396	32,244	28,747
Employees Provident Fund	874,939	731,078	440,304	384,925
Other staff related expenses	5,155,574	1,716,624	2,168,932	1,092,136
	15,041,082	11,808,734	6,154,971	5,163,862

Included in staff costs of the Group and the Company are directors' remuneration (excluding directors' fees and benefits-in-kind) amounting to RM987,060 (2004 : RM992,840) and RM852,060 (2004 : RM781,040) respectively as further disclosed in Note 21.

21 DIRECTORS' REMUNERATION

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
DIRECTORS OF THE COMPANY				
Executive:				
Salaries and other emoluments	697,560	680,540	697,560	680,540
Fees	100,000	92,000	28,000	28,000
Bonus	148,500	94,500	148,500	94,500
Benefits-in-kind	51,950	30,613	51,950	30,613
	998,010	897,653	926,010	833,653
Non executive:				
Salaries and other emoluments	–	196,800	–	–
Fees	128,000	136,000	56,000	72,000
Bonus	6,000	21,000	6,000	6,000
Benefits-in-kind	–	11,975	–	11,975
Total	134,000	365,775	62,000	89,975

Notes to the Financial Statement

31 MARCH 2005

21 DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
OTHER DIRECTORS				
Salaries and other emoluments	135,000	–	–	–
Fees	46,000	44,000	–	–
	181,000	44,000	–	–
Total	1,313,010	1,307,428	988,010	923,628
Analysis excluding benefit-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	946,060	867,040	874,060	803,040
Total non-executive directors' remuneration excluding benefits-in-kind	315,000	397,800	62,000	78,000
Total directors' remuneration excluding benefits-in-kind	1,261,060	1,264,840	936,060	881,040

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

	Number of Directors	
	2005	2004
EXECUTIVE DIRECTORS:		
RM600,001 – RM650,000	1	–
RM550,001 – RM600,000	–	1
RM350,001 – RM400,000	1	–
RM300,001 – RM350,000	–	1
NON EXECUTIVE DIRECTORS:		
RM100,001 – RM150,000	–	1
RM50,001 – RM100,000	1	–
RM1 to RM50,000	3	4

Notes to the Financial Statement

31 MARCH 2005

22 OTHER OPERATING EXPENSES

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

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Amortisation of goodwill	106,472	106,471	–	–
Bad debt written off	1,532	–	1,532	–
Directors' fees (Note 21)	274,000	272,000	84,000	100,000
Auditors' remuneration:				
– Group auditors	49,000	46,000	27,000	25,000
– Other auditors	42,500	(14,750)	–	–
	91,500	31,250	27,000	25,000
Statutory audits				
current year	85,500	64,175	21,000	19,000
overprovision in prior year	–	(38,925)	–	–
Other services	6,000	6,000	6,000	6,000
Hire of plant and machinery	283,908	171,291	53,555	–
Loss on foreign exchange:				
Realised	20,275	–	7,194	–
Unrealised	120	–	120	–
Management fees	20,000	–	–	–
Provision for doubtful debts	360,943	1,655,467	269,383	10,044
Provision of diminution in value of quoted shares	4,809	–	2,404	–
Rental				
Third parties	1,248,268	539,009	178,486	90,295
Preliminary exp	–	2,500	–	–

23 FINANCE COSTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Included in finance costs of the Group and of the Company are:				
Interest expense on borrowings	4,279,411	2,403,320	1,775,137	534,717
Less: Amount capitalised in buildings-in-progress	(573,167)	(476,021)	(293,508)	–
	3,706,244	1,927,299	1,481,629	534,717

Notes to the Financial Statement

31 MARCH 2005

24 TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Tax expense/(benefit) for the year	5,245	1,573	–	(801)
Overprovision of tax in prior year	(742)	–	–	–
	4,503	1,573	–	(801)
Deferred tax (Note 17):				
Relating to origination and reversal of deferred tax	(939,783)	(785,059)	676,734	288,687
Under/(over) provision of deferred tax in prior years	10,215	40,636	(5,819)	73,460
	(929,568)	(744,423)	670,915	362,147
	(925,065)	(742,850)	670,915	361,346

