

annual report 2003



LAY HONG BERHAD annual report 2003

food for
the ^{growing} nation



**LAY HONG
BERHAD**

[107129-H] Incorporated in Malaysia

LAY HONG BERHAD (107129-H)
INCORPORATED IN MALAYSIA

39 & 41, JALAN 5, KAWASAN 16
TAMAN INTAN, 41300 KLANG
SELANGOR, MALAYSIA
TEL: 03 3343 4888 FAX: 03 3341 0251

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 egg 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.



Cover Rationale

Eggs have long been considered a nutritional staple for people throughout the world, and in all social and economic classes. And chicken consumption is just as vital, providing a cheap, plentiful, nutritious – and delicious – food source. This year's annual report focusses on Lay Hong's major role in providing these essential food products to Malaysian homes, schools, restaurants and retail outlets.

As the supporting pictures inside show, Lay Hong Bhd products aren't just a welcome and ubiquitous sight throughout Malaysia. They also provide valuable food for thought: that by providing food for the growing nation, we are doing our part in ensuring a healthier, happier, more productive society.

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CORPORATE INFORMATION

board of directors

Yap Hoong Chai

Chairman and Group Managing Director
Non-Independent Executive Director

Yeap Weng Hong

Non-Independent Executive Director

Yip Kim Hoong

Non-Independent Non Executive Director

Yeap Fock Hoong

Non-Independent Non Executive Director

Dato' Mohd Desa bin Pachi

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

Dato' Mohd Desa bin Pachi

Independent Non Executive Director

Abdul Hamid bin Mohamed Ghows

Independent Non-Executive Director

nomination committee

Dato' Mohd Desa bin Pachi

Gan Soo Jin

remuneration committee

Yap Hoong Chai

Dato' Mohd Desa bin Pachi

Gan Soo Jin

company secretaries

Lim King Hua (MAICSA 0798613)

Lim Kui Suang (MAICSA 0783327)

registered office

26, Jalan Istana

41000 Klang, Selangor

tel : 03 3371 0611

fax : 03 3371 2886

corporate office

39 & 41, Jalan 5

Kawasan 16 Taman Intan

41300 Klang, Selangor

tel : 03 3343 4888

fax : 03 3341 0251

share registrar

Securities Services (Holdings) Sdn Bhd

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

tel : 03 20957 077

fax : 03 20949 940

subsidiaries

Hing Hong Sdn Bhd

Innofarm (Klang) Sdn Bhd

Evergreen Organic

Fertilisers Sdn Bhd

Sri Tawau Farming Sdn Bhd

Innobrid Sdn Bhd

Innobrid Marketing Sdn Bhd

Lay Hong Liquid Egg Sdn Bhd

Eminent Farm Sdn Bhd

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

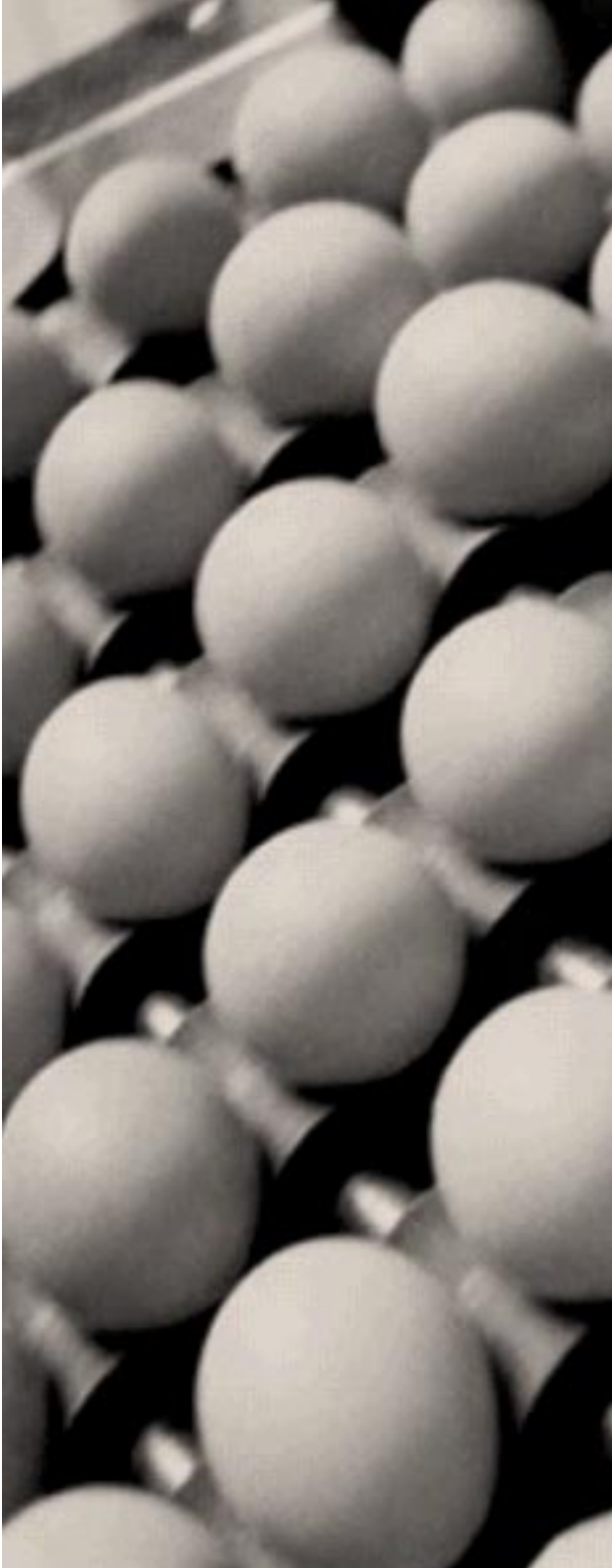
Hong Leong Bank Berhad

stock exchange listing

Second Board of KLSE

Stock Code : Lay Hong

Stock No : 9385



PROFILE OF DIRECTORS

Yap Hoong Chai, Malaysian, aged 53

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 29 years, the Lay Hong Berhad Group has grown from a small family concern into one of Malaysia's largest and most successful poultry business farms. With his many years of experience and knowledge in poultry farming and marketing, he is well respected in the local poultry farming industry. He also sits on the Board of Directors of several private limited companies. He is the brother of Yip Kim Hoong, Yeap Weng Hong and Yeap Fock Hoong, who are also Directors of the Company. He holds no direct shareholding but has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

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

Yeap Weng Hong, Malaysian, aged 45

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 was involved in the operations of the Lay Hong Berhad Group since its incorporation. He is a member of the Egg Board Committee of the Selangor Livestock Farmers Association. He also sits on the Board of Directors of several private limited companies. He is the brother of Yip Kim Hoong, Yap Hoong Chai and Yeap Fock Hoong, who are also Directors of the Company. He holds 7,200 shares of RM1/- each in Lay Hong Berhad and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

He attended all the four (4) 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 55

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 operations 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 no direct shareholding but has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.

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

Yeap Fock Hoong, Singaporean, aged 49

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 Deputy Chief 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 all the four (4) 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.

**Dato Mohd Desa bin Pachi,
Malaysian, aged 69**

An Independent Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 29th October 1993.

He is a Chartered Accountant by profession and is a Fellow of the Institute of Chartered Accountants in Australia. He joined Shell Group of Companies in 1962 and served in various capacities in the Finance Administration. From 1970 to 1976, he was in public practice as a Chartered Accountant and was a partner of Desa Megat & Co and KPMG Peat Marwick. Subsequently, he was appointed as the first CEO of Permodalan Nasional Bhd (PNB) and later served as Chairman/CEO of Malaysian Mining Corporation Bhd, Executive Chairman of Fleet Group Sdn Bhd, MD of The New Straits Times Press (Malaysia) Bhd and Chairman of Sistem Televisyen Malaysia Bhd (TV3).

He sits on the Board of several private companies and the following public companies:

YA Horng Electronic (M) Bhd, Petaling Garden Bhd, Leader Steel Holdings Bhd (Chairman), Commerce Asset-Holding Bhd (Chairman), Saujana Consolidated Bhd, Tracoma Holdings Bhd, Xian Leng Holdings Bhd (Chairman), Amanah Saham Nasional Bhd, Perbadanan Nasional Bhd (Chairman) and Landmarks Bhd. He holds 2,400 shares of RM1/- each in Lay Hong Berhad.

He attended three (3) of the four (4) 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.

**Gan Soo Jin,
Malaysian, aged 53**

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. He is a fellow member of the Institute of Chartered Accountants in England and Wales, member of the Malaysian Institute of Certified Public Accountants and 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 four (4) 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 52**

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. He is a fellow member of the Institute of Chartered Accountants in England and Wales, fellow member of the Chartered Association of Certified Accountants, fellow member of the Chartered Institute of Management Accountants and member of the Malaysian Institute of Accountants. Presently, he holds the position of Director, Group Management Systems and Controls at Rashid Hussain Bhd Group. From 1974 to March 2000, he served in various capacities with Price Waterhouse Cooper, Singapore, Kenmore Asia Pte Ltd, Drexel Oilfields Services and Rothmans International Tobacco Group in Holland, United Kingdom and Malaysia. He has no shareholding in the Company or the Company's subsidiaries.

Presently he is also a director in Malaysia Merchant Marine Bhd.

He attended three (3) out of four (4) board meetings held for the financial year. He has no family relationship with any director and/or major shareholder of Lay Hong Berhad. He has no conflict of interest with Lay Hong Berhad and no convictions for any offence within the past 10 years.

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
Dato' Mohd Desa Bin Pachi	- Independent Non-Executive Director
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.

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 of 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, any may consist of several documents in the like form, signed by one or more of the Committee.

AUDIT COMMITTEE REPORT (CONT'D)

- (d) In the event of any vacancy in an Audit Committee resulting in the non-compliance of subparagraph 15.10(I) of the KLSE 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 KLSE Listing Requirements, the Audit Committee must promptly report such matter to the KLSE.

7. RIGHTS

Whenever necessary and reasonable for the performance of its duties, the Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meeting with the External Auditors, excluding the attendance of the Executive members of the committee, whenever deemed necessary.