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

	2005 RM	2004 RM
GROUP		
Loss before taxation	(3,810,934)	(3,287,900)
Taxation at Malaysian statutory tax rate of 28%	(1,230,280)	(976,612)
Taxation at Malaysian statutory tax rate of 20%	166,524	40,000
Income not subject to tax	–	(31,591)
Expenses not deductible for tax purposes	129,218	184,717
Underprovision of deferred tax in prior year	10,215	40,636
Overprovision of tax in prior years	(742)	–
Tax expense for the year	(925,065)	(742,850)
COMPANY		
Profit before taxation	2,173,492	799,225
Taxation at Malaysian statutory tax rate of 28%	608,578	223,783
Income not subject to tax	–	(31,591)
Expenses not deductible for tax purposes	68,156	95,694
(Over)/under provision of deferred tax in prior years	(5,819)	73,460
Tax expense for the year	670,915	361,346

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Notes to the Financial Statement

31 MARCH 2005

24 TAXATION (CONT'D)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
TAX LOSSES ARE ANALYSED AS FOLLOWS:				
Tax savings recognised during the year arising from:				
Utilisation of tax losses brought forward from previous year	–	119,467	–	–

25 LOSS PER SHARE

(a) The basic loss per share of the Group for the year ending 31 March 2005 is calculated by dividing the net loss for the year of RM3,099,125 (2004 : net loss of RM1,069,487) by the weighted average number of ordinary shares in issue during the year of 42,000,000 (2004 : 42,000,000).

(b) There is no diluted loss per share as the Company does not have any potential ordinary shares outstanding as at year end.

26 DIVIDENDS

	Amount		Net dividend per share	
	2005	2004	2005	2004
	RM	RM	Sen	Sen
Final dividend of 1% less 28% taxation in respect of the financial year ended 31 March 2003	–	302,400	–	0.72

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2005	2004
	RM	RM
Amount due to Innofarm Sdn Bhd, a corporate shareholder of the Company and shareholder in which certain directors, namely, Yap Hoong Chai, Yip Kim Hoong, Yeap Fock Hoong and Yeap Weng Hong have an interest	4,255,205	3,706,405

Notes to the Financial Statement

31 MARCH 2005

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Company	
	2005 RM	2004 RM
Purchases from subsidiaries		
– Innofarm (Klang) Sdn Bhd	9,058,936	8,764,717
– Sri Tawau Farming Sdn Bhd	38,722	55,602
Sales to subsidiaries		
– Innofarm (Klang) Sdn Bhd	9,467,196	7,305,274
– Innobrid Sdn Bhd	25,156,102	18,489,534
– Evergreen Organic Fertilisers Sdn Bhd	768,000	145,000
Management fees receivable from subsidiaries		
– Innofarm (Klang) Sdn Bhd	120,000	120,000
– Evergreen Organic Fertilisers Sdn Bhd	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.

28 CAPITAL COMMITMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Approved and contracted for				
– Property, plant and equipment	6,755,000	10,443,000	5,063,000	4,868,000
Approved but not contracted for				
– Property, plant and equipment	4,222,000	19,981,000	4,222,000	14,968,000

29 CONTINGENT LIABILITIES

	Company	
	2005 RM	2004 RM
UNSECURED		
Corporate guarantee issued to financial institutions and corporate shareholder for credit facilities granted to subsidiaries	40,785,822	22,496,350

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Berhad

Annual

Report

2005

Notes to the Financial Statement

31 MARCH 2005

30 SIGNIFICANT EVENT

On 30 June 2004, the Company's subsidiary Sri Tawau Farming Sdn Bhd invested through livestock amounting to RM600,000 as consideration for 600,000 new ordinary shares of RM1 each in Evergrowth Marketing Sdn Bhd ("EMSB"). The total issued and paid up capital of EMSB is RM1,000,000.

31 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.

32 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 2005. 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 maturity dates and 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.

Notes to the Financial Statement

31 MARCH 2005

32 FINANCIAL INSTRUMENTS (CONT'D)

(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.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(F) FAIR VALUES

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

	Note	Group Carrying Amount RM	Fair Value RM	Company Carrying Amount RM	Fair Value RM
FINANCIAL ASSETS					
Due from subsidiaries		–	–	37,611,336	*
FINANCIAL LIABILITIES					
Due to subsidiaries		–	–	1,511,396	*
Term loans	11	40,229,375	40,367,414	12,440,499	12,440,499
Due to corporate shareholder	13	4,255,205	*	–	–
Hire purchase payables	15	10,248,988	13,955,247	3,869,470	5,859,311
		54,733,568	54,322,661	17,821,365	18,299,810

* 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.

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:

	Note	Company Nominal/ Notional Amount RM	Net Fair Value RM
Contingent liabilities	29	40,785,822	#

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

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Notes to the Financial Statement

31 MARCH 2005

32 FINANCIAL INSTRUMENTS (CONT'D)

(F) FAIR VALUES

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.

33 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 2005

Authorised Share Capital	:	RM 100,000,000	29
Issued & Fully Paid-Up Capital	:	RM 42,000,000	31
Class of Shares	:	RM 1.00 Ordinary Share	33
Voting Rights	:	One Vote per share	35

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	% Shareholders	No. of Shares Held	% of Issued Share Capital
1 – 99	70	3.67	924	0.00
100 – 1,000	94	4.93	60,232	0.14
1,001 – 10,000	1,490	78.13	5,357,970	12.76
10,001 – 100,000	228	11.96	4,946,874	11.78
100,001 – 2,099,999 *	23	1.21	12,734,000	30.32
2,100,000 and above **	2	0.10	18,900,000	45.00
	1,907	100.00	42,000,000	100

* less than 5% issued shares

** 5% and above of issued shares

SUBSTANTIAL REGISTERED SHAREHOLDERS

	No. of Shares	%
1 Bumiputra - Commerce Nominees (Tempatan) Sdn Bhd for Innofarm Sdn Bhd	10,364,000	24.68
2 Innofarm Sdn Bhd	8,536,000	20.32

Analysis of Shareholdings

AS AT 1ST AUGUST 2005

THIRTY LARGEST REGISTERED SHAREHOLDERS

No	Name of Shareholder	No of Shares	%
1	Bumiputra - Commerce Nominees (Tempatan) Sdn Bhd – pledged securities account for Innofarm Sdn Bhd	10,364,000	24.68
2	Innofarm Sdn Bhd	8,536,000	20.32
3	Yip Kim Hoong	1,857,100	4.42
4	Wong Chee Choon	1,363,600	3.25
5	Lembaga Tabung Haji	1,216,800	2.90
6	Poo Choo @ Ong Poo Choi	1,210,800	2.88
7	Lai Kum Sim	1,107,000	2.63
8	Ong Har Hong	1,073,000	2.55
9	Tan Han Chuan	816,000	1.94
10	Mayban Securities Nominees (Tempatan) Sdn Bhd – pledged securities account for Ong Huey Peng	804,600	1.92
11	Tan Ching Ching	762,000	1.81
12	Mayban Nominees (Tempatan) Sdn Bhd – pledged securities account for Lim Chai Beng	506,200	1.21
13	Mayban Nominees (Tempatan) Sdn Bhd – pledged securities account for Cheng Ying Ying	360,000	0.86
14	Yip Chor Wei	305,000	0.73
15	Lim Peck Hong	214,500	0.51
16	Azmi Bin Abdullah	190,000	0.45
17	Ban Seng Guan Sdn Bhd	189,600	0.45
18	Tawakar Enterprise Sdn Bhd	120,000	0.29
19	Pong Sook Teng	114,800	0.27
20	Ong Wah Seng	110,400	0.26
21	Alliancegroup Nominees (Tempatan) Sdn Bhd – pledged securities account for Lim Yoke Sim	109,000	0.26
22	Low Saw Tin	102,000	0.24
23	Public Nominees (Tempatan) Sdn Bhd – pledged securities account for Chieng You Ping	100,800	0.24
24	Si Hong Kuan	100,800	0.24
25	Tan Choo Mit	99,600	0.24
26	Chin Kim Wah	88,800	0.21
27	Malaysia Nominees (Tempatan) Sdn Bhd – pledged securities account for Wan Holdings Sdn Bhd	86,400	0.21
28	Citicorp Nominees (Tempatan) Sdn Bhd – pledged securities account for Lim Choong Kong	70,000	0.17
29	Low Fatt Chye	67,200	0.16
30	TA Nominees (Tempatan) Sdn Bhd – pledged securities account for Yoong Sow Har	65,500	0.16
Total		32,111,500	76.46