8. REVIEW OF THE AUDIT COMMITTEE

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31st MARCH 2003

During the financial year ended 31st March 2003, the activities of the Audit Committee included the following:

- (I) Reviewed the Unaudited Quarterly Financial Statements and the Audited Accounts 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 2003.
- (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 2003.
- (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.

For the Financial Year ended 31st March 2003, the Audit Committee members' attendance at meetings are as follows:

Attendance At The Audit Committee Meetings

No. Director	No. of Audit Committee meetings held during member's tenure in office	No. of Audit Committee meetings attended by member
Gan Soo Jin	4	4
Yap Hoong Chai	4	4
Abdul Hamid Bin Mohamed Ghows	4	3
Dato' Mohd Desa Bin Pachi (Appointed as member on 26/2/03)	1	1

INTERNAL AUDIT FUNCTION

The Internal Audit Division of Lay Hong Berhad was responsible for the internal audit function of the Lay Hong Group and reported directly to Lay Hong Berhad Audit Committee. However, during the period from Nov, 2002 to 31st March, 2003, the Internal Audit Manager resigned and this function has been temporarily assigned to the Financial Controller, pending the recruitment of a suitable candidate to assume the position.

In carrying out audit assignments relating to the Lay Hong Group, the principal responsibility of Lay Hong Berhad's Internal Auditor 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 Auditor of Lay Hong Berhad. A total of one audit reports were issued during the financial year. The resulting reports of the audits undertaken were 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 Nineteenth Annual General Meeting of the company will be held at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor Darul Ehsan on Monday, 29th September 2003 at 11.00am for the following purposes:

ORDINARY BUSINESS

1. To receive the Audited Accounts for the year ended 31st March 2003 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To declare a First and Final Dividend of 1% less tax at 28% for the year ended 31st March 2003. **Resolution 2**
3. To approve Directors' Fees for the year ended 31st March 2003. **Resolution 3**
4. To re-elect the following Directors who retire in accordance with the Company's Articles of Association, viz:
 - (i) Mr Yip Kim Hoong **Resolution 4**
 - (ii) Mr Yeap Fock Hoong **Resolution 5**
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 6**

SPECIAL BUSINESS

6. To consider and, if thought fit, adopt the following resolution, with or without amendments, 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 7

7. To consider and if thought fit, adopt the following resolution, with or without amendments 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 Kuala Lumpur Stock Exchange, 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 3rd September 2003 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 shall be 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 (CONT'D)

- (d) That such approval shall only continue to be in force until:
- (i) the conclusion of the Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
 - (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
 - (iii) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier.

Resolution 8

8. To transact any other ordinary business of the Company for which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

NOTICE OF BOOKS CLOSURE

NOTICE IS ALSO HEREBY GIVEN that the first and final dividend of 1% less tax at 28% will be payable on 3rd November 2003 to depositors who are registered in the Record of Depositors at the close of business on 6th October 2003 if approved by members at the Nineteenth Annual General Meeting on 29th September 2003.

A Depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the Depositors Securities Account before 4.00 pm on 6th October 2003 in respect of ordinary transfers; and
- (b) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

BY ORDER OF THE BOARD

Secretary
LIM KING HUA (F)
MAICSA 0798613

3rd September 2003
Klang

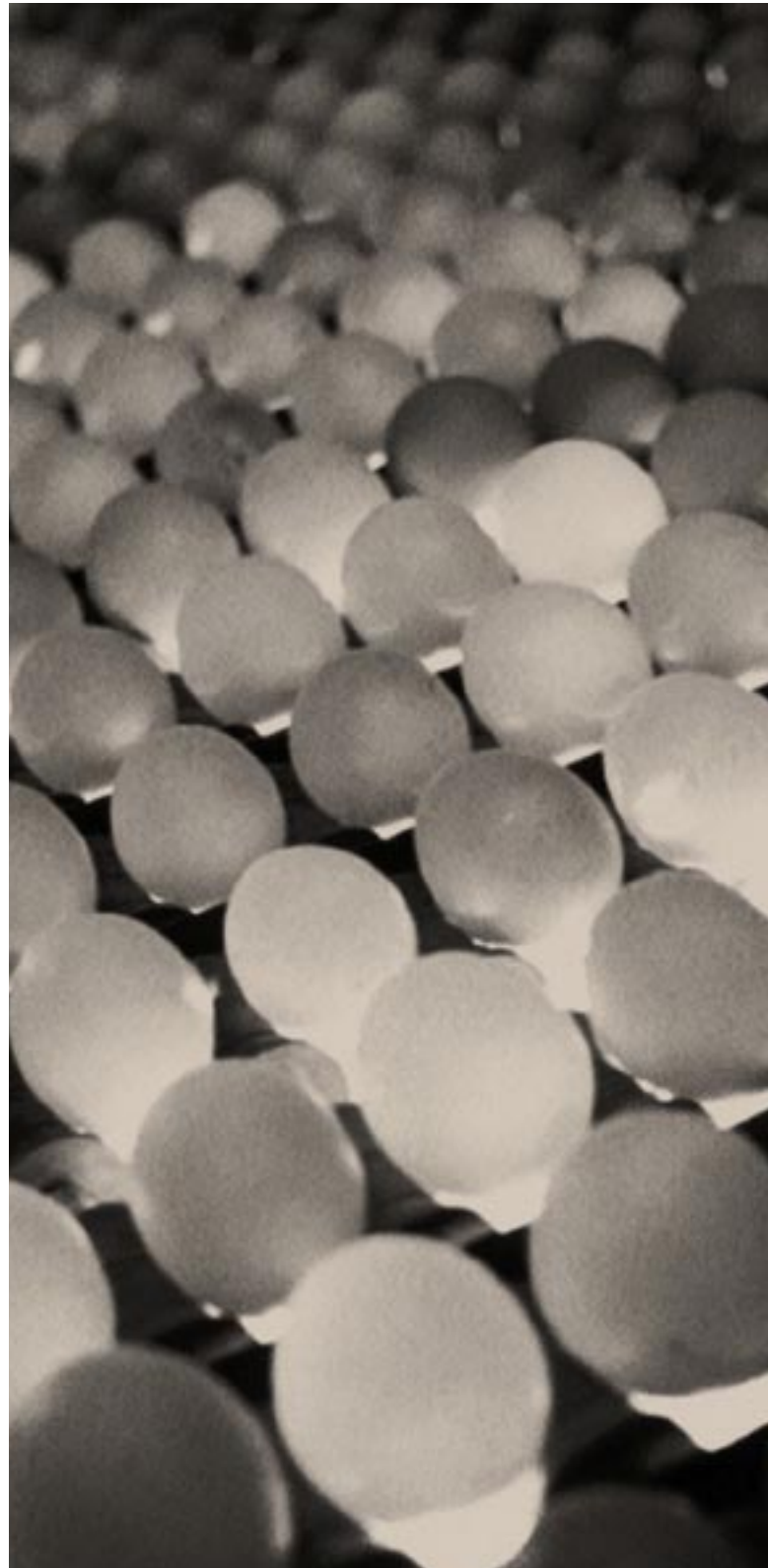
NOTES

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 on his/her stead. A proxy may but need not be a member of the Company and the provision 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 3rd September 2003 for more information.



STATEMENT ACCOMPANYING THE NOTICE OF NINETEENTH ANNUAL GENERAL MEETING OF LAY HONG BERHAD

A. Names of the directors who are standing for re-election

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

B. Details of attendance of directors at board meetings

4 Board Meetings were held during the financial year ended 31st March 2003. All meetings were held at the Office Premises, No 41-B Jalan 5, Kawasan 16, Taman Intan, 41300 Klang, Selangor.

The attendance record of each Director is as follows:-

Executive Director	Attendance	Percentage (%)
Yap Hoong Chai	4/4	100%
Yeap Weng Hong	4/4	100%
Yip Kim Hoong (Relinquished his executive status on 30/6/2003)	4/4	100%
Non-Executive Director		
Dato' Mohd Desa Bin Pachi	3/4	75%
Yeap Fock Hoong	4/4	100%
Gan Soo Jin	4/4	100%
Abdul Hamid Bin Mohamed Ghows	3/4	75%

C. The Nineteenth Annual General Meeting will be held at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor on Monday, 29th September 2003 at 11.00 AM.

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

- I. (a) Yip Kim Hoong, a Malaysian, aged 55, is a Non-Independent Non-Executive Director of Lay Hong Berhad and was appointed to the Board of Directors of Lay Hong Berhad on 20th August 1984. He relinquished his Executive Status on 30th June 2003
- (b) He has more than 20 years experience in poultry farming.
- (c) He sits on the Board of Directors of several private limited companies and does not hold any other directorship of public companies.

- (d) He holds no direct shareholding but has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Berhad.
- (e) He is the brother of Yap Hoong Chai, Yeap Weng Hong 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) Yeap Fock Hoong, a Singaporean, aged 49, is a Non-Independent Non-Executive Director of Lay Hong Berhad. He was appointed to the Board of Directors of Lay Hong Berhad on 18th January 1986.
- (b) He has been a pilot since 1973 and currently holds the position of Assistant Chief Pilot for a major airline.
- (c) He sits on the Board of Directors of several private limited companies and does not hold any other directorship of public companies.
- (d) He is the brother of Yip Kim Hoong, Yap Hoong Chai and Yeap Weng Hong, who are also Directors of the Company.
- (e) He holds 12,000 shares of RMI/- each and has indirect interest via the substantial shareholder of the Company, Innofarm Sdn Bhd.
- (f) He has no conviction for any offence within the past 10 years.



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, 2003.

FINANCIAL PERFORMANCE

The group posted a higher turnover of RM96.530 million compared to that of RM81,964 million achieved last year. The increase was primarily derived from the higher volume sales of speciality eggs and processed broiler chicken. Pretax profit was slightly higher at RM1.406 million compared to that of RM1.256 million achieved in the previous year.

BUSINESS REVIEW

LAYER

fresh eggs

The fresh table eggs market for the year under review was tough and turbulent resulted from the continuing over-supply situation. Prices for a major part of the year were depressed. Egg production volume was slightly higher at 344 million compared to 341 million recorded last year due to completion of one additional layer house in the 4th quarter of the financial year at the new high-tech farm in Jeram, Selangor. This modern new farm equipped with the latest farming technology from Europe, when fully completed in the next financial year, will be able to contribute an additional 100 million eggs for sale.

speciality eggs

The advertising and promotional campaign to create awareness of the speciality eggs labelled under the "NUTRIPLUS" brand was intensified during the year. An amount of RM2.0 million in advertising and promotion expenditure was spent and this has resulted in sales catapulted from a mere RM2.752 million in 2002 to RM9.148 million in 2003. Your board intends to continue promoting and taking the brand to a higher level and is confident that sales will increase further when the planned distribution and logistic initiatives nationwide including East Malaysia are implemented fully.

BROILERS

Broilers production during of the year was higher at 10.386 million kilogram compared to that of 8.766 kilogram recorded last year. The higher yield was due to the better feed conversion ratio achieved resulted from the streamlining of some of the operation processes and tighter cost control measures implemented. However, due to weaker broiler prices, the division does not fair well, and made an operating loss of RM0.165 million.





CHAIRMAN'S STATEMENT (CONT'D)



ORGANIC FERTILISER

Sales of organic fertilizer improved marginally during the year. A total of 8231 metric tonnes was sold compared to 8126 metric tonnes recorded last year. Prices remain fairly stable at an average of RM190 per metric tonne.

Your board of directors took an initiative to review its trade debts position and on a prudent basis, an amount of RM45K in provision for doubtful debts was charged to its profit and loss account. After accounting for it, the division made a small profit of RM12K.

CAPITAL EXPENDITURE

The new high tech layer farm in Jeram, Selangor was partially completed during the year. As at 31st July, 2003, the pullet farm and two layer houses have been completed with intake of chicks and young layers and construction progress is in accordance to schedule. The entire production facility including land costing RM11.8 million is expected to be fully completed and operational by the next financial year ending 31st March 2004.

The construction of a new feedmill and broiler production facilities in Kota Kinabalu, Sabah was slightly delayed due to the unexpected inclement weather but nevertheless it was completed during the year and have commenced trial production.

CORPORATE DEVELOPMENT

To meet the minimum paid up capital of 40,000,000 ordinary shares required for second board listed company, your board had during the year implemented and completed the following:

- Bonus issue of 8,750,000 ordinary shares on the basis of one new ordinary share for every two ordinary shares held by way of capitalizing wholly from the audited unappropriated profits as at 31st March, 2002.
- Rights issue of 8,750,000 ordinary shares on the basis of one new ordinary share of RM1.00 each for every two ordinary shares held before the above bonus issue at an issue price of RM1.00 each; and
- A further Bonus issue of 7,000,000 ordinary shares on the enlarged issued and paid-up capital of 35,000,000 on the basis of one new ordinary share for every five existing ordinary shares held by way of capitalizing wholly from the audited unappropriated profits as at 31st March, 2002.

CHAIRMAN'S STATEMENT (CONT'D)

The issued and paid-up capital for the company is now RM42,000,000 divided into 42,000,000 ordinary shares of RM1/- each.

The above rights proceed of RM8,750 million received by the company on 11th July, 2002, had been fully utilized to date. The money was used to finance part of the total capital expenditure for the construction of chicken houses and expenses related to the corporate exercise. This utilization was in accordance to the schedule as outlined in the prospectus issued to shareholders.

DIVIDEND

The board is pleased to recommend a first and final dividend of one (1) cent per share less Malaysian income tax at 28% for the financial year ended 31st March, 2003. Subject to approval by shareholders at the forthcoming Annual General Meeting, this dividend will be paid on 3rd November, 2003.

PROSPECT

The layer and broiler industry is expected to remain competitive and challenging. To ensure the group continues to remain competitive and profitable, your board and its management will be steadfast in their aim to improve the group performance that will endeavour to undertake the following; intensify its market share of speciality eggs, keep operating cost low, place greater emphasis on risk management, continue to automate work processes through computerization and emphasis on human resource development through training.

To broaden the group's earning base, your board has recently embarked into the production of liquid eggs. This downstream project will cost approximately RM4.8 million and should come on stream by next financial year.





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, contributions and commitment to the Group.

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

YAP HOONG CHAI
Chairman and Group Managing
Director

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

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

Of the seven (7) Directors, two (2) are executives and non-independent namely Mr Yap Hoong Chai & Mr Yeap Weng Hong, two (2) are non-independent non-executive namely Mr Yip Kim Hoong and Mr Yeap Fock Hoong and three (3) are non-executive independents namely Dato' Mohd Desa Bin Pachi, 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. Three (3) of 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.





Four (4) Board meetings were held during the financial year.

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

The 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	4 of 4 meetings
Dato' Mohd Desa Bin Pachi	3 of 4 meetings
Yip Kim Hoong	4 of 4 meetings
Yeap Weng Hong	4 of 4 meetings
Yeap Fock Hoong	4 of 4 meetings
Gan Soo Jin	4 of 4 meetings
Abdul Hamid Bin Mohamed Ghows	3 of 4 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 6 to 9 of this Annual Report.

SUPPLY OF INFORMATION AND VISIT TO FARM

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. To further familiarize themselves on the business, all directors including independent directors visited the farm during the year.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)



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.

In compliance with the KLSE 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	40,000	56,000	96,000
Other Emoluments	-	-	-
Salaries	678,922		678,922
Bonus	90,000	6,000	96,000
Benefit in kind	50,125	-	50,125
	859,047	62,000	921,047

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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

Range of remuneration	Executive Directors	Non-Executive Directors	Total
Below RM50,000	-	4	4
RM150,001 to RM200,000	-	-	-
RM250,001 to RM300,000	-	-	-
RM300,001 to RM350,000	2	-	2
RM550,001 to RM600,000	1	-	1
	<hr/>	<hr/>	<hr/>
	3	4	7

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 KLSE.

Quarterly reports on the Group's results and announcements can be accessed from the KLSE 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 KLSE.

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 36 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 28 of this Annual Report provides an overview of the state of internal control within the Lay Hong Berhad.

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.



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 minimizing 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 during the financial year to identify key risks facing the Group and to formulate appropriate measures to address those risks. The risk Management Committee comprises 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 that have been identified, prioritised and profiled at are monitored closely. The risk assessments include areas of protection of livestock against adverse climatic conditions and diseases as well as recruitment and retention of employees and provision for doubtful trade debts.
- The Group established an internal audit department ("IAD") last year which reports to the Audit Committee. The IAD is empowered to carry out independent process of monitoring the effective application of policies, processes and activities related to internal control and governance processes. The work of the IAD is guided by an annual audit plan as approved by the Audit Committee. However, during the period from Nov, 2002 to 31st March, 2003, the internal audit manager resigned and this function has been temporarily assigned to the Financial Controller, pending the recruitment of a suitable candidate to assume the position.
- The Board has put in place an organisational structure with defined roles, responsibilities and delegation of authority. There are also established procedures of planning, capital expenditure, information and reporting systems, and for monitoring the Group's business and their performance. Operational procedures are communicated to all management and staff as to what is expected of them and the discretion that they may exercise in carrying out 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 covering all business within the Group.
- Monthly Executive Committee meetings are held. These meetings are attended by all Executive Directors and senior management to discuss the Group's operational matters.
- Detailed budgets are approved by the Board. The monitoring of actual performance against budget is performed and where major variances occur, they will be investigated and followed-up by management actions where necessary.

This statement is made in accordance with the resolution of the Board dated 8th July 2003.

GROUP FINANCIAL HIGHLIGHTS

RM' million	1999	2000	2001	2002	2003
Turnover	69.981	77.553	77.140	81.964	96.530
Profit before tax	8.310	8.115	1.118	1.256	1.406
Total assets	62.870	81.492	76.178	90.019	118.252
Paid-up capital	17.500	17.500	17.500	17.500	42.000
Net Tangible Assets (NTA)	37.034	41.082	41.199	42.465	52.077
NTA per share	2.116	2.348	2.354	2.427	1.240
Earnings per share - sen	42.67	33.54	0.78	3.2	2.7
Dividend per share - sen	12.50	10.00	1.00	1.00	1.00



LAY HONG BHD

Feedmill, Layer Farms, Chick Farm, Management 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, Broiler farm, Breeder farm

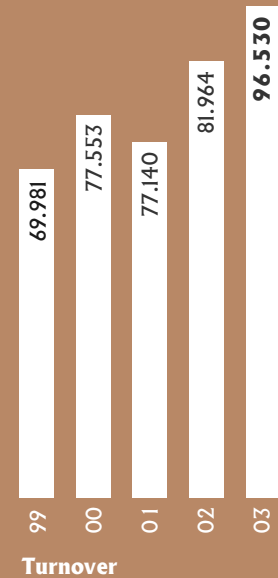
51% Evergreen Organic Fertilisers Sdn Bhd • Organic fertiliser production

50% Innobrid Sdn Bhd • Breeder farm, Hatchery, Broiler farm

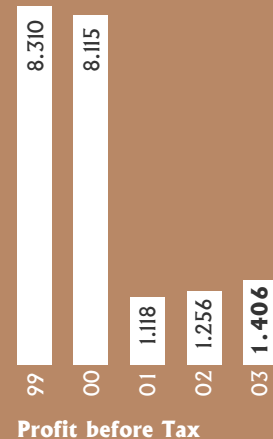
51% Innobrid Marketing Sdn Bhd • Processing & marketing of broilers

100% Lay Hong Liquid Egg Sdn Bhd • Liquid egg manufacturing

100% Eminent Farm Sdn Bhd • Broiler breeder farm



Turnover



Profit before Tax

A HAPPY NEWS “EGGCLUSIVE”



As part of its ongoing commitment to be a caring corporate citizen, Lay Hong Berhad presented a one month's supply of NutriPlus speciality eggs to the Yayasan Seni Karya Perihatin Orphanage in Taman Melawati on 6th July 2003.