Properties Owned By Lay Hong Berhad

Group of Companies

AS AT 31 MARCH 2005

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SELANGOR						
No. 39 & 41 Jalan 5, Kawasan 16 Taman Intan 41300 Klang	Office Building	9111 sq. ft.	Freehold	20	519	03/04/90 (39) 26/06/84 (41)
Lot No. 4858 Mukim of Jeram District of Kuala Selangor	Layer Farm	12	Land under Tenant's Lease May 2006	21	841	01/06/91
Lot No. 4857 Mukim of Jeram District of Kuala Selangor	Layer Farm & Feedmill	12.8	Freehold	6 – 21	1,401	06/01/76
Lot No. 559 Mukim of Ijok Kuala Selangor	Layer Farm	34	Freehold	6 – 13	8,267	23/03/90
Lot No. 1640 Mukim of Ijok Kuala Selangor	Chick Farm	5	Freehold	3 – 14	571	29/04/91
Lot No. 1954 Mukim of Jeram District of Kuala Selangor	Layer Farm	5	Freehold	3	7,811	15/02/00
Lot No. 3095 Mukim of Jeram District of Kuala Selangor	Pullet Farm	4.8	Freehold	3	4,280	02/03/00
Lot No. 1555 Mukim of Jeram District of Kuala Selangor	Layer Farm	6	Freehold	1	7,110	24/02/04
Lot No. 1933 Mukim of Jeram District of Kuala Selangor	Pullet Farm	5	Land Under Tenant's Lease May 2014	1	2,098	16/03/05
Lot No. 1868 Mukim of Jeram District of Kuala Selangor	Layer Farm Under Construction	4.8	Freehold	–	403	05/04/00

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Properties Owned By Lay Hong Berhad

Group of Companies

AS AT 31 MARCH 2005

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
Lot No. 1820 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.9	Freehold	–	451	13/07/01
Lot Nos. 4847/8 Mukim of Jeram District of Kuala Selangor	Layer Farm	26	Land Under Tenant's Lease Aug 2006	6 – 18	532	01/09/86
Lot No. 4859 Mukim of Jeram District of Kuala Selangor	Fertilizer Plant & Building	4.3	Land Under Tenant's Lease Nov 2006	9 – 11	251	01/12/94
Lot No. 1942, Mukim of Jeram District of Kuala Selangor	Fertiliser Plant	2.5	Land under Tenant's Lease Sep 2012	2	309	01/10/02
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Breeder Farm & Hatchery	10	Freehold	4 – 13	1,287	29/09/90
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	6 – 10	666	16/06/95
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	6 – 10	924	20/09/95
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	10	Freehold	6 – 9	1,308	06/05/95
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	6 – 8	684	09/06/95
Lot Nos. 683/4 & 685 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	15	Land Under Tenant's Lease May 2012	5 – 8	2,238	19/05/97