To show their appreciation, the children painted the eggs and decorated them in bright colours and designs. The activity was the highlight of a dinner provided by Lay Hong for the orphans. It was a very special interactive occasion between the childrens' orphanage officials and Lay Hong representatives. Some of the childrens' "artwork" appears on the next page.

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st March 2003.

PRINCIPAL ACTIVITIES

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

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
Profit after taxation	527,655	1,623,573
Minority interests	546,193	-
Net profit for the year	1,073,848	1,623,573

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

The amount of dividends paid or declared by the Company since 31st March 2002 were as follows:

	RM
In respect of the financial year ended 31st March 2002 as reported in the Directors' Report of that year:	
Final ordinary dividend of 1% on 35,000,000 ordinary shares less taxation of 28% paid on 15th October 2002	252,000

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31st March 2003, of 1% less 28% taxation on 42,000,000 ordinary shares, amounting to a total dividend payable of RM302,400 (0.72 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31st March 2004.

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

Dato' Mohd Desa bin Pachi

Gan Soo Jin

Abdul Hamid bin Mohamed Ghows

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 fulltime employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 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 1.4.2002	Bought	Bonus Issue	Sold	At 31.3.2003
The Company					
Direct Interest					
Yeap Fock Hoong	5,000	2,500	4,500	-	12,000
Yeap Weng Hong	3,000	1,500	2,700	-	7,200
Gan Soo Jin	20,000	10,000	18,000	-	48,000
Dato' Mohd Desa bin Pachi	1,000	500	900	-	2,400
Indirect Interest					
Yap Hoong Chai	7,875,000	3,937,500	7,087,500	-	18,900,000
Yip Kim Hoong	7,875,000	3,937,500	7,087,500	-	18,900,000
Yeap Fock Hoong	7,875,000	3,937,500	7,087,500	-	18,900,000
Yeap Weng Hong	7,875,000	3,937,500	7,087,500	-	18,900,000
Subsidiaries:					
Evergreen Organic Fertilisers Sdn. Berhad					
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
Innobrid Sdn Bhd					
Indirect Interest					
Yap Hoong Chai	880,000	-	-	-	880,000
Yip Kim Hoong	880,000	-	-	-	880,000
Yeap Fock Hoong	880,000	-	-	-	880,000
Yeap Weng Hong	880,000	-	-	-	880,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTEREST (cont'd)

	Number of Ordinary Shares of RM1 Each				At 31.3.2003
	At 1.4.2002	Bought	Bonus Issue	Sold	
Sri Tawau Farming Sdn Bhd					
Indirect Interest					
Yap Hoong Chai	500,001	-	-	-	500,001
Yip Kim Hoong	500,001	-	-	-	500,001
Yeap Fock Hoong	500,001	-	-	-	500,001
Yeap Weng Hong	500,001	-	-	-	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.

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

ISSUE OF SHARES

During the year, the Company increased its:

- (a) authorised share capital from RM20,000,000 to RM100,000,000 by the creation of 80,000,000 new ordinary shares of RM1.00 each, and
- (b) issued and fully paid up capital:
 - (i) Bonus Issue of 8,750,000 ordinary shares on the basis of one new ordinary share for every two existing ordinary shares held by way of capitalisation of the unappropriated profits as at 31st March 2001;
 - (ii) Rights Issue of 8,750,000 ordinary shares on the basis of one new ordinary share of RM1 each for every two existing ordinary shares held before the above Bonus Issue at an issue price of RM1.00 each; and
 - (iii) Bonus Issue of 7,000,000 ordinary shares on the basis of one new ordinary share for every five existing ordinary shares held after (i) and (ii) by way of capitalisation of the unappropriated profits as at 31st March 2002.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (cont'd)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made

OTHER SIGNIFICANT EVENTS

Significant events during the year are disclosed in Note 30 to the financial statements.

SUBSEQUENT EVENT

The subsequent events are disclosed in Note 31 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors

YAP HOONG CHAI

YEAP WENG HONG

Selangor Darul Ehsan, Malaysia
Date: 8th July 2003

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 38 to 70 are drawn up in accordance with applicable 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 31st March 2003 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

Selangor Darul Ehsan, Malaysia

Date: 8th July 2003

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 statement set out on pages 38 to 70 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 8th July 2003

NG KIM TIAN

Before me,

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 38 to 70. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These 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 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 31st March 2003 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 subsidiary companies 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. 1056/03/05 (J/PH)
Partner

Kuala Lumpur, Malaysia
Date: 8th July 2003

CONSOLIDATED BALANCE SHEET - AS AT 31ST MARCH 2003

	Note	2003 RM	2002 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	73,193,559	61,466,348
Investments	4	839,328	813,079
Goodwill arising on consolidation, net	5	1,873,214	1,979,686
		75,906,101	64,259,113
CURRENT ASSETS			
Inventories	7	23,231,253	14,067,806
Trade receivables	8	12,672,580	7,663,674
Other receivables	9	1,733,540	1,565,035
Placements with licensed banks	10	3,550,000	1,819,264
Cash and bank balances		1,158,928	644,122
		42,346,301	25,759,901
CURRENT LIABILITIES			
Due to a corporate shareholder	11	478,405	753,362
Trade payables		12,021,242	6,275,162
Other payables	12	6,045,503	3,401,955
Short term borrowings	13	19,067,228	12,198,462
Taxation		51,374	519,299
		37,663,752	23,148,240
NET CURRENT ASSETS			
		4,682,549	2,611,661
		80,588,650	66,870,774
FINANCED BY:			
Share capital	15	42,000,000	17,500,000
Retained profits	16	11,268,063	26,262,784
Other reserves		681,977	681,977
Shareholders' equity		53,950,040	44,444,761
Minority interests		4,131,166	4,610,790
		58,081,206	49,055,551
Due to a corporate shareholder	11	3,398,000	3,398,000
Long term borrowings	13	14,050,617	10,087,223
Deferred taxation	17	5,058,827	4,330,000
Non-current liabilities		22,507,444	17,815,223
		80,588,650	66,870,774

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

CONSOLIDATED INCOME STATEMENT - FOR THE YEAR ENDED 31ST MARCH 2003

	Note	2003 RM	2002 RM
Revenue	18	96,530,381	81,964,217
Other operating income	19	540,942	634,883
Changes in inventories		6,372,254	1,752,718
Raw materials, livestock and consumables used		(49,664,085)	(52,562,968)
Finished goods purchased		(17,890,649)	(3,387,834)
Staff costs	20	(10,153,322)	(7,851,025)
Depreciation		(5,185,277)	(4,400,864)
Other operating expenses	22	(17,699,004)	(14,205,640)
Profit from operations		2,851,240	1,943,487
Finance costs	23	(1,445,510)	(687,918)
Profit before taxation		1,405,730	1,255,569
Taxation	24	(878,075)	(407,669)
Profit after taxation		527,655	847,900
Minority interests		546,193	311,335
Net profit attributable to shareholders		1,073,848	1,159,235
Basic earnings per share	25	2.7 sen	3.2 sen

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - FOR THE YEAR ENDED 31ST MARCH 2003

	Share Capital RM	Non Distributable Revaluation Reserve RM	Capital Reserve* RM	Distributable Retained Profits RM	Total RM
At 1st April 2001	17,500,000	142,536	539,441	25,103,549	43,285,526
Net profit for the year	-	-	-	1,159,235	1,159,235
At 31st March 2002	17,500,000	142,536	539,441	26,262,784	44,444,761
At 1st April 2002	17,500,000	142,536	539,441	26,262,784	44,444,761
Issue of ordinary shares by way of:					
- Rights Issue at par	8,750,000	-	-	-	8,750,000
- Bonus Issue (1:2)	8,750,000	-	-	(8,750,000)	-
- Bonus Issue (1:5)	7,000,000	-	-	(7,000,000)	-
Dilution arising from acquisition of additional shares in a subsidiary	-	-	-	(66,569)	(66,569)
Dividends (Note 26)	-	-	-	(252,000)	(252,000)
Net profit for the year	-	-	-	1,073,848	1,073,848
At 31st March 2003	42,000,000	142,536	539,441	11,268,063	53,950,040

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

CONSOLIDATED CASH FLOW STATEMENT - FOR THE YEAR ENDED 31ST MARCH 2003

	2003	2002
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,405,730	1,255,569
Adjustments for:		
Amortisation of goodwill	106,472	106,471
Bad debt written off	-	9,290
Depreciation	5,185,277	4,400,864
Dividend income	(16,030)	(13,500)
Property, plant and equipment written off	-	70,358
Interest expense	1,445,510	687,918
Interest income	(125,264)	(36,411)
(Gain)/loss on exchange - unrealised	(6,761)	20,613
Net gain on disposal of property, plant and equipment	(55,440)	(64,100)
Writeback of provision for diminution in value of quoted investments	-	(81,800)
Provision for doubtful debts	100,851	-
	<hr/>	<hr/>
Operating profit before working capital changes	8,040,345	6,355,272
Increase in receivables	(5,252,923)	(2,876,030)
Increase in inventories	(9,163,447)	(1,670,398)
Increase in payables	8,389,628	552,719
Decrease in due to a corporate shareholder	(274,957)	-
	<hr/>	<hr/>
Cash generated from operations	1,738,646	2,361,563
Interest paid	(1,445,510)	(687,918)
Taxes paid	(635,751)	(237,625)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(342,615)	1,436,020

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

CONSOLIDATED CASH FLOW STATEMENT - FOR THE YEAR ENDED 31ST MARCH 2003 (CONT'D)

	2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(26,249)	-
Purchase of property, plant and equipment	(14,716,867)	(11,587,387)
Proceeds from disposal of property, plant and equipment	132,294	331,719
Interest received	125,264	36,411
Dividend received	16,030	11,428
	<hr/>	<hr/>
Net cash used in investing activities	(14,469,528)	(11,207,829)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase financing	(1,211,700)	(269,709)
Drawdown of short term borrowings - net	4,765,000	4,767,000
Drawdown of term loans - net	5,115,257	3,549,531
Dividend paid	(252,000)	(126,000)
Proceeds from issuance of ordinary shares	8,750,000	-
Movement of minority interest	-	350,000
	<hr/>	<hr/>
Net cash generated from financing activities	17,166,557	8,270,822
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,354,414	(1,500,987)
CASH AND CASH EQUIVALENTS AT 1st APRIL 2002/2001	(7,145)	1,493,842
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31st MARCH	2,347,269	(7,145)
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash and bank balances	1,158,928	644,122
Placements with licensed banks	3,550,000	1,819,264
Bank overdrafts (Note 13)	(2,361,659)	(2,470,531)
	<hr/>	<hr/>
	2,347,269	(7,145)
	<hr/>	<hr/>

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

BALANCE SHEET - AS AT 31ST MARCH 2003

	Note	2003 RM	2002 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	32,423,727	24,977,176
Investments	4	9,709,254	9,683,001
		42,132,981	34,660,177
CURRENT ASSETS			
Due from subsidiaries	6	11,785,018	9,983,359
Inventories	7	10,093,158	5,710,174
Trade receivables	8	6,042,605	1,925,214
Other receivables	9	763,114	714,060
Placements with licensed banks	10	3,550,000	950,000
Cash and bank balances		770,083	141,961
		33,003,978	19,424,768
CURRENT LIABILITIES			
Trade payables		6,237,284	2,692,857
Other payables	12	4,818,755	1,452,663
Short term borrowings	13	7,692,901	3,889,425
Taxation		46,774	506,699
		18,795,714	8,541,644
NET CURRENT ASSETS			
		14,208,264	10,883,124
		56,341,245	45,543,301
FINANCED BY:			
Share capital	15	42,000,000	17,500,000
Retained profits	16	8,424,061	22,802,488
Other reserves		142,536	142,536
		50,566,597	40,445,024
Long term borrowings	13	1,395,648	1,219,277
Deferred taxation	17	4,379,000	3,879,000
		5,774,648	5,098,277
Non-current liabilities		5,774,648	5,098,277
		56,341,245	45,543,301

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

INCOME STATEMENT - FOR THE YEAR ENDED 31ST MARCH 2003

	Note	2003 RM	2002 RM
Revenue	18	83,453,724	58,032,376
Other operating income	19	507,833	463,748
Changes in inventories		3,071,405	177,519
Raw materials, livestock and consumables used		(50,843,084)	(42,634,031)
Finished goods purchased		(17,692,402)	(1,977,631)
Staff costs	20	(4,822,240)	(3,768,419)
Depreciation		(2,373,224)	(2,099,800)
Other operating expenses	22	(8,776,986)	(6,239,071)
Profit from operations		2,525,026	1,954,691
Finance costs	23	(276,453)	(167,298)
Profit before taxation		2,248,573	1,787,393
Taxation	24	(625,000)	(537,000)
Net profit for the year		1,623,573	1,250,393

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

STATEMENT OF CHANGES IN EQUITY - FOR THE YEAR ENDED 31ST MARCH 2003

	Share Capital RM	Non Distributable Revaluation Reserve RM	Distributable Retained Profits RM	Total RM
At 1st April 2001	17,500,000	142,536	21,552,095	39,194,631
Net profit for the year	-	-	1,250,393	1,250,393
At 31st March 2002	17,500,000	142,536	22,802,488	40,445,024
At 1st April 2002	17,500,000	142,536	22,802,488	40,445,024
Issue of ordinary shares by way of:				
- Rights Issue at par	8,750,000	-	-	8,750,000
- Bonus Issue (1:2)	8,750,000	-	(8,750,000)	-
- Bonus Issue (1:5)	7,000,000	-	(7,000,000)	-
Dividends (Note 26)	-	-	(252,000)	(252,000)
Net profit for the year	-	-	1,623,573	1,623,573
At 31st March 2003	42,000,000	142,536	8,424,061	50,566,597

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

CASH FLOW STATEMENT - FOR THE YEAR ENDED 31ST MARCH 2003

	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,248,573	1,787,393
Adjustments for:		
Depreciation	2,373,224	2,099,800
Dividend income	(16,030)	(13,500)
Gain on disposal of property, plant and equipment	(58,440)	(46,694)
Property, plant and equipment written off	-	69,983
Interest expense	276,453	167,298
Interest income	(114,079)	(14,992)
(Gain)/loss on exchange - unrealised	(1,249)	2,079
Provision for diminution in value of associated company	-	49,999
Writeback of provision for doubtful debts	(117,303)	-
Writeback of of provision for diminution in value of quoted investments	-	(81,800)
	<hr/>	<hr/>
Operating profit before working capital changes	4,591,149	4,019,566
Increase in receivables	(4,047,893)	(1,189,113)
Increase in inventories	(4,382,984)	(196,340)
Increase/(decrease) in payables	6,910,519	(815,076)
Increase in due from subsidiaries	(1,801,659)	(606,082)
	<hr/>	<hr/>
Cash generated from operations	1,269,132	1,212,955
Interest paid	(276,453)	(167,298)
Taxes paid	(584,925)	(164,177)
	<hr/>	<hr/>
Net cash generated from operating activities	407,754	881,480

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

CASH FLOW STATEMENT - FOR THE YEAR ENDED 31ST MARCH 2003 (CONT'D)

	2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,341,624)	(1,828,545)
Proceeds from disposal of property, plant and equipment	67,099	164,302
Purchase of subsidiaries	(4)	-
Purchase of investments	(26,249)	(350,000)
Interest received	114,079	14,992
Dividend received	16,030	11,428
	<hr/>	<hr/>
Net cash used in investing activities	(8,170,669)	(1,987,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(252,000)	(126,000)
Proceeds from issuance of ordinary shares	8,750,000	-
Repayment of hire purchase	(811,422)	-
Drawdown of short term borrowings - net	3,750,000	1,846,173
Drawdown/(repayment) of term loans - net	252,768	(633,135)
	<hr/>	<hr/>
Net cash generated from financing activities	11,689,346	1,087,038
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,926,431	(19,305)
CASH AND CASH EQUIVALENTS AT 1st APRIL 2002/2001	393,652	412,957
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31st MARCH	4,320,083	393,652
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash and bank balances	770,083	141,961
Placements with licensed banks	3,550,000	950,000
Bank overdrafts (Note 13)	-	(698,309)
	<hr/>	<hr/>
	4,320,083	393,652
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003

1. CORPORATE INFORMATION

The principal activities of the Company consist of poultry farming and investment holding. The principal activities of the subsidiaries are 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 Kuala Lumpur Stock Exchange. 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 704 (2002 : 477) and 287 (2002 : 165) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8th July 2003.

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 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 arising on consolidation. Negative goodwill arising 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.

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(I). 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) Property, Plant and Equipment and Depreciation

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

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 MASB Standard No. 15 : Property, Plant and Equipment, the valuation of these assets have not been updated 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 years 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.

(e) 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) 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 are at 72 weeks and accordingly, the cost is amortised over the breeder's estimated economic life of 50 weeks. This treatment is consistent with the prior year.

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Broilers and 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 remains unchanged at 77 weeks and accordingly, the cost is amortised over the layer's estimated economic life of 56 weeks. This is to reflect more accurately the period of commercial production of eggs.

In the previous years, the abovementioned inventories were stated at lower of cost and net realisable value on a first-in first-out basis, without restriction of cost of pullets to week 21. The change in basis has resulted in a decrease in cost of sales of approximately RM3,335,000 and RM1,688,000 in the income statement of the Group and of the Company respectively for the current financial year.

(ii) Eggs, organic fertilisers, packing materials and feedmeal

Eggs, organic fertilisers and packing materials are stated at the lower of cost and net realisable value. Cost of eggs, organic fertilisers and packing materials 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.

(f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call, net of outstanding bank overdrafts.

(g) Leases and Hire Purchase

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.

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(d).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) 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.

(i) Deferred Taxation

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(j) 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) Sales are 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 accrual basis.

(k) Foreign currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rate 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 differences are taken to the income statement.

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

	2003	2002
	RM	RM
Singapore Dollar	2.119	2.032
Euro	4.067	3.308

(l) 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 STATEMENTS - 31ST MARCH 2003 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. 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.

(m) 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 instruments 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) Other 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(I).

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

(ii) 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.

(iii) 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. The normal trade credit terms granted to the Group range from 30 to 90 days.

(iv) 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 those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) 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

Group	Land and buildings RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
Cost/Valuation					
At 1st April 2002	57,156,624	22,974,825	5,447,862	2,345,936	87,925,247
Additions	10,793,822	3,653,347	2,209,560	332,613	16,989,342
Disposals	(7,650)	(5,390)	(204,858)	(3,100)	(220,998)
At 31st March 2003	67,942,796	26,622,782	7,452,564	2,675,449	104,693,591
Accumulated Depreciation					
At 1st April 2002	13,046,864	9,469,324	3,011,561	931,150	26,458,899
Charge for the year	2,243,170	1,899,404	850,709	191,994	5,185,277
Disposals	(1,110)	(359)	(142,003)	(672)	(144,144)
At 31st March 2003	15,288,924	11,368,369	3,720,267	1,122,472	31,500,032
Net Book Value					
At 31st March 2003	52,653,872	15,254,413	3,732,297	1,552,977	73,193,559
At 31st March 2002	44,109,760	13,505,501	2,436,301	1,414,786	61,466,348
Depreciation charge for 2002	2,016,347	1,452,186	774,626	157,705	4,400,864
Company					
Cost/Valuation					
At 1st April 2002	19,984,138	11,663,332	2,962,362	1,958,335	36,568,167
Additions	6,811,915	1,182,481	1,571,782	262,256	9,828,434
Disposals	-	-	(145,005)	-	(145,005)
At 31st March 2003	26,796,053	12,845,813	4,389,139	2,220,591	46,251,596

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

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
Accumulated Depreciation					
At 1st April 2002	4,831,182	4,283,567	1,730,789	745,453	11,590,991
Charge for the year	763,410	958,879	492,949	157,986	2,373,224
Disposals	-	-	(136,346)	-	(136,346)
At 31st March 2003	5,594,592	5,242,446	2,087,392	903,439	13,827,869
Net Book Value					
At 31st March 2003	21,201,461	7,603,367	2,301,747	1,317,152	32,423,727
At 31st March 2002	15,152,956	7,379,765	1,231,573	1,212,882	24,977,176
Depreciation charge for 2002	719,555	794,064	457,762	128,419	2,099,800