Properties Owned By Lay Hong Berhad

Group of Companies

AS AT 31 MARCH 2005

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition	
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farm & Hatchery	18	Freehold	3 – 7	5,744	08/05/95	29 31 33 35 37
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	–	151	14/07/95	39 41
Lot No.16456/7, 16486 Mukim Tanjong Karang District of Kuala Selangor	Processing Plant	3	Leasehold Nov 2080 (16456/7) July 2080 (16486)	1	6597	14/06/00 (16456/7) 06/12/04 (16486)	43 45 47
Lot Nos. 739/40 & 741 Mukim Api-Api District of Kuala Selangor	Breeder Farm	15	Freehold	2	7,340	15/01/03	49 51 53
No. 29 Jalan Perindustrian 5 Off Jalan Haji Abdul Manan Batu 5 1/2 Jalan Meru 41050 Klang Selangor	Manufacturing Liquid Egg Plant	1158 m ²	Freehold	2	1,441	02/12/02	55 57 59 61 63
MELAKA							65
Lot Nos. 1717/8/9 & 1720 Mukim of Ayer Panas Jasin, Melaka	Layer Farm	40.4	Freehold	11 – 20	2,157	13/04/82	67 69 71 73 75

Properties Owned By Lay Hong Berhad

Group of Companies

AS AT 31 MARCH 2005

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SABAH						
CL 045169248 Kampung Indai Tuaran, Sabah	Broiler Farm	10.7	Leasehold Jan 2060	9	708	31/10/95
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6.4	Leasehold June 2094	10	1,281	21/06/95
NT No. 043171651 Kampung Serusup Tuaran, Sabah	Vacant Land	9.4	Leasehold June 2094	–	147	21/06/95
CL 105244648 Tawau, Sabah	Vacant Land	8.8	Leasehold May 2064	–	68	02/03/95
CL 045115928 Tuaran, Sabah	Layer Farm & Feedmill	89	Leasehold Jan 2938	15	683	12/03/90
CL 025308043 Papar, Sabah	Breeder Farm	19.2	Leasehold Jan 2063	4 – 8	2,320	17/03/98
CL 025166714 Papar, Sabah	Vacant Land	18.8	Leasehold Jan 2056	–	105	17/03/98
CL 025166705 Papar, Sabah	Vacant Land	19.7	Leasehold Jan 2056	–	105	17/03/98
NT No. 043140905 Kampung Serusop Tuaran, Sabah	Broiler Farm	5	Leasehold Feb 2099	3	1,036	13/04/00
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm	2.7	Leasehold Aug 2098	3	561	01/08/99
CL 015580104 Kota Kinabalu, Sabah (KKIP)	Feedmill	2.7	Leasehold Dec 2096	3	2,878	08/12/00
NT. No. 044018224 Tuaran, Sabah	Broiler Farm	4	Leasehold Jul 2031	3	830	02/07/01

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-First Annual General Meeting of the Company to be held on Wednesday, 28th September 2005 at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor at 12.00 Noon 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 2005.		
2	To approve Directors' Fees for the financial year ended 31st March 2005.		
3	To re-elect Mr Yeap Weng Hong as Director.		
4	To re-elect Encik Abdul Hamid Bin Mohamed Ghows as Director.		
5	To re-appoint Messrs Ernst & Young as Auditors.		
6	To authorise the issue of shares up to 10% of Issued Capital.		
7	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		

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

Signed this

_____ day of _____ 2005

Signature of Shareholder or
Common Seal

No. of Shares Held:

NOTES

- 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.
- 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.
- 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.
- 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

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

STAMP
here

fold here



LAY HONG BERHAD

Cover Rationale

The healthy goodness of Nutriplus products symbolise the Company's commitment to continuous innovation through research and technology. Nutriplus eggs and air-chilled chickens are synonymous with safe and wholesome nutrition.



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