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

Group	Valuation RM	Cost RM	Total RM
Cost/Valuation			
Land			
- Freehold	3,237,000	3,714,188	6,951,188
- Long leasehold	-	2,820,492	2,820,492
- Short leasehold	-	271,427	271,427
Buildings	11,145,678	45,614,270	56,759,948
Buildings-in-progress	-	1,139,741	1,139,741
	14,382,678	53,560,118	67,942,796

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

	Valuation RM	Cost RM	Total RM
Accumulated Depreciation			
Land			
- Freehold	-	-	-
- Long leasehold	-	41,734	41,734
- Short leasehold	-	6,298	6,298
Buildings	5,181,357	10,059,535	15,240,892
Buildings-in-progress	-	-	-
	5,181,357	10,107,567	15,288,924
Net Book Value			
At 31st March 2003	9,201,321	43,452,551	52,653,872
At 31st March 2002	9,786,821	34,322,939	44,109,760
Company			
Cost/Valuation			
Land - Freehold	2,047,000	2,027,742	4,074,742
Buildings	8,302,543	13,749,309	22,051,852
Buildings-in-progress	-	669,459	669,459
	10,349,543	16,446,510	26,796,053
Accumulated Depreciation			
Land - Freehold	-	-	-
Buildings	3,473,652	2,120,940	5,594,592
	3,473,652	2,120,940	5,594,592
Net Book Value			
At 31st March 2003	6,875,891	14,325,570	21,201,461
At 31st March 2002	7,267,023	7,885,933	15,152,956

(a) Freehold and long term leasehold land of certain subsidiaries with net book value amounting to RM2,131,000 (2002 : RM2,131,000) have been pledged to a financial institutions 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.

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

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

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Motor vehicles	2,781,281	816,135	1,802,418	451,903
Plant and machinery	1,670,076	1,789,019	1,670,076	1,789,019

(d) Interest capitalised during the financial year under buildings-in-progress amounted to RM212,933 (2002 : RM82,126).

(e) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM16,989,342 (2002 : RM13,995,739) and RM9,828,434 (2002 : RM3,921,201) respectively of which RM2,272,475 (2002 : RM2,326,226) and RM1,486,810 (2002 : RM2,092,656) respectively were acquired by means of hire purchase arrangements.

4. INVESTMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
(a) Subsidiaries				
Unquoted shares				
- at cost	-	-	5,375,836	5,375,832
- at valuation**	-	-	3,497,390	3,497,390
	-	-	8,873,226	8,873,222
(b) Other investments				
Shares quoted in Malaysia, at cost	721,327	695,078	718,027	691,778
Other investments	118,001	318,000	118,001	318,000
Provision for diminution in value	-	(199,999)	-	(199,999)
	118,001	118,001	118,001	118,001
Total investments	839,328	813,079	9,709,254	9,683,001
Market value of shares quoted in Malaysia	761,050	1,071,340	759,760	1,068,970

4. INVESTMENTS (cont'd)

The subsidiaries, which are incorporated in Malaysia, are:

Name of Company	Paid-up Capital RM	Effective Interest		Principal Activity
		2003 %	2002 %	
Hing Hong Sdn Bhd	2,000,000	100	100	Poultry farming
Innofarm (Klang) Sdn Bhd #	400,000	70	70	Poultry farming
Evergreen Organic Fertilisers Sdn Bhd	300,000	51	51	Organic fertiliser processing
Sri Tawau Farming Sdn Bhd #+	1,000,002	50	50	Poultry farming
Innobrid Sdn Bhd #^	2,000,001	50	50	Poultry farming
Innobrid Marketing Sdn Bhd #	1,600,000	38	26	Poultry processing and marketing
Eminent Farm Sdn Bhd #	2	100	-	Dormant
Lay Hong Liquid Egg Sdn Bhd #	2	100	-	Dormant

Subsidiaries not audited by 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.

5. GOODWILL ARISING ON CONSOLIDATION, NET

	Group	
	2003 RM	2002 RM
Goodwill arising on consolidation	2,661,777	2,661,777
Negative goodwill arising on consolidation	(362,677)	(362,677)
	2,299,100	2,299,100
Less: Accumulated amortisation of goodwill	(425,886)	(319,414)
	1,873,214	1,979,686

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 are attributable to the acquisition of Hing Hong Sdn Bhd and Innofarm (Klang) Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

6. DUE FROM SUBSIDIARIES

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

7. INVENTORIES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
At cost:				
Livestock	16,403,123	9,474,006	5,156,205	2,260,162
Eggs	605,449	446,424	363,115	187,753
Raw materials	5,352,671	3,515,500	4,328,219	3,176,373
Organic fertilisers	346,162	364,202	-	-
Packing materials	285,965	107,797	245,619	85,886
Consumables	237,883	159,877	-	-
	23,231,253	14,067,806	10,093,158	5,710,174

8. TRADE RECEIVABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade receivables	14,970,748	9,860,991	6,211,321	2,211,233
Provision for doubtful debts	(2,298,168)	(2,197,317)	(168,716)	(286,019)
	12,672,580	7,663,674	6,042,605	1,925,214

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 group of debtors.

9. OTHER RECEIVABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Prepayments	225,085	130,241	192,037	107,570
Sundry receivables	535,805	619,396	377,100	247,170
Deposits	381,444	311,072	153,636	56,725
Others	591,206	504,326	40,341	302,595
	1,733,540	1,565,035	763,114	714,060

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

10. PLACEMENTS WITH LICENSED BANKS

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Licensed banks	3.20	3.20	3.20	3.20
Licensed finance companies	3.20	-	3.20	-

The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2003 Days	2002 Days	2003 Days	2002 Days
Licensed banks	31	31	31	31
Licensed finance companies	31	31	31	31

11. DUE TO A CORPORATE SHAREHOLDER

The amount due to Innofarm Sdn Bhd, a corporate shareholder of a subsidiary, is unsecured and interest-free. Included in the amount due to a corporate shareholder is an amount of RM2.8 million (2002 : RM2.8 million) which has been subordinated for credit facilities granted to a subsidiary by a financial institution, and an amount of RM598,000 (2002 : RM598,000) which will be repayable after 12 months.

12. OTHER PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Due to director of a subsidiary	273,000	273,000	-	-
Accruals	3,403,940	890,332	2,923,139	599,229
Sundry payables	2,368,563	2,238,623	1,895,616	853,434
	6,045,503	3,401,955	4,818,755	1,452,663

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

13. BORROWINGS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	2,361,659	1,772,222	-	-
Bankers acceptances	6,706,000	5,391,000	-	-
Term loans	1,937,694	714,548	-	-
Short term advances	-	300,000	-	-
Hire purchase payables (Note 14)	1,565,543	828,819	1,196,569	697,552
	12,570,896	9,006,589	1,196,569	697,552

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

13. BORROWINGS (cont'd)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Unsecured:				
Bank overdrafts	-	698,309	-	698,309
Bankers' acceptances	5,810,000	2,060,000	5,810,000	2,060,000
Term loans	686,332	433,564	686,332	433,564
	6,496,332	3,191,873	6,496,332	3,191,873
	19,067,228	12,198,462	7,692,901	3,889,425
Long Term Borrowings				
Secured:				
Term loans	12,301,975	8,662,632	-	-
Hire purchase payables (Note 14)	1,748,642	1,424,591	1,395,648	1,219,277
	14,050,617	10,087,223	1,395,648	1,219,277
Total Borrowings				
Bank overdrafts	2,361,659	2,470,531	-	698,309
Bankers' acceptances	12,516,000	7,451,000	5,810,000	2,060,000
Term loans	14,926,001	9,810,744	686,332	433,564
Short term advances	-	300,000	-	-
Hire purchase payables (Note 14)	3,314,185	2,253,410	2,592,217	1,916,829
	33,117,845	22,285,685	9,088,549	5,108,702
Maturity of borrowings (excluding hire purchase)				
Within one year	17,501,685	11,369,643	6,496,332	3,191,873
More than 1 year and less than 2 years	2,076,595	806,282	-	-
More than 2 years and less than 5 years	7,158,848	2,177,819	-	-
5 years or more	3,066,532	5,678,531	-	-
	29,803,660	20,032,275	6,496,332	3,191,873

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

	Group		Company	
	2003 RM %	2002 RM %	2003 RM %	2002 RM %
Bank overdrafts	7.80	7.82	-	7.40
Bankers' acceptances	4.11	4.24	3.83	3.78
Term loans	7.00	6.32	7.90	3.75

13. BORROWINGS (cont'd)

The credit facilities of the Company are secured by way of a negative pledge over the assets 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 and subordination of shareholders' loan and amount due to holding company of RM5.4 million (2002 : RM5.4 million) in certain subsidiaries.

14. HIRE PURCHASE PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Minimum hire purchase payments:				
Not later than 1 year	1,780,199	949,296	1,362,048	798,048
Later than 1 year and not later than 2 years	1,464,349	246,732	1,147,306	95,508
Later than 2 years and not later than 5 years	407,600	1,365,885	353,931	1,289,151
	3,652,148	2,561,913	2,863,285	2,182,707
Less: Future finance charges	(337,963)	(308,503)	(271,068)	(265,878)
Present value of hire purchase liabilities	3,314,185	2,253,410	2,592,217	1,916,829
Present value of hire purchase liabilities:				
Not later than 1 year	1,565,543	828,819	1,196,569	697,552
Later than 1 year and not later than 2 years	1,337,535	828,819	1,071,239	697,552
Later than 2 years and not later than 5 years	411,107	595,772	324,409	521,725
	3,314,185	2,253,410	2,592,217	1,916,829
Analysed as:				
Due within 12 months (Note 13)	1,565,543	828,819	1,196,569	697,552
Due after 12 months (Note 13)	1,748,642	1,424,591	1,395,648	1,219,277
	3,314,185	2,253,410	2,592,217	1,916,829

The hire purchase liabilities bore interest at the balance sheet date between 8% to 10% (2002 : 9% to 10%) per annum.

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

15. SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2003	2002	2003 RM	2002 RM
Authorised:				
At 1st April 2002/2001	20,000,000	20,000,000	20,000,000	20,000,000
Created during the year	80,000,000	-	80,000,000	-
At 31st March	100,000,000	20,000,000	100,000,000	20,000,000
Issued and fully paid:				
At 1st April 2002/2001	17,500,000	17,500,000	17,500,000	17,500,000
Issued and paid up during the year				
- Right Issue	8,750,000	-	8,750,000	-
- Bonus Issue (1:2)	8,750,000	-	8,750,000	-
- Bonus Issue (1:5)	7,000,000	-	7,000,000	-
At 31st March	42,000,000	17,500,000	42,000,000	17,500,000

16. RETAINED PROFITS

As at 31st March 2003, 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 (2002: RM9,685,000), 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 31st March 2003.

17. DEFERRED TAXATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
At 1st April 2002/2001	4,330,000	4,055,000	3,879,000	3,406,000
Transfer from income statement (Note 24)	728,827	275,000	500,000	473,000
At 31st March	5,058,827	4,330,000	4,379,000	3,879,000

Deferred taxation amounting to approximately RM7,000 (2002 : RM7,000) is not provided on the surplus arising from the revaluation of freehold land and certain buildings as it is not the intention of the directors to dispose of these properties.

18. REVENUE

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Sale of eggs	50,706,143	49,407,534	44,742,801	29,388,292
Sale of livestocks	25,403,319	21,752,769	1,239,461	1,016,072
Sale of feed	4,596,389	50,257	36,690,402	26,899,422
Processed chicken	14,128,694	9,034,742	-	-
Others	1,695,836	1,718,915	781,060	728,590
	96,530,381	81,964,217	83,453,724	58,032,376

19. OTHER OPERATING INCOME

Included in other operating income are the following:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Gain on disposal of property, plant and equipment	55,440	79,568	58,440	46,694
Rental income				
- subsidiary	-	-	3,600	3,600
- others	4,050	10,650	4,050	5,400
Gross dividends from quoted investments	16,030	13,500	16,030	13,500
Interest income				
- others	125,264	36,411	114,079	14,992
Management fees receivable from subsidiaries	-	-	156,000	288,000
Gain on foreign exchange				
- realised	-	252	-	-
- unrealised	6,761	-	1,249	-

20. STAFF COSTS

Included in staff costs of the Group and the Company are directors' remuneration (excluding directors' fees) amounting to RM1,040,122 (2002 : RM954,210) and RM774,922 (2002 : RM719,010) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

21. DIRECTORS' REMUNERATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	914,122	833,210	678,922	628,010
Fees	136,000	130,000	40,000	34,000
Bonus	120,000	115,000	90,000	85,000
Benefits-in-kind	50,125	50,125	50,125	50,125
	1,220,247	1,128,335	859,047	797,135
Non-executive:				
Fees	92,000	80,000	60,000	48,000
Bonus	6,000	6,000	6,000	6,000
Total	98,000	86,000	66,000	54,000
Other Directors				
Non-executive:				
Fees	36,000	44,000	-	-
Total	1,354,247	1,258,335	925,047	851,135
Analysis excluding benefit-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	1,170,122	1,078,210	808,922	747,010
Total non-executive directors' remuneration excluding benefits-in-kind	134,000	130,000	66,000	54,000
Total directors' remuneration excluding benefits-in-kind	1,304,122	1,208,210	874,922	801,010

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

	Number of Directors	
	2003	2002
Executive directors:		
RM250,001 – RM300,000	-	2
RM300,001 – RM350,000	2	-
RM550,001 – RM600,000	1	1
Non-Executive directors:		
Below RM50,000	4	4

22. OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Amortisation of goodwill	106,472	106,471	-	-
Directors' fees (Note 2I)	264,000	254,000	100,000	82,000
Auditors' remuneration:				
Statutory audits				
- current year	67,200	65,500	19,100	19,000
- underprovision in prior year	-	6,000	-	3,000
Other services	6,000	6,000	6,000	6,000
Hire of plant and machinery	109,165	7,220	-	-
Provision/(writeback) for doubtful debts	100,851	-	(117,303)	-
Rental	306,600	302,454	56,386	52,035
Property, plant and equipment written off	-	70,358	-	69,983
Loss on disposal of property, plant and equipment	-	15,468	-	-
Loss on foreign exchange				
- realised	-	475	-	475
- unrealised	-	20,613	-	2,079
Bad debts written off	-	9,290	-	-
(Writeback of)/provision for diminution in value of				
- quoted investments	-	(81,800)	-	(81,800)
- unquoted investments	-	-	-	49,999
Hiring charges payable to subsidiaries	-	-	30,000	33,858

23. FINANCE COSTS

Included in finance costs are:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Interest expense on borrowings	1,658,443	770,044	276,453	167,298
Less: Amount capitalised in buildings-in-progress	(212,933)	(82,126)	-	-
	1,445,510	687,918	276,453	167,298

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

24. TAXATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Current year's charge	127,310	72,000	125,000	64,000
Transfer to deferred taxation (Note 17)	728,827	275,000	500,000	473,000
Under provision in prior years	21,938	60,669	-	-
	878,075	407,669	625,000	537,000

The effective rate of taxation of the Group is higher than the statutory rate of taxation due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries as no group relief is available.

The effective rate of taxation of the Company for the prior year is higher than the statutory rate of taxation principally due to disallowance of certain expenses for taxation purposes.

25. EARNINGS PER SHARE

(a) The basic earnings per share of the Group is calculated by dividing the net profit for the year of RM1,073,848 (2002 : RM1,159,235) by the weighted average number of ordinary shares in issue during the year of 40,476,000 (2002 : 35,902,000). The weighted average number of ordinary shares of 35,902,000 for the financial year ended 31st March 2002 has been restated on the basis of the enlarged share capital after the Rights and Bonus Issues of 8,750,000 and 15,750,000 respectively, as disclosed in Note 15.

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

26. DIVIDENDS

Group and Company

	Amount		Net Dividend Per Share	
	2003 RM	2002 RM	2003 Sen	2002 Sen
Ordinary final dividend of 1% less 28% taxation	-	252,000	-	0.72

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31st March 2003, of 1% less 28% taxation on 42,000,000 ordinary shares amounting to a dividend payable of RM302,400 (0.72 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31st March 2004.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2003 RM	2002 RM
Purchases from subsidiaries		
- Innofarm (Klang) Sdn Bhd	7,457,454	1,571,065
- Hing Hong Sdn Bhd	11,490,498	1,415,730
- Innobrid Sdn Bhd	1,545	7,322
Sales to subsidiaries		
- Innofarm (Klang) Sdn Bhd	7,513,620	7,378,033
- Hing Hong Sdn Bhd	10,562,495	8,407,804
- Innobrid Sdn Bhd	14,945,894	13,097,007
- Evergreen Organic Fertilisers Sdn Bhd	120,000	120,000
Management fees receivable from subsidiaries		
- Hing Hong Sdn Bhd	-	132,000
- Innofarm (Klang) Sdn Bhd	120,000	120,000
- Evergreen Organic Fertilisers Sdn Bhd	36,000	36,000
Hiring charges payable to subsidiaries		
- Hing Hong Sdn Bhd	30,000	30,000
- Innobrid Sdn Bhd	-	3,858

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	
	2003 RM	2002 RM	2003 RM	2002 RM
Approved and contracted for				
- Property, plant and equipment	7,550,000	2,524,000	1,350,000	1,978,000
Approved but not contracted for				
- Property, plant and equipment	9,482,000	7,579,000	162,000	3,652,000

29. CONTINGENT LIABILITIES

	Company	
	2003 RM	2002 RM
Unsecured		
Corporate guarantee issued to financial institutions and corporate shareholder for credit facilities granted to subsidiaries	14,409,663	13,186,000

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

30. OTHER SIGNIFICANT EVENTS

- (a) On 28th November 2002, the Company acquired 2 ordinary shares of RMI each fully paid representing 100% equity in Eminent Farm Sdn Bhd, a company incorporated in Malaysia for a total consideration of RM2.
- (b) During the year, the Company announced that it would embark on a RM4.8 million liquid egg project via its wholly-owned subsidiary acquired in the current year, Lay Hong Liquid Egg Sdn Bhd, a company incorporated in Malaysia with a paid up capital of RM2 comprising two ordinary shares of RMI each.

31. SUBSEQUENT EVENT

Subsequent to the year end, the Group announced that it would be embarking on a RM10.932 million expansion of its existing broiler hatchery and breeder business. The expansion will be undertaken through its wholly-owned subsidiary company, Eminent Farm Sdn Bhd. These new production facilities will be located on a 15 acres land in the Mukim of Api-Api, Kuala Selangor which is in close proximity to the existing broiler farm.

32. SEGMENT INFORMATION

The Group's activities are primarily in one industry segment of poultry farming, and are principally conducted in Malaysia.

33. 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 31st March 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

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.

33. 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 credit worthiness. 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 value on the balance sheets of the Group and of the Company are represented as follows:

	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
Due from subsidiaries	6	-	-	11,785,018	*
Financial liabilities					
Due to a corporate shareholder	11	478,405	*	-	-
Term loans	13	14,926,001	14,919,408	686,332	686,332
Hire purchase payables	14	3,314,185	3,502,650	2,592,217	2,748,548
		18,718,591	18,422,058	3,278,549	3,434,880

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

The nominal/notional amounts and net fair value 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	14,409,663	#

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

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2003 (CONT'D)

33. FINANCIAL INSTRUMENTS (cont'd)

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

- (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings.

The carrying amounts approximate their fair values due to the relatively short term maturity of these financial instruments.

- (ii) Marketable Securities

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

- (iii) Borrowings

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

34. COMPARATIVE FIGURES

Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB 24 - Financial Instruments: Disclosure and Presentation upon first application. Certain other comparatives have been reclassified to conform with the current year's presentation.

The comparative figures have been audited by a firm of public accountants other than Ernst & Young.

ANALYSIS OF SHAREHOLDINGS - AS AT 31ST JULY 2003

Authorised Shared Capital	-	RM100,000,000
Issued & Fully Paid-Up Capital	-	RM42,000,000
Class of Shares	-	RM1.00 Ordinary Share
Voting Rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	% Shareholders	No. of Shares Held	% of Issued Share Capital
1 - 99	70	3.28	924	0.00
100 - 1000	73	3.42	47,081	0.11
1001 - 10000	1,698	79.46	6,055,621	14.42
10001 - 100000	268	12.54	5,761,474	13.72
100001 - 2099999(*)	26	1.22	11,234,900	26.75
2100000 and above (**)	2	0.09	18,900,000	45.00
	2,137	100.00	42,000,000	100.00

* less than 5% issued shares

** 5% and above of issued shares

SUBSTANTIAL REGISTERED SHAREHOLDER(S)

	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 31ST JULY 2003

THIRTY LARGEST REGISTERED SHAREHOLDERS

Name of Shareholder	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
(3) Lembaga Tabung Haji	1,216,800	2.90
(4) Lai Kum Sim	1,107,000	2.63
(5) Tan Sok Huang	1,022,400	2.43
(6) Tan Han Chuan	816,000	1.94
(7) Ong Har Hong	780,000	1.86
(8) Wong Chee Choon	768,000	1.83
(9) Tan Ching Ching	762,000	1.81
(10) Mayban Securities Nominees (Tempatan) Sdn Bhd	610,000	1.45
(11) Yoo Kong Siong	529,500	1.26
(12) AMMB Nominees (Tempatan) Sdn Bhd	480,000	1.14
(13) Amanah Raya Berhad	480,000	1.14
(14) Universal Trustee (Malaysia) Berhad	468,000	1.11
(15) Mayban Nominees (Tempatan) Sdn Bhd	360,000	0.86
(16) Poo Choo @ Ong Poo Choi	329,200	0.78
(17) Azmi Bin Abdullah	240,000	0.57
(18) Ban Seng Guan Sdn Bhd	189,600	0.45
(19) Pos Malaysia Berhad	172,800	0.41
(20) Lindawaty Julia	150,000	0.36
(21) Tawakar Enterprise Sdn Bhd	120,000	0.29
(22) Alliancegroup Nominees (Tempatan) Sdn Bhd	114,000	0.27
(23) Ong Wah Seng	110,400	0.26
(24) Goh Siew Hong	105,600	0.25
(25) Si Hong Kuan	100,800	0.24
(26) Public Nominees (Tempatan) Sdn Bhd	100,800	0.24
(27) Low Saw Tin	102,000	0.24
(28) Yoong Sow Har	96,400	0.23
(29) Chin Kim Wah	88,800	0.21
(30) Tan Choo Mit	87,600	0.21
Total	30,407,700	72.40

PROPERTIES OWNED BY LAY HONG BERHAD GROUP OF COMPANIES - AS AT 31ST MARCH 2003

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	9,111 sq. ft.	Freehold	18	534	3/4/90 (39) 26/6/84 (41)
Lot No. 4858 Mukim of Jeram District of Kuala Selangor	Layer Farm	12	Land under Tenant's Lease May 2006	19	970	1/6/1991
Lot No. 4857 Mukim of Jeram District of Kuala Selangor	Layer Farm & Feedmill	12.8	Freehold	4-19	1,469	6/1/1976
Lot No. 559 Mukim of Ijok Kuala Selangor	Layer Farm	34	Freehold	4-11	9,342	23/3/1990
Lot No. 1640 Mukim of Ijok Kuala Selangor	Chick Farm	5	Freehold	1-12	611	29/4/1991
Lot No. 1954 Mukim of Jeram District of Kuala Selangor	Pullet Farm	5	Freehold	1	2,816	15/2/2000
Lot No. 3095 Mukim of Jeram District of Kuala Selangor	Layer Farm	4.8	Freehold	1	5,120	2/3/2000
Lot No. 1868 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.8	Freehold	-	403	5/4/2000
Lot No. 1820 Mukim of Jeram District of Kuala Selangor	Vacant Land	4.9	Freehold	-	451	13/7/2001
Lot Nos. 4847/8 Mukim of Jeram District of Kuala Selangor	Layer Farm	26	Land Under Tenant's Lease Aug 2006	4-16	621	1/9/1986

PROPERTIES OWNED BY LAY HONG BERHAD GROUP OF COMPANIES - AS AT 31ST MARCH 2003 (CONT'D)

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SELANGOR						
Lot No. 4859 Mukim of Jeram District of Kuala Selangor	Fertilizer Plant & Building	4.3	Land Under Tenant's Lease Nov 2004	7-9	273	1/12/1994
Lot No. 1942 Mukim of Jeram District of Kuala Selangor	Fertiliser Plant (under construction)	2.5	Land under Tenant's Lease Sep 2012	-	4	1/10/2002
Lot Nos. 1632/3 Mukim of Ijok Kuala Selangor	Breeder Farm & Hatchery	10	Freehold	2-11	1,415	29/9/1990
Lot No. 807 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	4-8	818	16/6/1995
Lot No. 681 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	4-8	1,103	20/9/1995
Lot Nos. 708/9 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	10	Freehold	4-7	1,654	6/5/1995
Lot No. 969 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	5	Freehold	4-6	921	9/6/1995
Lot Nos. 683/4 & 685 Mukim Ujong Permatang Kuala Selangor	Broiler Farm	15	Land Under Tenant's Lease May 2012	3-6	3,212	19/5/1997
Lot Nos. 1475/6 Lot Nos. 253 & 244 Mukim Pasangan Kuala Selangor	Breeder Farm	18	Freehold	1-5	5,817	8/5/1995

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SELANGOR						
Lot No. 1011 Mukim Pasangan Kuala Selangor	Vacant Land	3	Freehold	-	166	14/7/1995
Lot No.16456 Mukim Tanjong Karang District of Kuala Selangor	Processing Plant (under contruction)	1	Freehold	-	110	14/6/2000
Lot No. 16457 Mukim Tanjong Karang District of Kuala Selangor	Processing Plant (under contruction)	1	Freehold	-	110	14/6/2000
MELAKA						
Lot Nos. 1717/8/9 and 1720 Mukim of Ayer Panas Jasin, Melaka	Layer Farm	40.4	Freehold	9-18	2,540	13/4/1982
SABAH						
CL 045169248 Kampung Indai Tuaran, Sabah	Broiler Farm	10.7	Leasehold Jan 2060	7	786	31/10/1995
NT No. 043176030 Lubok Bagiang Tuaran, Sabah	Broiler Farm	6.4	Leasehold June 2094	8	1,228	21/6/1995
NT No. 043171651 Kampung Serusup Tuaran, Sabah	Vacant Land	9.4	Leasehold June 2094	-	147	21/6/1995
CL 105245010 Mile 12, Runggu Road Tawau, Sabah	Vacant Land	16.5	Leasehold Jan 2064	-	134	28/7/1995
CL 105244648 Tawau, Sabah	Vacant Land	8.8	Leasehold May 2064	-	68	2/3/1995
CL 045115928 Tuaran, Sabah	Layer Farm & Feedmill	89	Leasehold Jan 2938	13	770	12/3/1990

PROPERTIES OWNED BY LAY HONG BERHAD GROUP OF COMPANIES - AS AT 31ST MARCH 2003 (CONT'D)

Location	Description & Existing Use	Approximate Area (Acres)	Tenure & Expiry Date	Age of Building (Years)	NBV (RM'000)	Date of Acquisition
SABAH						
CL 025308043 Papar, Sabah	Breeder Farm	19.2	Leasehold Jan 2063	2-6	2,033	17/3/1998
CL 025166714 Papar, Sabah	Vacant Land	18.8	Leasehold Jan 2056	-	105	17/3/1998
CL 025166705 Papar, Sabah	Vacant Land	19.7	Leasehold Jan 2056	-	105	17/3/1998
NT No. 043140905 Kampung Serusop Tuaran, Sabah	Broiler Farm	5	Leasehold Feb 2099	1	994	13/4/2000
NT No. 043140914 Kampung Lok Bagiang Tuaran, Sabah	Broiler Farm	2.7	Leasehold Aug 2098	1	538	1/8/1999
CL 015580104 Kota Kinabalu, Sabah (KKIP)	Feedmill	2.7	Leasehold Dec 2096	1	2,871	8/12/2000
NT. No. 044018224 Tuaran, Sabah	Broiler Farm	4	Leasehold Jul 2031	1	795	2/7/2001
NT. No. 013050569 Kampung Telipok Kota Kinabalu Sabah	Broiler Farm	5.9	Leasehold Apr 2032	2	1,445	18/1/2002

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 _____

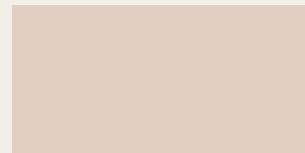
NRIC No. _____

as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held on Monday, 29th September 2003 at Goldcourse Hotel, 9 Jalan Pasar, 41400 Klang, Selangor Darul Ehsan at 11.00am and at any adjournment thereof. My/our proxy is to vote as indicated below:

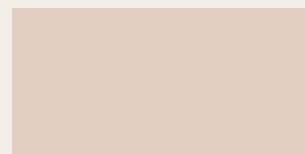
Resolution	Ordinary Resolutions	For	Against
1.	To receive the Audited Accounts for the year ended 31st March 2003.	()	()
2.	To declare a First and Final Dividend of 1% less tax at 28% for the year ended 31st March 2003.	()	()
3.	To approve Directors' Fees for the year ended 31st March 2003.	()	()
4.	To re-elect Mr Yip Kim Hoong as Director.	()	()
5.	To re-elect Mr Yeap Fock Hoong as Director.	()	()
6.	To re-appoint Messrs Ernst & Young as Auditors.	()	()
7.	To authorise the issue of shares up to 10% of Issued Capital.	()	()
8.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.	()	()

(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 _____ 2003.



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 on his/her stead. A proxy may but need not be a member of the Company and the provision 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.

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LAY HONG BERHAD

39 & 41, JALAN 5, KAWASAN 16

TAMAN INTAN, 41300 KLANG

SELANGOR, MALAYSIA

stamp

fold here